



Minutes of the Board
25 September 2018
Windsor House, London, SW1H 0TL

Present:

Members

Nick Baldwin - Chair
Penny Boys – Non-Executive Director
Oona Muirhead – Non-Executive Director
Bronwyn Hill – Non-Executive Director
Jonathan Baume – Non-Executive Director
Sarika Patel – Non-Executive Director
Simon Lister – Non-Executive Director
Adrienne Kelbie – Chief Executive
Mark Foy- Chief Nuclear Inspector
Sarah High – Finance Director
Dave Caton – HR Director

Attendees

Anthony Hart -Technical Director
Katie Day - Director Policy and
Communications
Alistair Campbell – Head of IT
Mina Golshan – Director Sellafeld,
Decommissioning, Fuel and Waste/
SSAC SRO (item 11)
Debbie Harrison-North, HR (item 8)
Sonal Patel, HR (observer and item 8)
Vik Winspear Roberts, SRO WIReD
Project (item 9)

Secretariat: Charlotte Cooper, Head of Corporate Governance (Board Secretary)

1 Welcome, Introductions, Apologies for Absence and Declarations of Interest

- 1.1 The Chair welcomed everyone to the meeting.
- 1.2 No declarations of interest were received.

2 Minutes of the Last Meeting, Matters Arising, Action Points

- 2.1 The minutes of the meeting held on 24 July 2018 were agreed as a correct record, subject to the following minor amendments:

- (1) Action 1 – (a) seek clarity from DWP on ONR roles and responsibilities as a public corporation; and (b) financial management implications and alternative options as a result of our funding dependency on DWP.

- (2) Para 6.6 – add at the end of the sentence, ‘subject to Board approval of the budget increase in September.’

- 2.2 It was noted that all items on the action log were either completed or on track, with the exception of action 1 from the July Board which is addressed at paragraph 2.1 (1) above. The Board challenged the status update at Action 3, regarding SSAC funding beyond 2021 and their request that this be added to the appropriate risk register. This is now included in the Finance Director’s Risk Register. Action 1, from the January 2018 Board, regarding ONR’s Succession Planning, would be jointly owned by the CNI and HR Director. The Action Log would be updated to reflect Board comments.

3 Chair's Report

- 3.1 The Chair provided a brief update on the recruitment competition for ONR's next Chair which was launched on 17 September. The closing date for applications is 12 October 2018. Details are on both the Public Appointments' and ONR's website.
- 3.2 He reported that since the Board meeting on 24 July he had:
 - 1) Opened the Nuclear Graduates event on 13 September in Bootle. The new cohort included ONR's first ever cyber security graduate.
 - 2) Met Mark Wood, RSM Consultants, along with Oona Muirhead, Security Committee Chair, on 13 September to contribute to the independent effectiveness review of the Committee. The Committee Chair commented that this was not just a review of effectiveness. She had asked the reviewer to consider whether the Board felt more assured as a result of having a Security Committee or whether there was some other way of providing assurance. Board members would be asked to carry out a short survey. This will be context for the Board's consideration of the review at a future meeting.
 - 3) Attended the HSE Board on 12 September.
- 3.3 Sarika Patel, Non-Executive Director, provided feedback on the Public Chairs' Forum event held on 24 September 2018 on how department and public body Non-Executive Directors can ensure they make the best use of their expertise.
- 3.4 Penny Boys, Non-Executive Director, provided feedback on the Infrastructure Forum held on 6 September 2018 on lessons learnt from Carillion.

4 Chief Executive's Report

- 4.1 The Chief Executive presented a paper to enable the Board to satisfy itself that ONR is being properly managed to deliver its strategic intent and to consider corporate risk mitigation.

Overview

- 4.2 Operational progress had been maintained with no significant operational issues. Senior management attention focused on the top ten priorities, with particular effort applied to improving regulatory processes, preparing for our next staff survey, planning career development manager role changes, management of supplier commercials and performance, the WIReD business case, and Academy content evaluation.
- 4.3 Of the 60 corporate milestones due, 21 were due by end of August. 16 had been completed with five slipping within year: REPPiR code of practice ready for consultation; IRRS self-assessment; publishing the DWP/ONR Framework Document; agree integrated IT separation and modernisation plans; and complete phase one laptop roll out. All issues are familiar to Board.

4.4 The full year forecast is £81.5m against a budget of £83.9m. This includes new pressures of £0.6m for leave provision, SIMRS and a reduction of £1.3m for regulatory staff. The CNI has taken steps to understand the Regulatory Directorate underspend and now considers the staffing budget to be more realistic.

ST 1 – Influencing Improvements in Nuclear Safety and Security

4.5 New guidance has been produced on assessment of regulatory attention levels. This should bring greater consistency across all ONR purposes and divisions.

4.6 We have mitigated against the known risk of operational uncertainty relating to the Moorside site. Minimal resources have been deployed this year so recent developments have had negligible internal impact. Unless the position significantly changes, we are unlikely to require further resources for Moorside next year.

ST 2 – Inspiring a climate of stakeholder respect, confidence and trust

4.7 The NTI National Threat Security Index is the first of its kind public benchmarking of nuclear security conditions across 176 countries. The 2018 report ranks ONR as number one for our nuclear security regulatory framework. This reflects improvements over recent years.

4.8 The Chief Executive is expecting to sign our Framework Document on Friday as it now reflected the necessary elements of Public Corporation Status.

ST 3 – Getting the best out of our people

4.9 From October, the Executive and Regulatory Management Teams will come together to form a single governance and leadership team, the Senior Leadership Team, to lead, motivate, oversee, scrutinise and support ONR's delivery of our strategic plan and lead work for the 2020-2025 strategy.

ST 4 – Developing a high performing and sustainable organisation

4.10 The Head of Corporate Governance provided a short update on information risk accountabilities and immediate priorities. She will focus on addressing the actions agreed in our End of Year Information Assurance audit and so mitigating elements of strategic risk 15.

4.11 In discussion the Board:

- i. Asked for a short note to be included in the Board Strategy Session pack setting out the current position on funding for each new nuclear build project in the UK.
- ii. Noted the achievement of being ranked number one for our nuclear security regulatory framework in the NTI National Threat Security Index 2018 report.
- iii. Sought clarity on WIReD and IT Separation Costs. The FD confirmed the current budget for WIReD of £2m in 2018/19 and £2.1m in 19/20, although this is currently revenue not capital. The budget and loan agreement for IT separation is still being developed. However, due to our working capital challenge, we are likely to require working capital support

from DWP, or a third party, to support cash flow requirements in WIReD and IT separation.

Action 1: Short note to be prepared for the Board Strategy Session setting out the current position on funding for each new nuclear build project in the UK - CNI.

4.12 The Board noted the report.

5 Chief Nuclear Inspector's Report

5.1 The Chief Nuclear Inspector (CNI) presented his report to provide assurance to the Board that our regulatory activities have been effective across the nuclear sector; holding industry to account on behalf of the public and influencing to enable safety and nuclear security delivery.

Overview

5.2 In July and August, a total of 16 milestones were due for completion; 14 had been delivered and 2 corporate milestones missed: final draft of REPPiR code of practice and guidance; guidance on amendment to Transport Regulations, both deferred to 2019/20. Dates for each milestone would be confirmed following further discussion with BEIS.

5.3 Following discussion at July Board, a review had taken place to determine the root cause of the continued underspend in Regulatory Directorate associated with staff costs. An issue with budget profiling each month has been recognised and measures put in place to ensure it does not happen again. The staff cost forecast for the remainder of 2018/19 has been revised, resulting in an overall reduction of £2.5m in the staff cost being declared, contributing to a full year Regulatory Directorate underspend of £3.1m.

5.4 Recruitment of cyber security specialists remains a challenge. A more attractive remuneration package is now being considered that is in line with market 'norms'.

Regulatory Oversight

5.5 Two Regulatory Assurance Reviews had been completed in the reporting period. The strategic review of Core Regulatory Processes had two separate elements. The Annual Reviews of Safety and Security element received substantial assurance and the Periodic Safety Review element received substantial assurance. On the first annual review of the effectiveness of the ONR Regulatory Deployment and Resilience meeting, proposals have been accepted to accelerate effectiveness improvements covering how the meeting is run and also its strategic context. The purpose was to provide the Regulatory Management Team with a report on the effectiveness of the meeting as opposed to an assurance rating at this time.

5.6 An oral update was provided on the three prosecution cases.

ST 1 – Influencing Improvements in Nuclear Safety and Security

5.7 A review of the Nuclear Site Security Plans (NSSPs) associated with the pilot sites has confirmed the need to revise the SyAPs project delivery plan. ONR's

Security Committee was assured at its meeting on 18 September on the robustness of the revised project plan which sees the planned completion date for assessment of the full suite of NSSPs move from September 2019 to December 2020. There was a discussion about ONR's regulatory strategy for small duty holders and how we regulate proportionately. It was noted this was an issue not just in relation to SyAPs but also SSAC.

- 5.8 EDF Energy has taken the decision to shut down Hunterston B, Reactor 4 to undertake graphite core inspections. Hunterston B, Reactor 3 and Dungeness B remain offline.

ST 2 – Inspiring a climate of stakeholder respect, trust and confidence

- 5.9 The Chief Executive and Chief Nuclear Inspector attended the IAEA General Conference week commencing 17 September, attending a large number of bi-lateral meetings with fellow national regulators at which we renewed a number of our information exchange agreements.

ST3 – Getting the best out of our people

- 5.10 The principles to rebalance and streamline the Career Development Manager (CDM) structure to better align against specialism and division have now been agreed. Recognising this represents an important change, the new CDM structure would be implemented in October 2018 to ensure time for full engagement with CDMs, Professional and Delivery leads and trade unions.
- 5.11 In discussion the Board considered our cyber security specialist competence and asked about our work collaborating with others. The Security Committee Chair made reference to a paper that had been commissioned for the next Committee on a long term strategy for security regulation personnel covering pipeline issues and developing the progression. She also made reference to the Government's Cyber Professional Strategy that had been published recently.
- 5.12 The Board understood this long standing issue and associated challenges, given the national skills shortage, and were supportive of the approach.
- 5.13 The Board noted the report.

6 Finance Report

- 6.1 The Finance Director presented a paper on ONR's financial performance and governance to 31 August 2018.
- 6.2 Focus had been on developing and delivering a successful Business Continuity test exercise for staff to aid our learning and development of the plan, reviewing our strategic risks, preparing for our 2019/2020 planning activity and starting our engagement to support the introduction of a more flexible workspace environment at Redgrave Court.
- 6.3 In the reporting period, 42 milestones were due, 35 had been delivered and seven slipped. These related to: strategic review of our service management agreement; testing the business continuity plan; issue the Performance and

Risk Information Management tender; complete low usage expenses policy review; complete changes of location expenses policy review; two COIN replacement milestones. All milestones are expected to be recovered in year.

- 6.4 At 31 August 2018 the full year forecast is £81.5m against a budget of £83.9m.
- 6.5 ONR's budget for the 2018/19 financial year (£83.9m) included a ring-fenced budget of £6.3m for the UK SSAC project, funded by BEIS. This figure was based on the information known to the project at that time. Since that time, the UK SSAC project had evolved considerably creating more certainty and clarity on its future budget and financial forecast.
- 6.6 A separate paper (appendix E) was presented setting out the increase in the project's funding requirements and alignment to the BEIS approved business case for UK SSAC.
- 6.7 In discussion the Board reinforced the need to ensure appropriate control around the SSAC budget.
- 6.8 The Board agreed to:
 - (a) increase the UK SSAC budget, funded by BEIS, by a net £0.5m from £6.3m to £6.8m for 2018/19;
 - (b) increase the overall ONR budget by a net £0.8m;
 - (c) increase the overall UK SSAC funding envelope up to £8.9m to align with the BEIS business case in the form of a UK SSAC budget drawdown facility, controlled by the Chief Executive with Board oversight.

7 HR Director's Report

- 7.1 The HR Director presented a paper to enable the Board to assure itself that people issues are being managed appropriately and that ONR is getting the best out of and for its people.
- 7.2 Good progress continues to be made against plan with all 37 milestones completed. Two milestones were delivered ahead of schedule.
- 7.3 Although HR continued to deliver its milestone commitments, there was less confidence in achieving all the desired outcomes. In part this related to the need to improve ownership and effective implementation. ONR's newly appointed Head of Organisational Development will carry out a review to fully understand the issues.
- 7.4 At 31 August 2018, ONR employed 583.69 FTE (headcount 617), of which 381.39 FTE were technical specialists. We remain on target to achieve the forecast net growth in 2018/19 of 32 staff.
- 7.5 A role profile had been developed for our Career Development Managers (CDMs) bringing clarity on purpose, accountabilities and responsibilities for this important role. A mandatory development programme, for all new and existing CDMs, will be rolled out to coincide with the revised role profile.

- 7.6 An Internal Audit report on the introduction of the Behavioural Framework has been given a substantial assurance rating.
- 7.7 A recent data declaration campaign has had significant success with the average rate increasing from 43% to 71%. This would enable us to better understand our diversity profile, assess impacts and focus action accordingly.
- 7.8 Work has continued with the Nuclear Skills Strategy Group (NSSG) to discuss the mitigations and evidence in relation to their strategic risk raised in relation to regulator capacity. Given the significant progress that has been made, supported by evidence, NSSG are proposing to retire this risk.
- 7.9 In discussion the Board asked whether there is any data HR is collecting that may help us baseline our productivity. The HR Director commented that some early work had taken place and was hopeful that the next set of KPIs could support this.
- 7.10 The Board noted the report.

8. Director Presentation – HR Our Journey So Far

- 8.1 The Head of People Services and Head of Organisational Development presented on HR's journey so far. The presentation set out where ONR was post vesting and the progress made since that time. This included publishing ONR's People Strategy setting out how we plan to get the best for and out of our people so that we deliver ONR's 2020 strategic plan, combined with a strengthening of HR capability and capacity to deliver the required change. A significant number of achievements had taken place, culminating in ONR being shortlisted for two national HR awards this year.
- 8.2 The Board passed on their thanks for the presentation which had clearly demonstrated the journey and change that had taken place in ONR.

9. Business Case Approval – WIReD (Well Informed Regulatory Decision)

- 9.1 The Strategic Improvement Projects' SRO presented the business case for WIReD.
- 9.2 The WIReD project combines the final two of four Strategic Improvement Projects, Business Process Review and Knowledge Management, to deliver against the success measures set out in ONR's Strategic Plan 2016-2020.
- 9.3 All Directors are committed to WIReD and to the case for change. This has been reinforced by the review of the change roadmap, approval of the business case by the Executive Management Team and presentations from our duty holders on why it is important to them that we modernise. This has resulted in demonstrable commitment in relation to resources and support to pilot the improvements identified from the regulatory process review.

9.4 The SRO set out the drivers for change, engagement to date and the phasing and timing of the project. She also set out ONR's approach to implementation including governance, commercial control, IT alignment external support, staff engagement and project risks.

9.5 In discussion, the Board:

- i. Recognised that this was a change project and would need ambition, advocacy and alignment from the senior team.
- ii. Understood that the project was not about saving money, but about ONR Inspectors' ability to operate. Any productivity gains and costs savings would come further down the line.
- iii. Raised concerns about mission scope, from their own experiences, and suggested the SRO think carefully about where the 'trade-offs' may be as the project moves forward in terms of time, cost and quality.
- iv. Reinforced the need for the project governance to be reactive to support decisions and the need for adequate check points to ensure future spend is wisely directed.
- v. Stressed the importance of managing reputational risk by proactive management of the project risk register.
- vi. Questioned whether the current contingency limit was sufficient.

9.6 The Board were supportive of the project and provided challenge and insight based on their own experience to support the SRO and ONR's leadership to deliver this type of change.

9.7 The Board asked for two important matters to be addressed in the Business Case:

1. To build in external and independent assurance reviews at key points during the project, based on advice as appropriate, including from the Infrastructure Projects Authority.
2. Review the contingency figure to ascertain whether an increase is necessary, and should that be the case, this should be supported by appropriate rationale.

9.8 The Board agreed to consider the updated Business Case in correspondence.

Action 2: SRO to address the two matters at 9.7 (1) relating the external and independent assurance reviews, and (2) review of contingency figure and circulate an updated Business Case to the Board in correspondence – SRO supported by Board Secretary.

10. IT Separation and Modernisation Update

Separation

10.1 The Head of IT presented a paper setting out the current position on the IT Separation and Modernisation Projects. The paper also provides an overview of how a Cloud hosting platform can meet our IT security requirements and explains the hosting options being used by our SSAC project.

- 10.2 In the reporting period, seven of the ten milestones were delivered. Of the three that were missed, two relate to the roll out of laptops for ONR staff and is of significant impact. The other relates to the Risk, Planning and Audit System tender.
- 10.3 Positive progress had been made on IT separation and a preferred target platform identified. A statement of service requirements is being prepared which would be further informed by a supplier day early October.

Modernisation

- 10.4 Build activities have commenced on the new laptops and the first test machines have been built and are being tested by IT. Testing with the first group of business users is scheduled for week commencing 24 September and once testing is confirmed as successful, full roll-out will follow immediately.
- 10.5 In discussion the Board:
- i. Sought clarity on the differing approaches on the platform for IT separation and the SSAC project. The Head of IT confirmed that the SSAC project needed to be implemented by January 2019. ONR's strategic hosting platform would not be available in this timeframe.
 - ii. Reinforced the importance of ensuring strong contractual arrangements to safeguard ONR.
- 10.6 The Board noted the paper and welcomed the positive progress that had been made.

11. UK State System of Accountancy for and Control of Nuclear Material (SSAC)

- 11.1 The SRO presented a paper to update on progress and highlight the risks and mitigations.
- 11.2 The project continues to make good progress across all work streams. SIMRS remains on schedule, and work continues on developing the necessary processes for implementation of the regulatory framework and operating model. Given the dynamic operational environment, risks are subject to constant review.
- 11.3 The overall project RAG risk rating remains AMBER. It is anticipated that the risk to conclude the Charging Agreement with BEIS will have been retired before the next Board.
- 11.4 The project is focused on delivery and a review of the plan to March 2019 has led to reprioritisation in some areas.
- 11.5 Work to deliver SIMRS by the end of December remains on track, with parallel running on target to start in January 2019. ONR has completed the selection of the supplier to undertake penetration testing of SIMRS.

- 11.6 The Regulatory Management Team endorsed the regulatory framework and operating model for the new domestic safeguards regime on 31 July 2018. BEIS has expressed support for the regulatory approach.
- 11.7 SSAC project staff supported two BEIS consultation events held in London and Manchester. Attendees included small users of nuclear material as well as large operators. ONR assisted in answering questions on technical aspects of the draft regulations. We are working closely with BEIS to consider feedback on the regulations and any potential amendments that may be required as a result. The consultation closes on 14 September and the BEIS timetable to lay the regulations in Parliament before the end of the calendar year is challenging.
- 11.8 Subsequent to writing the Board report, ONR has been advised that BEIS are planning to lay the regulations in Parliament in November. This needs careful consideration and an open and transparent discussion with BEIS around the risks associated with both a November and December deadline.
- 11.9 The project is preparing for two Infrastructure Projects Authority (IPA) Reviews which will take place in September and November.
- 11.10 In discussion, the Board welcomed the SRO's approach to open and transparent discussion with BEIS on the earlier timetable for laying the regulations in Parliament, and stressed the need for careful consideration on the risks associated with both a November and December date.
- 11.11 The Board noted the paper and thanked the SRO and her team for the progress that had been made.


12 Any Other Business

- 12.1 Observer Feedback – Sonal Patel, Head of Organisational Development thanked the Board for the opportunity to observe an interesting meeting. She commented on a shared desire to drive ONR forward and on the informed and constructive challenge from individual Board members.
- 12.2 There was no other business raised.

13 Information Papers:

- 13.1 The Board noted the following information papers:

- 1) Security Committee Minutes – 26 June 2018.
- 2) Audit and Risk Assurance Committee minutes – 12 September 2018.
- 3) Board Forward Plan.

Minutes approved by the Board:	
Signed 	Date <u>4/12/18</u>
Nick Baldwin, ONR Chair	