

**Minutes of the ONR Board
29 September 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 and Finance Director
Donald Urquhart - Executive Director Operations
Geoff Hawker - Finance Director

Attendees

Dave Caton - HR Director
Katie Day - Director, Policy and Communications
Ben Matthews - Nuclear Associate (item 5)
Paul Fyfe - Director, CNSS (item 9)

Observers

Katie Chandler - Nuclear Safety Inspector
Jane Loughran - Head of Communications

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 There were no apologies for absence and no declarations of interest were received.

2 Minutes, Matters Arising and Action Points

- 2.1 The minutes of the meeting held on 28 July were agreed as a correct record subject to a minor amendment to paragraph 2.2 which should read, 'The Chief Executive (CE) confirmed that the environment within which we are operating is likely to change.'
- 2.2 All actions on the action log were complete or on track for delivery.
- 2.3 The Board Secretary confirmed approval of the ONR Estates Strategy following the Board decision, taken in correspondence, in August 2021.

3 Chair's Report

- 3.1 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.
- 3.2 He provided oral feedback on recent meetings as follows:
 - i. attended two induction sessions on 3 and 10 August with the Post Implementation Review (PIR) Lead Reviewer and his team appointed by the Department for Business, Energy and Industrial Strategy (BEIS) to undertake

the review of ONR required by the Energy Act 2013, outlining his reflections on the professionalism of the ONR team.

- ii. attended and gave a speech at Sellafield Limited Board's Strategy Day event on 6 September, followed by a Q&A session.
- iii. had catch-up meetings to discuss matters of mutual interest with the Chair of UK Government Investments (UKGI) on 16 September, the Chair of the Nuclear Decommissioning Authority on 20 September, and the Chair of the Atomic Weapons Establishment on 21 September.
- iv. had met with senior officials from BEIS on 20 and 22 September and provided feedback on his discussions at each meeting.
- v. attended a Public Chairs' Forum (PCF) Management Committee meeting on 15 September.

3.3 He commented on the Board's ambition for greater interaction with the Boards of key stakeholders over time and would work with the Board Secretary to build this into the Board Forward Look.

4 Chief Executive / Chief Nuclear Inspector Quarterly Report

4.1 The CE presented his report on key strategic, operational and financial matters, including emergent risks along with respective summary assessments from the Executive team.

4.2 He provided an update on the Senior Leadership Team (SLT). Whilst there is a way to travel on our senior leadership journey, SLT has committed to support and further improve relationships. Our new executive development partner is helping to develop our understanding of each other and how we can work better together to greatest effect.

4.3 He provided a further update on our charging arrangements noting the significant work undertaken since the last Board to ensure we have a clear understanding of the position, the detail of which has been shared with the Department for Work and Pensions (DWP) and BEIS.

4.4 He confirmed we had now received agreement in principle from DWP for a capital loan of £2m, against our request of £2.4m.

4.5 He confirmed that following discussion with DWP the major update to the DWP/ONR framework document would be carried out in 2022, following conclusion of the PIR to reflect any relevant recommendations. We will work with DWP to complete a lift and shift of the current framework document into a new format by the end of 2021, which has been mandated by Cabinet Office for all sponsoring departments and their ALBs.

4.6 He discussed AWE performance having previously reported AWE senior level changes to Board. He is keen that we leverage and influence the outcomes we desire at the most senior levels and is exploring options to inform the AWE Board of our views.

- 4.7 He highlighted the creation of an enhanced trilateral security partnership between Australia, the United Kingdom and the United States (AUKUS) to begin consultations to help Australia acquire nuclear powered (not armed) nuclear submarines. The Australian Nuclear Safety Regulator had contacted ONR and we will do what we can to support them as a fellow international regulator.
- 4.8 He provided an oral update on an emerging issue relating to the Radiation (Emergency Preparedness and Public Information) Regulations 2001 and the position on the emergency planning zone (EPZ) at Devonport Royal Dockyard. He would be meeting the MOD to discuss the matter and provide a fuller update to Board in November.
- 4.9 He provided an update on senior level engagement with our IT service provider. A workshop will take place in October to share perspectives, improve engagement and collaboration, and enhance the quality of service being received by ONR.
- 4.10 He touched on the nuclear environment including the government's nuclear agenda, priorities and challenges to ONR and the need to plan for uncertainty. The Executive Director Operations (EDO) provided a more detailed update on the significant uncertainties of the nuclear new build programme, timing of the UK Small Modular Reactors (SMRs) and Generic Design Assessment (GDA). These factors, together with uncertainties relating to vital strategic defence infrastructure projects, is rendering workforce planning difficult and this would remain a key focus of the Regulatory Leadership Team (RLT). The CE added that it would be important to hear from senior BEIS officials when they join us for the Board Strategy Session in October.
- 4.11 The EDO provided an update on operations and the Regulatory Directorate. He confirmed the regulatory community is continuing to deliver robust and effective interventions, assessments, permissions, and enforcements in a timely manner and to a high standard. Our site footprint had stabilised at 'new normal' levels, through which we are delivering the interventions that we believe are necessary to maintain effective regulation of our dutyholders.
- 4.12 He highlighted 'end of generation' preparations and approaches for several AGR stations, where we have placed increased focus on the defueling preparations at those stations closest to end of generation.
- 4.13 He confirmed that Sellafield Limited remain on target to commence retrievals from Compartment 5 of the Pile Fuel Cladding Silo towards the end of October. This will be a significant achievement for Sellafield Limited and the regulatory community.
- 4.14 The Deputy Chief Executive (DCE) confirmed work has continued at pace and we have made good progress against our key areas of focus including the charging project, consideration of IT sourcing options, finalising the Estates Strategy, re-establishing the Performance and Risk Reviews, supporting the PIR, developing hybrid working arrangements, scoping our Organisational Blueprint and developing the workforce planning project. We continue to focus on building capability, capacity and resilience across our IT and cyber teams through recruitment and confirmed a

permanent Chief Information Security Officer (CISO) will join ONR on 1 November 2021.

- 4.15 She provided an update on our IT sourcing strategy and work to develop a clear plan for our IT sourcing arrangements given that the current contract is due to end in May 2022. Informed by an independent options paper on possible future operating models, the Information Technology and Delivery (ITD) Directorate Leadership Team is working to ensure that the consequential impacts, risks, costs and benefits are fully understood.
- 4.16 The CE, DCE and EDO are undertaking capability reviews across ONR to assess the current position as part of our activity to baseline our organisational capability, and which contribute to our Organisational Blueprint work. The review will also help inform our workforce planning process, the remaining piece of ONR's integrated business planning process. Delivering an effective integrated workforce planning process supported by an enabling tool will address a wide range of planning, deployment and prioritisation issues which have surfaced in recent years. It will enable SLT to establish supply and demand, allocate resources more effectively and identify and alleviate those areas where colleagues may be overly burdened.
- 4.17 The HR Director provided an update on our 2021 Wellbeing Survey set up to investigate the attitudes and perceptions of work-related stress and wellbeing across ONR. The response rate was 79% and the results are currently being analysed. Initial findings suggest there are no areas identified requiring urgent attention. Whilst there is more to do, particularly in relation to work demands which were just above the national average, the findings validate the positive pulse survey outcomes we have been achieving as we continue to support staff and focus on mental health and well-being through the COVID-19 pandemic.
- 4.18 The Director of Policy and Communications (P&C) informed Board she would be bringing outline principles and proposals for ONR's Openness and Transparency Framework to Board in November which would set out our ambition for openness and transparency focusing on what we do now, and where we can do more if we are to meet our ambition in the 2025 Strategy.
- 4.19 The Finance Director (FD) provided a report on financial and commercial performance at the period 5 reporting period. He confirmed that, on 31 August 2021, the year to date (YTD) expenditure position is £36.6m compared to a budget of £39.4m, resulting in a net £2.8m underspend. Income is usually recovered in line with expenditure; however the YTD position is £0.4m under-recovered due to capital outlay incurred to date which is yet to be recovered from Industry.
- 4.20 The YTD £2.8m underspend is mainly driven by slippage, particularly in recruitment across ONR. Much of this relates to the Support Directorates, mainly IT (including Programme Management Office) as these teams continue to develop post-IT separation. This slippage in recruitment has also had an impact on capital investment as project activity has been delayed. Other key underspends include a £0.4m demand saving from fewer licences required with our IT service provider and £0.3m underspend relating to prior-year security clearances for which we will no longer be charged by Cabinet Office.

4.21 The full year forecast is a £1.1m underspend; £93.9m spend compared to a budget of £95.0m. The net position reflects a £1.9m cost as our income does not currently include the additional capital loan expected from DWP. This will be rectified in the coming months.

4.22 Slippage in recruitment continues to be a major contributor to the full year forecast underspend, as well as significant demand savings from the insourcing of activities previously provided through the Health and Safety Executive (HSE) Service Management Agreement. This is partly offset by forecast overspends in the WIReD project. A series of budget deep dives are ongoing across ONR to identify any other pressures or opportunities that need to be accounted for.

4.23 In discussion the Board:

- i. Noted the approach to reviewing the DWP/ONR Framework document and highlighted the importance of Board engagement in advance of the more fundamental review planned in 2022.
- ii. Referred to AWE and their continual presence in enhanced attention and supported the approach to leverage and influence the outcomes we desire at the most senior levels, including Board to Board engagement.
- iii. Noted the update on the EPZ position at the Devonport Royal Dockyard / relationships with the MoD, noting the CE would provide a fuller update on this issue and the ongoing Vires Review in November, following his discussions with the MoD.
- iv. Suggested it would be helpful to invite a senior official from the MoD to the Board Strategy Day in October to give an external perspective on the nuclear environment and challenges to ONR.
- v. Reinforced that as we come together for the Board Strategy Day it would be important to continue to plan for uncertainty and look at how we maintain our capacity and capability in a wide range of scenarios and on the back of findings from the 2021 Wellbeing Survey on work demands. Capacity and capability was a recurring theme at the Audit and Risk Assurance (ARAC) in September where the importance of benchmarking with others was also discussed.
- vi. Commented on the risks associated with non-elective closure of reactors whilst being clear on ONR's role in ensuring continued safety and security of the sites.

Action 1: add to the Board Forward look an item on the fundamental review of the DWP/ONR Framework document in 2022 to ensure Board views are sought to inform the review – DCE / Board Secretary.

4.24 The Board noted the report which gave them a good sense of a co-ordinated management summary whilst appreciating the length reflected the fact that Board had not met over the summer. A number of key issues and emerging themes had set the Board up well for discussion at the Board Strategy Session in October.

5 Summary of the Chief Nuclear Inspector's Annual Report 2021

- 5.1 The CE / CNI introduced this year's report which provides an assessment on the performance of industry, to provide assurance to the public and our stakeholders. He confirmed that overall he remains assured that the industry has performed well and that the required standards of safety and security have been maintained. He noted that standards had been maintained during a challenging period, where we have seen widespread societal disruption caused by the COVID-19 pandemic. It highlights the industry had responded well to national and local pandemic conditions as part of a controlled and effectively managed response that ensured the continued safety and security of its activities.
- 5.2 The report provided assurance that where licensees have fallen short of the standards required for safety and security, we have raised the need for improvements with the licensee and obtained their commitment to making such improvements, taking enforcement action where appropriate. It also provides a balanced perspective and highlights good practices identified during the year, presenting an opportunity for other licensees to learn from their peers. A number of case studies have been included relating to challenges in the industry, how they have been overcome and our role in influencing the desired outcomes.
- 5.3 Ben Matthews, Nuclear Associate highlighted the sites in enhanced or significantly enhanced attention. During the reporting year three sites were moved back to routine attention as a result of safety or security improvements. We continue to regulate a number of sites that are in enhanced attention or significantly enhanced attention with regards to safety and/or security and continue to influence these sites to secure the necessary improvements.
- 5.4 He also highlighted the progress made against existing regulatory priorities and provided an update on each: (a) management of ageing facilities; (b) conventional health and safety performance; (c) delivering a holistic approach to nuclear security; and (d) ensuring adequate pandemic resilience arrangements.
- 5.5 During the year the regulatory priority for ensuring adequate pandemic resilience has been deferred until the 2022/23 reporting year to allow the industry to properly emerge and recover from the COVID-19 pandemic, enabling them to reflect on the experience and lessons in the cold light of day.
- 5.6 Events and interventions have indicated that we should seek to influence improvements with regards to leadership in the industry, in recognition of the fact that strong safety and security culture is derived from strong organisational leadership. A robust, embedded culture will drive positive behaviours and cultivate safety and security performance. This has resulted in the addition of a new regulatory priority on leadership for safety and security culture.
- 5.7 Our regulatory priorities are important in signalling to the public, the industry, and our other stakeholders our regulatory focus and areas for industry attention and improvement.

5.8 In discussion the Board:

- i. Welcomed the report, highlighting its openness and honest assessment of the performance of the industry.
- ii. Supported the CE/CNI's view in reshaping the regulatory priorities and were pleased to see the addition of leadership for safety and security culture, particularly in light of recent Board discussion on this issue. This is an important theme that could make a real difference, particularly for those sites in prolonged enhanced attention. However, they reinforced the importance of providing absolute clarity on what this priority means in order to give feedback that is credible.
- iii. Understood the rationale for deprioritising the theme on delivering a holistic approach to nuclear security given most licensees had submitted security plans which align with our security assessment principles but asked that we continue to reference the importance of cyber security.

5.9 The Board noted the summary report and looked forward to the forthcoming launch event on 19 October.

6 SRO Reports in Exception – WIReD

6.1 The WIReD Project Senior Responsible Owner (SRO) provided a copy of the Deep Dive Review that had been considered by the ARAC on 21 September 2021. The paper provided an overview of the project's approach to risk management, and its response, in the form of an action plan, to the findings of the recent independent internal review of the project.

6.2 The ARAC Chair provided feedback on the discussion at the ARAC where the Committee had discussed the supplier risk and the need for proactive input from the ITD Directorate. ONR's ability to continue to fund the project had been added to the Strategic Risk Register to maintain visibility and oversight. ARAC asked that delivery of the project take priority to reduce the reputational risk and, if possible, bring the completion deadline forward from 2022. A revised business case, informed by the review findings, would be presented to Board in November. She advised Board that she would also be attending the next Project Board meeting.

6.3 In discussion the Board:

- i. Acknowledged the internal and external difficulties encountered in the project.
- ii. Commented on the length of time the project has been in delivery and the importance of the business case demonstrating that the strategic case remains compelling and that we are not continuing to plan for a future that has now passed.
- iii. Stressed the importance of the business case including a milestone plan, external service costs and internal resource costs against each option.

6.4 The Board noted the report and looked forward to full consideration of the business case in November.

7 Board Strategy Session - Check in

- 7.1 The CE shared the draft agenda and provided an update on the arrangements for the ONR Board Strategy Day following discussion with the Chair. He confirmed that key areas of focus where we are seeking Board members' insight are: organisational blueprint; organisational culture; collaboration, cooperation and consistency across our purposes; organisational efficiency of ONR; innovation; and succession planning. These have been recurring topics with Board over the years and SLT is keen to achieve alignment of understanding of the challenge and way forward on each.
- 7.2 Senior officials from DWP and BEIS will also be attending to provide an update on departmental priorities and the government's nuclear agenda.
- 7.3 In discussion the Board:
 - i. Suggested that the agenda may be too internally focused and asked the CE to consider inviting an attendee, possibly from the MoD, to provide an external perspective on the nuclear environment and challenges to ONR.
 - ii. Noted that the EDO would bring a substantive item to the November Board on the economic impact of regulation.

Action 2: consider inviting another external attendee, possibly from the MoD, to the Board Strategy Session in October to provide an external perspective on the nuclear environment and challenges to ONR – CE.

8 Post Implementation Review (PIR) - Update

- 8.1 The Director of P&C provided an oral update on the ongoing PIR. Dialogue continues with the Lead Reviewer and his team. There was positive feedback about the interview process and the preparedness of the ONR team.
- 8.2 At this stage there appear to be no showstoppers or areas that had not been anticipated. The PIR team have asked for a strategic swot analysis to be prepared and there is likely to be further discussion on the Board's oversight of risk.
- 8.3 The Board noted the update and looked forward to discussion with the Lead Reviewer at the forthcoming Board Strategy Session.

9 Safeguards Subdivision Quarterly Report

- 9.1 The Director, CNSS presented a report to provide an overview of the delivery of the UK State System of Accounting for and Control of nuclear material (UK SSAC).
- 9.2 He confirmed all operational activity had proceeded as planned with no significant issues to report. ONR continues to deliver all required reporting to the International Atomic Energy Agency (IAEA) on time, and to facilitate IAEA safeguards activities in the UK effectively. We are working closely with operators to ensure continued compliance with the requirements of the Nuclear Safeguards (EU Exit) Regulations 2019 (NSR19).

- 9.3 He highlighted an issue that had recently emerged regarding a potential additional reporting requirement and was trying to establish further detail. He did not expect this to become problematic but would update the Board further if required.
- 9.4 He highlighted the success of the SSAC Project at the Project Management Institute Awards and thanked the Board for their congratulations which were appreciated by himself and the team.
- 9.5 The Board noted the report.

10 Summing Up and Close

- 10.1 The Chair thanked everyone for their attendance and contribution. He summarised each item and confirmed the agreed actions.
- 10.2 Katie Chandler, Nuclear Safety Inspector and Jane Loughran, Head of Communications thanked the Board for the opportunity to observe the meeting. Katie Chandler commented that it had been very insightful and rich on topic and content. Jane Loughran added it had been both informative and interesting.
- 10.3 There was no other business raised. The Chair formally closed the meeting.

11 Information Papers

- 11.1 The Board noted the following information papers:
- a) Audit and Risk Assurance Committee Update
 - b) Programme Management Office Update
 - c) Annual Review of Security of the Civil Nuclear Industry 2020
 - d) Board Forward Look.