

**Minutes of the ONR Board
24 November 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
Colin Tait - WIReD Project Director (item 3 and 4)
Natasha Reason - PMO (item 3)
Tanya MacLeod - Technical Delivery Lead (item 4)
John Smith - Regulatory Assurance (item 8)
Jane Loughran - Head of Communications
(item 11)
Observers
Ben Matthews - Nuclear Associate
Ruth Jarvis - Support Directorate Business
Manager & Executive Assistant to the DCE

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. It was noted that 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 29 September were agreed as a correct record. All actions on the action log were complete or on track for delivery.
- 2.2 For Action 1, 24 March 2021 Board - Report against our Strategic Framework for International Engagement to 2025 - the Board confirmed an extension to June 2022 to enable year end data to be included in the report.

3 Well Informed Regulatory Decisions (WIReD) Revised Phase 2 Business Case

- 3.1 The Executive Director Operations (EDO) introduced the revised phase 2 Business Case for completion of phase 2 of the project. The full business case provided to Board supersedes the original phase 2 business case submitted to the Board in September 2020. He confirmed that in bringing the revised business case forward, the project team has learned from their experience of delivering three digitised processes over the last 12 months and have revised the programme and cost estimates to reflect the improved understanding of the work involved and project risks.

- 3.2 The WIRed Project Director set out the project's history for Board members who were not with ONR at the time of its commencement in October 2018, covering the phase 1 scoping phase, the project reset in December 2019 and delivery of three digitised processes as part of phase 2. He also touched on lessons learnt, growing confidence in the team and a far greater understanding of risk.
- 3.3 He highlighted the key benefits of project completion including: consistent streamlined processes; real time management information; information and knowledge management; and transparency and secure collaboration.
- 3.4 The Project Manager highlighted the five principal areas for improvement from the independent review commissioned by the SRO to inform development of the revised business case. These included: project planning and communication; definition of the minimum viable product (MVP) and scope control; transition into business as usual; project resourcing including access to specialist skills; and engagement with business owners.
- 3.5 The Project Director set out the five options for project completion, including the scope, duration, cost and estimated benefit of each. He highlighted the preferred option three, to continue the project to the end of release 4, with a project completion date of December 2022 and an additional £2m to secure completion. This would increase the total project budget to £5.9m and deliver 90% of the estimated benefits.
- 3.6 In discussion the Board:
 - i. Commended the team for the short slide deck which clearly and succinctly set out the project history and the key matters for Board consideration.
 - ii. Talked in detail on the options presented and sought more detail on why option three was considered to be the preferred option, rather than completing the full scope of the project and not being constrained by timescales and budget.
 - iii. Commented on the benefits that would be realised through digitising the enforcement process, reinforcing the importance of analyses to ensure consistency and the importance of flagging up enforcement challenges early. The SRO felt the benefits of including option four were marginal as it did not offer the same benefits of consistency, collaboration and transparency and can be managed using the existing process we have in place. Whilst we will move to digitise this process at the end of release 4, he was confident this could be digitised using our developing in-house capability.
 - iv. Were pleased to see the plan to develop internal capability and that this would sit within the Information, Technology and Delivery (ITD) Directorate.
 - v. Noted the Project Manager's challenge role and welcomed the fact the reconstituted Project Board is also providing a similar and robust challenge vehicle. However they also asked that we continue to be even more creative with the internal challenge function.
 - vi. Confirmed that we should not be constrained by timescales or budgets and that we should ultimately proceed to option five to extend to all key processes.

However, they were satisfied with the intention to use internal capability for the enforcement process and release 5.

3.7 The Board approved:

- (1) an additional £2m to continue the project to the end of release 4, as per option three in the paper, increasing the total project budget to £5.9m.
- (2) Approved an extension of the project date to December 2022 and endorsed a revision of the project's scope in line with the recommended option three.

3.8 The Board asked to see clear plans and timescales, including the development of internal capability for completion to option five.

Action (1) clear plans and timescales, including the development of internal capability for completion of WIReD to option five to be presented to the Board in September 2022 – WIReD SRO.

4 Cost Impact of our Regulation and Adequacy of Response to the NERA Report

- 4.1 The EDO introduced the report to provide assurance on the adequacy of ONR's response to the NERA Report ('The economic impact of ONR safety regulation: Final Report'), and subsequent learning. It also provides broader assurance that ONR is regulating in a manner that ensures the cost impact of our regulation is reasonable when judged against statutory 'Growth Duty' expectations, the 'Better Regulation' agenda and 'The Regulator's Code' and includes examples of where our regulation has had a beneficial economic impact.
- 4.2 The Executive Support Office (ESO) Technical Delivery Lead referred to the NERA report which confirmed ONR is an impressive safety regulator and reached a number of positive findings. It also concluded there was scope for improving ONR's consideration of its economic impact and made five key recommendations.
- 4.3 She highlighted the five key recommendations and ONR's response to each. She confirmed that further to the report submitted to Board in September 2019, reporting progress against the NERA recommendations, a Regulatory Oversight review of our response to the recommendations was commissioned in Sept 2021 and had returned a 'Substantial' assurance rating.
- 4.4 She confirmed ONR is implementing a new process to demonstrate active and transparent consideration of the costs ONR's decisions impose. Inspectors will need to consider the economic impact of regulatory decisions: by actively considering the cost of work undertaken by dutyholders to engage with ONR; and assessing an 'economic impact level' for each regulatory decision / judgement. The justifications for the most serious economic impacts will require peer review within ONR at the appropriate levels.
- 4.5 She also highlighted the next steps from the Regulatory Oversight review and discussion with the Regulatory Leadership Team (RLT). These included: data analysis to identify and action any further learning; discussion with dutyholders to seek feedback on any concerns around proportionality of decision making; further

publicising the 'So Far As Is Reasonably Practicable (SFAIRP)' document; and reinforcing team awareness of the requirements to consider the economic impact in all our decision making.

4.6 In discussion the Board:

- i. Asked whether we consider the cost impact of our regulatory decisions on the wider regulatory community.
- ii. Noted the engagement with the Safety Directors' Forum and welcomed the intention to broaden our engagement on consistency and proportionality at a more senior level to Chief Executive / Managing Director level.
- iii. Welcomed the significant progress that has been made but highlighted the need to establish a data set, and the importance of benchmarking, so that we can be clear about the regulatory burden on the duty holder.

4.7 The Board noted the report and asked for an annual update on this issue.

Action (2) annual update on the cost impact of our regulation to Board in November 2022 – EDO.

5 Chair's Report

5.1 COVID-19 restrictions continue to impact on the Chair's external engagement, although he was continuing to make use of virtual meetings where possible.

5.2 He provided oral feedback on recent meetings as follows:

- i. attended the Chairs of Safety Regulators' Forum dinner on 4 October in London. This was the first time some Chairs had met each other in person since taking up their post.
- ii. attended remotely on 15 October, and accompanied by ONR's CE/CNI, DWP's Senior Leaders' Forum for its Arm's-Length Bodies (ALBs) which provides an opportunity for senior leaders to discuss common challenges, opportunities and share good practice.
- iii. had separate catch-up meetings to discuss matters of mutual interest with the Chairs of the Health and Safety Executive (HSE), the Nuclear Industry Association (NIA), and Dounreay Site Restoration Limited (DSRL), on 5 October, and with the Chairs of the Civil Aviation Authority (CAA) and EDF on 6 October and 23 November respectively.
- iv. chaired remotely the first of a series of Public Chairs' Forum (PCF) "Chairs' Challenge" sessions entitled "*Exploring stakeholder relationships*" on 11 October and had a meeting with the new Chair of PCF on 22 November.

5.3 He concluded by talking about the role of the Board, both individually and collectively, in strategic conversations and in our strengthened Board level relationships with others, referring to his recent attendance at the Sellafield Board Strategy Day dinner; accompanied by ONR's CE/CNI, and a meeting with AWE plc's Board. He highlighted the Board's ambition for greater interaction with the Boards of key stakeholders, over time, and looked forward to the joint Board with Sellafield Limited in March 2022.

6 Executive Director Report

- 6.1 The CE presented his summary report on key strategic, operational and financial matters, and highlights emergent risks during the reporting period. His report draws on respective summary assessments from the Board's Executive Directors.
- 6.2 He provided an update on the forecast 2021/22 budget underspend, noting that this would be discussed in detail at item seven. He confirmed his challenge on the validity of the initial indicated £97m budget for 2022/23 given the likely outturn this year.
- 6.3 He updated Board on our charging arrangements following completion of our analysis.
- 6.4 On office working our emphasis remains on trusting individuals and teams to make the right decision for themselves, ONR and the outcomes we want to achieve. Our approach is consistent with those of other domestic regulators although our office occupancy levels remain low. We will be considering the impact of this on our long-term culture, effectiveness and staff development in the coming weeks.
- 6.5 He provided an update on the Defence Vires Review; and the Devonport DEPZ determination following the request at September Board.
- 6.6 An International Atomic Energy Agency (IAEA) delegation joined our safeguards team this month, for our first UK annual safeguards implementation review. The primary purpose of the review was for the IAEA to assess whether the UK is meeting its international safeguards obligations. The CE/CNI was pleased to report that IAEA feedback was overwhelmingly positive, confirming we have met all of our international obligations.
- 6.7 Informed by discussions at the Board Strategy Day, the Senior Leadership Team (SLT) has considered the corporate priorities for 2022/23. We have adopted a different approach this year, with a focus on the prevailing themes validated at the Board Strategy Day. The draft priorities are: Simplify and drive greater efficiency in how we deliver our mission; Influence timely and enduring improvements across industry; Live the ONR Values and build an inclusive and collaborative culture; Drive innovative, sustainable and agile solutions throughout our operations; and Increase confidence in all we do through greater openness and transparency. By avoiding overt alignment against our strategic themes, the intention is to enable all ONR staff to connect and relate their role, what and how they do things, to each of the priorities.
- 6.8 The EDO reported that whilst the reporting period had been very busy for all, morale across the regulatory community is generally high, with the teams continuing to deliver and work together well with professionalism and enthusiasm.
- 6.9 He confirmed good progress in complex areas of civil reactor permissioning; preparation for commencement for retrievals at Sellafield; the industry development of SyAPs-compliant security plans; readiness to commence major mechanical, electrical and heating, ventilation and air conditioning installation at HPC; excellent

progress towards successful completion of the UKHPR1000 Generic Design Assessment; and continuing high quality Safeguards performance.

- 6.10 He provided an update on a range of enforcement / investigation actions and confirmed that, in each case, he was satisfied that Inspectors are taking appropriate follow-up action to ensure that appropriate lessons are learnt, and actions taken to prevent reoccurrence.
- 6.11 Under the auspices of the Health and Safety Regulators' Network, we received a presentation by the Medicines and Healthcare products Regulatory Agency (MHRA) on its approach to achieving successful accelerated vaccine approval. The EDO has commissioned a review of this and a comparison with our current practices to identify where we have already adopted practices used by MHRA, where there could be learning for us, what of that learning might be applicable only in a crisis situation and what would be applicable in more normal circumstances. Any relevant learning which would be beneficial to ONR and the sector we regulate will be considered for incorporation into our own arrangements.
- 6.12 Following some feedback from NNB Genco, we have revisited our relationship and modus operandi with the HSE in instances where HSE provides support to us on nuclear sites. This is to address adverse perceptions, by the licensee, of different approaches being adopted by ONR and HSE respectively. HSE has been receptive to our viewpoint, and we now have an agreement for more coherent and consistent joint working.
- 6.13 He confirmed that Hunterston B would shut down on 26 November, following which it would move into the decommissioning phase, and provided assurance on the readiness of the AGR defueling programme.
- 6.14 The DCE confirmed that in direct response to Board Strategy feedback, we have rationalised the Strategic Change Portfolio (previously 'Roadmap') further and redefined its purpose. The portfolio includes those projects requiring collective SLT oversight and governance, by virtue of their strategic impact, profile, criticality, impact on staff / stakeholders, cost, size and / or level of risk. We have also introduced greater clarity to the level of Project Management Office (PMO) support needed for each project based on a variety of criteria and have developed gold, silver and bronze service levels.
- 6.15 The results of our Wellbeing Survey have now been shared with staff, Trade Unions and cross-Directorate groups such as the Diversity and Inclusion Group (DIG) and the Health and Safety Group (HSG). The Health Safety and Welfare team are now meeting with all Directorate Management Teams (DMTs) to present local results, alongside those for the organisation, and will begin the discussions on areas of concern and priority. From this we will consider how this aligns to existing or ongoing work and any additional priority actions in the new year with a view to developing an action plan by March 2022.
- 6.16 DWP has commissioned our Record of Evidence (RoE) to inform the assessment of the level of risk their arm's-length bodies pose to them. Last year we scored Low/Medium; this year DWP has moved to a three tier (low, medium and high) rating

system. Our RoE is substantially complete, and we will share a near-final version with ARAC members during November, for review and comment, before the final RoE is submitted to DWP for moderation in December.

6.17 She provided an update on the progress of work to prepare us for Cyber Essentials Plus accreditation and highlighted the frustrations we have faced to date and the barriers that still need to be addressed. As a result, accreditation is unlikely to be achieved until early 2022.

6.18 She provided positive feedback from the recent senior level workshop with our IT Service provider and confirmed that the service has stabilised, and IT service management governance and collaborations sessions had resulted in a more mature service offering.

6.19 In discussion the Board:

- i. Were pleased to hear the positive feedback from the IAEA confirming the UK is meeting its international safeguards obligations.
- ii. Confirmed they would like to see the planned lessons learned paper including where there could be learning for us in comparing our current practices to the MHRA approach to achieving successful accelerated vaccine approvals. They would like to see this at the point we are able to incorporate relevant learning which would be beneficial to us and to the sector that we regulate.
- iii. Were pleased to see the positive traction being made in relation to Security at Sellafield.
- iv. Wanted to understand more on the feedback from NNB Genco regarding the adverse perceptions by the licensee and the different approaches being adopted by ONR and HSE respectively, which the EDO provided.
- v. Stressed the importance of overcoming the barriers and achieving Cyber Essentials Plus accreditation early in 2022.

6.20 The Board noted the report.

Action (3) present the planned lessons learned paper to Board comparing our current practices to the MHRA approach to achieving successful accelerated vaccine approvals incorporating relevant learning beneficial to ONR and to the sector we regulate – EDO.

7 Mid-year Financial Report and Forward Look

7.1 The Finance Director (FD) presented a report on ONR's financial position at Period 7 (October 2021) and the forecasted outturn for the 2021/22 financial year. Based on the Period 7 deep dive and forecast, he also provided a forward look budget forecast for 2022/23 with a focus on staff costs and capital spend requirements.

7.2 At 31 October 2021, there is a £4.9m underspend against the year to date (YTD) budget of £50.4m. He highlighted the main drivers of the YTD underspend position which included: staff costs; travel and subsistence; underutilisation of planned contractors and efficiencies; UKSV vetting and capital. He confirmed these are replicated in the full year forecast (FYF) position. The FYF at 31 October 2021 is

£89.7m, this is £5.3m below our approved budget of £95.04m and represents a 5.6% underspend. There are further opportunities and pressures of net £0.3m within our analysis that will be revisited at P9 and crystallised into the position if appropriate.

- 7.3 During September and October we engaged extensively in a series of deep dive reviews with all directorates to assess the mid-year budget position and forecast outturn for 2021/22, including any pressures and opportunities.
- 7.4 Capital expenditure (capex) continues to be an area of attention. The Period 7 review shows that the forecast capital requirement for this year is £1.3m, identifying £0.6m slipping to 2022/23, and £0.3m being converted to operational spend. Whilst this is manageable for 2021/22, it will need to be managed closely to ensure it does not present financing issues in 2022/23.
- 7.5 The WIRed project remains the biggest concern in the capex considerations, and whilst for 21/22 we are confident we have identified sufficient capital cover, through DWP loans and reprioritisation of other IT projects, we are cognisant of the future capital impact revisions.
- 7.6 He highlighted headcount had been a focal area in the deep dive reviews. The budget was approved at 644 FTE, which assumed an aggressive recruitment plan of an additional 35 posts against the 2020/21 position and included a number of assumed leavers due to retirement and natural attrition. For the full year forecast, we are confident recruitment will increase, and the FTE forecast is 668, 24 FTE above the approved staff baseline for 2021/22. The 21/22 FYF of 668 FTE would inform the 2022/23 budget bid baseline for staffing.
- 7.7 He highlighted two financial risks which have been included as recoverable income within our cash flow forecasts as we are confident of positive outcomes for both, and he set out risk mitigation should the outcomes be less favourable than expected.
- 7.8 He concluded by confirming we would revisit the position again in P9 to assess the revised year end forecast.
- 7.9 In discussion the Board:
 - i. Welcomed the more detailed report at this stage in the financial year, highlighting the current position and forward look budget forecast including its focus on staff costs and capital spend requirements.
 - ii. Asked that we address our continued optimism on recruitment trends and urged closer working between the Regulatory and HR Directorates to ensure this is addressed in the 2022/23 budget.
 - iii. Noted the CE challenge on the validity of the indicated £97m budget for 2022/22 given the likely outturn this year.
- 7.10 The Board noted the report and the plan to revisit the position again in P9 to assess the revised year end forecast.

8 ONR Risk Appetite Statement

- 8.1 The FD presented a paper to inform the Board's annual review of ONR's overarching risk appetite in line with the recommendation provided in HMG's Orange Book and following the refresh of the Risk Management Framework.
- 8.2 He highlighted this risk appetite review takes on a different approach to those previously encountered by the Board and following feedback received from ARAC, Government Internal Audit Agency and others, it was felt that a more detailed discussion on risk categories, definitions and classification would enable the finalisation of the new risk appetite statement.
- 8.3 In discussion the Board:
- i. reviewed and commented on the individual risk categories and opportunities for consolidation, definitions and classifications provided.
 - ii. acknowledged that as an ALB, ONR needed to align with the categories in the HMG Orange Book and add additional categories if required but also recognised the importance of having a smaller number of key categories to give a flavour of how we approach our business.
 - iii. stressed the need to anchor risk in demonstrating compliance with our governance arrangements to bring consistency of approach and consider the risk to delivery against our objectives. They felt this would result in focused discussion about the management of risk and not the administration of risk.
- 8.4 The Board welcomed the approach and the opportunity it provided for full and frank discussion. The Finance Director would address the Board comments and share a consolidated list of categories, clear definitions and classifications in correspondence with ARAC and Board. This should also consider the importance of the two overarching principles discussed: to anchor risk into our governance to bring consistency of approach; and to consider the risk to delivery against our objectives.

Action (3) share a consolidated list of strategic risk categories, clear definitions and classifications in correspondence with ARAC and Board.– FD.

9 Post Implementation Review (PIR) Update

- 9.1 The Head of Policy provided an oral update on the ongoing PIR. She commented that work had settled for ONR following a busy period, and whilst the PIR Team review the material requested. Formal interviews would take place with the Chair and the CE in early December, and we are expecting the first draft report before Christmas.
- 9.2 The Board noted the update.

10 ONR Regulatory Assumptions 2022-23

- 10.1 The Director of Policy and Communications (P&C) presented a paper setting out the proposed regulatory planning assumptions for 2022/23. These are based on current and likely future demands for ONR's resource, given our current operating

environment. The assumptions are intended to be high level statements that define the likely government demands upon us.

- 10.2 She provided a summary of proposed changes against the 2021/22 assumptions and provided a rationale for the amendments. Of the proposed 33 assumptions for 2022/23, she recommended: 14 with no change; eight with a modified narrative; five new and six deleted assumptions.
- 10.3 The Board approved the 2022/23 Regulatory Planning Assumptions noting the plan to consult with BEIS, DWP and MOD to get their views ahead of finalising through the Corporate Plan process.

11. Proposals for an ONR Openness and Transparency Framework

- 11.1 The Director, P&C presented a paper setting out the proposals for ONR's Openness and Transparency Framework. This is in line with commitments in our Strategy 2020-25 and Stakeholder Engagement Strategy 2020-25.
- 11.2 The purpose of the Framework is to set out ONR's standards for openness and transparency with our stakeholders. It will explain what they can currently expect from us, and the actions we intend to take as we seek to be an exemplar of transparency. The Framework will be a strategic statement of intent to inspire confidence and build trust with stakeholders and the public, including new audiences such as those communities that may host SMRs and/or a Geological Disposal Facility in future. This is in line with the principles of open government, supporting better engagement with civil society. It is timely for us to do this, given engagement already underway with new (host) communities and growing government communications on advanced nuclear technologies.
- 11.3 She highlighted the proposed three key principles: Accessibility; Accountability; and Confidence; which would be the pillars of our Framework and underpin how we work. By having core principles, like the ONR values, it creates boundaries within which we will operate and engage and can help us to prioritise the activities to move us towards exemplary. She provided the detail of each along with the proposed activities, with examples, to deliver against them.
- 11.4 In discussion the Board fully supported the proposals and approach set out, commenting that this is not a choice for us and is something we must do.
- 11.5 The Board noted the report and the next steps set out, including the plan to conduct a short public consultation on the draft Framework by March 2022, ahead of publishing the final version in late spring.

12 Board Strategy Session – Reflections

- 12.1 All Board members provided their reflections on the October Board Strategy Session. Whilst there was consensus that the day had been incredibly positive overall, there are lessons which we will learn as we plan future sessions, in particular in relation to our over optimism in the scope of the agenda which had adversely impacted on agreeing clear next steps.

12.2 The CE confirmed that some of the key messages coming out of the Board Strategy Session had already been communicated to over 300 staff at the recent ONR update sessions, particularly the need to do fewer things well and our simplification agenda. As reported previously, the prevailing themes validated on the day had also informed our draft corporate priorities for 2022/23. Work was continuing with SLT and an update would be provided to Board shortly.

13 Summing Up and Close

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

13.2 Ben Matthews, Nuclear Associate thanked Board for the opportunity to observe the meeting. He was very keen to understand how decision making operates at Board level and how it cascades down the organisation. He had carried out some research on how Boards are supposed to run and was pleased to see the Board had demonstrated best practice and referred to members being prepared, open minded and challenging in a supportive way.

13.3 Ruth Jarvis, Support Directorate Business Manager and Executive Assistant to the DCE commented on the Board's insight, constructive challenge and diversity of thought. She also felt the contribution from ONR staff in supporting Directors was incredibly positive and that observing the session had been helpful in her own role in the Executive Support Office and gave confidence we are all pulling in the same direction.

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

14 Information Papers

14.1 The Board noted the following information papers:

- a) Audit and Risk Assurance Committee Draft Minutes – 21 September 2021
- b) Remuneration and Nominations Committee Update – 18 November 2021
- c) Board Forward Look