

**Minutes of the Board
27 November 2019**

Windsor House, Victoria Street, London, SW1H 0TL

Present:

Members

Mark McAllister - Chair
Penny Boys - Non-Executive Director
Oona Muirhead - Non-Executive Director
Sarika Patel - Non-Executive Director
Bronwyn Hill - Non-Executive Director
Adrienne Kelbie - Chief Executive
Sarah High - Finance Director
Dave Caton - HR Director

Attendees

Alistair Campbell - Chief Information Officer (item 3)
Paul Fyfe - Director, Security and Safeguards (item 6)
Donald Urquhart - Director, Operating Facilities (item 7)
Gavin Smith - Professional Lead (items 9 &10)
Joanna Whittington, Director General, Energy and Security, BEIS (items 5-8)

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. Apologies for absence were received from the Chief Nuclear Inspector and 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 September 2019 were agreed as a correct record. The Board Secretary confirmed the Board decision, taken in correspondence, to improve the ONR 2019 pay offer through consolidation of the existing 0.5% payment to staff on the maximum of their pay scale and to ensure that all eligible staff receive a minimum 2% increase.
- 2.2 The Board Secretary circulated a copy of a letter regarding Phase 2 of the UK State System of Accountancy for and Control of Nuclear Material, from BEIS dated 22 November 2019. This closed Action 1, from September Board. All other items on the log were complete.
- 2.3 The Chair confirmed that item 6, Corporate Governance Arrangements – 6 month review would be deferred until the January 2020 Board to provide time to incorporate the views of the Security Committee Experts in Attendance.

3 IT Separation Status Update

- 3.1 The Finance Director / IT SRO, supported by the Chief Information Officer, presented a paper providing an update on the current position on IT Separation, delivery to date, risks, mitigations and dependencies, and to provide assurance of project governance and timescales for delivery.

- 3.2 The Finance Director made reference to her appointment as SRO for the IT Separation Project on 2 September. At that time, and in the absence of a baselined end-to-end integrated delivery plan, confidence in delivering network separation by 27 January 2020 was limited.
- 3.3 She highlighted recent work, with all parties, in developing a realistic and robust sequenced delivery plan, which recognised all dependencies, and set out clear and realistic delivery timescales. This work had been subject to a step by step walk through by the SRO, taking into account decision points, dependencies, governance, critical paths, communication and training.
- 3.4 The revised plan indicates that to deliver IT Separation safely and with an appropriate level of training and engagement, we can assure safe delivery during quarter 1 2020/21. She added that a paper would now be presented to the Senior Leadership Team on 5 December 2019 seeking their endorsement of revised IT separation delivery and timescales and a single cutover date of 26 May 2020.
- 3.5 Slippage beyond 22 June 2020 puts ONR at risk of exceeding the 12 months' HSE notice period and associated charges. We are identifying opportunities to parallel run activities and accelerate some activities which are low risk to project delivery to provide additional contingency.
- 3.6 She set out the reasons for the delay, including consistent Project Management Support, and that we would learn the lessons.
- 3.7 The Chief Information Officer explained the technical deliverables, making reference to building the new environment, clarity on the mechanism for data migration by the end of February and proof of concept to mitigate the technical risk.
- 3.8 In discussion the Board:
 - i. Sought assurance that no data would be deleted from the HSE environment until we were assured on ONR content and integrity. The Chief Information Officer confirmed that would be the case. Work is on-going with HSE on reciprocal arrangements post separation to address any issues should they arise.
 - ii. Asked about due diligence at the cutover point to make sure the data had been transferred. The Chief Information Officer explained both the user acceptance testing and the testing by our contractor.
 - iii. Provided a strong steer to the SRO to discuss potential slippage with HSE, given we have only one month of contingency under the 12 month period. The SRO confirmed these conversations had begun.
 - iv. Asked how sizeable is the risk. The SRO made reference to key decision points in December and January. She committed to providing an update to Board in January.
 - v. Asked for a note to Board in June to update on how the soft landing was progressing.

Action 1: IT Separation Assurance Paper to be presented to January Board – SRO IT Separation.

Action 2: IT Separation Paper regarding progress on the soft landing to be presented to June Board – SRO IT Separation.

3.9 The Board noted the report.

4 WIReD Project Status and Phase 2 Commercial Options (redact commercials)

4.1 The Chief Executive, supported by the Finance Director, presented a paper providing an update on WIReD, including reference to the draft independent GIAA review of WIReD and our intended response, together with commercial options to ensure best value for money for Phase 2.

4.2 Board discussion focussed on four specific areas:

- 1) an understanding of phase 2 focus and scope options;
- 2) supply chain options;
- 3) SRO / Project Team arrangements, including time availability and competence;
- 4) lessons learnt from phase 1.

4.3 In discussion the Board:

- i. Reinforced the importance of transparency of Informed Solutions' costings, including pass-through Maginus costs and related uplift, insufficient demonstration of value for money, transparency of the economic case and confidence in timing.
- ii. Commented on the need for cost certainty aligned with the expectation that we would move towards outcome-based fixed price contracts.
- iii. Noted the legal advice from TLT LPP to assess ONR's commercial position.
- iv. Noted the independent Gateway Review, positioned initially to inform a Go/No-Go decision, re-positioned as an Advisory Report, recommending we test the market to assure VFM and clarify minimum viable products for each process; and the need to ensure security aspects are integral in Phase 2.
- v. Asked the Executive to commission an independent Phase 2 Readiness Review to consider project scope, minimum viable product, options, governance, staffing.
- vi. Supported the approach to commission a confidential internal review to consider the nature and validity of assertions made by Informed Solutions in respect of team dynamics, project governance and reporting which should be shared with the Chair.
- vii. Sought assurance on the availability, commitment and plans to divest work by the CNI to enable him to discharge the SRO role effectively, whilst recognising this was an Executive decision.
- viii. Discussed the skill set that would be required for the Project Lead, particularly IT expertise.

- ix. Commented that whilst the Audit and Risk Assurance Committee (ARAC) had repeatedly asked to see the benefits from the WIReD project, this did not mean redundancies.

Action 3: Executive to commission an independent Phase 2 Readiness Review to support a final business case for Phase 2 – Chief Executive.

Action 4: Board assurance to be provided on the availability, commitment and plans to divest work by the CNI to enable him to discharge the SRO role effectively – Chief Nuclear Inspector.

Action 5: Pen picture for the Project Lead to be circulated to Board – Board Secretary.

4.4 The Board supported the recommendation, to enter into a formal 'pause' arrangement with Informed Solutions, recognising the need to sequence the WIReD pilot post IT Separation cutover. This is a commercial pause only; the project momentum will continue internally.

4.5 The Board recognised that this approach would require an extension of the current commercial cover to finalise options and costing activity and to complete an orderly 'wrap-up' of current activity (likely to be up to 31 December 2019) to enter a safe, managed pause phase.

5 Chair's Report

5.1 The Chair welcomed the Director General, BEIS, and ONR's Director, Security and Safeguards and Director, Operating Facilities to the meeting.

5.2 He reported that since the previous Board he had:

- i. Attended a two day session with the Senior Leadership Team and other colleagues to discuss the underpinning execution plan that will guide delivery of our 2025 Strategy. He shared his observations and learning from the session.
- ii. Opened the launch event of the Chief Nuclear Inspector's annual report on Great Britain's Nuclear Industry.
- iii. Been interviewed as part of the Integrated Regulatory Review Service Mission to the UK (IRRS) and subsequently attended the Mission Dinner and Closing meeting. He provided verbal feedback and referenced the organisation of the Mission which had been exemplary. He passed on the Board's thanks to all those involved.
- iv. Met with the Chair of the Civil Nuclear Police Authority, accompanied by the Director, Security and Safeguards. This had supported a better understanding of relationships.
- v. Attended a meeting of Non-Governmental Organisations. He made reference to the professionalism of ONR staff in responding to the issues raised.

5.3 He concluded by making reference to weaknesses in our corporate planning processes, in particular identifying resource to support corporate / strategic change work. This seemed to be a consistent theme coming out across the organisation and needed to be addressed.

6 SyAps (Security Assessment Principles) Project Update and Response to the IPA Review

- 6.1 The Director, Security and Safeguards presented a paper on the delivery of SyAps-aligned Site Security Plans and Transport Security Statements over the past year.
- 6.2 He commented that the SyAps project consisted of three phases, which transitions the civil nuclear industry from a prescriptive to an outcome focussed security regulatory framework. The project is broadly on track to delivery all assessments / approved plans by December 2020. However, there remained a number of challenges in certain areas, including cultural change, industry SQEP/ Internal Assurance and the Nuclear Industries Security Regulations (NISR) 2003, which ONR and industry are working hard to address. The main risk of meeting the delivery timeline is the ability of dutyholders to submit 'right first time' security plans on schedule.
- 6.3 He referred to the Regulatory Assurance Review of the SyAps Project, conducted at the beginning of 2019 which gave a substantial rating, concluding that the framework of governance, risk management and control was adequate and effective. He also highlighted the Critical Friend Review conducted in the middle of this year with positive results.
- 6.4 In discussion the Board:
- i. Noted the openness around the need for culture change, internally in CNSS and in industry, and were keen to understand how we would know when the change is effective. The Director made reference to receiving 'right first time' security plans and through formal assessments which would take place at the end of outcome focused regulation training.
 - ii. Discussed NISR 2003 recognising this is predominantly focused on prescriptive regulation. The Director commented that NISR is not constraining nor impeding outcome focused regulation, it was just 'clunky.' Amendments to NISR 2003 that better enable effective outcome focused security regulation had been discussed with BEIS and with ONR Policy and Communications Directorate.
 - iii. Would like to see greater use of stories and case studies on Security as part of setting out what "good look like" with a view to having an integrated enabling regulation guide in place in 2020.
 - iv. Suggested the CNI Annual Report in 2020 included a focus on good practice from a Security perspective.

6.5 The Board noted the report.

7 Organisational Effectiveness Indicator 3 Case Study: Dungeness B

- 7.1 The Director, Operating Facilities presented a paper to provide a performance overview of Dungeness B, operated by EDF Energy Nuclear Generation Limited, which is receiving enhanced levels of regulatory attention.

- 7.2 ONR undertakes annual assessments of safety and security performance of sites receiving enhanced levels of regulatory attention which complement an exercise in November, each year, in which we assign attention levels for all licensees and other duty holders by exception. The outcome of these assessments is included as part of the new Organisational Effectiveness Indicator (OEI) Framework introduced this year.
- 7.3 The Director, Operating Facilities presented the assessment findings for Dungeness B, setting out the context of enhanced attention level, regulatory strategy safety assessment which focuses on Recover, Stabilise and Improve.
- 7.4 The assessment concluded that, in the light of licensees' performance and our own regulation during the period, regulatory strategies for securing return to routine regulatory attention are effective. However, EDF NGL did not yet have a fully effective plan for a return to routine attention.
- 7.5 In discussion the Board:
- i. Asked whether the site was getting all the attention and support it needed from a safety perspective. The Director confirmed this was the case.
 - ii. Questioned whether we needed senior engagement across organisations, similar to those that exist in other areas of the nuclear estate. The Director confirmed that such arrangements already existed. However issues were more technical than strategic.
 - iii. Asked for a progress update at Board in March 2020 including on the implications for business plan assumptions.

Action 6: Progress update on Dungeness B to Board in March 2020 – Director, Operating Facilities

- 7.6 The Board noted the report.

8 Discussion with Director General, Energy and Security, BEIS

- 8.1 The Chair welcomed the Director General, Energy and Security, BEIS to Board.
- 8.2 The Director General focused on three key themes, the pre-election period highlighting net zero is a feature across manifestos, current nuclear issues and the ONR / BEIS relationship.
- 8.3 She passed on her thanks to ONR for its work on the EU exit and in being able to demonstrate readiness; in particular she referenced the UK State System of Accountancy for and Control of Nuclear Material. She also expressed her thanks to ONR for its successful hosting the IRRS Mission and noted the good practice on ONR's matrix management approach.

8.4 In discussion the Board:

- i. Highlighted the importance of securing BEIS view on ONR's new governance arrangement which had been road-tested over a six month period with a review of their effectiveness at the end. This would inform a final decision by the Board on whether to replace the ONR Security Committee with the alternative governance model. This issue would be referred to the Director, Civil Nuclear and Resilience.
- ii. Made reference to the broad suite of options that needed to be addressed to deliver net zero and the capital investment needed to finance New Nuclear. The Board noted the detail is likely to be included in the forthcoming Energy White Paper.

8.5 On behalf of the Board the Chair thanked the Director General for her time and for an interesting conversation.

9 Good Practice and Innovation – Learning from Others

9.1 The Professional Lead for Mechanical Engineering presented a paper providing insights into how ONR inspectors learn from and apply relevant good practice and innovation deriving from non-nuclear sectors.

9.2 He explained that Inspectors apply relevant good practice (RGP) when making judgements of adequacy in accordance with ONR guidance. RGP is not static but evolves as technology changes through innovation. ONR inspectors are expected to keep up to date with technological developments within their specialist areas, supporting individual continuous improvement and enhancing organisational capability.

9.3 He provided a number of specific examples where our assessment of novel proposals had required inspectors to work from first principles to establish appropriate RGP. In many cases, this RGP had been drawn from non-nuclear sectors.

9.4 In discussion the Board:

- i. Noted the important role inspectors' play in learning from and capturing relevant good practice, but suggested that we needed to capture innovation in a more systematic way and share and embed the learning.
- ii. Asked that we consider different ways to tell the stories and thereby share the learning.

9.5 The Board noted the report.

10 Technical Division - Presentation

10.1 The Technical Director and Professional Lead for Mechanical Engineering gave a presentation setting out how our Regulatory Specialisms are structured to support delivery functions. He highlighted capacity, capability and resilience across the specialisms using the Conventional Health and Safety Specialism as a case study.

- 10.2 The presentation also covered work on Technical Division (TD) functional areas including: international engagement; major projects; regulatory research; regulatory and technical standards; emergency preparedness and response; regulatory intelligence and oversight; and the Transport Competent Authority.
- 10.3 The last two years' focus had been on establishing our delivery functions, intervention strategies and governance and oversight in addition to growing the capacity and capability of our regulatory specialisms.
- 10.4 Future focus would be on fostering a culture of continuous improvement and challenge; knowledge transfer; continuing to grow resilience across our regulatory specialisms, leading improvements in our behavioural performance and right sizing our regulatory specialisms.
- 10.5 In discussion the Board:
- i. Welcomed the more detailed understanding on the structure of the regulatory specialisms and the role of the professional leads in deployment across the Regulatory Divisions.
 - ii. Suggested it would be helpful to conduct a 'desk top' exercise with the Board on emergency preparedness and asked the Technical Director to consider a scenario and timing.
 - iii. Recognised the need to understand in more detail the level of commitment and funding to service ONR international work.

Action 7: Paper on ONR's commitment and funding to service international work to be presented to a future Board – Technical Director.

Action 8: Emergency Preparedness desk top exercise to be arranged with the Board – Technical Director.

- 10.6 The Board thanked the Technical Director and Professional Lead for Mechanical Engineering for a very informative presentation.

11 Standing Reports – by Exception

- 11.1 **Chief Executive's Report** – The Chief Executive made reference to the two separate papers on WIReD and IT Separation being the substantive items for discussion.
- 11.2 In terms of the Standing Report she highlighted the IAEA's recognition of ONR's progress towards addressing the long-standing challenge of regulatory effectiveness through our implementation of the OEI Framework. There is interest in establishing some common principles across member states and willingness to help develop our demonstration of regulatory impact and measures on our management system and safety culture.
- 11.3 ONR has been nominated for a North West Chartered Institute of Public Relations' (CIPR) Pride Award for the Shape Your Space campaign.

- 11.4 **Chief Nuclear Inspector's Report** – The Technical Director, on behalf of the Chief Nuclear Inspector, highlighted the Limited Assurance rating for Regulatory Guidance, Documentation and Process. Although adequate and effective in most areas examined, it identified document control issues associated with the publication of the ONR Safety Assessment Principles (SAPs). In light of this finding, we are considering a broader and more comprehensive review of other published documents to ensure there are no similar occurrences and to inform improvements to version control arrangements.
- 11.5 The Technical Director was pleased to report that we successfully hosted the first ever full-scope IRRS Mission to the UK (14-25 October). The Mission was described by the IRRS Team Leader as the most complicated IRRS Mission ever undertaken, but it was notable that ONR received a Good Performance in relation to the planning, hosting and execution of the Mission, on behalf of the UK.
- 11.6 Magnox Limited had written to ONR to confirm that the Wylfa site is fuel free, having completed its verification activities. ONR is undertaking its own independent verification but this represents a landmark state for the Magnox reactor fleet.
- 11.7 **Finance Director's Report** – The Finance Director provided an update on the full year financial position. She reported a £5m forecast underspend which was made up of underspends of £2.4m in the Regulatory Directorate, £2.2m in Support Directorates and £0.4m in UKSSAC. She provided an explanation for the underspend based on slippage, demand and price. The underspend was the result of various factors including: Regulatory Directorate staff costs; Technical Support Contracts and Graduate Sponsorship. In the Support Directorate savings were made against the WIReD project, staff costs and cancellation of the Staff Conference. The UK SSAC savings are as a result of the reduced requirement for consultants and BREXIT-related workshops. The Audit and Risk Assurance Committee (ARAC) will carry out a deep dive of this year's delivery planning assumptions in January.
- 11.8 To address the issues around clarity of charging, particularly to HM Government, we are developing an ONR Charging protocol that will set out the different classifications of charging for ONR in general which we plan to share with BEIS in December.
- 11.9 The Bootle Estates Phase 1 project completed on schedule and below budget in August, providing hot-desking and de-cluttering outputs. All associated risks for this phase have closed and a handover report completed. The Cheltenham Phase 1 refurbishment project to modernise our space at St James House had also been completed successfully.
- 11.10 The new Head of Incident Management joined ONR on 7 October 2019. Socialisation and familiarisation of the new Incident Management Framework is taking place in readiness for a desktop training exercise late November.

11.11 **HR Director's Report** – The HR Director highlighted that our first Nuclear Graduate had completed his training and development programme and secured a Nuclear Safety Inspector role. The HR Director made reference to the Board's decision, taken in correspondence, to improve the 2019 Pay Offer. He had subsequently met with the Trade Unions who had welcomed the change. Communications to all staff are being prepared with a view to implementing the change in January 2020.

11.13 An external review of our pay and grading structure found that there were no significant areas that required immediate attention and that our reward offer remains in the upper quartile for nuclear roles and is competitive for others. There were a number of areas identified with room for improvement to deliver greater organisational benefit or to achieve better alignment with future strategic intent. This work will inform development of proposals to maximise the organisational benefit from our reward and recognition approach.

11.14 In discussion the Board:

- i. Made reference to the Pay and Grading Review and the need to develop a total reward package that benefits the organisation and individuals. In developing the package it would be important to benchmark against others.
- ii. Wished all those involved good luck at the forthcoming CIPR Pride Awards.
- iii. Thanked all those involved in hosting a successful IRRS Mission and asked that a paper come back to Board, following Project Team deliberations, on IRRS Mission findings.

Action 9: Timetable to be circulated to Board on our total reward package setting out what would be presented to who and when - HR Director

Action 10: Following IRRS Project Team deliberations, IRRS Mission Findings to be presented to Board – Technical Director

11.15 The Board noted the four standing reports.

12 Any Other Business

12.1 There was no other business raised. The Chair thanked the Board for their time and attention and formally closed the meeting.

13 Information Papers

13.1 The Board noted the following information papers:

- 1) Audit and Risk Assurance Committee Draft Minutes – 11 September 2019
- 2) Board Forward Plan