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Transition of AWE plc Ownership

Agreement to Proceed with the Transition of AWE plc Ownership to MoD

Project Assessment Report ONR-OFD-PAR-21-003
Revision A
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EXECUTIVE SUMMARY

Title

Agreement to proceed with the transition of AWE plc ownership to MoD

Permission Requested

AWE plc (AWE), as the site licence company ('licensee') of the AWE Aldermaston and Burghfield nuclear licensed sites, has requested the Office for Nuclear Regulation's (ONR) agreement to proceed with the transition of AWE plc ownership to the Ministry of Defence (MoD), in accordance with its arrangements made under Licence Condition (LC) 36(2): *Organisational capability*.

Background

In November 2020 the UK government announced the termination of the contract of the commercial consortium managing AWE plc and transition into an Arm's Length Body of the MoD on the 1st July 2021. This will be in the form of a Non-Departmental Public Body wholly owned by the MoD. Post transition, AWE plc. will remain a legal entity and the licensee responsible for compliance with its two nuclear site licences at the Aldermaston and Burghfield sites.

As part of the transition, the AWE plc board will be restructured to include both new and existing positions (which will also include new and existing personnel). If ill-conceived/executed the transition could have a direct/indirect impact on safety. To assess these risks, AWE has completed a management of change assessment of these organisational changes in accordance with its arrangements made under LC 36 and is seeking ONR permission to implement these changes on 1 July 2021.

Assessment and inspection work carried out by ONR in consideration of this request

In accordance with the agreed regulatory permissioning strategy for AWE's request, I judged it appropriate to seek specialist advice from an ONR corporate safety inspector for leadership and management for safety (L&MfS). The permissioning decision for AWE to implement its proposed activity has also been informed by an ONR readiness intervention to inspect and determine the adequacy of implementation of AWE's formal arrangements for compliance against regulatory expectations for L&MfS.

In accordance with ONR's agreements with other regulatory bodies I have also sought specialist advice from the Environment Agency and Defence Nuclear Safety Regulator on AWE's request to proceed with the transition of AWE plc ownership to MoD.

Matters arising from ONR's work

Following an assessment of AWE's proposal and management of change assessment, the L&MfS inspector advised that they have no objection to AWE's request to transition to an arm's length body of the MoD. The other regulatory bodies consulted have also advised the same. Similarly, ONR's readiness intervention did not identify any significant safety issues to prevent ONR agreeing to AWE's request.

ONR's work did identify minor compliance shortfalls against regulatory expectations, which are captured as regulatory issues. However, these are judged not to be prerequisites to ONR's agreement as sufficient assurance was secured that the required work is underway and will be fully implemented once the board is operational following transition.

Conclusions

Based on the work carried out by ONR, I judge that for the requested agreement, AWE has made an adequate safety justification to demonstrate that there will be suitable and sufficient safety measures in place to ensure that the risks from the transition of AWE ownership will be ALARP. ONR has not identified any safety shortfalls that would prevent agreement to AWE's request and as such, I consider that AWE has adequately implemented its arrangements

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made under LC 36(2). I therefore have no objections to ONR agreeing to AWEs transition to an arm's length body of the MoD in accordance with AWE's LC 36 arrangements.

Recommendations

In accordance with the provisions made in AWE's arrangements under LC 36(2), ONR should issue Licence Instrument 543 agreeing to AWE's request to proceed with the transition of AWE plc ownership to MoD.

I also recommend that ONR should maintain regulatory oversight and routinely monitor AWE's progress against the recommendations identified via Regulatory Issues 8786 and 8094. This is to ensure that they are adequately addressed within the required timescales.

LIST OF ABBREVIATIONS

ALARP	As Low As Reasonably Practicable
AWE	AWE plc
DNSR	Defence Nuclear Safety Regulator
EA	Environment Agency
LC	Licence Condition
L&MfS	Leadership and Management for Safety
MoC	Management of Change
MoD	Ministry of Defence
NSC	Nuclear Safety Committee
ONR	Office for Nuclear Regulation
TAG	Technical Assessment Guide
TIG	Technical Inspection Guide

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1 PERMISSION REQUESTED

1. AWE plc (AWE), as the site licence company ('licensee') of the AWE Aldermaston and Burghfield nuclear licensed sites, has requested the Office for Nuclear Regulation's (ONR) agreement to proceed with the transition of AWE plc ownership to the Ministry of Defence (MoD) [Ref. 1] in accordance with its arrangements made under Licence Condition (LC) 36(2): *Organisational capability* [Ref. 2].

2 BACKGROUND

2. In November 2020 the UK government announced the termination of the contract of the commercial consortium running AWE (AWE Management Ltd) and transition into an Arm's Length Body of the MoD on the 1st July 2021 [Ref. 3]. This will be in the form of a Non-Departmental Public Body wholly owned by the MoD. Post transition, AWE will remain a legal entity and the licensee responsible for compliance with its two nuclear site licences at its Aldermaston and Burghfield sites.
3. As part of the transition, the AWE board will be restructured to include both new and existing positions (which will also include new and existing personnel). If ill-conceived/executed the transition could have a direct/indirect negative impact on safety. To assess these risks, AWE has completed a management of change (MoC) assessment of these organisational changes in accordance with its arrangement made under LC 36 [Ref. 1]. Under these arrangements, AWE categorises this MoC as 'Major' and so cannot proceed without ONR's written agreement. AWE is now seeking ONR permission to implement these changes on 1 July 2021.
4. This project assessment report provides the ONR judgement on AWE's request. It has been produced in accordance with ONR guidance [Ref. 4], including the formalisation and agreement of the permissioning strategy for this regulatory hold point with the ONR Weapons sub-division Delivery Lead [Ref. 5].

3 ASSESSMENT AND INSPECTION WORK CARRIED OUT BY ONR IN CONSIDERATION OF THIS REQUEST

5. In accordance with the agreed regulatory permissioning strategy for AWE's request [Ref. 5], as the Weapons sub-division specialist for L&Mfs, I assessed the LMfS aspects of the proposal.
6. The permissioning decision for AWE to commence its proposed activity has also been informed by an ONR readiness intervention to inspect and determine the adequacy of implementation of AWE's formal arrangements for compliance against regulatory expectations for L&MfS.
7. In accordance with the ONR/Environment Agency (EA) Memorandum of Understanding [Ref. 6], I have consulted with the EA on whether it had any objections on environmental grounds to ONR agreeing to AWE's request. Similarly, in accordance with the ONR/Defence Nuclear Safety Regulator (DNSR) Letter of Understanding [Ref. 6], I have consulted with the DNSR on whether it had any objections to ONR agreeing to AWE's request from a nuclear explosives' safety perspective.

4 MATTERS ARISING FROM ONR'S WORK

4.1 ONR'S WORK

8. The matters arising from the work carried out by ONR are summarised as follows.

4.1.1 SPECIALIST INSPECTOR ASSESSMENT ADVICE

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9. The L&MfS Inspector has reviewed AWE's submission and undertaken a targeted assessment of the adequacy of the documented evidence supporting AWE's implementation of its LC 36 arrangements for MoC. This focussed on three key areas:
 - Adequacy of the LC 36 risk assessment;
 - Impact on AWE's capability by withdrawing of the AWE Management Limited consortium, specifically its knowledge management; and
 - Changes to the AWE plc board.
10. In summary, the Inspector concluded that, in respect of the three topics identified above AWE has demonstrated it has adequately implemented its arrangements under LC 36 and has aligned itself with relevant good practice which includes the Wates principles for corporate governance [Ref. 15], where appropriate, and reduced risks to as low as reasonably practicable (ALARP).
11. The LMfS inspector has made two recommendations but these do not preclude ONR from granting permission. The two recommendations can be addressed as part of normal business following AWE's transition to an arm's length body of the MoD and are pertinent. The issues are related to inclusion of strategy within the Boards terms of reference and that safety is adequately represented at the AWE plc Board and its subcommittees. The inspection secured confirmation of AWE's intent, but evidence was not available at the time as the board is not yet established. ONR has an extant regulatory issue on the function and composition of the AWE plc Board (Ref. No. 8094), which will cover the above recommendations arising from the LMfS assessment.
12. The Inspector therefore advises that there are no issues that would prevent ONR agreeing to AWE's request and supports granting the permission [Ref. 7].

4.1.2 READINESS INSPECTION

13. To inform ONR's permissioning decision, ONR carried out an intervention to inspect the readiness for the transition of AWE's ownership to the MoD against regulatory expectations for L&MfS [Ref. 8].
14. The intervention focussed on the people and processes that AWE's transition has in place to comply with regulatory expectations for L&MfS including consideration of ONR Safety Assessment Principles (SAPs) FP.2 and MS.1-4. The intervention was undertaken via remote desktop discussions, semi-structured interviews with relevant personnel and sampled review of relevant documents and records. The intervention was undertaken and rated against published guidance on ONR's expectations, as described in the technical inspection guides and technical assessment guides.
15. Based on the evidence sampled at the time of the intervention (May 2021) against the relevant AWE's LC arrangements and ONR's associated LC requirements and TIGs, ONR considers that AWE:
 - Had prepared and implemented an adequate risk assessment for the management of transition to an arm's length government body.
 - Is implementing adequate project management discipline over the transition workstreams.
 - Demonstrated adequate governance over the transition project.
 - Was unable to provide suitable evidence to demonstrate compliance with its LC 10 (training) and LC 12 (Suitably qualified and experienced persons arrangements).

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16. Based on the findings of the intervention, ONR judged that in accordance with its LC 36 arrangements, AWE demonstrated an adequate risk assessment had been produced with adequate governance of the project. However, AWE did not adequately demonstrate implementation of its arrangements for compliance with LC 10 and LC 12 for the new non-executive director roles. AWE's requirement to demonstrate this has been captured by Regulatory Issue 8786.
17. Addressing this regulatory issue is not judged to be a prerequisite to ONR agreeing to AWE's request to implement transition. This is because the intervention secured sufficient assurance that the work required for 1 July 2021 transition date is underway and will be fully implemented once the AWE plc board is operational following transition. This was supported by additional assurance provided by the enhanced oversight role played by the existing board members who are being retained.

4.2 EXTERNAL GOVERNANCE AND ASSURANCE

18. As part of my initial consideration of AWE's request, I confirmed that in accordance with AWE's established governance and oversight arrangements, the MoC justifying AWE's request has been subject to independent peer review by its internal regulator. This concluded that the MoC is systematic and proportionate and the identified risk controls are suitable and sufficient [Ref. 1]. The review did identify some recommendations for improvements, which AWE subsequently addressed to the peer reviewer's satisfaction.
19. As per AWE governance arrangements, AWE has also provided assurance that its proposed activity has been subject to independent consideration and advice from its Nuclear Safety Committee (NSC) [Ref. 9] and approval at its final governance board, the Executive Committee [Ref. 10]. The NSC advised that the MoC suitably addresses the transition but did query the absence of the Health and Safety Executive Director on the board but were content for it to progress to the Executive Committee for final approval. The NSC requested and received an update during May 2021, where it subsequently advised of its support for the work being undertaken and delivered [Ref. 11].
20. The EA and DNSR regulatory bodies have both advised that they have no objection to ONR agreeing to AWE's request [Refs. 12 & 13].

5 CONCLUSIONS

21. Based on the work carried out by ONR, I judge that for the requested agreement, AWE has made an adequate safety justification to demonstrate that there will be suitable and sufficient safety measures in place to ensure that the risks from the transition of AWE plc ownership to MoD will be ALARP. ONR has not identified any safety shortfalls that would prevent agreement to AWE's request and as such, I consider that, for the purposes of this transition, AWE has adequately implemented its arrangements made under LC 36(2).

6 RECOMMENDATIONS

22. In accordance with the provisions made in AWE's arrangements under LC 36(2), ONR should issue Licence Instrument 543 [Ref. 14] agreeing to AWE's request to proceed with the transition of AWE plc ownership to MoD [Ref. 1].
23. I also recommend that ONR should maintain regulatory oversight and routinely monitor AWE's progress against the recommendations identified via Regulatory Issues 8786 and 8094. This is to ensure that they are adequately addressed within the required timescales.

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