

**Minutes of the ONR Board
28 July 2021**

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
Janet Wilson - Non-Executive Director
Mark Foy - Chief Executive / Chief Nuclear Inspector
Sarah High - Deputy Chief Executive
Donald Urquhart - Executive Director Operations
Geoff Hawker - Finance Director

Attendees

Dave Caton - HR Director
Katie Day - Director Policy and Communications
Rachel Grant - Head of Policy (item 3)
Lorraine Medcalf - Senior Policy Advisor (item 3)
Chris Cartwright - Principal Inspector (item 6)
Colin Tait - Regulatory Oversight (item 6)
Peter Mullins - Recovery Site Inspector (item 6)
Simon Coldham - Chief Information Officer (item 7)
Nicola Davidson-Jenkins - Business Intelligence (item 7)

Observer

Bob Spedding - PIR Lead Reviewer
Aimee Betts-Charalambous - PIR Deputy Lead Reviewer
Alex Clark - Divisional Delivery Support
Sion Owen - Nuclear Equivalent Inspector

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, including Geoff Hawker, new Executive Board member and recently appointed Finance Director. He also welcomed Bob Spedding, Lead Reviewer and Aimee Betts-Charalambous, Deputy Lead Reviewer for the forthcoming Post Implementation Review (PIR).
- 1.2 There were no apologies for absence. It was noted that Tracey Matthews, Non-Executive Director would need to leave the meeting between 10:00 and 11:00 and Simon Lister, Non-Executive Director would need to leave 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 9 June were agreed as a correct record. All actions on the action log were complete or on track for delivery.
- 2.2 There were a number of updates to the action log, including:
 - i. action 1, 25 November 2020 - the Chief Executive (CE) confirmed that the environment within which we are operating had changed as a result of expanding work programmes, particularly in defence and Small Modular

Reactors (SMRs), which may require additional resources and opportunities for secondment would therefore be limited.

- ii. action 4, 29 September 2020 - the Non-Executive Director, Security confirmed she is looking to reconvene the ONR Security Committee as soon as possible (post COVID-19 restrictions) to discuss the topic of how ONR might go some way to meeting its transparency agenda in the domain of security regulation and in particular how it might better communicate security regulatory decisions.

3 Post Implementation Review (PIR) – Introduction and Review Approach

- 3.1 Bob Spedding, Lead Reviewer and Aimee Betts-Charalambous, Deputy Lead Reviewer thanked the Board for the opportunity to introduce themselves and set out the approach to the review.
- 3.2 Both Bob and Aimee provided general introductions setting out their respective backgrounds. Bob passed on his thanks to the ONR team for the way the review had begun and for the comprehensive induction pack that had been provided. He confirmed the broad timetable which would see the review formally commence on 2 August and run for four to six months. He would expect to see a workable draft report towards the end of the four-month period but noted dates were indicative at this stage given key milestones still needed to be confirmed. He confirmed the approach to the review would be very much focused on openness and transparency.
- 3.3 The Director of Policy and Communications thanked Bob for his recognition of the work that had gone into the preparations for the review and confirmed that the ONR PIR team are here to help in any way they can. She noted further detailed induction sessions were planned on regulation, stakeholder engagement, our people strategy and modernisation.
- 3.4 The Chair thanked Bob and Aimee for their very helpful introductory session and commitment that the review would be conducted openly and transparently.

4. Chair's Report

- 4.1 COVID-19 restrictions had continued to impact on the Chair's external engagement, although he was continuing to make use of virtual meetings where possible.
- 4.2 He provided oral feedback on recent meetings as follows:
 - i. participated as a panel member at a whistleblowing webinar event to coincide with World Whistle-blower Day which was broadcast on 23 June. The event followed ONR's recent attendance at a meeting with the All-Party Parliamentary Group on Whistleblowing.
 - ii. attended the Chairs of Safety Regulators' Forum on 7 July. There were numerous topics of mutual interest for Chairs. It was pleasing to see the value of the group and the opportunities for shared learning on key matters.
 - iii. met separately with senior officials from DWP on 14 July and BEIS on 29 June and provided feedback on his discussions at each meeting.

- iv. had catch-up meetings to discuss matters of mutual interest with the EDF Chair on 16 June, the Chief Executive of UK Government Investments on 21 June, the Chief Executive of Radioactive Waste Management on 12 July, and the recently appointed Chair of Sellafield Limited on 27 July. The conversations reinforced the long-term nature of our business, the importance of succession planning and the need for good corporate memory in industry and at ONR. He confirmed that a joint Board would take place with the Sellafield Board early in 2022.
 - v. attended the Public Chairs' Forum (PCF) event "Building Relationships with Whitehall" on 16 June; and chaired a PCF Management Committee meeting on 8 July.
- 4.3 He concluded by providing a short update on the ongoing issue with pension liability, discussions with DWP and next steps.

5 Chief Executive Summary Report

- 5.1 The CE presented his summary report on key strategic and operational matters, and emergent risks during the reporting period. His report draws on contributions from the Deputy Chief Executive (DCE) and Executive Director of Operations (EDO).
- 5.2 He provided an update on the leadership transition which continues to progress well. The team is continuing to develop an understanding of their new roles, their own teams and stakeholders, and is benefitting from having a more prolonged handover period. He welcomed Geoff Hawker as our new Finance Director (FD) and thanked Sarah High for the professionalism and commitment she has demonstrated in undertaking the duties of both FD and DCE over the last few months. The Senior Leadership Team (SLT) will be coming together in August to work with our new Executive Development provider to build a greater understanding of each other and further develop our team approach.
- 5.3 The UK State System of Accountancy for and Control of Nuclear Material (SSAC) project won the Project of the Year (Public sector) 2020 award at the Project Management Institute UK's National Project Awards 2020. This is a great achievement and rightful recognition of the work and contribution of everyone involved in the project.
- 5.4 He confirmed that, in line with government advice and the move to Step 4 of its recovery plan on 19 July, ONR has begun to gradually increase capacity in all three of our offices. This means more staff who would like to work from the office, or have an essential business or exceptional personal reason to attend, will be able to do so in line with our office working guiding principles. He highlighted a number of precautionary measures that would remain in place for a while longer to help keep staff safe when working in our offices.
- 5.5 He highlighted two areas that ONR is currently reviewing. The first related to our charging arrangements and he provided a detailed update on the cautious approach being taken. Discussion continues with DWP and BEIS to update them on progress and next steps. The second related to financing for our 2021/22 working capital requirement. The DCE confirmed we have still not secured DWP financing despite

ongoing engagement, submission of a robust case for maintaining the capital requirement and escalation. This had highlighted the risk of delay to ONR in respect of cash flow, and the potential consequences for ONR in being able to deliver against our Corporate Plan and Strategy 2020-25.

5.6 On workforce planning, the EDO confirmed a range of options would be looked at as a result of expanding work programmes particularly in defence, decommissioning and Small Modular Reactors (SMRs) which may require additional resources.

5.7 After an intense period to update the draft Annual Report and Accounts (ARA) 2020/21 to reflect Board comments and National Audit Office (NAO) feedback, the CE confirmed the ARA was fully approved and subsequently laid before parliament and published on 20 July.

5.8 Whilst there have been improvements in our IT service provision, we continue to challenge the time it takes to progress new work which is impeding the progress of many aspects of our modernisation plan. The CE and DCE would be meeting again with the provider to discuss our ongoing concerns and seek commitments to further improvements. In parallel we are exploring potential sourcing options for our future IT service provision.

5.9 In discussion the Board:

- i. stressed the need to resolve the issue on financing of our working capital requirements and then address the issue longer term looking at all available options, including through commercial lenders.
- ii. noted the detailed update on charging arrangements, the approach being taken, and assessment of risk.
- iii. welcomed the new report format in both style and content. They felt it was much easier to read, had the right balance and highlighted the areas for Board attention.

5.10 The Board noted the report.

6 The value to industry and ONR of dutyholder oversight and challenge functions, and of independent Peer Reviews

6.1 The EDO introduced the session on the value to industry and ONR of dutyholder oversight and challenge functions, and of independent Peer Reviews. The session also provided the relative strengths and weaknesses of these functions across industry, areas in which ONR is seeking to influence improvements in this respect and the value offered to the nuclear industry by external peer reviews.

6.2 He introduced: Chris Cartwright, Principal Inspector; Peter Mullins, Recovery Site Inspector; and Colin Tait, Regulatory Oversight Manager.

6.3 The team provided a high-level overview of how ONR makes use of the internal oversight function, the value of effective internal oversight and challenge, and the strengths and weaknesses across industry highlighting a correlation between the maturity of licensees' internal oversight and assurance capability with their safety and

security performance. ONR will continue to encourage improvements to licensee internal oversight and challenge functions, to actively promote their importance to improve their capability and to share the good practice we observe. We are also keen to see more effective sharing of good practice across the industry by industry.

- 6.4 They set out the arrangements for UK licensees to deliver peer support through international groups and peer review and benchmarking of regulatory bodies which enables regulators to access diverse thinking, challenging organisational norms. It demonstrates a commitment to learning and improvement and provides assurance to stakeholders of regulatory health, supporting transparency and building trust. The collective weight of these reviews ensures that UK arrangements are tested against international standards and benchmarks, thereby allowing both ONR, and the industry that it regulates, to improve and learn from the wider international community.
- 6.5 In discussion the Board:
- i. discussed the correlation between the maturity of licensees' internal oversight and assurance capability and their safety and security performance highlighting the importance of leadership in ensuring a good safety culture and organisational capability in ensuring a strong and effective internal assurance function.
 - ii. reflected on the important role for ONR in leading, role modelling and influencing dutyholder safety culture and opportunities to shape the peer review environment to generate and foster a good safety culture.
 - iii. welcomed the peer review process and how this can add value to our own effectiveness.
- 6.6 The Board thanked all those involved for a strong and informative presentation that stimulated good discussion.

7 Organisational Effectiveness Indicators – Interactive Session

- 7.1 The Chief Information Officer (CIO), supported by the Business Intelligence Manager gave a presentation on the progress made on our performance reporting against our Organisational Effectiveness Indicators (OEI) Framework. They set out reporting developments, timescales and responsibilities to enable real time management information reporting. They also explained the systems and arrangements to collect, visualise and analyse the aspects of the OEI Framework.
- 7.2 They provided a demonstration on our OEI proof of concept reporting dashboard providing a top to bottom organisational summary through to OEI sub characteristics and associated narrative. They also provided examples of how the tool can be configured to provide performance by strategic theme and / or Directorate strategic performance, and what would be reported quarterly to the Board.
- 7.3 In discussion the Board:
- i. touched on the interface between systems and the importance of ensuring one version of the truth.

- ii. stressed the importance of source data in terms of its quality and integrity and asked about the levels of confidence in our source data.
- iii. commented that the tool needed to filter issues effectively, and to an appropriate level of detail and asked what a rating of 'partially achieved' actually means.

7.4 The CE noted that whilst good progress had been made, we were still on a journey in terms of validity of source data and whether it was giving us the insight and understanding we require.

7.5 The Board were pleased to see how this work was progressing and thanked the CIO and Business Intelligence Manager for the update and interactive demonstration and looked forward to the Q1 and Q2 report to Board.

8 Annual Review of the ONR Risk Management Framework

8.1 The DCE presented the revised Risk Management Framework (RMF) which explains how ONR manages its risk in line with ONR's Scheme of Delegation. It provides the foundation and organisational arrangements for supporting robust risk management.

8.2 She provided a summary of the key changes including: alignment to the five main principles within HMG Orange Book; reference to the risk management software system; increased detail on risk appetite and specifically risk appetite classifications; reference and definition of Internal Control; and greater focus on governance with an extended narrative in the 'roles and responsibilities' section.

8.3 The Risk Improvement Group (RIG) members and Risk Champions have contributed to the development of the document which has been subject to review by the SLT and the Audit and Risk Assurance Committee (ARAC).

8.4 SLT will be re-establishing formal risk management disciplines with enhanced oversight and control of our strategic and directorate risks. Subject to Board approval, the revised RMF will be rolled out during the coming months, supported by opportunities for staff to learn more about its purpose and how to strengthen risk management in the organisation through communications and awareness.

8.5 In discussion the Board:

- i. commented that this was a well-constructed framework noting the challenge was now how we make this part of the way we work.
- ii. suggested it may be helpful for the Risk Co-ordinator to attend a meeting of the ARAC for the discussion on Risk Management.

8.6 The Board approved the Risk Management Framework.

9 Statement of Intent for the ONR Environmental Policy

9.1 The DCE presented a Statement of Intent for the ONR Environmental Policy, which addresses Board feedback in March, to establish a credible position about our ambition and commitments ahead of a more substantive Environmental Policy.

- 9.2 She commented that whilst we recognise our responsibility to the environment and sustainability agenda beyond legal and regulatory requirements, we currently do not have an environmental policy in place, and this presents a reputational risk for ONR. In addition, the IRRS mission identified the need to integrate our environmental ambitions into our management systems.
- 9.3 To address the gap in the interim, we have developed a Statement of Intent (Sol) which demonstrates our ambition and the commitments we are making. This is a first step towards raising the profile of sustainability in ONR and establishing an effective environmental management system. Further work on this is currently scheduled for year 5 on the Roadmap (2030 Environmental Strategy). We will review its scheduling to align with the broader corporate responsibilities' agenda.
- 9.4 Whilst the new Greening Government Commitments (GGCs) framework for 2021-25 has yet to be published (the previous GGCs ended in 2020), the Sol reflects our strategic commitment and ambition to align with the government's commitments in the 25 Year Environment Plan and is consistent with a trajectory to achieving net zero greenhouse gas emissions by 2050.
- 9.5 In discussion the Board:
- i. commented that this was a positive step in the right direction moving us from what had felt like reluctant compliance to willing advocacy.
 - ii. noted the importance of setting targets and establishing a baseline against which we can measure progress. They suggested there are mechanisms used elsewhere that would be appropriate for our needs.
- 9.6 The Board approved the Sol for the ONR Environmental Policy and delegated responsibility to the DCE to amend the wording if the revised GGC framework for 2021-2025 is announced before the Sol's publication, in consultation with the Chair.

10 Horizon Scan: March 2021 – June 2021

- 10.1 The Director of Policy and Communications presented a paper with a horizon scan of emerging developments in our operating environment and implications for our regulatory planning assumptions and strategic planning.
- 10.2 The Energy White Paper (EWP) commitments are being delivered at pace with an expansion of BEIS policy teams in key areas, including nuclear. This is creating 'noise' about developments in Advanced Nuclear Technologies (ANTs) and further large-scale new build, but at a point when Advanced Gas-cooled Reactor (AGR) lifetimes are being re-evaluated and de-fuelling is likely to be brought forward in some cases.
- 10.3 Whilst our 2021/22 Regulatory Planning Assumptions (RPA) remain relevant at this time, future certainty about regulatory demand, including skills required and timelines, is less clear than before. Our 2021/22 RPA give us a good framework to navigate this uncertainty in-year. However, we need to look with renewed interest at: the changing regulatory demands from 2022 onwards across new reactors (large and

small scale); the current fleet and decommissioning so we can re-assess capacity and capability requirements to support early discussion with government on strategic priorities and options to retain capacity; and consider our training/development requirements to meet growing decommissioning activity.

10.4 RAG ratings in the operating environment risk overview remain the same in the reporting period, with all previous improvements sustained due to the clarity on government policy provided by the EWP and reduction in uncertainty following Brexit.

10.5 The Board noted the report.

11. Senior Responsible Owner (SRO) Exception reports

New Information Classification Project

11.1 The DCE (Project SRO) presented a paper setting out the reasons the project is reporting an overall AMBER RAG status, predominantly due to a lack of confidence in our IT Service Provider's ability to align to our desired timeframe for the delivery phase. This is a small but important project under ONR's cyber resilience programme. Any delays to the project from this point onwards put at risk the delivery of an information classification capability by the end of September 2021. She set out the mitigations being / to be applied where ONR will sign a change control notice with its provider for the delivery phase activity and will look to baseline an agreed plan between both parties. If the plan is acceptable, and appropriate assurances are received around resource availability then the project will return to a GREEN RAG status. The DCE confirmed she expected this to be the case for the next reporting period. She concluded by highlighting issues experienced by the project are not project specific and are being discussed more broadly at our senior level engagement.

WIReD Project

11.2 The EDO (Project SRO) presented a paper setting out the reasons the project is reporting an overall RED RAG status, and recent actions put in place to improve the reliability, effectiveness and efficiency of the project. The causes of the exception were reported to Board in June. He set out a number of targeted and specific actions in hand to remedy issues relating to project governance, and the reliability of delivery and cost of the project moving forward.

11.3 He confirmed his view that the project cannot be delivered to the original budget schedule based on over-optimism in the project, the loss of developers due to complications around IR35 status and delays with ONR's IT Service Provider.

11.4 He highlighted a number of emerging lessons to be learnt including the need to ensure a greater focus on ensuring that project governance and project controls are of an appropriate standard and are applied in the right way. Both issues needed to be satisfactorily addressed before the business case, currently scheduled for Board in September, is presented.

11.5 He confirmed the project would now need an additional £100k to enable work to continue during the period September to November at which point a credible and realistic business case would be presented to the Board for approval.

11.6 In discussion the Board:

- i. noted the detailed update, and whilst disappointing, confirmed their real drive to address the issues identified and keep this important project moving forward.
- ii. supported the deferral of the business case from September to November and set out their expectations that this needed to revisit the historical context both in cost and scope and give adequate consideration of genuine options for the project moving forward.

11.7 The Board approved an additional £100k on the basis of the assurances provided by the SRO that the work during the period September to November will continue to deliver and add value and that it is within the overall project envelope.

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 Alex Clark, Divisional Delivery Support and Sion Owen, Civil Engineering Inspector thanked Board for the opportunity to observe the meeting. They acknowledged the transparent and honest conversations that had taken place given that observers were in attendance.

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 minutes – 8 June 2021
- b) Remuneration and Nominations Committee 13 July 2021 – update
- c) Board Forward Look