

**Minutes of the ONR Board
2 February 2022**

MS Teams meeting (due to COVID-19 restrictions)

Present:

Members

Mark McAllister - Chair
Sarika Patel - Non-Executive Director
Tracey Matthews - Non-Executive Director
Jean Llewellyn - Non-Executive Director
Simon Lister - Non-Executive Director (part)
Janet Wilson - Non-Executive Director
Mark Foy - Chief Executive / Chief Nuclear
Inspector
Sarah High - Deputy Chief Executive
Donald Urquhart - Executive Director
Operations

Attendees

Dave Caton - HR Director
Katie Day - Director Policy and Communications
Anna Gomez Cobo - Head of HPR1000 (item 5)
Jo deBank - Communications Manager (item 5)
Paul Dicks - SDFW Director (item 6)
Helen Norris - SDFW Programme Manager (item 6)
Alan Wylie - Sellafield Delivery Lead (item 6)
Kulvinder McDonald - SCIE Delivery Lead (item 6)
Dan Harte - CISO (item 8)
Paul Fyfe - CNSS Director (item 10)
Lynne Mackay - Head of Domestic Safeguards
(item 10)
Simon Coldham - ITD Director (item 11)

Observers

Luke Traynor - Senior Communications Manager
Craig Murdoch and Katie Riley - Senior
Management Accountants (item 7)

Secretary: 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 Apologies for absence were received from the Finance Director. It was noted that Simon Lister, Non-Executive Director would join the meeting at noon.
- 1.3 No declarations of interest were received.

2 Minutes, Matters Arising and Action Points

- 2.1 The minutes of the meeting held on 24 November were agreed as a correct record. All actions on the action log were complete or on track for delivery.

3 Chair's Report

- 3.1 COVID-19 restrictions continue to impact on the Chair's external engagement, although he was continuing to make use of virtual meetings where possible.
- 3.2 He reflected on a number of interesting themes as follows:
 - i. How well ONR's Committees are developing. He highlighted the continued effectiveness of the Audit and Risk Assurance Committee (ARAC), the shift in

focus of the Nominations and Remuneration Committee (RNC) to be more strategic, thematic and less transactional, and the Security Committee (SC) which had met in person to discuss ONR's transparency agenda in the context of security regulation. The SC would now meet three times a year to focus on a key topic to ensure added value for all attendees.

- ii. The Post Implementation Review (PIR) had shown ONR at its best in terms of our preparedness and professionalism at the briefing sessions.
- iii. The value of our external networks which had taken on a new lease of life and our strengthened Board level relationships with others. He provided feedback on the Public Chairs' Forum (PCF) Annual Conference on 30 November 2021 with the theme 'making sense of Arm's-Length Bodies'; the PCF/Cabinet Office-led Roundtable on public bodies on 6 December 2021; and the Chair of Safety Regulators' Forum on 1 February 2022 at which ONR's Chief Executive/Chief Nuclear Inspector (CE/CNI) gave an insight into the work of the UK Health and Safety Regulators Network (UKHSRN) which he chairs. This was the first time these groups had come together and focused on measuring organisational effectiveness. Following an introductory meeting on 6 January 2022 with the Chair of the Regulatory Horizons Council (RHC), she has agreed to share her experiences at RHC at a future meeting of the Chair of Safety Regulators' Forum. The ONR Chair was also keen to encourage the Environment Agency (EA) to join this group and the focus of the next meeting would be climate resilience at which the EA Chair would speak and take questions.

- 3.3 He had separate catch-up meetings to discuss matters of mutual interest with the Chair of Sellafield Limited (SL) and Chair of the Civil Aviation Authority (CAA) on 7 December 2021, the Chair and CEO of Radioactive Waste Management (RWM) Limited on 10 December 2021, the Chair of the EA on 11 January 2022 and his first meeting with the recently appointed Chair of UK Government Investments (UKGI) on 26 January 2022.

4 Executive Director Report

- 4.1 The CE/CNI presented his summary report on key strategic, operational and financial matters, and highlighted emergent risks during the reporting period. His report draws on respective summary assessments from the Board's Executive Directors.
- 4.2 He confirmed we had received the draft PIR review report and recommendations which would be discussed in detail at agenda item nine.
- 4.3 He provided an update on the timetable for producing our Annual Report and Accounts (ARA) and laying before Parliament's summer recess. The timetable is challenging and has significant risk because of the National Audit Office's (NAO's) late start date. He had escalated the issue to the NAO, asking that action be taken to commence their final audit during May, which would provide confidence that we could manage the audit cycle whilst allowing sufficient time both to complete the approval process with DWP and lay our accounts before recess. Although NAO has confirmed they will now commence their final audit week commencing 30 May, two

weeks earlier than originally planned, this is still not without risk and will need all parties to work effectively together if the recess date is to be achieved.

- 4.4 He updated Board on our charging arrangements confirming the current estimated liabilities associated with the 'Common Good' charging are reduced. The position and our determination are still subject to ratification by the NAO and Government Legal Department (GLD).
- 4.5 He provided an update on proposed Executive Governance changes which will draw a distinction between decision making governance that aligns with accountability, and senior leadership accountabilities as a director of ONR, providing leadership by all, for all. A new ONR Executive Team (OET) will be established comprised of the CE/CNI, Executive Director of Operations (EDO) and Deputy Chief Executive (DCE) which will take over from the existing Senior Leadership Team (SLT) in providing strategic direction and for decision-making. The Regulatory Leadership and Support Directorate Leadership Teams will continue as the operational decision-making bodies. The SLT will also be retained, although it will meet less frequently, to focus on leadership and delivery of strategic work across ONR. He highlighted changes to our cross directorate working groups, some of which would now be disbanded. He sought Board's view on NED sponsorship of the Diversity and Inclusion Group as it was felt this would be helpful in raising its profile and driving improvements.
- 4.6 The CE/CNI also confirmed the intention to have only one Deputy Chief Inspector (DCI), an appointment that will be vested in the EDO. This provides balance with the DCE role for corporate services and reflects the approach to the appointment of deputies in other organisations. The intention is to implement to new arrangements on 1 April 2022.
- 4.7 The SLT has reviewed the outputs from the Board Strategy Day and drafted the desired outcomes for the six areas of focus. Three of these are already covered by existing work and SLT believes they have sufficient traction so as not to warrant additional attention. Members of SLT have been given responsibility for the leadership and delivery of the work for the three remaining areas, which focus on efficiency, succession planning and culture and reflects the focus of SLT's leadership and delivery of strategic work across ONR under the new planned Executive Governance arrangement.
- 4.8 On the preliminary budget 2022/23 he expressed concern that the initial overall budget requirement figures remained high. He has asked Directors to revisit their submissions, noting this would be discussed in more detail at item seven.
- 4.9 He confirmed the agreement with MoD colleagues for ONR's Operating Facilities Director to work with the Defence Nuclear Safety Regulator and Defence Nuclear Organisation to resolve the outstanding matters on the Vires Review. The issues are not considered insurmountable and with a collective willingness we should be able complete the work to the satisfaction of all.

- 4.10 He provided an oral update on the MoD's potential exemption from the Radiation (Emergency Preparedness and Public Information) Regulations 2019 (REPPIR) and set out next steps which he would confirm in writing to the MoD.
- 4.11 Finally, he provided an oral update on the Generic Design Assessment (GDA) of the HPR1000 noting this would be discussed in more detail at item five.
- 4.12 The EDO reported on what had been a busy period from a regulatory perspective, with significant operational activity across both civil and defence sectors of the nuclear industry.
- 4.13 He commented that the last couple of months have seen significant regulatory developments including, but not limited to: the safe 'end of life' shutdown of the second Hunterston B reactor; successful completion of the HPR-1000 GDA; and a successful review of the Rolls-Royce SMR Limited's application to commence GDA suggesting its sufficiency to enter the GDA process for potential commencement of Step 1 in April 2022.
- 4.14 He provided feedback on his recent visit to Sellafield, accompanied by the Sellafield Decommissioning Fuel and Waste (SDFW) and Civil Nuclear Security & Safeguards (CNSS) Directors and provided an oral update on progress in key areas. The visit had also focused on Sellafield Limited's (SL) perceptions of ONR's consistency and proportionality, to explore opportunities to improve how we interact in future, and how we might ensure maintenance of optimal, open and trusting relationships to best service future programme challenges. This was a constructive and positive meeting, which sets the tone for such future engagements and has set us up well for the planned ONR/SL Board to Board engagement in March.
- 4.15 He highlighted the issues relating to the operating status of a number of reactors in France and the UK and the economic pressures being experienced by EDF. We remain vigilant to the need to satisfy ourselves that economic considerations are not in any way being allowed adversely to affect safety or security decision-making.
- 4.16 He provided a brief update on the WIReD project which has continued to make good progress. He highlighted that recent recruitment for PowerApps developers (under IR35) had been unsuccessful. We intend to review our 'ask' and 'offer' to ensure that they are reflective and realistic in today's market.
- 4.17 He confirmed that the Safeguards Team continues to perform well, having recently submitted its Annual Report to the Secretary of State (as required by the Nuclear Safeguards Regulations 2019). The team continues to command the evident respect of international colleagues.
- 4.18 He concluded by highlighting that the work by the Regulatory Leadership Team (RLT) to improve collaboration, cooperation and consistency across our statutory purposes is now 'bearing fruit' with a greater prevailing sense of the value of planning and working together. This is an ongoing cultural shift and is likely to be consolidated over time by the eventual move towards more integration of inspectors from across our statutory purposes (possibly with the exception of Safeguards) into single regulatory multi-purpose divisions.

- 4.19 The DCE reported on what had been an exceptionally busy start to the new year after a restful break over the Christmas period. Many colleagues are carrying heavy workloads, with the burden exacerbated due to cyclical business planning and budgeting pressures, capacity gaps and sickness within teams. She has been working with Directors to help identify what we can stop doing to ensure the teams stay well and focused on the right things and consider where we can reprioritise. Despite the recent review and reprioritisation of the Strategic Change Portfolio, workload associated with core business had not reduced. This would now be addressed as a priority.
- 4.20 She highlighted that budget and business planning has been a key focus for the organisation, improved this year by further simplification of our business planning approach. In parallel, we have taken the opportunity to review, refresh and refine our Organisational Effectiveness Indicator (OEI) Year 2 outcomes, to ensure our end of year assessments are against meaningful measures of success.
- 4.21 She confirmed we had re-assessed the recommendations that emerged from the New Ways of Working (NWoW) project in November 2020, to ensure that we continue to focus on the right areas (given the passage of time with the prolonged pandemic), prioritise the work that will deliver the most impact, and reduce the administrative and operational burden.
- 4.22 She provided an update on the technical challenges experienced during December which had continued to delay the Cyber Essentials Plus (CE+) certification project and set out the actions to address the blockers to certification. Completion of testing is expected shortly with a move to live deployment within the next few weeks. If successful, we will move immediately to begin the CE+ assessment during February.
- 4.23 She confirmed Board would receive the draft risk appetite statement in March. Two new strategic risks are under development: (1) a people risk, the scope and focus of which has been shared with the ARAC; and (2) an environmental social governance, climate change risk.
- 4.24 In discussion the Board:
- i. Were supportive of the proposed new executive governance arrangements which would demonstrate simplification, efficiency and speed of decision making.
 - ii. Welcomed the development of a new people focused strategic risk but commented that we need to be really clear on what the issue is and on what it is we are trying to address.
 - iii. Welcomed the fact that we had not created separate initiatives to take forward the six themes identified at the Board Strategy Session, noting the approach set out in taking them forward.
 - iv. Would consider NED sponsorship of the Diversity and Inclusion Group.
 - v. Were pleased to see the reintroduction of the Corporate Milestone Plan on a Page included as an appendix, adding we must retain those things that work well.

- 4.25 The Board noted the report.
- 4.26 The DCE provided a separate detailed update on retender options for the provision of internal audit and assurance services.
- 4.27 Following the retender exercise in late 2021, Board approved a contract for internal audit and assurance services commencing 1 April 2022. A series of procurement options had been presented to the ARAC for their consideration.
- 4.28 Following full consideration of the options by ARAC, the Board agreed to discontinue the tendering process and continue with the Government Internal Audit Agency (GIAA) for a further twelve months. During this period we would look for opportunities to drive improvements in service provision.

5 HPR1000 GDA – Stakeholder Engagement and Public Interest Issues

- 5.1 The CE/CNI introduced the session following the Chair's request to provide the Board with assurances on the adequacy of our stakeholder engagement and response to public interest matters associated with the GDA of the HPR1000 reactor design, to ensure that we have satisfactorily addressed any potential stakeholder issues, before we formally issue the Design Acceptance Confirmation (DAC).
- 5.2 The Head of HPR1000 Regulation gave a detailed presentation covering: GDA; the UK HPR1000 GDA step 4 strategy and innovative ways of working across ONR purposes; inspector activity; and the outcomes of a GDA Requesting Party (RP) holistic review of the design modifications to check if the costs were grossly disproportionate to the overall safety benefit to the plan when all the changes were considered. The review concluded that the design of the UK HPR 1000 has an appropriate balance between overall safety benefit and disbenefit when all modifications were considered as a whole.
- 5.3 The Director of Policy and Communications (P&C) and the Communications Manager set out our stakeholder engagement and handling activity, including the UK context and the position on stakeholder engagement during the assessment. She concluded stakeholder engagement had been effective with evidence to demonstrate we had dealt with all enquiries. Responses had been based on fact, established as part of the assessment of the reactor design, working with the EA as necessary. She confirmed positive recognition had been received on our open and honest engagement which had provided confidence in our regulation of the technology. Relationships remain strong and effective with all key stakeholders.
- 5.4 She set out the plan and next steps for handling the UK HPR1000 Design Acceptance Certificate (DAC) publication.
- 5.5 In discussion the Board:
- i. Commented that this has been a fantastically well-run project, delivering to schedule despite a number of challenges, adding that this is something the team and ONR should be proud of.

- ii. Commended the collaboration across ONR purposes and with the P&C Directorate.
- iii. Welcomed the findings from the GDA RP holistic review of the design and the assurance that we had not gold-plated the design.
- iv. Noted the Chair and CE/CNI would be meeting the team tomorrow to pass on their thanks to the team.

5.6 The Board welcomed the detailed presentation and confirmed it was assured of our treatment of stakeholder management and public interest issues. As a consequence of this assurance, the CE/CNI confirmed that ONR is now in a position to issue the DAC for the HPR1000, which is ONR's opinion that the generic design could be built and operated in Great Britain, in a way that is safe and secure (subject to site-specific assessment and licensing). The DAC which would now be issued on 7 February 2022.

6 Strategic Theme One – Sellafield Deep Dive

- 6.1 The EDO introduced the session and provided feedback on his recent visit to Sellafield (paragraph 4.14 refers). The deep dive will focus on the effectiveness of regulatory strategies for the Sellafield site and on safety regulation. It will provide helpful context to the Board in anticipation of their forthcoming visit to Sellafield in March 2022.
- 6.2 The Director, SDFW highlighted the context and challenges associated with the Sellafield site. He provided an update on the Sellafield Strategy introduced in 2014 which focuses on three outcomes: accelerated high hazard and risk reduction across the Sellafield site; evidence-based confidence that the licensee is complying with its statutory obligations and that workers and the public are protected from the hazards of the site; and stakeholder confidence that ONR's regulatory approach is appropriately targeted, risk-based, proportionate and effective. He highlighted the need to provide enhanced ONR leadership, management and support to ensure effective implementation of the regulatory strategy and how this was being addressed.
- 6.3 The Sellafield Delivery Lead highlighted the facilities under significantly enhanced attention: First Generation Magnox Storage Pond; Magnox Swarf Storage Silo; Pile Fuel Cladding Silo; and Special Nuclear Materials Facilities and confirmed the remainder of the estate is under enhanced attention. One of the most significant challenges facing SL relates to retrieval of large quantities of higher activity waste and spent fuel from, and associated decommissioning of, several of its legacy facilities. As the retrieval work progresses, we and other stakeholders recognise that there will inevitably be a short-term increase in risk in some areas to secure long-term safe clean-up of the site.
- 6.4 The SDFW Programme Manager set out how performance is being measured against the plan and acknowledged the need to provide a clearer and more focused set of metrics to measure SDFW performance in order to hold both ONR and SL to account.
- 6.5 An update was provided on performance against the plan covering: permissioning activities; regulatory issues; inspection and emergency resilience; and investigations and enforcement, and highlighted the areas of areas of project focus in 2022/23. The

Head of Sellafield Compliance, Inspection and Enforcement (SCIE) highlighted the areas of SCIE focus in 2022/23.

- 6.6 The Director, SDFW concluded by confirming that the Sellafield 2020-25 Strategy and outcomes remain appropriate. The Division's structure and governance is sufficiently robust and subject to review and oversight to ensure ongoing effective and efficient regulation of SL. The proposed revision to the OEs and metrics will enable greater ONR focus on SL delivering significant high hazard and risk reduction over the coming years and in a safe, secure, and compliant manner.
- 6.7 In discussion the Board:
- i. Recognised the strategy was eight years old and asked, as we move to integrated regulation, whether it would be beneficial to include all our purposes in the strategy. The Director, SDFW confirmed the benefits in embracing all our regulatory purposes.
 - ii. Noted the positive work on establishing a focused set of metrics to measure SDFW performance and in moving SL milestones to ONR milestones. They added that if this was a good practice we should develop further and share more broadly across ONR.
 - iii. Asked whether knowledge management was captured sufficiently well given the timescales involved and inevitable changes in personnel during this time. The CE/CNI confirmed the corporate memory of the site resides in ONR.
- 6.8 The Chair highlighted the planned ONR Board / Sellafield Board level discussions at the end of March. He sought views from the team on suggested topics to inform the discussion. The Director, SDFW highlighted the importance of delivering on commitments, leadership stability and cyber security.
- 6.9 The Chair thanked the team for a very thorough and insightful presentation which had set the ONR Board up well for their visit / discussions in March.

Action 1: Assure Board that ONR has arrangements in place for the sharing of good practice across ONR - EDO.

7 Preliminary Budget Proposal 2022/23

- 7.1 The DCE, on behalf of the Finance Director, presented a paper and slide pack on the draft budget proposal for 2022/23 for review and feedback to inform the final budget submission scheduled for Board decision in March.
- 7.2 She confirmed that the recommendations from the SLT on 20 January 2022, which affect the proposal, are included in the presentation to enable Board to consider and recognise their impact.
- 7.3 She highlighted slide ten of the pack which demonstrates options for budget reduction and asked the Board to review, consider and provide feedback on potential areas of reduction and management overlay that could be applied. The budget proposal continues to be challenged with areas of reduction and efficiency being actively sought and identified to inform the final budget for 2022/23.

- 7.4 She thanked Board members for their initial feedback and challenge during recent one-to-one Non-Executive Director (NED) engagement sessions. Initial figures are showing an overall budget requirement for 22/23 at £102.3m, against a 21/22 budget of £95m and £89.1m end of year forecast of outturn, and FTE moving to 693 (reflecting a 10% growth).
- 7.5 She set out the planned next steps, confirming the CE/CNI had asked Directors to revisit their submissions, to consider more efficient ways of doing things.
- 7.6 In discussion the Board:
- i. Valued the one-to-one NED engagement sessions and hoped the feedback had been both helpful and challenging.
 - ii. Touched on the senior leadership changes and the risk of becoming Board dependent. NEDs confirmed they were content to work through the process together, noting they see their role as more of a directional sounding board.
 - iii. Welcomed the approach to further consider simplification and efficiency.
 - iv. Suggested it may consider a six-month review of the 2022/23 budget position.
- 7.7 The Board noted the report.

8 Corporate Security Dashboard

- 8.1 The Chief Information Security Officer (CISO) gave a presentation of ONR's security posture and provided an update on threats, risks, vulnerability status, incidents, security project progress and assurance activity. Delivery of the Corporate Security Strategy underpins work to improve ONR's security posture.
- 8.2 He provided an oral update on a recent phishing exercise to understand the risk to ONR. The findings are still being analysed and would be provided in his next Board update.
- 8.3 Given this was his first report to Board he invited feedback on content and frequency.
- 8.4 In discussion the Board:
- i. Thanked the CISO for the update and noted the improvements that have been made to Corporate Security in the last twelve months. The internal experts, who are well connected, instil greater confidence.
 - ii. Were pleased to see the progress being made on the controls to mitigate Strategic Risk-162.
 - iii. Noted the work to deactivate legacy accounts.
- 8.5 The Board noted the update.

9 Post Implementation Review (PIR) Update

- 9.1 The Director, P&C provided an update on the PIR, confirming receipt of the draft report. She was pleased to report it was broadly positive, noting it would still be

subject to ministerial approval, and provided a high-level summary of the recommendations.

9.2 In discussion the Board:

- i. Welcomed the conclusion in the draft report that the objectives of Part 3 of the Energy Act 2013 are being met and that ONR is effectively delivering its regulatory purposes.
- ii. Acknowledged this is a BEIS-led review.
- iii. Supported the clear and co-ordinated approach set out on next steps.

9.3 The Board noted the report.

10 UK SSAC Quarterly Update

10.1 The Director, CNSS presented a paper to provide an overview of the delivery of the UK State System of Accounting for and Control of nuclear material (UK SSAC).

10.2 The domestic safeguards regime has been operating for a year. He confirmed all operational activity has proceeded as planned with no significant issues to report. We continue to deliver all required reporting to the IAEA on time, and to facilitate IAEA safeguards activities in the UK effectively.

10.3 He informed Board that from 1 April 2022 we will move to a hybrid funding model, following extensive government consultation with industry.

10.4 In discussion the Board:

- i. Noted the findings from the recent internal Regulatory Assurance Review of our implementation of the new safeguards regime which had received a moderate assurance rating and were keen to understand more about the work to implement the improvements and continue to grow and mature our capability.
- ii. Asked about integration of the Safeguards Information Management and Reporting System (SIMRS) into the WIReD platform. The Director, CNSS confirmed that SIMRS, due to its standalone nature and specific nuclear material accountancy functions, cannot easily be integrated into WIReD, which is a platform allowing incorporation of ONR regulatory processes and workflows. However he confirmed that he would follow this with more detail outside of the meeting.

10.5 The Board noted the report.

11 Senior Responsible Owner (SRO) Project Reports by Exception

11.1 The WIReD Project SRO provided an update report on progress made in the reporting period. He confirmed the project had continued to make good progress performing as anticipated to quality, schedule and cost.

11.2 The Backup Resilience Project SRO provided an update report on the reasons for the Backup Resilience programme reporting an overall RED RAG status due to an increase in scope to consider a wider holistic backup resilience solution. The RAG rating will reduce to Amber and then Green upon formal approval of a change request encompassing a baselined plan, and approved costs. Estimated timeframes and costs for the work have already been accepted by SLT, with expected expenditure funded for FY21/22 (in-year underspend), and FY22/23 (included in the preliminary budget bid).

11.3 The Board noted the reports.

12 Summing Up and Close

12.1 The Chair thanked everyone for their attendance and contribution. He summarised each item and confirmed the agreed actions.

12.2 Luke Traynor, Senior Communications Manager thanked Board for the opportunity to observe the meeting. He commented that this was a fascinating and insightful opportunity to listen to the discussion, particularly to hear some really incisive detail on two of the key items of business where communications colleagues are working closely with Regulatory Directorate colleagues.

12.3 There was no other business raised. The Chair formally closed the meeting.

13 Information Papers

13.1 The Board noted the following information papers:

- a) Audit and Risk Assurance Committee Update – 18 January 2022
- b) Security Committee Update – 2 December 2021
- c) Horizon Scan: November 2021 to January 2022
- d) Programme Management Office Quarterly Update
- e) Board Forward Look.