



**Minutes of the Board  
26 March 2019**

**Windsor House, Victoria Street, London, SW1H 0TL**

**Present:**

**Members**

Nick Baldwin - Chair  
Penny Boys - Non-Executive Director  
Oona Muirhead - Non-Executive Director  
Bronwyn Hill - Non-Executive Director  
Sarika Patel - Non-Executive Director  
Adrienne Kelbie - Chief Executive  
Mark Foy - Chief Nuclear Inspector  
Sarah High - Finance Director  
Dave Caton - HR Director

**Attendees**

Anthony Hart - Technical Director  
Katie Day - Director of Policy and Communications  
Mina Golsham – SRO, SSAC (item 5)  
Alistair Campbell - Head of IT (item 8)  
Paul Fyfe – Director, CNSS (item 9)  
Mike Finnerty – Director, New Reactors (item 10)  
Emma Lui – Policy Advisor (observer)

**Secretariat:** 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. An apology for absence was received from Simon Lister, Non-Executive Director.
- 1.2 No declarations of interest were received.

**2 Minutes of the Last Meeting, Matters Arising, Action Points**

- 2.1 The minutes of the meeting held on 24 January 2019 were agreed as a correct record.
- 2.2 All items on the action log were complete.

**3 Chair's Report**

- 3.1 On behalf of the Board, the Chair passed on congratulations to the Chief Executive in winning the Transformational Leader at the Northern Power Women Awards 2019, an event that celebrates the women and men working towards accelerating gender diversity across the Northern Powerhouse.
- 3.2 He reported that since the Board meeting on 24 January, he had:
  - 1) Attended a Public Chairs' Forum event on 11 February, led by the Commissioner for Public Appointments, entitled 'Shaping Boards of Tomorrow,' with a focus on enhancing Board diversity;
  - 2) Attended the HSE Board, in March, and updated Board on discussion on the Radiation (Emergency Preparedness and Public Information) Regulations (REPPiR) and approval of the Approved Code of Practice (ACoP) to go forward to public consultation. He passed on his thanks to ONR officials who had prepared a comprehensive briefing at short notice;

- 3) Met with his successor, Mark McAllister to discuss strategic and Board related issues.
  - 4) Alerted Jamey Johnson of DWP to the pension taxation issue impacting on ONR's succession planning during his end of year appraisal.
- 3.3 Penny Boys, Non-Executive Director, represented ONR at DWP-led unconscious bias training on 5 February, designed to expose people to their unconscious biases and provide tools to adjust automatic patterns of thinking, and potential discriminatory behaviour.
  - 3.4 Bronwyn Hill, Non-Executive Director, substituted for the Chair at DWP's ALB Senior Leaders' Forum on 7 March. Items discussed included the DWP Partnership's Division three year engagement strategy, and what ALBs are doing to promote Mental Health and Wellbeing in the workplace. It was agreed to circulate the summary of key discussion points to Board.

**Action 1:** ALB Senior Leaders' Forum summary of key discussion points to be circulated to Board – Board Secretary.

- 3.5 Following on from the discussion on getting the ACoP through the HSE Board, the Board queried aspects of the Basic Safety Standards Directive (BSSD), focussing on the reservations Local Authorities had in regard to their new duties. It would be helpful for Board to receive a paper on the implications of the new REPPIR at the Board in April.

**Action 2:** Paper on implications of the new REPPIR to Board in April – Technical Director.

#### **4 Consistent Approach to Assuring Board on Regulation Across ONR's Purposes – Revised Proposal**

- 4.1 The Chief Nuclear Inspector presented a revised proposal for providing effective and consistent assurance to Board across all ONR purposes, ensuring it is to the same standard currently provided for our regulation of civil nuclear security. The paper provided a detailed response to the specific points raised by Board, in January, when it considered the original proposal to replace the Security Committee with an alternative governance model.
- 4.2 He highlighted the revised proposal would include a revision to the CNI Board update to report consistently and robustly against all five purposes; the report would be more forward looking; there would be greater Board scrutiny of regulatory strategy and key regulatory change programmes; and he would present an annual report on the safety, security and safeguards performance of the GB Nuclear Industry. This would incorporate the CNSS Annual Security Review of Industry, currently presented to the Security Committee, along with similar contributions from other Divisions in the Regulatory Directorate. ONR would also implement a new integrated Organisational Effectiveness Indicator (OEI) Framework.

- 4.3 He referenced the Integrated Audit and Assurance Plan, approved by the Audit and Assurance Committee (ARAC) in February. The plan provides a clear programme of work for 2019/20, and now also includes further external sources of assurance that are scheduled for 2019/20. The ARAC also receives a summary of updates to the Strategic Risk Register on a quarterly basis. This provides a position statement summarising the main updates in respect of the strategic risk, including control and mitigation. ARAC will carry out regular deep dives into risk issues across all regulatory purposes, including Security. The Finance Director has recently agreed an accelerated programme of deep dives by the Risk Improvement Group of all Directorate / Divisional Risk Registers by the end of July. Changes to the ARAC Terms of Reference (ToR) are proposed to explicitly reference the Security Non-Executive Director as a member of ARAC.
- 4.4 In relation to other external assurances from external bodies, it would be important to consider how Board would get appropriate insight from an external perspective on the state of the industry and on ONR's regulatory impact to inform discussion at the Board's Strategy Event. It was proposed that the Board invited the NCSC and CPNI to brief it once a year, and for BEIS to attend Board when the CNI presented his State of the Industry report.
- 4.5 In discussion the Board:
- i. Considered the revised proposal to be a good response to the issues raised in January;
  - ii. Confirmed full support to the proposal that the Board should take direct responsibility for the arrangements for seeking assurance on ONR's security regulation, alongside safety, safeguards, transport and conventional health & safety, noting the additional workload and the change this would entail in the balance of future Board agendas.
  - iii. Noted the ARAC would carry out regular deep dives into risk issues across all regulatory purposes, including Security and the accelerated deep dive programme of Directorate / Divisional Risk Registers.
  - iv. Was confident that the alternative governance model was capable in principle of providing the same level of robustness as is currently the case for security regulation;
  - v. Asked the CNI to consider further how we would get appropriate insight from an external perspective on the state of the industry and on ONR's regulatory impact.
  - vi. Noted that in addition to the items set out in the proposals for Board discussion, the forward workplan of the Security Committee should be reviewed to bring to the Board any outstanding items (e.g. security and cyber specialist pipelines).
- 4.6 The Board agreed:
- a. The alternative governance model at Appendix A could in principle provide robust and consistent assurance across all ONR purposes.
  - b. Changes to the ARAC ToR to explicitly reference the Security Non-Executive Director as a member;

- c. The ToR for the Security Non-Executive Director role to allow them to fulfil their responsibilities implicit in legislation;
  - d. To road-test the new arrangements over the next six months with a review of their effectiveness at the end of that period
  - e. To take a final decision on the Security Committee after considering the six month review, with the Committee hibernated in the meantime.
- 4.7 The Board noted that the Head of Corporate Governance would carry out the six month effectiveness review.

## **5 UK SSAC Project – Progress Report**

- 5.1 The SRO of the UK SSAC Project presented a paper on the readiness of the UK State System of Accountancy for and Control of nuclear material (SSAC) to start live operations on 29 March 2019, and to highlight remaining risks and associated mitigations.
- 5.2 She highlighted the project is now in the third and final phase of its parallel running (alongside Euratom) and had met all milestones planned for this period. In addition to parallel run milestones, the project also met its inspector training and warranting targets for 29 March 2019.
- 5.3 The parallel run has been assured throughout by an independent safeguards expert. All aspects of the operation necessary to deliver international safeguards obligations were reviewed and formally reported to the SRO each month. ONR demonstrated the SSAC operations to BEIS on 12 March and the Chief Executive will write to the Euratom Exit Programme SRO to confirm ONR's readiness to enable the UK to meet international safeguards obligations by 29 March 2019.
- 5.4 In light of continued progress and independent assurances received, the RAG rating for the first phase of the project (enabling the UK to meet its international safeguards obligations) is GREEN, meaning the project is on track to deliver this first phase by 29 March 2019 to time and budget.
- 5.5 Whilst a comprehensive plan is in place for the second phase of the project (achieving 'Euratom equivalence' from March 2019 to December 2020) and work is underway to deliver it, given political uncertainties the RAG rating for the second phase remains at AMBER. A key risk associated with this phase is a lack of clarity on funding for the UK SSAC beyond December 2020.
- 5.6 In discussion the Board:
- i. Were pleased to see the progress that has been made and had confidence in our ability to operate;
  - ii. Questioned whether we had defined phase two of the project and commented that it would be important to develop our thinking ahead of the spending review;
  - iii. Asked that we share the learning from this project with other ONR projects of similar scale and complexity;

- iv. Expects phase two to run as a project and it would be important to deliver value for money for the regulated as we move to Euratom equivalence;
  - v. Asked at what point we would need to be clear on funding. The SRO confirmed that this would be June to support BEIS consultation in September;
  - vi. Stated the phase two project should remain on the Corporate Risk Register as there are still a number of unknowns, including funding.
- 5.7 The Board thanked the SRO for her personal leadership of the Project and to all those in the Project Team who had got us to operational readiness. The Board noted the paper.

## **6 ONR Corporate Plan 2019/20**

- 6.1 The Finance Director presented the ONR Corporate Plan 2019/20 to Board for approval.
- 6.2 She thanked Board for their early comments on Version 2.0 of the plan, this had also been shared with DWP and BEIS. All comments had been reflected in the latest version of the plan presented to Board.
- 6.3 She set out a small number of minor updates which are due to be made to the latest designed version.
- 6.4 To accommodate Parliamentary recess, laying and publication is scheduled to take place during late April 2019.
- 6.5 In discussion the Board:
- i. Asked that we revisit the use of 'elective' as the phrase suggested elective activity is optional and this was misleading given the activity is essential to mitigate risks and modernise ONR;
  - ii. Highlighted that one of the graph design graphics in the plan gave the wrong impression with an unending upward trajectory, and asked that this is reviewed and updated.
- 6.6 Subject to addressing the points above, the Board approved the Corporate Plan 2019/20 and delegated accountability for final changes to the Chief Executive.

## **7 Budget 2019/20**

- 7.1 The Finance Director presented a paper on the final budget proposals for 2019/20. The budget required to deliver ONR's strategic objectives in 2019/20 is £97.9m but, should all budget assumptions crystallise, it could be up to £100.7m (gross). The reason for this range reflects the significant change portfolio and the degree of uncertainty relating to the associated delivery plans.

- 7.2 She highlighted that budget proposals had been developed along accountability lines based on bids from each Director which reflects ONR's Regulatory Planning Assumptions, the respective Directorate Business Plans 2019/20 and achievement of our corporate objectives and strategic intent as set out in ONR's Corporate Plan and Strategic Plan 2016-20.
- 7.3 The budget reflects the drive for improved organisational effectiveness and enhanced leadership capacity to optimise regulatory outcomes through undertaking appropriate risk mitigation and modernisation activity.
- 7.4 Assuming no slippage in ONR's investment portfolio assumptions, the maximum budget required in 2019/20 is £100.7m (gross). This is an increase of £20.8m (26%) against the 2018/19 period 10 forecast of £79.9m. The increase includes £4.3m related to growth in demand; £5.8m due to unavoidable cost increases outwith ONR's control; and £10.7m is related to infrastructure and resilience.
- 7.5 The cost base growth also included on-going demand from BEIS to undertake government policy-led work that is chargeable direct to Government. The delivery of UK SSAC introduces a cost to ONR for safeguarding activity of £10.2m during 2019/20, all of which is recoverable from BEIS.
- 7.6 In discussion the Board agreed that we should be selecting the lower point of the budget range with a view to managing the risk. They asked for a number of areas to be addressed, including:
- i. Setting out the year-on-year increase in forecast fees and charges across the duty holder community in 2019/20.
  - ii. Information on the impact to duty holders - specifically how the £4.5m increase is calculated, and separating out UK SSAC and pass-through activity (for example Vetting and Technical Support Contracts).
  - iii. Setting out our ambition for efficiencies and a reduction in costs in future years and referencing the Target Operating Model review in 2020.
  - iv. Outline of the risk associated with the budget discount considerations.
  - v. Address a number of minor wording changes, in line with earlier comments on the ONR Corporate Plan 2019/20.
- 7.7 The Finance Director confirmed that she would address the comments made by Board and recirculate the Final Budget Bid 2019/20 to Board for decision by close of play on 29 March 2019.

## **8 IT Separation and Modernisation Update**

- 8.1 The Head of IT presented a paper on the status of IT Separation and Modernisation Projects and to seek approval for the IT Separation Business Case.

- 8.2 He thanked Board members for their comments on the earlier version of the Business Case, circulated on 14 March, and their follow up telephone conversations with him. He confirmed that the project capital costs and tolerances had now been updated in the business case circulated to Board on 24 March 2019. The costs remain under budget and within the original estimate.
- 8.3 In discussion the Board asked for a number of areas to be addressed, including:
- i. Updates to project capital costs following clarifications with the preferred supplier;
  - ii. Further work to refine the penalty and exit costs as they appeared to be excessive;
  - iii. Benefits should include an estimated efficiency gain and cost-avoidance benefits from mitigating the cyber security risk;
  - iv. Evidencing that we have complete confidence in the standards we expect from the provider and KPIs for the delivered service;
  - v. Clarify the 'without cause' termination reason;
  - vi. Confirming the figures are still within tolerance of the 2019/20 budget for IT Separation.
- 8.4 The Head of IT advised Board that the Invitation to Tender (ITT) set out the detailed standards we expect the provider to adhere to. The provider's response to the ITT would be included as a schedule to the contract. The Separation Contract will deliver a higher standard of security and ONR would also look to bring in some external expertise through a Cyber Security Support Contract.
- 8.5 The Head of IT confirmed that he would address the comments made by Board and recirculate the Final IT Separation Business Case Budget Bid 2019/20 to Board for decision by close of play on 2 April 2019.
- 8.6 The Head of IT concluded by providing a short update on modernisation progress, recognising that the big focus had been on IT separation and the procurement process. He advised he was still awaiting the full Gateway Review report, although initial feedback had been very positive.
- 8.7 The Board noted the IT Modernisation update report.

## **9 Security Assessment Principles Project - Update**

- 9.1 The Director of Civil Nuclear Security and Safeguards presented an update on ONR's Security Assessment Principles (SyAPs) project, the progress achieved on implementation to date and highlighted significant risks and mitigations.
- 9.2 He commented that the Project had faced a number of challenges, mainly by the initial setting of unrealistic timescales. The programme had been re-baselined out to December 2020 and additional mitigation measures had been put in place to support delivery. However there remained a residual risk with duty holders' capability and capacity in certain areas.

9.3 He advised Board that he had commissioned an independent assurance review of the Project to consider its maturity, test its likelihood of delivering in line with expectations and to identify any additional measures that would maximise its ability to deliver and realise benefits.

9.4 In discussion the Board:

- i. Welcomed the timing of the paper which enabled Board to focus on key risks rather than basic project management issues;
- ii. Welcomed the 'IPA type' review which would take place in April / early May to maximise the benefits with findings and an action plan reporting to Board in June.
- iii. Appreciated the significance of the cultural change of duty holders, and the significance of this, and were assured by the actions being put in place to address this;
- iv. Similarly noted the culture changes issues for ONR inspectors and the steps in place to address these;
- v. Were pleased to see that lessons were being learnt from the UK SSAC Project.
- vi. Noted the SyAPS milestones are reflected in the Regulatory Directorate Milestone Plan.
- vii. Welcomed the production of the small duty holders SyAPs guide and noted under the Regulations that plans can be modified to meet both ONR and small duty holders' requirements.
- viii. Commented that post project analysis for corporate learning would be important for what was a major ONR change programme up to 2020.

9.5 The Board noted the report and thanked the Director for his timely update.

## **10 ONR Generic Design Assessment (GDA) Entry Policy**

10.1 The Director, New Reactors Division presented a paper seeking Board's agreement in principle to amending ONR's current policy on when we undertake the Generic Design Assessment (GDA) of a specific reactor technology. Subject to Board views, we would revise our policy from conducting a GDA only where there is a route to deployment in the UK, to a more open policy whereby we can conduct GDA when it aids our purposes as defined in the Energy Act 2013.

10.2 He updated the Board on recent discussions with BEIS and set out GDA Entry legal and policy considerations.

10.3 In discussion the Board:

- i. Commented that more work is needed before it would agree to a fundamental change in ONR strategy;
- ii. Suggested we explore other models in different sectors.

10.4 The Board concluded that a decision would be premature and more work was needed given the significant issues, legal implications including liabilities, and viability issues discussed. It is likely that this is a fundamental change in strategy and as such should be a key component of the ONR Strategy to 2025.

## **11 Standing Reports – by Exception**

11.1 Chief Executive's Report – the CE provided an oral update on the pay deal next steps. Accompanied by the HR Director she would be meeting the Trade Unions shortly. The settlement date is 1 April 2019.

11.2 Chief Nuclear Inspector's Report – the CNI provided an oral update on the HPR-1000 GDA.

11.3 He drew the Board's attention to the Succession Planning risk identified as a new issue associated with changes to pension taxation rules that is likely to impact on leadership succession planning in ONR. This has been raised with the HR Director and an options and impacts paper would be presented to the Remuneration / Nominations Committee in April.

11.4 The CNI provided an oral update on AWE.

11.5 Due to shortfalls in funding from NDA for 19/20, Sellafield Limited has agreed a change to its operating plan for the year with the NDA. Discussions are scheduled and Board will be advised further regarding the impact on the hazard and risk reduction programmes.

11.6 The Board asked for an update on the implementation of the NERA recommendation.

**Action 3:** Implementation of NERA recommendations to be added to the Board Forward Plan – Board Secretary.

11.7 HR Director's Report – the HR Director informed Board that the Academy Project had delivered to time and quality and had come in significantly under budget. In launching Academy On-line, 68% of the organisation had successfully registered on the system and 642 courses had been booked directly by staff.

11.8 The assessment events for the next cohort of Graduate Recruitment resulted in only one successful candidate for four places. The technical standard on this occasion was below requirements and we are working with Energus to understand and address the issues. This includes the potential for recruiting cyber graduates later in the year. With regard to Nuclear Degree Apprentices, the HR Director reported that we had received 95 applications for this new pipeline into ONR.

11.9 Following previous updates, and subsequent escalation meetings, there continues to be third party supplier issues from SSCL which is requiring us to closely monitor performance.

- 11.10 The Board passed on their congratulations to the Strategic Improvement Projects SRO and all the team for the successfully led Academy Project.
- 11.11 Finance Director's Report – the long outstanding issues with HSE regarding in-year costs had been settled and HSE proposals for the next financial year had been received.
- 11.12 An update was provided on the developing integrated incident response plan. Delivery of the plan would be deferred by two months with the final draft in place for 28 May 2019. An update would be given to the ARAC in April.
- 11.13 The Board noted the four standing reports.

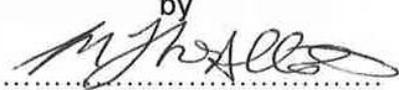
## **12 Any Other Business**

- 12.1 Observer Feedback – Emma Lui, Policy Advisor, thanked the Board for the opportunity to observe the meeting. She referred to a lively exchange of views that had provided her with a wider organisational perspective. She noted the level of detailed engagement by Board members and how good it was to be able to observe the Senior Leadership working as a team.
- 12.2 The Chair closed the meeting by formally thanking everyone around the Board table and all staff in ONR for an interesting, challenging and rewarding eight years.
- 12.3 The Board thanked Nick for his significant contribution and dedication to ONR.
- 12.4 There was no other business raised.

## **13 Information Papers:**

- 13.1 The Board noted the following information papers:
- 1) ARAC minutes - 16 January 2019
  - 2) Security Committee minutes and Chair's Update report – 6 March 2019
  - 3) Board Forward Look
- 13.2 The Board thanked the Head of Regulatory Assurance for his excellent work in supporting the Security Committee and ARAC on Audit and Assurance and wished him well in his new role.
- 13.3 The Board asked that the location for Board's site visit in July be agreed in advance of the next Board.

**Action 4:** Location for July Board site visit to be agreed – CNI / Board Secretary.

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