Office for Nuclear Regulation

Annual Report and Accounts 2022/23

HC 186

Office for Nuclear Regulation

Annual Report and Accounts 2022/23

Presented to Parliament pursuant to Paragraphs 21, 24 and 25(3) of Schedule 7 to the Energy Act 2013.

Ordered by the House of Commons to be printed on 16 November 2023

HC 186

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at contact@onr.gov.uk.

ISBN 978-1-5286-4163-0

E02921573 1 11/23

Contents

Performance report

Foreword

We are pleased to report on a good year for ONR. We made progress towards the top five ambitions set out in our Corporate Plan 2022/23 and, importantly, continued to deliver on our mission to protect society by securing safe nuclear operations.

We regulated effectively across our purposes and the nuclear lifecycle. We maintained regulatory oversight of the management of ageing facilities, applied significant effort at some of our defence sites, and ensured a continued focus on high hazard risk reduction at Sellafield Ltd – ensuring overall that the industry remained safe, secure and appropriately safeguarded.

While there was good progress in many areas and the performance of the industry overall remained adequate, we also observed some variance in dutyholder performance, including a higher number of events and emerging issues that will require increased attention, such as cyber security and nuclear site health and safety. In November 2022 we were informed of a work-related death at Hinkley Point C, following an incident involving a construction vehicle. Then, in July 2023, another work-related death occurred involving a construction worker, this time at AWE Aldermaston. Police investigations are still ongoing, and our thoughts are with the families involved in these tragic events.

This year, we launched our inaugural Annual Review of Regulation, to promote dialogue across our purposes and with industry, seeking specific internal intelligence and industry feedback about our performance. The feedback from this first review identified opportunities to further improve our efficiency, consistency and proportionality and we are considering how to address these. In 2023/24 we will focus on developing a more integrated, risk-informed and intelligence-led inspection regime across our purposes, with the intent of improving our productivity and other areas of feedback.

In anticipation of a growing nuclear industry, the nuclear sector is responding to the potential shortage and competition for skills. We have begun to influence a joined-up, industry-wide approach to building and sustaining a resilient, capable workforce for the future, to deliver programmes safely, securely and effectively. This work will continue to be a regulatory – and industry-wide – priority into 2023/24. Equally, innovation will continue to be a focus. We successfully trialled expert panels and developed the UK's first nuclear sector sandbox, and will now consolidate our approach to enabling innovation, including working with domestic and international partners.

Considerable attention was given to reviewing our financing and charging arrangements this year. The timeliness, accuracy and transparency of our dutyholder forecasting and data continued to improve, with the refresh of our time recording system. Associated guidance and training on charging and cost recovery are to be rolled out in the next financial year and will soon be supported by a workforce planning tool to better plan for medium and long-term demand scenarios. Our internal audit and assurance reviews also acknowledged some opportunities for improvement, such as the quality of our regulatory records and enhancing the effectiveness of collaboration, cooperation and consistency within and between our regulatory purposes. Both are areas that we will look to enhance next year.

We made notable progress in actively managing our strategic risks, having appropriately de-escalated six from our risk register over the course of the year. In 2023/24, we will deliver a Risk Improvement Plan (a Government Internal Audit Agency recommendation), that will embed and mature our risk management capability. Significant investment in time and resources in our corporate security arrangements has delivered major improvements in our security capability and maturity, which saw reaccreditation of Cyber Essentials Plus and formal accreditation of ISO27001. We have a continuous security improvement plan in place to build upon these improvements with the ethos of being an exemplar to the nuclear industry.

The publication of our Openness and Transparency policy was a significant milestone in formalising our commitment to open engagement with our diverse range of stakeholders. Internationally, we maintained our extensive influence, with multilateral engagements that led to the development of international standards and explored opportunities for greater harmonisation. We also continued to work with government and our international peers to support and influence the response to potential nuclear safety risks presented by the ongoing conflict in Ukraine.

Looking inwardly, our Staff Survey told us that employee engagement and satisfaction remains high. This is encouraging and gives us assurance in our leadership, together with highlighting areas where we can do better to ensure our people continue to feel valued and fulfilled at work. We have adopted hybrid working across all our offices, which has been welcomed by staff and is enabling us to realise the benefits of balancing home working with more collaborative, in-person interactions with colleagues, either in the office or on site. During 2023/24 we will seek to gain benefits from resulting reduced office footprints.

Our commitment to inclusion remained a priority, as we were successfully reaccredited with National Equality Standard and Disability Confident Leader, and further invested in staff wellbeing through our Achieving Cultural Excellence programme. Notably, we were pleased to complete the first ever independent assessment of our organisational culture. This provided us with valuable insight regarding our lived and aspirational values, which will help inform staff engagement and how we influence our culture in the future. Responding to the findings will be a key priority during the coming year and will require us to demonstrate good corporate leadership.

With the final leg of our 2020-25 strategy ahead, this year was pivotal to drive forward progress in important areas. We successfully launched and embedded our Well-Informed Regulatory Decisions (WIReD) platform, which is delivering significant improvements in our regulatory efficiency and consistency and is providing an opportunity to focus on our proportionality – areas of stakeholder feedback we are committed to addressing. As we completed the WIReD project, we launched our Organisational Review, with which we aim to optimise our organisational structure, remain agile and able to sustain the long-term delivery of our mission. Options will be developed over the 2023/24 financial year.

We are confident that we remain an effective regulator and organisation, highlighted by our influence nationally and internationally, and the insights provided by external feedback and benchmarking. Notably, the findings from the Post Implementation Review confirmed that we are effectively delivering our regulatory purposes and that we are well regarded for our modern, enabling regulatory approach, and respected for our technical ability and regulatory performance – domestically and internationally.

In the coming year, we will remain focused on understanding the increased number of significant nuclear site health and safety incidents, including the recent work-related fatalities, and identifying how future incidents can be prevented. We will also look more intently to efficiencies in our systems, practices and processes, together with underpinning work on our culture and values, and ensure tangible outcomes are delivered in these areas.

Mark McAllister
Chair

Mark Foy
Chief Executive and
Chief Nuclear Inspector

Performance overview

This section provides information and a summary of our performance in the year.

About ONR

We are the UK's independent nuclear regulator, with the legal authority to regulate nuclear safety, civil nuclear security and safeguards, and conventional health and safety at the 35 licensed nuclear sites in Great Britain (GB). This includes the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites, as well as other licensed and, in part, authorised defence sites, together with the regulation of the design and construction of new nuclear facilities.

We also regulate the transport of civil nuclear and radioactive materials by road, rail and inland waterways. Our nuclear security regulation covers approval of security arrangements within the civil nuclear industry and provides regulatory oversight for the security of transportation of civil nuclear materials and the management of effective arrangements for sensitive nuclear information. Our safeguards regulation serves to ensure that civil nuclear material remains accounted for and controlled to ensure the UK maintains its safeguards obligations as set out under international treaties and agreements, through the operation of the UK State System of Accountancy for and Control of Nuclear Materials (SSAC).

You can find out more **about us**, our **governance arrangements**, **our regulation** and our **stakeholder engagement** on our website: **www.onr.org.uk.**

ONR

Mission:
To protect society by securing safe nuclear operations

Vision:
To be a modern, transparent regulator delivering trusted outcomes and value

Accountable	Open-minded	Fair	Supportive

Influencing proportionate improvements

Inspiring stakeholder confidence

Creating a culture of inclusion and excellence

Modernising how we work

Our performance indicators

Over the year, we made good progress against our top five ambitions for 2022/23, explained in further detail under the performance analysis. To measure the impact, effectiveness and value of our work, we continued to assess our progress through our **Organisational Effectiveness Indicator framework.** This provides a broad evidence base to assure our Board, government and the public of the efficiency and effectiveness of our regulation. At the end of 2022/23 we remained largely on track to deliver our 2025 strategic intent.

Progress against our top five ambitions for 22/23

1

Ambition 1: Influence timely and enduring improvements across the nuclear industry:

- assessed site licence application for Sizewell C;
- commenced step one of Rolls-Royce Small Modular Reactor (SMR) Generic Design Assessment (GDA);
- published Chief N uclear Inspector (CNI) themed inspection on ageing management
- granted permission for the commencement of active commissioning and early retrievals from the Magnox Swarf Storage Silo;
- permissioned EDF's consolidated seismic safety case for Heysham 1 and Hartlepool;
- published revised ONR Guidance for Nuclear Material Accountancy and Safeguards;
- completed assessment of all dutyholder Security Assessment Principles (SyAPS) security plans;
- submitted UK Additional Protocol report to the International Atomic Energy Agency (IAEA); and
- published CNI Annual Report 2021/22.

2

Ambition 2: Promote innovation through our regulation and our organisation, sustainability in our operations, and collaboration across our regulatory functions and corporate services:

- trialled expert panels and developed the UK's first nuclear sector sandbox;
- began to work with international regulators on their approach to innovation;
- participated in IAEA Nuclear Harmonisation and Standardisation Initiative, a major contributor to key workstreams;
- facilitated an international technical peer review (with France) of the UK SSAC;
- delivered UK Report to Review of Joint Convention on Spent Fuel and Radioactive Waste Management; and
- delivered UK Report to Convention on Nuclear Safety.

3

Ambition 3: Increase openness and transparency across our work:

- published 2022/23 Corporate Plan;
- undertook Annual Review of Regulation;
- consulted on and published our Openness and Transparency Policy;
- published Annual Report and Accounts 2021/22;
- hosted industry conference;
- hosted non-governmental organisations (NGO) Forum;
- hosted first in a series of collaborative climate change workshops; and
- refreshed Site Stakeholder Group (SSG)/Local Liaison Committee (LLC) attendance guidance.

4

Ambition 4: Live all our values all the time, advocating equality, diversity and inclusivity:

- refreshed our Diversity and Inclusion Action Plan;
- undertook Staff Survey;
- launched extended reverse mentoring programme;
- achieved National Equality Standard accreditation and Disability Confident reaccreditation;
- commissioned Alliance Manchester Business School (AMBS) to carry an independent assessment of our culture; and
- implemented new and simplified performance management process aligned with our values.

5

Ambition 5: Drive simplification and efficiency in our systems, practices and processes:

- completed phase 2 of our WIReD project;
- launched new risk management system;
- developed Digital Strategy;
- introduced performance data applications and analysis;
- integrated health, safety and wellbeing processes into our management system; and
- implemented a new Technical Support Framework.

Our ten organisational effectiveness indicators

Strategic theme 1: Influencing proportionate improvements

1. Our regulatory activity drives demonstrable improvements and compliance across our purposes.
2. Our regulatory decisions are proportionate, balanced and unbiased.
3. We have a continuous self-improvement and learning culture.
4. Innovators are confident to test and deploy technology in a UK regulatory framework that embraces innovation.

Strategic theme 2: Inspiring stakeholder confidence

5. We engage with UK and international stakeholders to improve the effectiveness of our regulation and to inform UK policy.
6. We are transparent and accessible to our stakeholders and the public.

Strategic theme 3: Creating a culture of inclusion and excellence

7. We have technical competence at our core.
8. We exhibit strong leadership and an inclusive culture that promotes performance management and embraces change.

Strategic theme 4: Modernising how we work

9. We develop a strong organisational capability, knowledge management, tools, business continuity and emergency preparedness.
10. Delivery of our mission is efficient and sustainable.

Performance analysis

This section provides a more detailed analysis of how we performed against our Corporate Plan 2022/23, the progress made towards our Strategy 2020-25 and management of our strategic risks.

Strategic theme 1 – Influencing proportionate improvements

1 **Ambition 1:** Influence timely and enduring improvements across the nuclear industry

2 **Ambition 2:** Promote innovation through our regulation and our organisation, sustainability in our operations, and collaboration across our regulatory functions and corporate services.

Our top priority throughout 2022/23 was the delivery of our core regulatory purposes, continuing to achieve our mission to protect society by securing safe nuclear operations. Our regulatory activity was directed to ensure nuclear sites and other dutyholders conducted their operations safely and securely, and that they accounted for and controlled relevant nuclear material.

The overall performance of the industry remained adequate; required standards of safety, security and safeguards were met in almost all cases and there were proportionate improvements in some key areas. However, there was also an increase in the number of events and issues on some sites across different activities. Where required safety, security and safeguards standards were not met, we took effective enforcement action to ensure necessary improvements were delivered. Details of these issues and events, together with our regulatory response, are outlined in our Chief Nuclear Inspector's annual report on Great Britain's nuclear industry. This report also provides a comprehensive overview of performance and regulatory priorities during the 2022/23 reporting period.

Whilst our activity in 2022/23 was largely unaffected by the COVID-19 pandemic response, some international restrictions remained in place. We built on the positive work undertaken during the previous year to continue to obtain assurance that nuclear site licensees and other dutyholders were adequately resourced to continue to carry out their activities safely and securely and remained satisfied with industry's response.

We continue to engage with the ongoing UK COVID-19 public inquiry, and will engage with any subsequent review on critical national infrastructure resilience that may affect our approach when considering future industry pandemic resilience. Our own work on the industry's future pandemic resilience will be delayed until the UK's national review is complete.

During the reporting period we made significant progress with our approach to innovation; internally, externally, and internationally.[1] Our aim is to support the adoption of innovative solutions by the nuclear industry and its supply chain, where safe and secure to do, and stakeholder feedback on our activities was positive. We trialled expert panels, developed the UK's first nuclear sector sandbox and considered a range of topics including artificial intelligence and blockchain technology. Our reach included international work with other regulators on their approach to innovation and considering the development of an international sandbox.

In November 2022, we published the **Chief Nuclear Inspector's themed inspection** on the management of ageing facilities, following a series of targeted ONR inspections, carried out over five months.

As well as several observations specific to individual licensees, the report identified three areas of common thematic challenges:

- ensuring sustainable capability and skills necessary for the management of ageing facilities;
- implementation of sustainable funding models for ageing management; and
- integration of security into ageing management plans.

During our interventions, we identified opportunities for improvements in ageing management, which we will monitor to completion. Operational experience accrued from these interventions will continue to inform our regulatory expectations and guidance to licensees.

We pledged to undertake a nuclear industry-wide electrical safety intervention in our Corporate Plan 2022/23, as part of our drive to seek wider improvements in conventional health and safety performance. We fulfilled this with a series of multidisciplinary interventions, including sampling of safe working arrangements and control of isolations, management of maintenance backlogs, dutyholder use of leading and lagging indicators of electrical safety, safety culture, training and availability of suitably qualified and experienced personnel.

1 More information is available on our dedicated innovation webpages: **onr.org.uk/regulating-innovation**

New Reactors

In April 2022, we launched an updated five-year strategy for regulation of Hinkley Point C, in recognition of the change in phase from predominately civil engineering to equipment installation, the increase in pace and complexity, and to better reflect our focus on site health and safety. In November 2022 we were informed of a fatality at Hinkley Point C, following an incident involving a construction vehicle. As the enforcing and investigating authority for health and safety on a nuclear licensed site, we formed a specialist investigation team that commenced enquiries in parallel with the police, who, at the time of writing, continue to have primacy and lead the investigation.

At the start of the year, together with the Environment Agency and Natural Resources Wales, we began Step 1 of the GDA for the Rolls-Royce SMR design and towards year end we stood ready to commence the 16-month Step 2 assessment of the fundamental suitability of the Rolls-Royce SMR for deployment in Great Britain.[2]

We published an update on our **assessment of the nuclear site licence** application for the proposed nuclear power station at Sizewell C (SZC) in Suffolk in July 2022. Our assessment concluded that the application met almost all the regulatory requirements, but there were two outstanding matters requiring resolution prior to the formal granting of a licence (which we will proportionally re-assess ahead of any nuclear site licence grant)

1. the current ownership of the land, which is yet to be acquired by the licence applicant – we are confident in the proposal to address this; and
2. the shareholder agreement, which places control of key policies relating to safety and security with a holding company, NNB Holding Company (SZC) Ltd – this has now been amended and resolved.

Throughout the year, we continued to support government on advanced nuclear technologies and its proposal to bring forward a high temperature gas reactor demonstrator. We also carried out multiple international engagements principally focused on small modular reactors and the potential for greater collaboration on reactor design assessment.

Operating Facilities

In line with the priorities set out in our recent CNI Annual Reports and CNI themed inspection, we maintained regulatory oversight on the management of ageing facilities, particularly across the advanced gas-cooled reactor fleet and the defence sites at Atomic Weapons Establishment (AWE) Aldermaston and Devonport Royal Dockyard (DRDL). Inspectors reflected the themed inspection findings in their wider regulatory strategies for influencing improvements at nuclear licensees.

---

2 **ONR - Assessment of reactors - Rolls-Royce SMR**

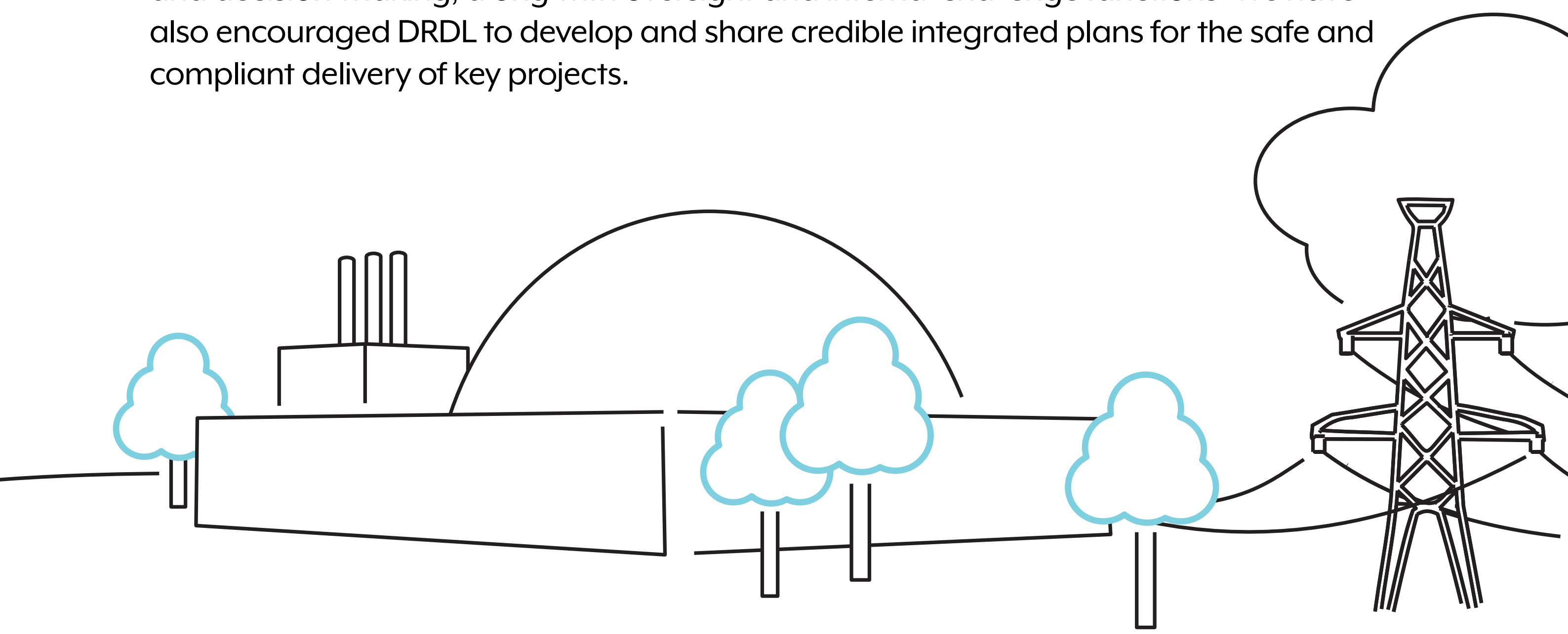
We continued to oversee the changes to the EDF Energy Nuclear Generation Limited operating model. Whilst the proposed transformation is not as significant as originally anticipated, we have ensured sufficient resources remain to deliver the high safety and security performance we expect.

Hunterston B and Hinkley Point B commenced defuelling this year, and we permissioned Dungeness B to begin defuelling in Summer 2023. These shut down stations were afforded proportionate regulatory oversight to ensure the continuation of appropriate security arrangements during the defuelling phase and ultimate transition to the care of Magnox for decommissioning. Heysham 1 and 2, Hartlepool and Torness continued to operate without issue.

We oversaw the strategic defence upgrade projects at AWE Burghfield and at BAE Systems Barrow, which remained on track, and supported dutyholders with the reduction of the risk profile across the defence estate.

We focused significant regulatory effort on AWE's Aldermaston site and on Devonport Royal Dockyard Ltd. (DRDL), both of which remain under enhanced regulatory attention for nuclear safety. We were satisfied with the progress made at Aldermaston; however, in July 2023, whilst drafting this report, we were informed about a serious construction incident onsite, which tragically resulted in a construction worker fatality. The police continue to have initial primacy and lead the investigations until primacy is handed to us as the enforcing and investigating authority for health and safety on a nuclear licensed site.

We did not see the required improvements in delivery of safety performance at DRDL. We are therefore further escalating engagements with DRDL and have influenced the dutyholder to develop and implement a holistic, risk-informed, and outcome-focused approach to support readiness for a move to routine regulatory attention. To supplement this, we have targeted our attention on areas that should enable improved safety performance; increasing our attention on leadership, organisation capability, and decision-making, along with oversight and internal challenge functions. We have also encouraged DRDL to develop and share credible integrated plans for the safe and compliant delivery of key projects.



Sellafield, Decommissioning, Fuel and Waste

We continued our regulatory focus on high hazard risk reduction at Sellafield, but performance throughout the year was mixed, with several key outcomes delayed until the next financial year. The most significant delays were in the Pile Fuel Cladding Silo and First Generation Magnox Storage Pond, due to technical difficulties, supply chain management and the issues associated with making complex safety cases. There was however noteworthy progress in other areas, including completion of several specialist assessments of safety cases, where we agreed to allow Sellafield Ltd to:

- commence diver deployment pilot in Pile Fuel Storage Pond;
- conduct active commissioning and subsequent retrievals from Magnox Swarf Storage Silo (MSSS) Compartment 10; and
- commence visual inspection of packages in Lab L to inform final disposition (completed June 2022).

In addition, we undertook a comprehensive assessment of Sellafield Ltd's responses to regulatory concerns associated with the MSSS original building leak to ground.

We retained our focus on industrial safety at the Sellafield site noting that dutyholder performance was variable this year. While we continued to see improvements in electrical safety, we had to take formal enforcement across a range of other areas, including fire life safety and asbestos management. Following a series of regulatory interventions, Sellafield Ltd developed and is implementing a fire life safety improvement plan and is developing an industrial safety improvement plan, both of which are receiving targeted regulatory oversight. We also increased our focus on Sellafield Ltd's leadership and management and risk profiling in relation to industrial safety.

Our investigation into a fall from a scaffolding ladder at Sellafield uncovered failures to adequately plan, risk assess, organise and deliver repair tasks under challenging work conditions, which ultimately resulted in serious spinal injuries to a worker. Sellafield Ltd was fined £400,000 after admitting a health and safety breach following an ONR-led prosecution.

In other areas, we permissioned the relicensing of the Dounreay nuclear site to Magnox Ltd as the new nuclear site licence holder. Following an extensive assessment of the relicensing application, we were satisfied that Magnox Ltd demonstrated its suitability to become the new nuclear site licence holder and that these changes will have no detrimental impact on nuclear safety, security, safeguards or transport.

We provided support to the government in progressing geological disposal of higher-activity wastes and advised on the regulatory framework for the UK's geological disposal facility, including site evaluation of potential sites. This involved engaging with Radioactive Waste Management Ltd and Nuclear Waste Services who aim to bring together the UK's nuclear waste management capabilities under a single organisation.

Civil Nuclear Security and Safeguards

We commissioned an independent review of our SyAPs (following their launch in 2017 as the world's first outcome-focused regulatory framework for nuclear security). The report found that SyAPs have been broadly welcomed by dutyholders and have effectively transferred risk ownership to site operators, which is viewed positively by both inspectors and dutyholders. SyAPs have also facilitated more flexibility in how security risks are addressed by dutyholders. We will use the report findings to inform and refine our approach to the future regulation of nuclear security across the civil nuclear estate.

Throughout the year we engaged with and assessed all dutyholder SyAPs-aligned site security plans. For those dutyholders whose plans have not yet been approved, we ensured they understand regulatory expectations and can deliver satisfactory submissions.

As the regulator for nuclear safeguards,[3] we effectively facilitated IAEA safeguards activities in the UK and delivered our planned assessment and inspection activities. Having implemented a robust nuclear material accountancy system in 2021/22 (enabling us to analyse and process nuclear material accounting reports from across the civil nuclear estate and submit these to the IAEA in accordance with the UK-IAEA safeguards agreements), our focus this year was on maintaining and maturing our capability, alongside delivery of our regulatory activities.

We facilitated an international peer review of the UK SSAC. The French Nuclear Safeguards Authority (Comité Technique Euratom (CTE), working with Institut de Radioprotection et de Sûreté Nucléaire (IRSN) and Commissariat à l'énergie atomique et aux énergies alternatives (CEA)) examined all aspects of our safeguards function. Its final report was positive, describing our safeguards function as 'impressive'. The report set out some suggested opportunities for improvements, and a recommendation in relation to our Safeguards Information Management and Reporting System (SIMRS), which we are taking forward.

During the reporting period we carried out a breadth of safeguards inspections (including nuclear material accountancy inspections; physical inventory take evaluation inspections; basic technical characteristics inspections; accountancy and control plan inspections and safeguards system-based inspections) and we published our **Safeguards Annual Report for 2022.**

We have continued to work with government on the Vetting Transformation Programme, and whilst changes to the implementation schedule have impacted our ability to deliver definitive clarity to industry about future regulatory vetting clearance expectations, we continued to work closely with key stakeholders and focus our efforts on driving down the waiting time for industry-sponsored applicants who are undergoing the security vetting process.

3 We became the State Regulatory Authority for safeguards from 31 December 2020, following the UK's departure from Euratom.

Throughout the year, we continued to deliver a significant amount of regulatory activity in support of the objectives set out in the **civil nuclear cyber security strategy 2022,** which describes how the UK's civil nuclear sector aims to manage and mitigate cyber security risks over the next five years. We delivered board level briefings on the implementation of effective cyber security strategies to all our dutyholders. In support of the strategy, we also refined our Cyber Assessment Framework aligned benchmarking assessments to enhance regulatory intelligence, enabled greater cross sector analysis and improved trend identification. Additionally, we rolled out a risk-informed approach to regulating the supply chain, through our new List N Portal, and updated our technical guidance on effective cyber and information risk management.

Technical Division

We ensured that we remain capable, ready and resilient to deliver a sustained response to a nuclear emergency (including events at multiple sites) and are working with the Department for Energy Security and Net Zero (DESNZ)[4] regarding a future Level 3 exercise to validate the UK's national emergency preparedness and response arrangements.

Meanwhile to strengthen our use and sharing of intelligence across our regulatory divisions, we developed a strategy which sets out the vision for a new Organisational Learning Function and identifies key steps in its delivery. In the interim, we bolstered our Regulatory Intelligence and Oversight (RIO) function to provide additional insight to inform our planning, resource deployment and delivery of our regulatory purposes.

Through enhanced collaboration established between the RIO function and regulatory divisions, RIO was able to present findings at the inaugural Annual Review of Regulation. The purpose of this review was to reflect, alongside senior representatives from industry, on the effectiveness of our regulatory strategies and approach to delivery of regulation and identify learning to inform regulatory priorities for the year ahead.

The review established that overall our regulatory approaches are delivering the intended outcomes and identified areas for greater focus and priority in the year ahead, including transparency of costs, proportionality and consistency of our regulation. In 2023/24 we will make further progress in developing a more integrated, risk-informed and intelligence-led inspection regime across our purposes. This will include a review of regulatory attention levels and we will consider enhancing our regulatory tools using a maturity model framework.

4 DESNZ was established in February 2023 and is focused on the energy portfolio from the former Department for Business, Energy and Industrial Strategy (BEIS).

Strategic theme 2 – Inspiring stakeholder confidence

3

Ambition 3: Increase openness and transparency across our work

Effective stakeholder engagement is integral to inspiring confidence in our regulation and building trust. Every year we seek to broaden our stakeholder engagement, expand our reach and encourage more diverse perspectives.

In 2022/23 our domestic and international engagement and stakeholder communications included those relating to the conflict in Ukraine, growing interest in climate change, and refreshed government ambition for new nuclear, alongside our routine regulatory activity communications. We maintained our extensive international footprint, with multilateral engagements with key international organisations.[5] These activities supported the delivery of our mission, as we influenced the development of international standards and guidance that informed the UK regulatory system, enhanced our reputation, collaborated with and learned from others to inform our own development and continuous improvement and supported other countries seeking to achieve the same high standards in safety, security and safeguards.

We developed bilateral partnerships with key international regulatory partners, principally focused on advanced nuclear technologies (including SMRs) and the potential for greater collaboration on reactor design assessment. We successfully delivered the **UK Seventh National Report on Compliance with the Obligations of the Joint Convention** to the Seventh review meeting of the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management. The UK was praised for its good practice in applying a "decommissioning mindset" based on collaboration and cooperation across industry, regulators, shareholders and government, which is accelerating the delivery of major decommissioning outcomes through fit for purpose solutions, and for progress made in the safe management of spent fuel and radioactive waste.

We also successfully delivered the **UK Ninth National Report on Compliance with the Obligations of the Convention on Nuclear Safety** to the Joint 8th and 9th Review Meeting of the Contracting Parties to the Convention on Nuclear Safety (CNS). The report confirmed that the UK fulfilled each of the requirements of the 8th and 9th Convention, formally recognised the good work to establish diverse recruitment pipelines to meet future resource demands and cited nine areas of "good performance".

5 Key international organisations included: IAEA, Western European Nuclear Regulators Association (WENRA), International Nuclear Regulators Association (INRA), Organisation for Economic Co-operation and Development (OECD) Nuclear Energy Agency (NEA), Heads of the European Radiological Protection Competent Authorities (HERCA) and European Nuclear Security Regulators Association (ENSRA).

In July 2022, the **findings** arising from a Post Implementation Review (PIR) under Part 3 of the Energy Act 2013 (which established ONR as the UK's independent nuclear regulator in 2014) were published. Following the extensive review of ONR's regulation of the industry and the legal framework we regulate under, we were pleased that the review team confirmed that the objectives of Part 3 of the Energy Act 2013 are being met and we are effectively delivering our regulatory purposes. The PIR acknowledged that ONR is seen domestically and internationally as a strong example of an organisation which follows a modern, enabling regulatory approach, respected for its technical ability and regulatory performance. We are making good progress addressing the recommendations which we expect to complete prior to providing input to the DESNZ-led ministerial update report which is due for summer 2024.

As part of our ongoing ambition to provide greater opportunities for meaningful two-way engagement with stakeholders, we consulted on and published our **Openness and Transparency policy.** This sets out the guiding principles we will apply to the disclosure of information and in our communications and engagement with interested stakeholders and the public.

We participated in networks to learn from others and improve the effectiveness of our priority areas, including the Nuclear Energy Agency (NEA) and IAEA communications networks, UK Better Regulation networks and government fora, and contributed to delivery of key policy work with DESNZ and the Ministry of Defence (MoD). Our CE/CNI continued to chair the UK Health and Safety Regulators network, which uses its collective insight, influence and learning to inform UK policy and regulatory activities.

We updated guidance for SSG/LLC engagement to influence industry to improve its public information and disclosure programme, following the introduction of the Safety Director's Forum Good Practice Guide. We also made a significant contribution to the development of the NEA's 'Characteristics of a Trusted Nuclear Regulator' green booklet, which will be published during 2023/24.

Engagement with NGOs continued effectively throughout the year. We held our first face-to-face NGO Forum since the pandemic, engaging on the CNI Annual Report, and discussed and considered subjects such as ethics in regulatory decision making and NGO views on the safety of the emergency preparedness and response design in the UK. We also held the first in a series of workshops to discuss the potential impact of climate change on nuclear safety.

The findings from our **Stakeholder Survey 2022** were positive, showing that stakeholders remained confident (93%) that we were fulfilling our mission to "protect society by securing safe nuclear operations" and concluded that we had a positive impact on public safety, and influenced improvements in nuclear safety and security culture among licensees and dutyholders. In relation to performance, professional (93%), independent (86%) and trusted (88%) were the three attributes that stakeholders most associated with ONR. More than three quarters (78%) of stakeholders reported that they felt we listened to them and more than 70% felt we proactively sought their feedback. More than 80% also reported that the advice, information and guidance provided by us was clear, accessible and consistent.

The survey identified some areas that require our attention and focus, including agility in responding to external changes and our responsiveness to change. Only 38% of respondents agreed that we enable innovation across industry, although we expect this figure to be higher in future surveys, following our innovation awareness campaigns.

Only two in five stakeholders agreed we have efficient ways of working, with one in ten disagreeing. As our modernisation and change journey evolves, the ONR Executive Team (OET) has been considering options for progressing our efficiency agenda, including making better use of technology developments, following IT Separation and implementation of WIReD, and simplifying our ways of working to minimise unnecessary burden and bureaucracy across the organisation. This will enable us to increase capacity to respond to future demand. We appointed an efficiency lead in February 2023, reporting directly to the OET to deliver an organisation-wide approach to identifying and overseeing delivery of efficiency opportunities.

Stakeholders also continued to express concern around capacity and capability; only 44% had confidence that we will have the resources to fulfil our functions over the next five to ten years, but this is a priority for the nuclear sector as a whole. We continue to focus on ensuring we have the capacity and capability; we have introduced talent pipelines, streamlined our recruitment process and are reaching a more diverse recruitment pool, as well as piloting a new development programme for new inspectors and enhanced learning offers. We remain confident that we are able to meet current and future projected demands.

Two thirds of respondents agreed we were proportionate and consistent. Whilst our own considerations of this suggest that, overall, we are proportionate in our regulation, we have (and continue to) engage with duty holders at senior level to seek direct feedback in this regard. Any specific examples of concerns around proportionality are reviewed by the relevant regulatory division, with very few specific examples of disproportionate activity having been identified to date. We have done work to reinforce the importance of risk informed, intelligence led regulation, to ensure that we are not burdening duty holders unjustifiably. We will continue dialogue with the industry that we regulate to ensure that there are opportunities to flag up any concerns in the future.

To optimise consistency in our regulation, we have simplified and digitised our regulatory processes, such that they can be used in the same manner across all ONR statutory purposes. We are also looking to integrate all our statutory purposes into the operating divisions, to foster a common style and approach to regulation and to help with holistic decision making. When considering optimising continuity when inspectors change roles, we are looking to enhance our handover processes so that duty holders can be confident of continuity of focus and priority.

The above responses all align with the findings from our 2022 Annual Review of Regulation.

Strategic theme 3 – Creating a culture of inclusion and excellence

4

Ambition 4: Live all our values all the time, advocating equality, diversity and inclusivity

Our people are our greatest asset, and we continue to strive to ensure all our staff feel valued, included and able to contribute to achieving ONR's mission.

We were pleased with our 2022 Staff Survey results, which told us that employee satisfaction remained high. Staff reported they felt supported and well managed by their career development managers (91%), appreciated the benefits and availability of flexible working (95%), and worked as part of a team committed to helping ONR achieve its goals (92%).

There were some areas highlighted in the survey that will require focus over the coming year. They include ensuring there is consistency in standards of behaviours and living the values by all staff, managing change effectively, and continuing the progress we have made in reducing instances of bullying, harassment and discrimination to further embed a supportive, fair and inclusive culture.

We were proud to achieve National Equality Standard accreditation for the second time, as part of our Diversity and Inclusion Strategy, and continued to address our assessment findings. We delivered a variety of events to promote awareness of relevant diversity, inclusion, health and wellbeing topics. We were also pleased to be reaccredited with **Disability Confident Leader** (Level 3) status for another three years. The accreditation recognises our desire to create an environment in which everyone can thrive and will help us recruit, retain and develop all people within the organisation. The Disability Confident badge demonstrates our ambition to be inclusive and recognise the value that everyone can bring to ONR.

To help further embed a supportive, inclusive culture, we rolled out allyship[6] training and an allyship toolkit, to complement our existing toolkits for diversity and inclusion, bullying and harassment, mental health and race awareness. As we continued to embed hybrid working, we adapted our Academy training to support our staff with blended learning and identified opportunities to group learning programmes together.

Meanwhile, our second cohort of reverse mentoring activity (where senior leaders are paired with more junior members of staff and those from under-represented diverse groups such as age, disability and race to provide a different perspective to aid insight

6 In ONR, an ally is any person that actively promotes and aspires to advance the culture of inclusion through intentional, positive and conscious efforts that benefit people as a whole.

and understanding) provided a valuable experience for both mentors and mentees, and facilitated a deeper awareness of the importance of valuing others' lived experiences and the unique contributions we all make to the organisation.

We were pleased to achieve some key milestones in our Achieving Cultural Excellence in Health, Safety and Wellbeing programme, designed to facilitate a culture where all staff are empowered to promote wellbeing and contribute to a healthier and safer workplace. We published our Health, Safety and Wellbeing (HSW) Strategy, and fully integrated policy and guidance documents into our management system, to provide staff with access to all health and safety guidance, addressing a recommendation from the 2019 Integrated Regulatory Review Service (**IRRS) mission to the UK**. Furthermore, we enhanced our management information to allow us to proactively monitor the effectiveness of our guidance and prioritise areas of focus.

Another important focus in 2022/23 was the implementation of a new and simplified performance management system, 'Realising our Potential', aligned with our values and bringing greater consistency and accountability. It focuses on continuous improvement, based on regular dialogue, feedback and coaching throughout the year and sits holistically with our wider people processes, including talent management. As part of Realising our Potential, we implemented our new praise and recognition process. This provides the opportunity for staff to receive a monetary award during the year, made in recognition of excellent performance and behaviours aligned to our values.

A further priority this year was the launch of our Organisational Review. In line with our Strategy 2020-25 ambition to review our capability and capacity requirements, we undertook extensive research (with internal and external stakeholders) encompassing organisational structure, pay and grading and organisational capability. The findings informed our plans for 2023/24, including integrating regulation across our purposes.

Continuing to build and embed our organisational culture remained an area of great importance. We commissioned AMBS to carry out the first ever independent assessment of our culture, to better understand how it impacts the delivery of our mission and to address findings from the 2019 IRRS mission. The study was informed by a series of focus groups, internal and external interviews and observations. It identified that our enacted values including professionalism, perfectionism, risk aversion, process focus, and technical competence, facets expected of an independent regulator, sometimes compete with our aspirational values (accountable, open-minded, fair and supportive). Responding to the findings will be a key priority during the coming year, as we focus on further embedding and reinforcing the importance of our aspirational values, and balancing them with our enacted values, to deliver our mission effectively. The report and our response to it will be published in 2023/24.

At our industry conference in October 2022, we committed to engage with industry to ensure stakeholders work together to build the skills and capability base required to deliver government's future nuclear ambition and vision safely and successfully. We have been working with stakeholders to gain certainty of future demand and influence a joined-up, industry-wide approach to building and sustaining a resilient, capable workforce for the future and we are starting to see early signs of better co-operation. Earlier in the year, the CNI explained our role as the independent regulator for safety, security and safeguards and enabling regulation at the Science and Technology Select Committee's inquiry into Delivering Nuclear Power.

We are supporting the Nuclear Skills Strategy Group and the Science, Technology, Engineering and Mathematics (STEM) agenda, by actively participating in the development of initiatives and chairing the 'Exciting the Next Generation Steering Group' (which aims to bring to life the nuclear curriculum in schools alongside other large sectoral organisations). We are seeing some encouraging statistics demonstrating the effectiveness of this work. We also supported several apprenticeship programmes and continued to engage with key fora such as National Skills Academy Nuclear and the Department for Work and Pensions' (DWP) arms-length bodies (ALB) HR Forum to share best practice and advice.

Finally, as part of our commitments to inclusivity and openness and transparency, we improved the accessibility of our publications, internal documents and offices. Our Accessibility Working Group (made up of representatives across the organisation) championed the development of an accessibility hub for up-to-date guidance, the redesign of ONR's Style Guide and templates, the launch of mandatory accessibility training for all staff, and a series of engagements across the organisation to embed good practice. This work will continue to remain a priority over the coming year.

Strategic theme 4 – Modernising how we work

5

Ambition 5: Drive simplification and efficiency in our systems, practices and processes

In our Strategy 2020-25 we set out our ambition to modernise how we work and continue to evolve as an effective and efficient organisation. In 2022/23, this journey included a focus on efficiency, exploring opportunities to make better use of technology and simplifying our ways of working to minimise unnecessary burden and bureaucracy and increase capacity to respond to future demand. Our focus this year was on building solid foundations upon which to move forward, by learning from our experience to date and that of other similar organisations.

Completion of Phase 2 of the WIReD project delivered a modern platform and secure digital environment for our new streamlined digital processes, storing all our regulatory data, and a dutyholder portal to submit information and incident notifications directly to us. This has allowed for more co-operative and consistent planning and delivery of regulation across our purposes. Successful delivery of WIReD forms part of our long-term ambition to enhance co-ordination, collaboration and integration across our five regulatory purposes, bringing greater efficiency and synergy.

To ensure our technology and technical capabilities continue to support the efficient delivery of our mission, we developed a digital strategy, released several service improvements and launched digitised applications and reports to improve access to and transparency of our data. Towards the end of the reporting period, we also began work on a new ONR website, to aid effective stakeholder engagement by 2024. In addition, we commenced the Optimising Performance Data project to improve our organisational data maturity and literacy and enhance automated dashboards to support and inform our performance reporting hierarchy.

We were pleased to achieve ISO 27001 certification and secured Cyber Essentials Plus recertification this year, demonstrating the enhancements we have made to our corporate security portfolio. We continue to benchmark ourselves to relevant standards, such as the DESNZ Civil Nuclear Cyber Security Strategy objectives, to identify areas for improvement and are actively engaged with the DESNZ-led Cyber Security Oversight Group. We continued to develop the tools and training that our staff need to maintain a cyber security-aware culture and were delighted to be finalists in the Learning Technologies Awards for our internal cyber awareness training course.

As referenced earlier under strategic theme one, we have incorporated lessons learned from the COVID-19 pandemic across our functions and processes. This year that included an update to our Incident Management Framework, to enhance capability and capacity. We tested these arrangements as part of our exercise and training programme and took further steps to strengthen the level of integration in our incident response arrangements across the organisation. We will continue to progress this further next year.

We were part of a Cluster, led by Government Business Services (GBS), to secure an extended Shared Services Connect Limited (SSCL) contract. This was a collaborative effort across multiple departments, and we will continue to play a part in negotiating the new requirements for our HR and Finance teams. This replacement project will run for the next two years.

Collaborative work was undertaken with DESNZ and DWP to review our financing and charging arrangements. Options for future funding arrangements to ensure they remain fit for purpose and support the full portfolio of our future regulatory activity are being developed; we are seeking agreement on a preferred approach during 2023/24.

The planned development of our charging strategy was delayed and will be a priority for next year. Discussions are progressing with government to explore and secure funding options for non-chargeable regulatory activity that we are required to undertake as an effective regulator. We expect to establish a formal funding route for specific areas of work during 2023/24. We continued to improve the timeliness, accuracy and transparency of dutyholder forecasting through closer collaboration with our regulatory divisions and enhanced scrutiny and assurance of our time recording data. Improving our strategic workforce planning tools, data and competence to better plan for medium and long-term demand scenarios remained an important focus, rolling out a workforce planning tool during the year.

In advance of lease negotiations for our three office locations, we considered the options for reducing our office footprint to reflect the impact of hybrid working, enhance our contribution to the sustainability agenda and drive efficiencies in our use of space. We took the decision to reduce the footprint of our Cheltenham office by approximately 45% and next year will be progressing options for Bootle and London office accommodation.

This year we began the foundation work in the development of our Environmental, Social and Governance (ESG) strategy; building on the commitments set out in our Environmental Statement of Intent, benchmarking against our peers and reaching out to other departments to better understand their approach. We faced several recruitment and resource related challenges but continued to make progress towards development and implementation of our ESG strategy. We continued to meet our environmental obligations under the Government's Greening Commitments (GGCs).

Our strategic risks

This year, we refreshed our Risk Management Framework to support continuous improvement of risk control and mitigation and to align to the principles of the government's **Orange Book.** Our risk appetite statement was also reviewed and updated to reflect the Board appetite for risk against a number of categories. Both the RMF and the risk appetite statement are available on our **website.**

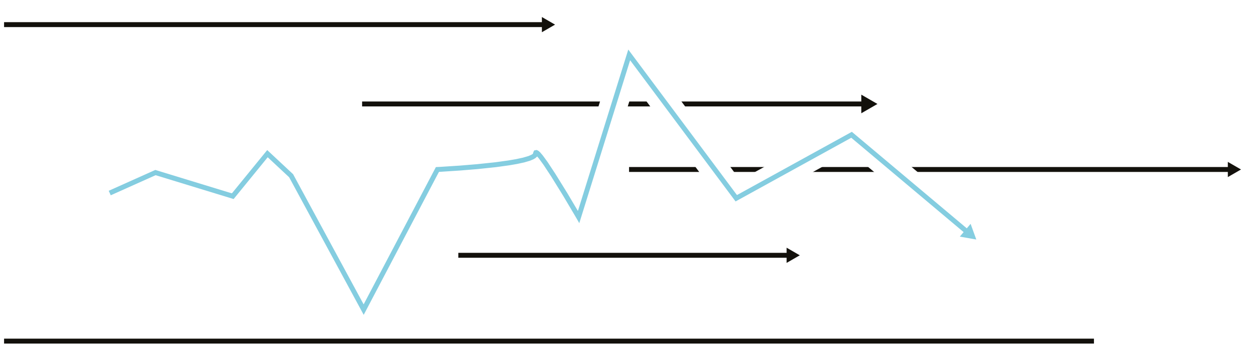
Our risks are managed through clear lines of executive accountability with regular review by the Risk Improvement Group (RIG) and oversight by OET, Audit and Risk Committee (ARAC) and the ONR Board.

This year we have made good progress in actively managing our strategic risks in the context of our risk appetite and control environment which has enabled us to be responsive to external factors. We have de-escalated six risks from our strategic risk register over the course of the year, due to the effectiveness of critical controls and actions taken to mitigate the risk.

Enhancements to our risk management system have been rolled out to support improved linkages and reporting.

We have experienced resourcing challenges in the risk and assurance team throughout the year, which has delayed the progress of ONR's risk management process and culture improvements as well as clearance of the Government Internal Audit Agency (GIAA) recommendations arising in December 2021. A Risk Improvement Plan has been established to focus on necessary improvements in this area and will be a key priority for the new Head of Risk and Assurance for 2023/24.

The full suite of strategic risks we managed during 2022/23 is set out below, including the current trajectory towards the target risk rating, and a summary of the key controls and mitigations taken during the previous 12 months.



Strategic risk summary

Increasing risk | Stable | Decreasing risk | Target risk rating met

Risk description	Change during the year	Comments
Organisational capability and capacity		A variety of challenges, including the nuclear sector skills shortage have contributed to the increase in this risk. Controls and actions to reduce the risk cover a broad scope, including leadership, succession planning, knowledge transfer, culture, workforce planning, Organisational Review and engagement with the wider nuclear community, including membership of the Nuclear Skills Taskforce.
Incident management		During the year, we combined the existing organisational business continuity risk with incident management for nuclear incidents. While the causes and effects are different, the consolidated risk provides strategic-level visibility and demonstrates the effective collaboration, partnership and mutual dependency across the respective teams. We have made significant progress in maturing our organisational incident management arrangements. Business continuity plans and a testing strategy are in place which have kept the risk stable. We expect to see a reduction once our testing activity is more well-established.
Financial strategy – funding and charging		This risk has evolved from a focus on a charging project to more specific aspects of charging and the need to secure effective funding streams for non-chargeable regulatory activity. This includes funding for participation in international engagement to build capability and share expertise for new nuclear. We are in the process of developing a Charging Strategy and discussions are progressing with government to explore and secure funding options but until a solution is confirmed, the risk will prevail. We expect the risk to reduce once these funding challenges have been resolved.

Risk description	Change during the year	Comments
Delivering efficient regulation across our purposes	↔	This includes causes relating to the efficiency of our processes, the economic cost to industry of regulatory decisions, internal governance arrangements, ONR's enabling approach, management information and application of ONR's charging framework. During the year the risk has been refreshed to focus on efficiency and remained stable as we have reported positive outcomes, including: • most of our NERA actions are complete; • integration activity is in progress as one of the three Organisation Review workstreams; and • we are responding to the Annual Review of Regulation, building on lessons learned complemented by efficiency activity. Initiatives to drive greater efficiency in our regulatory activity are underway and are expected to deliver tangible outputs in subsequent years.
Effective systems to protect the health, safety and wellbeing of our staff	↓	Our Achieving Cultural Excellence (ACE) project together with ONR's HSW Committee contribute significantly to mitigation of this risk and the reduction in rating this year. The results of a recent health and safety survey will further inform actions to mitigate the risk. All actions are on track and progressing
Effective corporate security controls and associated infrastructure	↔	Actions and controls are primarily focused on enhancing resilience. We delivered significant improvements in this area during the year, which kept the risk stable, demonstrated through ISO 27001 certification and a renewal of our Cyber Essentials Plus. We strengthened capability and capacity on the team and raised awareness throughout ONR. Reducing the risk is dependent upon completing a major aspect of our backup resilience project which was achieved after year-end and will be reflected in the rating next period.
Responding to environmental and social governance (ESG) requirements	↑	The risk encompasses the three pillars of ESG. The risk increase reflects the increase in the environmental risk globally and the activity we need to undertake to address the Sustainability element, with associated resourcing challenges that have limited our progress. Work is underway to reflect ongoing controls and actions which align to ESG requirements.

Risk description	Change during the year	Comments
Supporting key national civil and defence infrastructure projects		Controls implemented to reduce this risk included adopting a proactive approach to recruitment, scenario planning, government engagement, Resource and Capacity Group oversight and increasing capacity to recruit and train new joiners.
The following risks met their target risk rating this year and were de-escalated from the Strategic Risk Register.		
Commercial oversight and contract delivery		We strengthened our commercial capability, with additional resources to support contract managers; and we adopted a more proportionate, risk-based approach to contract management.
Delivering effective regulation		Strategic scenario planning is regularly undertaken alongside engagement with Government to ensure we can respond to demand. The Annual Review of Regulation confirmed that we are an effective regulator, notwithstanding the priority areas that we will continue to focus on.
Change and/or uncertainty in policies and the environment within which we operate		Appropriate governance arrangements and core capability were put in place to enable effective monitoring and response to external changes.
Modernising IT infrastructure and systems		We reviewed, strengthened and put in place new contracts to ensure the appropriate support to our infrastructure is in place.
Third-party supplier capability and capacity		Mitigation plans and monitoring and tracking records of supplier performance were established as well as supplier improvement plans where appropriate.
COVID-19 response and recovery		Our COVID-19 recovery plan was well established with the supporting tools for ONR to continue to operate as an effective/efficient regulator. COVID-19 controls enabled a safe return to office work within agreed occupancy capacity limits.

Retained EU Law (Revocation and Reform Bill)

We worked closely with colleagues from DESNZ, DWP, the Health and Safety Executive (HSE) and the DWP sponsorship team to understand the potential impact of the Retained EU Law (Revocation and Reform) Bill. This engagement enabled us to ensure that the list of legislative instruments to be revoked would not include anything necessary for the regulation of the nuclear sector by ONR.

Going concern

We are funded primarily by charges to the nuclear industry through cost recovery from dutyholders and charges to government for specific commissioned activities, together with grant funding from our sponsoring body, DWP, which is around 2.8% of our budget for 2023/4. The grant covers activities we are not permitted to recover from industry, such as fire safety and aspects of transport regulation. The income generated from cost recovery funds our regulation of the industry.

The grant is agreed for the current Spending Review period and our funding allocation for 2023/24 has been agreed with DWP. For 2022/23, net assets totalling £12.4 million were recorded at the end of the financial year. Although we have loans with DWP (see notes 11 and 18 to accounts), we have no outstanding liabilities that threaten our ability to continue.

COVID-19 did not impact on our capacity to undertake regulatory activities and consequently our ability to recover associated costs is not adversely affected. From 1 April 2022, DESNZ no longer funded the majority of UK SSAC activities as new fees regulations (**The Nuclear Safeguards (Fees) Regulations 2021**) were introduced allowing us to recover relevant costs.

Consequently, the Board has adopted the going concern basis for the preparation of the financial statements in this Annual Report and Accounts.

Our financial performance

Financial review

Our final outturn for 2022/23 was £93.3 million (2021/22: £87.1 million), including capital spend of £1.2 million (2021/22: £1.0 million). This was an underspend of £4.0 million (2021/22: underspend of £7.9 million) compared to an initial budget of £97.3 million (2021/22: £95 million). Expenditure of £92.1 million (2021/22: £86.1 million) shown in the accounts (page 83) excludes capital spend.

The Board received regular updates on financial developments during the year to understand the impact of key issues on outcomes and costs. The main reasons for the underspend against budget for 2022/23 were:

- demand savings in research and technical support contracts;
- capital project underspends for WIReD;
- reduced operating expenditure due to slippage in IT projects;
  lower than expected vetting-related costs from Cabinet Office;
- provision outturn was lower than expected for the estimated liability resulting from our review of relevant fees regulations; and other lower value underspends including recruitment slippage, training and travel underspends.

The net surplus of £673,000 shown in the Financial Statements mainly comprises the following:

£474,000 reduction in expenditure relating to a provision no longer required for the estimated liability resulting from our review of relevant fees regulations covering the period 1 April 2014 to 31 March 2021;

£404,000 relating to income received from DESNZ to settle our agreed liability resulting from our review of relevant fees regulations covering the period 1 April 2014 to 31 March 2021; and

£206,000 relating to the amortisation of the Safeguards Information Management and Reporting System (SIMRS) asset. Dutyholders are not charged for the amortisation as DESNZ funded this asset.

We drew down a new £1.5 million capital loan from DWP during the year. This was in addition to the £9.8 million and £2 million capital loans drawn down in previous years. The new loan provides working capital financing to support the capital expenditure requirements for WIReD and other modernisation activities to develop and enhance our infrastructure (including IT, furniture and estate upgrades). The loan enables us to operate on a self-sufficient basis whilst protecting cash flow. We started repaying the £9.8 million loan in December 2020 and the £2 million loan in November 2022. The £1.5 million loan repayments are due to start in November 2023. The repayment periods align with the estimated useful economic life of the respective assets. See notes 11 and 18 to the accounts for further details

Looking forward

Our Corporate Plan 2023/24, published in June 2023, sets out the following top five priorities:

1. Drive demonstrable improvements at sites that are in significantly enhanced or enhanced attention and influence long-term improvements for the CNI report themes.

2. Streamline how we work across all our functions to become more efficient and create increased capacity to respond to future demands.

3. Influence a joined-up industry-wide approach to building and sustaining a resilient and capable workforce for the future, with the capacity to deliver future programmes safely, securely and effectively.

4. Begin to implement the recommendations arising from our Organisational Review project to ensure ONR is fit for the future, improving the effectiveness of our organisational structure and assuring fairness in our pay and grading.

5. Further embed a supportive, fair and inclusive culture where people are empowered to deliver at pace to honour our commitments.

Environmental and sustainability matters

We acknowledge and accept our responsibility to manage and reduce the impact that our activities as a public corporation and as a regulator have on the environment. By reducing our consumption of resources, using those we must consume more efficiently and where possible balancing unavoidable emissions, we aim to minimise the environmental impacts of our operations. We will also bear in mind the need to seek fit for purpose sustainable solutions as we undertake our regulatory activities.

Our Strategy 2020-25 specifically references the need to consider how we can reduce our environmental and carbon impact in line with broader government objectives for net zero. This commitment is formalised in our **Environmental Statement of Intent**, which sets out the steps we will take to reduce our environmental impact.

We are committed to meeting our obligations as a public body under the GGC; submitting quarterly return to our sponsor department, DWP, covering transport, utilities usage and waste. Since we began recording data in 2021/22, we have seen close to a 10% reduction in CO2 emissions as result of our activities across our estate. Whilst we are not the majority occupier at any of our office locations, we will continue to proactively work with our landlords to reduce our environmental impact and ensure they have, and maintain, a responsible corporate sustainability policy.

Recognising that travel has increased as COVID-19 restrictions have eased, we continued to encourage the use of public transport for business travel. We also made increased use of digital communication methods and enhanced video conferencing capability, reducing the need for travel to meetings and thereby lowering the level of the associated emissions.

We supported local office environmental policies and commitments and have introduced initiatives to promote and deliver our longer-term sustainability agenda. These include the ‘nil to landfill’ policy operated at our Bootle office, and recycling waste such as plastic, glass, metal, paper, electrical and fluorescent bulbs, and food which goes to make biofuels. We also took steps to reduce energy consumption (with LED lighting) and water usage.

We support a sustainable procurement programme, proactively seeking to engage with suppliers that adopt a positive approach to environmental and sustainability matters, such as our furniture supplier which has a robust recycling policy, which we take active advantage of when possible.

Enhancing our contribution to the sustainability agenda is reinforced by the decision to reduce the footprint of our Cheltenham office by approximately 45% and next year we will be progressing options for Bootle and London office accommodation that will also reduce our environmental and estates footprint.

Looking ahead, we will continue in our aim to meet our legal obligations and promote sustainable best-practices throughout our organisation and across our supply chain. We will also publish and begin to deliver our first ever Environmental, Social and Governance (ESG) strategy, bringing together our environmental commitments, with our social inclusion and corporate governance objectives.

Mark Foy

Chief Executive and Chief Nuclear Inspector
Office for Nuclear Regulation

10 November 2023

Accountability report

Corporate governance report

This report provides information on our governance structures and how they support the achievement of our objectives. It includes the Directors' report, the Statement of Chief Executive's responsibilities and the Governance statement.

Directors' report

ONR Board at 31 March 2023

Non-executives

Mark McAllister

Jean Llewellyn OBE

Dr Janet Wilson

Sarika Patel

Tracey Matthews

Dame Sue Gray DBE CE

Our executives

Mark Foy
Chief Executive and Chief Nuclear Inspector

Sarah High
Deputy Chief Executive

Donald Urquhart
Executive Director of Regulation and Deputy Chief Nuclear Inspector

Geoff Hawker
Finance Director

The current ONR Board and Executive structure can be found at:
www.onr.org.uk/documents/onr-structure.pdf

Changes to Board membership

Name	Date	Event	Role
Simon Lister	30 November 2022	Resigned to take up new position on 30 November 2022	Former Non-Executive Director/Board member
Sue Gray	1 February 2023	Appointed for a period of 12 months	Non-Executive Director/ Board member

Register of interests

All Board members were required to record outside interests and maintain an up-to-date register of interests.

Personal data related incidents

Details of personal related incidents are included within the Governance Statement on 54.

Statement of Chief Executive's responsibilities

Under paragraph 21(1) b of Schedule 7 of the Energy Act 2013, ONR is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Work and Pensions, with the consent of HM Treasury. The accounts are prepared on an accruals basis and give a true and fair view of ONR's state of affairs at the year-end and of its net income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing its accounts, ONR is required to comply with, and has complied with the requirements of the government Financial Reporting Manual, and in particular to:

- observe the Accounts Directions issued by DWP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the government Financial Reporting Manual, have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that ONR will continue in operation.

The Chief Executive of ONR has responsibilities for the propriety and regularity of the public finances for which the Chief Executive is answerable, for keeping proper records and for safeguarding assets as set out in 'Managing Public Money' published by HM Treasury.

Chief Executive's statement

As the Chief Executive for ONR, I am responsible for maintaining a sound system of internal control while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's 'Managing Public Money'.

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that ONR's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

This statement sets out our system of governance, internal control and risk management designed to manage rather than eliminate the risk of failure to achieve policy aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. It applies to the financial year 1 April 2022 to 31 March 2023 and up to the approval of the Annual Report and Accounts.

Mark McAllister, our Chair, has been formally appointed as the new Chair of Ofgem. Mark has now received ministerial endorsement for the post and is preparing to leave us after four-and-a-half years in his current role. He will officially begin his new role with Ofgem on 6 November 2023 but remain as outgoing ONR Chair until 31 December 2023 to allow for a smooth transition period.

Although we are not bound by the 'Corporate governance in central government departments: code of good practice', I am satisfied that its principles have been complied with where practical and appropriate.

We are governed through three complementary routes:

- the Principal Accounting Officer for DWP, who is responsible for ensuring the financial and management controls applied by the department are appropriate and sufficient to safeguard public funds and that those applied by arm's length bodies (ALB), such as ONR, conform to the requirements of both propriety and good financial management;
- the Board, created by the Energy Act 2013 when establishing ONR as an independent public corporation; and
- the CE/CNI's responsibilities, designated by the Principal Accounting Officer for ONR's management and expenditure in accordance with the principles set out in HM Treasury's 'Managing Public Money'.

Our corporate governance structure reflects the principles of the 'Corporate governance in central government departments: code of good practice' and reflects the particular requirements for effective independent nuclear regulation.

Accountability to Parliament

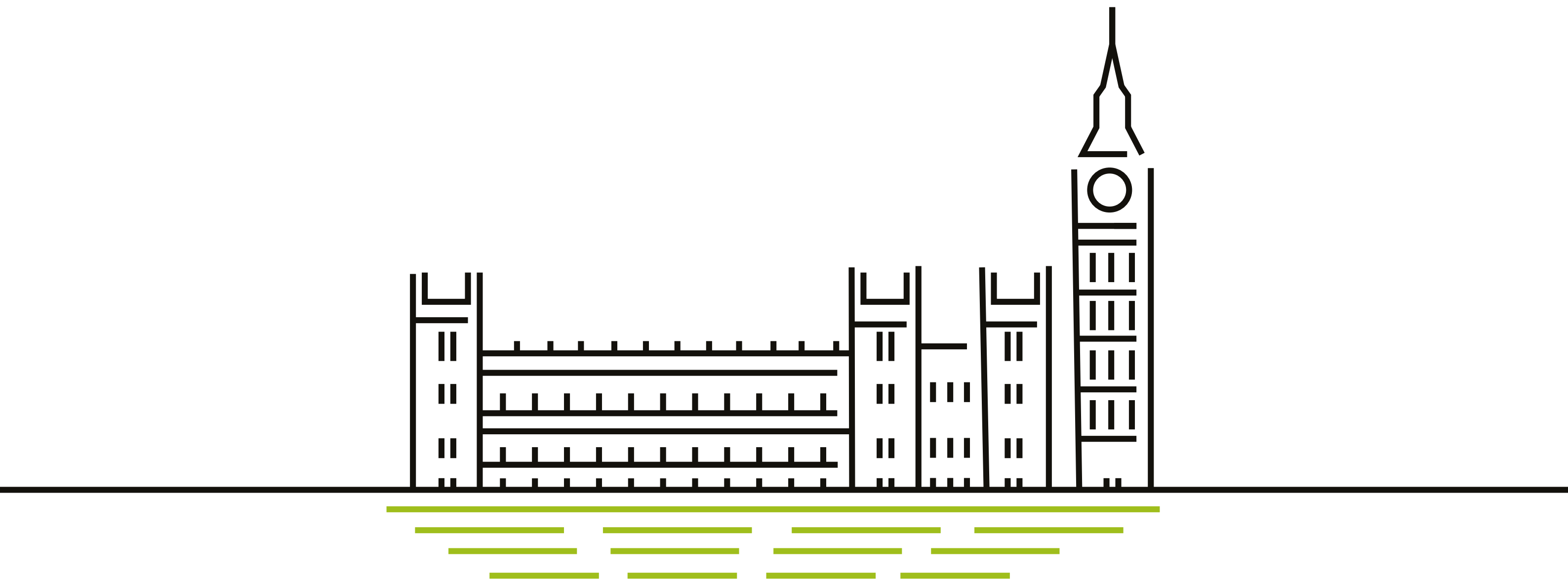
We are directly accountable to DWP as our sponsor department. The Secretary of State for Work and Pensions has the principal responsibility to Parliament for our governance, finance and performance in relation to conventional health and safety.

These responsibilities are delegated to the responsible minister, who will account for these matters in Parliament.

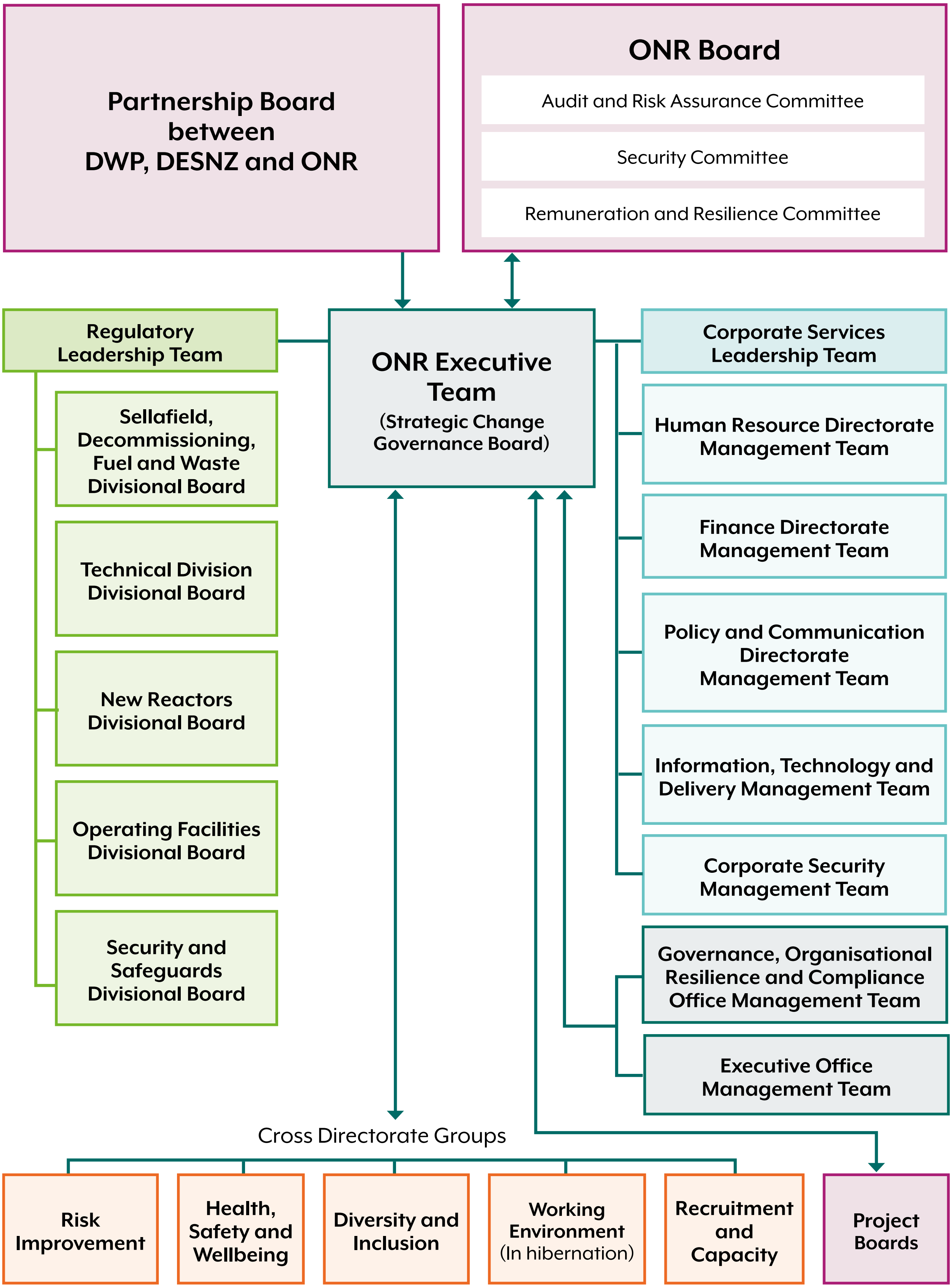
Details of our governance arrangements are provided in the **ONR/DWP framework document.** This sets out the roles and responsibilities of DWP, our Board and Chair, and our Chief Executive/Chief Nuclear Inspector and their personal responsibilities for running ONR in accordance with the principles set out in HM Treasury's 'Managing Public Money'. As DWP does not have government responsibility for civil or defence nuclear policy, the framework covers our relationship with DESNZ and the MOD. We commenced work to refresh the Framework Document in-year and expect this to be finalised during 2023/24.

We provided assurance to ministers on our regulatory effectiveness and performance in nuclear safety, security and safeguards relevant to their respective portfolio. The Post Implementation Review (PIR) of Part 3 of the Energy Act 2013 confirmed that the relevant objectives are being met effectively.

The sponsorship role was formally discharged through the ONR Partnership Board Quarterly Accountability Review (QAR) meetings, attended by senior officials from DWP, DESNZ, MoD, and ONR. The QAR, supported by regular reports to inform the meetings, reviewed our operational and financial performance; policy requirements from DESNZ; key risks and emerging issues; and our progress against the PIR recommendations. The day-to-day sponsorship role continued to be discharged by the Head of DWP's ALB Partnership Division.



Corporate and Executive Governance Framework as at 31 March 2023



The Board

The Board is specifically responsible for:

- establishing and delivering our strategic aims and objectives consistent with our overall strategic direction and within the agreed government policy and the resources framework approved by the Secretary of State;
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on our strategic direction or on the attainability of our targets, and determining the steps needed to deal with such changes;
- ensuring we comply with any statutory or administrative requirements for the use of public funds;
- setting up an Audit and Risk Assurance Committee (ARAC), in accordance with the Code of Good Practice for Corporate Governance and Audit Committee Handbook and chaired by a non-executive member, to provide independent advice;
- demonstrating and ensuring high standards of corporate governance and probity at all times, including using ARAC to help the Board address key financial and other risks;
- ensuring that effective arrangements are in place to provide assurance that ONR is providing efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public;
- appointing the CE and the CNI, subject to ministerial approval and setting performance objectives for the CE (this is currently a combined role); and
- proposing the CE/CNI's remuneration, which must be agreed by the responsible minister, after consulting the Chief Secretary to the Treasury where required.

Work of the Board

Board agendas were balanced between corporate and regulatory business and the Board Forward Plan was periodically reviewed to ensure it continued to support delivery of our strategic intent. Executive Board members sponsor agenda items and ensure the paperwork meets agreed standards to enable focused discussions on key issues.

Board oversight and challenge focused on high-risk matters, in particular:

- maintaining oversight of the PIR, ensuring consideration and progression of recommendations;
- undertaking an annual review of the Strategic Risk Register; approval of the Risk Appetite Statement; and Risk Management Framework;
- seeking assurance of our management of stakeholder and public interest issues;
- continuing to exercise scrutiny and challenge of our modernisation project WIReD, and oversight of our strategic projects;
- seeking assurance in relation to delivery of our Corporate Cyber Security Strategy which underpins our work to improve ONR's security posture;
- providing a robust challenge of the budget for 2023/24 reflecting the overall focus of driving a more efficient organisation supported by improved organisational effectiveness, resilience and enhanced leadership capability;
- providing oversight of the Organisational Review findings and engagement across the organisation;
- ensuring we continued to influence improvements in nuclear safety and security;
- supporting the transition from the Senior Leadership Team to the OET and particularly in ensuring:
  - staff health, safety and wellbeing;
  - business continuity and resilience;
  - assurance reporting to government on civil nuclear site safety/security compliance;
  - essential regulatory oversight was maintained; and
- taking an enhanced interest in regulatory assurance, risk and risk appetite and responding effectively and collaboratively with government and across the international community in support of Ukraine.

The annual Board strategy session took place in October 2022 providing an opportunity for Non-Executive Directors (NEDs) to meet colleagues face-to-face. The rich conversations provided insights into a range of perspectives around collaboration, simplification, innovation, culture, efficiency, succession planning and driving value, to inform planning for 2023/24 and beyond. Senior officials from DWP, BEIS (now DESNZ) and MOD also attended to provide an update on departmental priorities, the government's nuclear agenda and an external perspective on the nuclear environment and challenges to ONR. The event also provided an opportunity to hear from the Nuclear Industry Advisor to HMG, who was tasked by government to develop proposals for Great British Nuclear.

The Board continued its ambition of greater board-to-board engagement with licensees with the Chair and CE/CNI meeting with the EDF Board in April 2022. Other dutyholders had expressed an interest in joint board-to-board engagement and plans were set in motion during 2022/23 to hold a joint Board meeting with AWE.

During 2022/23, the Board was supported by its three committees: ARAC, the Remuneration and Resilience Committee (RRC) and the Security Committee (SC). The Terms of Reference for each are detailed in the **Corporate Governance Framework.**

Audit and Risk Assurance Committee (ARAC)
ARAC has oversight of ONR's risk management processes and is responsible for providing assurance to the Board on the maintenance of appropriate and adequate audit processes, and for the governance of internal and external audit programmes.

Throughout the year, areas of focus included:

- quarterly reviews of the strategic risk register in order to gain assurance that risks were being managed and effective mitigations were in place;
- a series of deep dives into areas of greatest risk and/or where other sources of assurance were requested to gain an understanding of the underlying causes, the latest position and how we intended to mitigate the risk;
- assessing reports from our Internal Audit and Regulatory Assurance function to gain independent assurance on our control environment in line with our Audit and Assurance Framework, including approval of audit plans and review of progress to implement recommendations;
- regular updates on ONR's strategic project, WIReD, to provide assurance on progress against delivery milestones and risks identified;
- the Annual Report and Accounts, including the Annual Governance Statement; and
- the Policy Compliance Report, which details levels of compliance in respect of organisational obligations.

Remuneration and Nominations Committee (RNC)
RRC has oversight over all matters relating to the remuneration and performance of Executive Board Members and the framework for Director level (Senior Civil Servant (SCS) equivalent) staff. It is responsible for making recommendations to the Board and the Sponsorship Team for Ministerial decision on the appointment of the Chief Executive/Chief Nuclear Inspector (CE/CNI). It takes a strategic approach to succession planning for the Board and oversight of the approach for the wider organisation.

Throughout the year, areas of focus included:

- senior staff performance against strategic objectives;
- consideration of senior team remuneration (consistent with UK government expectations);

- consideration of senior staff pay proposals for 2022/23;
- the wider Director community development journey, and the approach to setting and assessing performance objectives for 2022/23;
- updates on the Organisational Review and succession planning, including a high-level succession and resilience assessment for business-critical roles below Director level; and
- updates on the annual/lifetime allowance, NED recruitment, and the Recruitment and Capacity Group.

To support its remuneration considerations, the Committee considered a broad range of information and material, including Cabinet Office guidance; existing levels of remuneration and the restructure of some senior roles; market intelligence on pay levels via benchmarking; comparators across the public and private sector; and economic factors.

An internal effectiveness review of the Committee was completed in 2022/23. This evidenced the Committee is working effectively, and the ONR Board agreed to change the name of the Committee from Remuneration and Nominations Committee to Remuneration and Resilience Committee to reflect its broader areas of responsibility more accurately.

Security Committee (SC)
The SC is responsible for examining our Annual Review of Security Report to provide assurance to the Board that we are providing efficient and effective security regulation of the nuclear industry, holding it to account on behalf of the public.

The Executive Director of Regulation and Director of Regulation for Civil Nuclear Security and Safeguards attended, along with senior officials from DESNZ, Civil Nuclear Constabulary, National Cyber Security Centre, MOD, and Centre for the Protection of National Infrastructure, providing challenge and bringing different perspectives.

Throughout the year, areas of focus included:

- civil nuclear sector threat
- key deliverables from the civil nuclear sector
- cyber security
- industry training

In 2022/23, SC met twice (there was a third meeting in May 2022, which was re-arranged from March 2022). SC reviewed standing items (such as the Annual Review of Security and Annual Threat Assessment) and other key topics identified by members/attendees.

Board member attendance at meetings 1 April 2022 to 31 March 2023

	Board (8)	ARAC (5)	RNC (5)	SC (3)
Non-executive members				
Mark McAllister (Chair)	8 (of 8)	1 (of 1)*	5 (of 5)	3 (of 3)
Sarika Patel	8 (of 8)	5 (of 5)	N/A	N/A
Simon Lister (contract ended 30 November 2022)	6 (of 6) (partial attendance June 2022)	N/A	N/A	0 (of 1) (stood down April 2022)
Janet Wilson	8 (of 8)	5 (of 5)	5 (of 5)	2 (of 3)
Tracey Matthews	8 (of 8)	N/A	5 (of 5)	N/A
Jean Llewellyn	8 (of 8)	5 (of 5)	N/A	3 (of 3)
Chris Wood (ARAC Independent Member)	N/A	4 (of 4)	N/A	N/A
Executive members				
Mark Foy	8 (of 8)	4 (of 4)	5 (of 5)	N/A
Sarah High	8 (of 8)	5 (of 5)	5 (of 5)	N/A
Donald Urquhart	7 (of 8)	N/A	N/A	2 (of 3)
Geoff Hawker	8 (of 8)	5 (of 5)	N/A	N/A

* The Chair of the Board attended one meeting in line with the ARAC terms of reference

Monitoring performance of the Board and its committees

The Board routinely received written updates from committee chairs and formal minutes where appropriate.

ARAC, the RRC and the SC provided annual reports to the Board, providing assurance that each had acted in accordance with its delegated powers.

A light-touch internal effectiveness review of the Board and its committees was undertaken during 2022/23 with all recommendations progressed.

The Chair completed a self-assessment of his own performance, as well as his priorities for the next reporting year, to inform his annual performance review with our sponsor Department, DWP, and confirmed that his Register of Interests declaration remained current. Additionally, the Chair carried out mid and end-year appraisals with each NED and the CE/CNI. The review process included a short self-assessment, priorities for the next year, and confirmation of their respective Register of Interests declarations. An agreed written record of the end of year discussion was completed and confirmation that all appraisals had taken place was sent to DWP.

Managing conflicts of interest

Our **Corporate Governance Framework** sets out the process to be followed should a Board member identify a potential conflict of interest. All members were asked to declare potential conflicts of interests at each Board and committee meeting. Six conflicts of interest were received by executive members (in relation to their own performance or remuneration) during which time they withdrew from the meetings at the relevant point, as recorded in the minutes of the Remuneration and Resilience Committee.

Transparency

The Board's strategy promotes openness and transparency about our regulation and work, based on a presumption of disclosure. In line with our Publication Scheme, we publish **Board minutes** on our website.

We received 58 requests under the Freedom of Information Act 2000. Five of these were subject to an internal review request, with three being referred to the Information Commissioner's Office (ICO). Of the three referred, the ICO were satisfied with the action we have taken. The ICO decided in favour of ONR and upheld our decision on two cases (with one subsequently being withdrawn by the requester) and the third was withdrawn. Further information about how we handle requests, and our responses are **publicly available**.

We received three Subject Rights Requests under the UK General Data Protection Regulation (GDPR)/Data Protection (DPA) Act 2018, for access to personal data. All requests were resolved within the required timescales.

No complaints were received (originating externally in relation to part of our work). Eighteen concerns (from members of the public or employees relating to a wrongdoing in a workplace in relation to a matter that we regulate) were received. All concerns were completed to the third parties' satisfaction.

Whistleblowing

Internal
No internal cases were raised.

External
In 2022/23, we managed 27 protected disclosure cases across all our regulatory divisions, in relation to sites we regulate and other dutyholder activity.

Of the 27 cases, eight were carried forward from 2021/22, with 19 new cases emerging in 2022/23. Case levels have now returned to pre-pandemic levels, with a slight average increase compared to previous years (before COVID).

17 cases have been closed in-year (seven received in 2021/22 and ten cases received in 2022/23).

All cases received in 2021/22 have closed, with one exception. Of the nine 2022/23 cases that remain open, enquiries are continuing.

Of the 17 cases closed in-year, nine led to actions and recommendations that will be embedded into our routine regulation and enabled ongoing engagements with licensees around good practice, five required no regulatory action and three required advice or promote/encourage improvements by dutyholders. Whether or not reports led to formal action, all were used as an important source of regulatory intelligence.

OET

OET was established in May 2022, comprising the CE/CNI, Deputy Chief Executive (DCE) and Executive Director of Regulation (EDR) for strategic direction-setting and decisionmaking purposes. Diversity of thought is preserved through attendance from relevant subject matter experts, functional leads and wider representation as required. Two Directors attend each meeting, on a rotation basis, to act as a critical friend. In March 2023, the Head of Executive Office (also ONR's Efficiency Lead) was added as an attendee.

OET is responsible for providing the strategic leadership and top-level governance intent of ONR. It is the strategic executive decision-making body, supporting the Board to carry out the legislative, policy, operational and administrative functions and requirements. As role models, members are accountable for providing exemplary leadership and delegating work to engage and develop sustainable improvements, staff development, and a positive culture.

OET met monthly throughout 2022/23, with the exception of August 2022.

Regulatory Leadership Team (RLT) and Corporate Services Leadership Team (CSLT)

RLT provides regulatory directorate strategic, operational and business leadership and performance management, to ensure the CNI's statutory role and related delegated regulatory authorities retain visibility and independence.

CSLT is an executive leadership team responsible for role modelling a 'one ONR' approach and creating a healthy, inclusive and collaborative culture aligned to ONR's values. CSLT is the decision-making body and strategic leadership forum for operational and business delivery and performance across Corporate Services directorates as delegated by OET.

Director leadership

During 2022/23, the cadre of ONR Directors was responsible for the leadership and delivery of strategic work across ONR, delegated by OET, focusing on Organisational Culture, Succession Planning and Organisational Efficiency.

ONR's Board were provided updates on each of these workstreams during its Strategy Session in October 2022, with insight on the vision to provide ONR with a supportive and inclusive culture, simplified work across all our functions to deliver tangible productivity and efficiency improvements, and the establishment of a succession planning framework in ONR. Work is progressing in each of these areas, which will continue as enduring areas of attention for ONR in the coming year.

The Director cadre met in July 2022, September 2022 and March 2023 as part of their strategic leadership development, which was supported by individual coaching throughout the year.

Risk management, compliance and internal control

ONR's Risk Management Framework is based on HM Government's Orange Book principles, reflecting relevant good practice, and defining the responsibilities of the Board, the accounting officer equivalent and ARAC.

The Board is responsible for our systems of risk management and internal control. It considers the key risks and reviews risk appetite annually. Our updated Risk appetite statement is published annually as part of our corporate plan.

Risk management is delegated through clear lines of executive accountability. Regular review and challenge of strategic risks is undertaken by the RIG, chaired by the Finance Director. The group considers and makes recommendations to OET and ARAC on the escalation and de-escalation of risks and the effectiveness of mitigations. OET undertakes a review of risks at each meeting, including deep dives, and ARAC reviews the Strategic Risk Register on a quarterly basis to provide assurance to the Board. Additionally, the Board receives an update of the Strategic Risk Register from the Finance

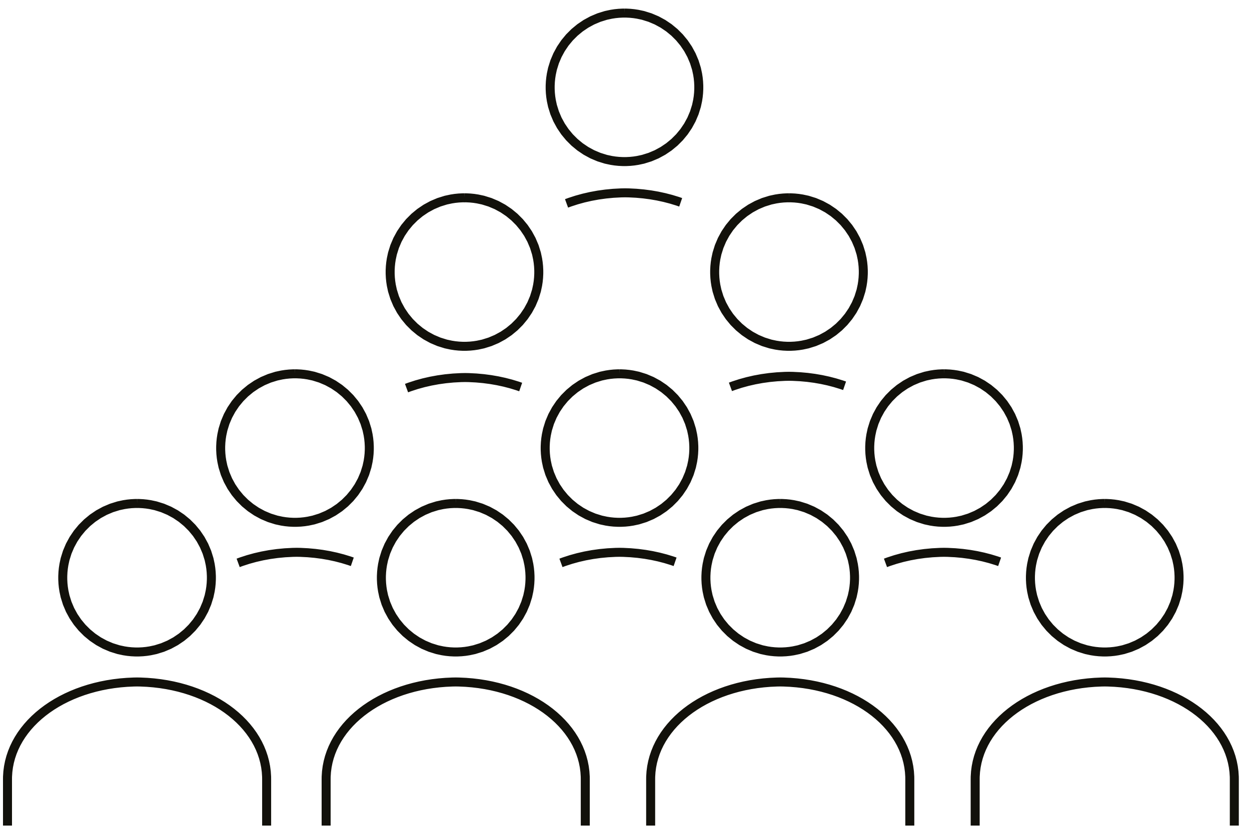
Director on a quarterly basis and undertakes an annual review of the register, along with a deep dive of one or more key strategic risks.

A revised draft of the Scheme of Delegation (Scheme) was considered by ARAC but did not receive Board approval in-year. The intention was to approve the Scheme and Framework Document in parallel but there were exceptional delays in finalising the Framework Document out with our control; approval of the Scheme was consequently paused. We await resolution of the position by DWP to enable us to finalise a refreshed Framework Document in 2023/24.

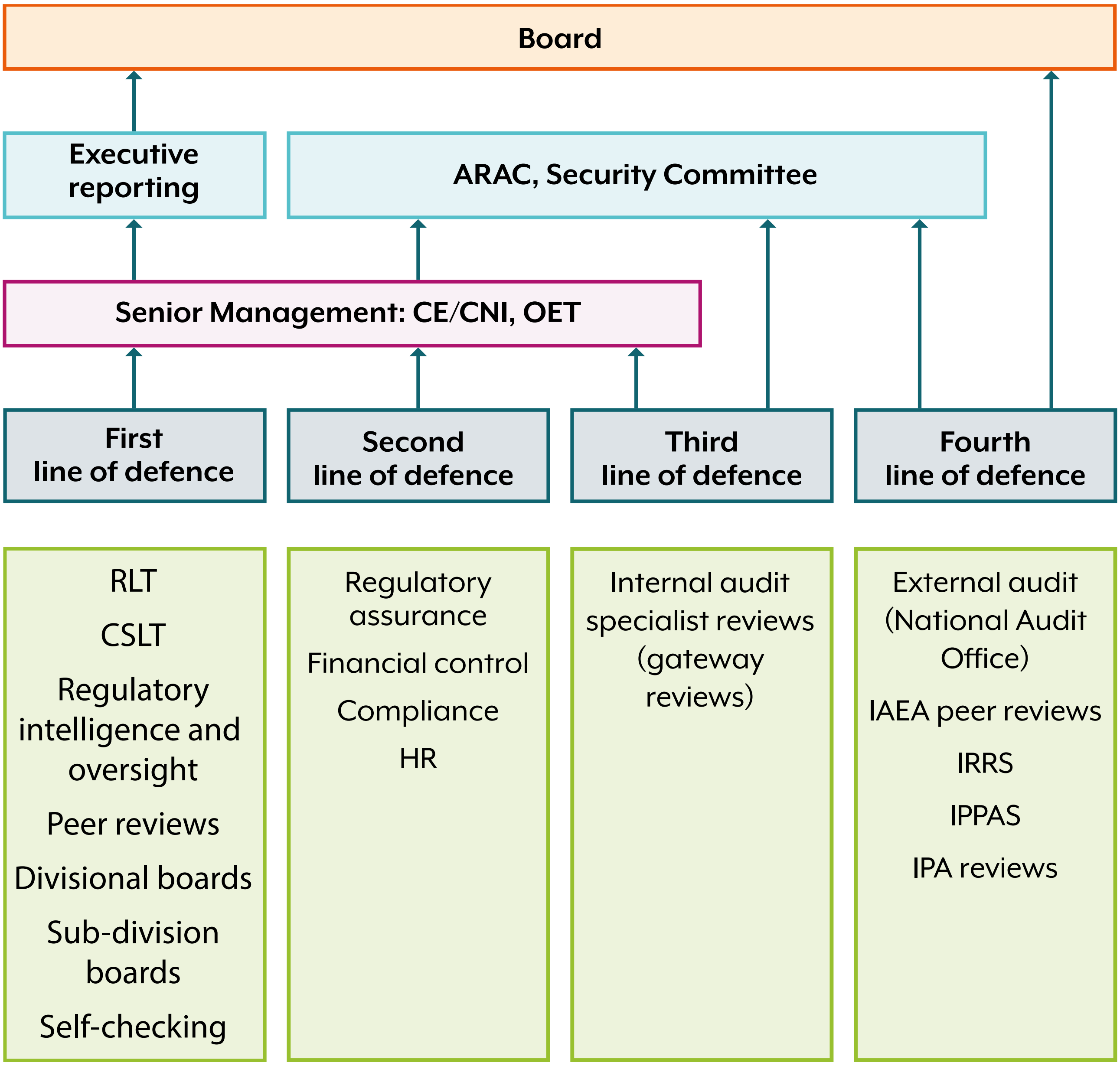
Strategic risks are set out and described on page 27.

Chief Executive/Chief Nuclear Inspector's (CE/CNI) review of effectiveness

As CE/CNI, I have reviewed the sources of assurance available to me, in line with the integrated audit and assurance framework. This is based on HM Treasury's assurance frameworks guidance, which uses a 'Three Lines of Defence' approach to provide a complete, coherent and integrated audit and assurance framework for the organisation. Reporting within this framework is aligned with corporate and executive governance arrangements.



ONR integrated audit and assurance framework 2022/23



IPPAS – International Physical Protection Advisory Service

IPA – Infrastructure and Projects Authority

The annual integrated audit and assurance plan was agreed by ARAC with the flexibility in-year to respond to changes in priorities.

Government Internal Audit Agency (GIAA)
Our internal audit function is provided by GIAA. Based on the audits undertaken, the Head of Internal Audit provided an overall 'moderate' assurance in respect of the adequacy and effectiveness of the framework for governance, risk management and control.

Of the audits undertaken during 2022/23, a follow-up review of Risk Management, which focussed on the implementation of actions necessary to address the 13 recommendations made in the 2021-22 audit, identified that further work was necessary. OET is focused on the satisfactory resolution of these which will be monitored as part of the Risk Improvement Plan.

A fraud risk assessment undertaken by GIAA has enabled a strengthened understanding of the framework of control in place to mitigate these risks and helped to identify actions needed to further strengthen controls.

Regulatory assurance

Our internal Regulatory Assurance function provided the CE/CNI and ARAC with assurance on compliance, quality and effectiveness of our core regulatory activities, including decision-making processes and assurance that front line regulatory activities were compliant with our processes.

The Head of Regulatory Assurance provided an overall 'moderate' assurance rating for 2022/23, concluding that the reviews did not identify any significant matters that challenge confidence in the robustness of our regulatory decision making, providing assurance that we are regulating the industry in accordance with our purposes, as required by the Energy Act 2013.

The 'moderate' aggregate score, which includes a small number of limited ratings, from both GIAA and Regulatory Assurance acknowledge that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control and work is being progressed to address these.

SSCL

SSCL continues to operate our employee-related HR, payroll and expenses administration, financial accounting, procurement and relevant IT processes as part of a wider service to government.

GBS manages the contract with SSCL and provided me with a letter of assurance in respect of SSCL's performance during the year. The assurance opinion provided by PricewaterhouseCoopers LLP (SSCL's independent auditors) relating to SSCL's system of internal control is "limited assurance", a deterioration from last year where the assessment was "generally satisfactory with some improvements required". The assurance provided by GIAA is "limited", again a deterioration from last year which was "moderate".

A small number of exceptions identified during audit testing related to ONR. However, having considered the compensating controls within ONR, I am satisfied that there is no material impact on our financial statements. I am assured that GBS will continue to review all recommendations with SSCL on a monthly basis, through to resolution. GBS will also, where required and appropriate, utilise the Framework Terms to request compliance with the Rectification Plan Process.

Other sources of assurance and cyber security

Cyber security
Assurance of our cyber security was provided to Board via the quarterly Corporate Security Updates.

We continue to mature our cyber security posture with a programme of continuous improvement aligned with our Corporate Security Strategy. We achieved and maintained both Cyber Essentials Plus and ISO/IEC 27001 certifications in-year, providing independent assurance that cyber security controls and risk management approaches are proportionate and effective. We continue to maintain our Green rating against Regulation 22 of the Nuclear Industries Security Regulations 2003, demonstrating we adhere to the standards expected of the civil nuclear industry in handling sensitive nuclear information.

Policy compliance
Assurance was provided to ARAC via the quarterly Policy Compliance Report, which detailed the level of compliance, instances of non-compliance, and any mitigating action to reduce and prevent repetition of non-compliance. The quarterly reports included:

Data protection/GDPR compliance
ONR continued to mature its data protection capability, with delivery of a refreshed mandatory eLearning module and establishment of a Compliance Monitoring Framework. The fundamentals are established within the organisation, and we continued our upward trajectory towards embedding enhanced controls and monitoring activity, via the framework, as well as ensuring data protection by design and default in our projects and everyday work.

The annual data protection compliance report was presented to the Board in June 2022. We self-assessed against the ALB Data Protection Compliance Healthcheck early in 2023/24 to ensure we remain on course to build upon our previous rating which indicated we are at the higher end of Moderate Compliance.

Data security breaches relating to personal data
Five data breaches occurred during 2022/23, four of which were investigated and assessed as minimal risk/non-reportable to the ICO and one remains under investigation. We used the learning from these incidents to deliver process enhancements, training, and awareness activity.

Expenses
Our revised Business Expenses Manual (February 2023) aligns with HM Revenue and Customs (HMRC) guidance on all areas of personal expenses and seeks to ensure regularity and probity in the use of public money. There are a small number of incidents of non-compliance, which have been addressed and the requirements of the manual have been reinforced throughout the organisation during 2023/24.

Gifts and hospitality
A register was maintained during the financial year (for review by the finance director), recording any gifts or hospitality offered to or by staff and confirming whether any were accepted. Compliance was within policy with staff regularly completing and submitting the appropriate returns with evidence of approval by their managers.

Fraud, anti-bribery and corruption
Staff were required to comply with established policies relating to fraud, anti-bribery and corruption; none (actual or suspected) were reported.

Conclusion

Taking into account the assurances I have received, together with other evidence available to me, I conclude that ONR has a satisfactory system of governance, risk management (taking into account the risk management improvement activity that will continue throughout 2023/24) and internal control with effective plans to ensure continuous improvement.

While the Board considers the overall control environment to be adequate, with no significant issues reported, some minor exceptions required appropriate consideration, control and response. These are reflected in our strategic risks, as set out above on page 27 and will continue to be managed in line with planned mitigations.

Remuneration and staff report

This report sets out our remuneration policy for directors how it was implemented, the amounts This report sets out our remuneration policy for directors how it was implemented, the amounts awarded to Board members, and additional information on remuneration and staff.

Service contracts

Our principle is that appointments should be made on merit based on open and fair competition as set out in the Civil Service Commissioners' Recruitment Code.

Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. Early termination by ONR, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at **www.civilservicecommission.org.uk.**

Remuneration policy

Recommendations on SCS pay are provided by the Senior Salaries Review Body in an annual report to the Prime Minister to inform policy and guidance on senior staff pay in the public sector.

In line with Cabinet Office guidance, pay and non-consolidated awards for the Board and other senior staff (SCS equivalent) are then decided by the ONR Remuneration and Nominations Committee.

Remuneration and pension entitlements for Board members

Board members' pay (this information is subject to audit)

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) (a)		Total (£'000)	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Non-executives										
Mark McAllister	50-55	50-55	-	-	600	-	-	-	50-55	50-55
Sarika Patel	10-15	10-15	-	-	300	100	-	-	15-20	15-20
Simon Lister (b)	-	-	-	-	-	-	-	-	-	-
Janet Wilson	10-15	10-15	-	-	600	-	-	-	15-20	10-15
Tracey Matthews	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Jean Llewellyn	10-15	10-15	-	-	200	-	-	-	15-20	10-15
Sue Gray (c)	0-5	-	-	-	-	-	-	-	0-5	-
Executives										
Chief Executive and Chief Nuclear Inspector Mark Foy (d)	185-190	175-180	10-15	15-20	-	-	-19	249	180-185	440-445
Chief Executive Adriènne Kelbie (e)	-	95-100	-	-	-	-	-	10	-	105-110
Deputy Chief Executive Sarah High (f)	135-140	130-135	10-15	10-15	-	-	19	67	165-170	205-210
Executive Director of Regulation Donald Urquhart (g)	125-130	125-130	5-10	5-10	-	-	59	24	195-200	155-160
Finance Director Geoff Hawker (h)	100-105	70-75	0-5	5-10	-	-	35	28	135-140	105-110

Notes:

(a) The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increases or decreases due to a transfer of pension rights.

(b) The term of office for Simon Lister ended on 30 November 2022. Simon was remunerated by BAE Systems plc during 2022/23.

(c) The term of office for Sue Gray commenced on 1 February 2023 until 31 January 2024. Full-year equivalent salary was £10-15k.

(d) The decrease in pension benefits for Mark Foy was as a result of transitioning to a different pension scheme. Mark took up the role of CE/CNI on 1 June 2021. His full-year equivalent salary for that role was £175-180k.

(e) Adriènne Kelbie's appointment as Chief Executive ended on 31 May 2021. Full-year equivalent salary for 2021/22 was £160-165k.

(f) The salary for Sarah High comprises: £130-135k annual salary and £0-5k payment for untaken annual leave.

(g) The salary for Donald Urquhart comprises: £125-130k annual salary and £0-5k additional responsibility allowance, agreed by our Remuneration and Nominations Committee, for the role of Executive Director of Operations. Donald was appointed permanently to the role of Deputy Chief Nuclear Inspector and Executive Director of Regulation on 1 June 2022.

(h) Geoff Hawker was appointed as member of the Board on 6 July 2021. Full-year equivalent salary was £95-100k.

Remuneration shown is for periods of Board appointment only.

Salary

For executives, 'salary' includes gross salary, which may include allowances, subject to UK taxation. This report is based on accrued payments made by ONR and thus recorded in the annual accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by ONR and treated by HMRC as a taxable emolument. These benefits for Board members include travel and subsistence payments as appropriate.

Bonuses

Bonuses are based on performance levels attained and behaviours demonstrated and are made as part of the appraisal process. For executives, this is agreed by the Remuneration and Nominations Committee. For other senior officers, this is subject to moderation by the ONR Senior Staff Pay Committee and endorsed by the Remuneration and Nominations Committee. The value of bonuses is dependent upon several factors and is subject to the total amount of available funds. Bonuses relate to the performance in the year in which they become payable to the individuals. The bonuses reported in 2022/23 relate to performance in 2022/23 and comparative bonuses for 2021/22 are based on 2021/22 performance.

No bonuses are paid to non-executive directors.

Fair pay disclosures (subject to audit)
Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in ONR in the financial year 2022/23 was £200,000 – £205,000 (2021/22: £195,000 – £200,000). This was 2.68 (2021/22: 2.74) times the median remuneration of the workforce, which was £75,557 (2021/22: £72,008).

In 2022/23 and 2021/22, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £21,656 to £202,500 (2021/22: £20,656 to £197,500).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Percentage change from 2021/22

	Salary and allowance	Performance pay and bonuses payable
Highest paid director	2.7%	-28.6%
All employees	4.5%	15.8%

Highest paid director – the bonus payable for 2022/23 decreased by 28.6%.

Average bonuses payable to all employees in relation to 2022/23 performance rose by 15.8%. Bonuses were awarded for sustained contribution and were distributed as part of our Realising our Potential scheme.

The calculation for salary and allowances and performance pay and bonuses payable for the highest paid director, is based on the mid-point of the band (in bands of £5,000).

The calculation for salary and allowances for all employees is the total annualised amount, excluding the highest paid director.

The total for performance pay and bonuses payable for all employees excludes the highest paid director.

2022/23	Pay ratio	Total pay and benefits	Salary component of total pay and benefits
25th percentile	4.63:1	£43,708	£43,318
Median	2.68:1	£75,557	£75,557
75th percentile	2.12:1	£95,440	£95,440

2021/22	Pay ratio	Total pay and benefits	Salary component of total pay and benefits
25th percentile	4.98:1	£39,692	£39,392
Median	2.74:1	£72,008	£71,708
75th percentile	2.19:1	£90,225	£89,925

Pay ratios are calculated by dividing the mid-point of the banded remuneration (in bands of £5,000) of the highest paid director (excluding pension benefits) by the pay and benefits figure of the employee on the 25th, 50th or 75th percentile respectively.

The median pay ratio for 2022/23 has decreased slightly form 2021/22 and is consistent with our pay, reward and progression policies for our employees taken as a whole. We continue to offer competency pay progression for eligible staff, in addition to targeted retention schemes for niche skillsets.

Pension benefits (subject to audit)

	Accrued pension at pension age as at 31/03/23 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/23	CETV at 31/03/22	Real increase in CETV
Mark Foy	85-90 plus a lump sum of 245-250	0-2.5 plus a lump sum of 0-2.5	2,071	1,907	-44
Sarah High	45-50	0-2.5	680	610	-1
Donald Urquhart	35-40 plus a lump sum	2.5-5 plus a lump sum of 0-2.5	870	742	45
Geoff Hawker	25-30	0-2.5	347	303	19

CETV are shown in respect of periods of Board appointment only.

Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at **www.civilservicepensionscheme.org.uk**

Cash Equivalent Transfer Values (CETV)
A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

The real increase in CETV
This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office (subject to audit)
No compensation payments for loss of office were made by ONR during the period of this report.

Independent non-executive Audit and Risk Assurance Committee members
Fees and expenses amounting to £3,000 (£3,000 for 2021/22) were paid to independent members of ARAC, as shown below.

Fees and expenses for independent members of ARAC

	Salary £'000		Benefits in kind (to the nearest £100)		Total £'000	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Chris Wood	0-5	0-5	-	-	0-5	0-5

Staff information

Senior Civil Service (equivalent)
There were 11 Senior Civil Service (equivalent) posts as at 31 March 2023 (12 at 31 March 2022).

SCS posts as at 31 March 2023

Full-time equivalents by pay band	31 March 2023	31 March 2022
SCS 2 Equivalent	3	2
SCS 1 Equivalent	8	10
Total	**11**	**12**

Staff numbers (subject to audit)
The average number of full-time equivalent posts is shown in the following table.

Average FTE

	Permanent staff (1)	Other staff (2)	Total
2022/23	635	11	646
2021/22	628	6	634

Notes:

1 Permanent staff includes those on permanent or fixed term contracts. This includes staff on secondment out of ONR, for whom the organisation remains responsible. The calculation excludes non-executive members of the ONR Board.

2 Other staff includes those engaged on the objectives of ONR (for example short-term contract staff, agency/temporary staff, or inward secondments where ONR is paying for the whole or the majority of their costs).

Diversity and inclusion

We are committed to the three aims of the public sector equality duty. To support these aims, we continue to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it

Staff policies relating to disability

We continually review and develop our policies and practices to support staff with disabilities. Those already in place include:

- positively encouraging diversity of applicants in our advertising literature, inviting applicants to notify us of any special requirements and to make adjustments at all stages of our selection processes and implementing arrangements for individuals as appropriate;
- membership of PurpleSpace, Northwest DWP, Disability Confident Leader network providing access to a host of multiple resources that focus on disability-smart best practice and help us to be informed of 'hidden' disabilities and learn from/share best practice;
- as a Disability Confident Level 3 leader, acting as a champion to encourage and support others across the nuclear sector, by sharing our best practice, and building greater trust from our commitment to diversity and achieving sector diversity targets;
- having achieved re-accreditation to National Equality Standards, introduced an Accessibility Hub and Workplace Adjustment Passport to help manage adjustments and remove barriers for disabled staff at work;
- continuing to improve the accessibility of our publications, people processes, digital services and offices, to ensure we comply with accessibility requirements and are proactive in creating inclusive working practices;
- providing display screen equipment assessments, occupational health services and an employee assistance programme that give expert and confidential support to staff and managers;
- using an inclusive language guide to provide support on using appropriate words and language around disability to promote greater inclusivity and break down barriers that discourage or prevent open dialogue; and
- our mental health strategy and stress management policies, which are helping to breakdown the stigma of mental health in the workplace and provide practical tools and aids to enable managers to support staff better and more proactively.

Gender diversity

Our **Gender Pay Report 2022**[7] was based on a snapshot of the pay of all ONR employees as of 31 March 2022, as well as annual payments and bonuses paid between 1 April 2021 and 31 March 2022.

Our overall mean gender pay gap increased slightly (by 1.8%) to 27.1%. The pay gap is the difference between the average hourly pay for all men employed by ONR, and the average hourly pay for all women employed by ONR. Although our gender pay gap remains significant, it is largely due to the gender and demographic mix of our workforce and the historical legacy of the industry from which we draw. A lower proportion of women work in STEM fields, and this is especially pronounced in the nuclear sector, where only 23% of the UKbased workforce is female.

At ONR, the majority of our regulatory staff are men while most of our corporate services staff are women, and these professional areas have different pay scales. We are determined to redouble our efforts and to focus on the right activities to deliver change. As an organisation we are committed to implementing actions that will improve gender diversity at all levels, and with that reduce our gender pay gap.

Creating an inclusive workplace is the focus of our People Strategy 2020–25 and we have a strong governance structure in place to help support the delivery and outcomes of our diversity and inclusion work. Gender balance is a key area of the strategy, continuing our commitment to addressing the underrepresentation of women in ONR in both technical and senior roles and achieving gender balance.

We have made progress since we first reported in 2017 having reduced the gap by 8.1% and we will see the benefit as our talent pipeline increases in future years, but we clearly have more to do.

To reduce the current gender pay gap and improve our diversity more generally, we must continue to improve our ability to attract women into higher paid roles. Some of the actions that we have taken include:

- focusing our recruitment campaigns and websites on demonstrating diversity of opportunities at all levels and specialisms for diverse candidates;
- using name and genderanonymous selection and genderneutral wording throughout our recruitment process, to remove unconscious bias at an early stage. We also ensure genderbalanced interview panels where possible;
- advertising flexible working on our website, including hybrid working, recognising that many highly skilled individuals are seeking flexibility in working hours, to achieve a better work-life balance;

7 This report covers the period 1 April 2021 to 31 March 2022.

- changing perceptions of the nuclear industry and promoting greater gender equality, aiming for 50% female representation across all our corporate media content and publications; and
- engaging externally – we are working with wider sector organisations including the Nuclear Skills Strategy Group, Women in Nuclear, the Environment Agency and the Nuclear Decommissioning Authority, to raise our profile externally as an employer of choice for women and to bring about positive change across the sector. We are committed to supporting the Nuclear Sector Deal, which commits to meeting the government's target for 40% of nuclear industry employees to be female by 2030.

While we continue to attract, retain, and develop our female employees, including through our graduate and apprenticeship schemes, we understand that in the short term this disparity will continue to contribute to our gender pay gap.

However, progress is being made. Currently 36.3% of our employees (excluding our non-executive directors) are women, moving us closer to the target set jointly by industry and government in the Nuclear Sector Deal (2018) of 40% women in the industry by 2030. We are also pleased to see an increase in women in senior management positions up from 19% in 2017 to 24% in 2023 (SCS to Band 2) and we are proud of the fact that 60% of our Board is now female. Through our strategy and action plan we will continue to drive progress.

The breakdown of our staff by gender is detailed in the following table.

Headcount by gender

		1 March 2023	31 March 2022 (restated)	
Number of staff by gender (headcount)	**Male**	**Female (% of total)**	**Male (% of total)**	**Female (% of total)**
Senior Civil Service equivalents	9 (1.3)	2 (0.3)	9 (1.3)	3 (0.5)
Permanently appointed staff (Bands 1–6)	414 (62.0)	243 (36.4)	426 (64.1)	227 (34.1)
Total	**423 (63.3)**	**245 (36.7)**	**435 (65.4)**	**230 (34.6)**

At 31 March 2023 non-executives on our Board consisted of five females and one male.

Staff turnover

Our turnover rate for 2022/23 was 6.3%, an increase of 0.5% compared to 2021/22.

Retirements and resignations were the main reasons for staff leaving during the year.

Leavers from the organisation during the year caused no concern from a capacity perspective and were backfilled as appropriate.

Engagement with trade unions

Our relationship and engagement with trade unions is an important element in how we communicate with staff and a key factor in providing reassurance and positivity around the changes we are introducing.

We continued to maintain a positive relationship with trade unions, using a framework agreement that promotes an open, transparent, and collaborative approach to engagement. This includes regular and early sharing of proposed policy changes and improvements, early sharing of plans for key projects and strategic changes and agreeing an engagement plan that is clear about our proposals and the manner and timeframes in which we will negotiate, consult, or inform as appropriate.

We will continue to meet formally, six to eight times a year, and maintain an open and constructive dialogue, including several informal, off-line, and specific discussions to ensure early engagement. This will include face-to-face meetings with the HR Director to build on the current relationship. The CE/CNI and members of our SLT will attend meetings with the trade unions periodically as part of maintaining senior dialogue on the strategic direction for ONR.

Staff costs (subject to audit)

	2022/23			2021/22
	Permanently employed staff	**Others**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	44,280	1,776	46,056	43,128
Social security costs	5,788	-	5,788	5,246
Other pension costs	12,754	-	12,754	12,157
Total per Statement of Comprehensive Net Expenditure	**62,822**	**1,776**	**64,598**	**60,531**
Less recoveries in respect of:				
Outward secondments	(33)	-	(33)	(211)
Grant from DWP - Kickstart	(5)		(5)	(15)
Net total	**62,784**	**1,776**	**64,560**	**60,305**

The Principal Civil Service (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but we are unable to identify our share of the underlying assets and liabilities.

The Scheme Actuary valued the PCSPS as at 31 March 2016. Details can be found in the resource accounts of the **Cabinet Office: Civil Superannuation.**

For 2022/23, employers’ contributions of £12.6 million were payable to the PCSPS (2021/22 £12 million) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022/23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £126,200 were paid to an appointed stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,861, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2023 were £10,261. Contributions prepaid at that date were nil.

In 2022/23, no-one retired early on ill-health grounds (2021/22: no-one). The total additional accrued pension liabilities in the year amounted to £nil (2021/22: £nil).

Sickness absence information

The average number of working days lost due to sickness in 2022/23 was 5.01 per person – below last year’s figure of 5.49 and below the national average of 5.07. We continue to build an inclusive work environment and maintain our commitment to promote and support positive mental health and wellbeing in our workplace, including more awareness sessions for staff around mental health, stress, self-care, and wellbeing.

Health, safety and wellbeing

The health, safety and wellbeing (HSW) of our staff remains our number one priority. This means we are developing a culture where everyone shows accountability to positively influence culture, setting direction and values through our HSW projects to enable everyone to stay safe, healthy and well. This year it included embedding our new performance management approach, which focuses on the health and wellbeing of our staff and enables managers to discuss issues and provide the right level of support. We continued to hold awareness sessions around health and wellbeing centred around mental health, workplace culture and domestic abuse.

We also initiated a new strategic change programme called Achieving Cultural Excellence in HSW and an annual strategy which sets out our vision for leaders and managers to drive health and safety improvements and supports our focused approach. All staff within ONR are expected to consider the impact of health and safety proactively and routinely in their work activities to enable greater collaboration, sharing of best practice and support learning to drive continuous improvement.

Exit packages – Civil Service and other compensation schemes (subject to audit)

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

Where we agreed early retirements, the additional costs were met by ONR and not by the Civil Service Pension Scheme. Ill-health retirement costs were met by the pension scheme and are not included in the table.

There were no compulsory redundancies in 2022/23 (nil 2021/22).

Other departures

Exit package cost band	Number of other departures agreed	Number of other departures agreed
	2022/23	2021/22
<£10,000	-	-
£10,000 – £25,000	-	-
£25,000 – £50,000	-	-
£50,000 – £100,000	-	1
£100,000 – £150,000	-	-
£150,000 – £200,000	-	-
Total number of exit packages	-	-
Total cost /£	**-**	**56,675**

Off-payroll staff (includes temporary and consultancy)

Highly paid off-payroll engagements as at 31 March 2023, earning £245 per day or greater

Number of existing engagements as of 31 March 2023	15
Of which, the number that existed at the time of reporting for:	
Less than 1 year	6
Between 1 and 2 years	8
Between 2 and 3 years	1
Between 3 and 4 years	0
For 4 or more years	0

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2023	21
Of which:	
Not subject to off-payroll legislation	19
Subject to off-payroll legislation and determined as in-scope of IR35	0
Subject to off-payroll legislation and determined as out-of-scope of IR35	2
Number of engagements reassessed for compliance or assurance purposes during the year	0
Of which:	
Number of engagements that saw a change to IR35 status following review	0

For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility during the financial year	0
Total number of individuals on-payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility” during the financial year. This figure includes both on-payroll and off-payroll engagements	15

Consultancy

Our expenditure on consultancy was £0.4 million (£0.3 million in 2021/22).

Contingent labour

Our operating expenditure on contingent labour was £1.9 million (£2.1 million in 2021/22). In addition:

- £0.8 million was capitalised in relation to the WIReD project. This amount is shown as an addition to assets under construction within Note 7 to the accounts
- £0.7 million (restated) was capitalised during 2021/22, in relation to WIReD.

Parliamentary accountability and audit report

This report brings together the key Parliamentary accountability documents; regularity of expenditure and the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

Regularity of expenditure (subject to audit)
The Accounting Officer for DWP has designated the CE/CNI of ONR with responsibilities for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding assets as set out in HM Treasury's 'Managing Public Money'.

Fees and charges (subject to audit)
Under the Energy Act 2013, ONR recovers the full cost of certain chargeable services and receives grant funding from DWP for non-chargeable activities such as fire safety and some transport inspection. We continue to review our financial arrangements in the context of prevailing fees regulations.

Breakdown of fees and charges

	2022/23			2021/22		
	Income	Cost	Surplus/ (deficit)	Income	Cost	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	61,595	61,595	-	53,263	53,263	-
Civil Nuclear Security	16,186	16,186	-	12,342	12,342	-
Generic Design Assessment	3,708	3,708	-	8,150	8,150	-
Safeguards*	6,657	6,863	(206)	-	-	-
Radioactive Materials Transport	799	799	-	745	745	-
Advanced Nuclear Technologies**	860	860	-	1,375	1,375	-
Sub total	**89,805**	**90,011**	**(206)**	**75,875**	**75,875**	**-**
Other fees and charges	167	167	-	321	321	-
Total fees and charges	**89,972**	**90,178**	**(206)**	**76,196**	**76,196**	**-**

*** Safeguards**
The Nuclear Safeguards (Fees) Regulations 2021 came into force on 1 April 2022, giving us the powers to charge Safeguards costs directly to industry. As DESNZ provided capital funding for the Safeguards asset until 31 March 2022, we will not include amortisation to industry relating to this funding. This resulted in a deficit of £206,000 for 2022/23.

**** Advanced Nuclear Technologies**
These costs were charged to DESNZ.

Statement of losses and special payments (subject to audit)
There have been no losses or special payments that exceed the £300,000 reporting threshold.

Remote contingent liabilities (subject to audit)
ONR does not have any remote contingent liabilities.

Mark Foy
Chief Executive and Chief Nuclear Inspector
Office for Nuclear Regulation

10 November 2023

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Nuclear Regulation for the year ended 31 March 2023 under the Energy Act 2013.

The financial statements comprise the Office of Nuclear Regulation's

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office for Nuclear Regulation's affairs as at 31 March 2023 and its net operating income for the year then ended; and
- have been properly prepared in accordance with the Energy Act 2013 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Office for Nuclear Regulation in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office for Nuclear Regulation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Nuclear Regulation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Executive with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office for Nuclear Regulation is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements nor my auditor's certificate. The Chief Executive is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Energy Act 2013.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Energy Act 2013; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Office for Nuclear Regulation and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters, which I report to you if in my opinion:

- Adequate accounting records have not been kept by the Office for Nuclear Regulation or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Chief Executive for the financial statements

As explained more fully in the Statement of Chief Executive's Responsibilities, the board and Chief Executive are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Office for Nuclear Regulation from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the

preparation of financial statement to be free from material misstatement, whether due to fraud or error;

- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Energy Act 2013;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Energy Act 2013; and
- assessing the Office for Nuclear Regulation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive anticipates that the services provided by the Office for Nuclear Regulation will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Energy Act 2013.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Office for Nuclear Regulation's accounting policies;
- inquired of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office for Nuclear Regulation's policies and procedures on:

  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Nuclear Regulation's controls relating to the Office for Nuclear Regulation's compliance with the Energy Act 2013 and Managing Public Money;
- inquired of management, the Office for Nuclear Regulation's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office for Nuclear Regulation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Office for Nuclear Regulation's framework of authority and other legal and regulatory frameworks in which the Office for Nuclear Regulation operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office for Nuclear Regulation. The key laws and regulations I considered in this context included the Energy Act 2013, Managing Public Money, employment law, tax Legislation and relevant legislation relating to fees charged by the Office for Nuclear Regulation.

Audit response to identified risk
To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my certificate.

Other auditor's responsibilities
I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road, Victoria
London
SW1W 9SP

13 November 2023

Financial statements

Statement of Comprehensive Net Income for the year ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Expenditure			
Staff costs	2	64,598	60,531
Other expenditure	3	27,214	25,378
Finance costs		297	189
Operating costs		**92,109**	**86,098**
Revenue from contracts with customers	4	(89,972)	(76,196)
Other operating income		(2,810)	(9,751)
Total operating income		**(92,782)**	**(85,947)**
Net operating cost/(income) for the year		**(673)**	**151**
Other comprehensive net income			
Items which will not be reclassified to net operating costs:			
Net gain on revaluation of intangible assets		(369)	(121)
Comprehensive net cost/(income) for the year		**(1,042)**	**30**

All income and expenditure is derived from continuing operations.

The notes on pages 87 to 112 form part of these accounts.

Statement of Financial Position as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Property, plant and equipment	5	1,015	1,269
Right-of-use assets	6	5,571	-
Intangible assets	7	7,136	7,501
Trade and other receivables	8	14	7
Total non-current assets		**13,736**	**8,777**
Current assets			
Trade and other receivables	8	19,796	19,256
Cash and cash equivalents	9	9,187	7,133
Total current assets		**28,983**	**26,389**
Total assets		**42,719**	**35,166**
Current liabilities			
Trade and other payables	10	(14,052)	(13,690)
Lease liabilities	13	(3,941)	-
Provisions	14	(46)	(924)
Total current liabilities		**(18,039)**	**(14,614)**
Non-current liabilities			
Trade and other payables	10	(10,026)	(9,176)
Lease liabilities	13	(2,237)	-
Total non-current liabilities		**(12,263)**	**(9,176)**
Assets less liabilities		**12,417**	**11,376**
Equity			
General fund		12,031	11,200
Revaluation reserve		386	176
Total equity		**12,417**	**11,376**

The notes on pages 87 to 112 form part of these accounts

Mark Foy
Chief Executive and Chief Nuclear Inspector
Office for Nuclear Regulation

10 November 2023

Statement of Cash Flows for the year ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Cash flows from operating activities			
Net operating (cost)/income		673	(151)
Adjustments for non-cash transactions	3	4,830	2,802
Increase in trade and other receivables	8	(547)	2,592
(Less)/add movements in receivables relating to items not passing through the Statement of Comprehensive Net Income	3	(4)	11
Increase in trade payables	10	996	(4,710)
Add/(less) movements in payables relating to items not passing through the Statement of Comprehensive Net Income	10	257	(162)
Use of Provisions	14	(404)	-
Add movement in payables on transition to IFRS 16		36	-
Net cash inflow/(outflow) from operating activities		**5,837**	**382**
Cash flows from investing activities			
Purchase of property, plant and equipment	5a	(139)	(19)
Purchase of intangible assets	7a	(1,284)	(861)
Net cash outflow from investing activities		**(1,423)**	**(880)**
Cash flows from financing activities			
Loans drawn down from DWP	11	1,500	2,000
Loan capital repayments to DWP	11	(1,284)	(1,967)
Repayment of lease liabilities		(2,508)	-
Interest paid on leases		(68)	-
Net (decrease)/increase in financing		**(2,360)**	**33**
Net increase/(decrease) in cash and cash equivalents in the year		**2,054**	**(465)**
Cash and cash equivalents at the beginning of the year	**9**	**7,133**	**7,598**
Cash and cash equivalents at the end of the year	**9**	**9,187**	**7,133**

The notes on pages 87 to 112 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

	General Fund £'000	Revaluation Reserve £'000	Total Equity £'000
Balance at 1 April 2021	**11,277**	**129**	**11,406**
Comprehensive net expenditure for the year	(30)	-	(30)
Revaluation gains	-	121	121
Recognised in Statement of Comprehensive Net expenditure	(121)	-	(121)
Transfer between reserves	74	(74)	-
Balance at 31 March 2022	**11,200**	**176**	**11,376**
Comprehensive net income for the year	1,042		1,042
Payments to Consolidated Fund	(1)	-	(1)
Revaluation gains	-	369	369
Recognised in Statement of Comprehensive Net Income	(369)	-	(369)
Transfers between reserves	159	(159)	-
Balance at 31 March 2023	**12,031**	**386**	**12,417**

The General Fund represents the total assets less liabilities of ONR to the extent that the total is not represented by other reserves and financing items.

The notes on pages 87 to 112 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with the 2022/23 government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to our particular circumstances for the purposes of giving a true and fair view has been selected. The particular accounting policies adopted by us are set out below. They have been applied consistently in dealing with the items that are considered material in relation to the accounts.

These accounts have been prepared under a direction issued by DWP in accordance with the Energy Act 2013.

1.2 Accounting standards, interpretations and amendments

All IFRS, interpretations and amendments to published standards, effective at 31 March 2023, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

New accounting standards adopted in the year

We have adopted IFRS 16 during the 2022-23 financial year. See note 1.15 for further details.

Applicable accounting standards issued but not yet adopted

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 'Insurance Contracts', which requires reporters to identify insurance contracts, and for those contracts recognise an insurance contract liability. The insurance contract liability is calculated as the present value of future insurance cashflows (the fulfilment cash flows) plus a subsequent risk adjustment. The IASB announced the deferral of IFRS 17 until 1 January 2023. The Financial Reporting Advisory Board (FRAB) has agreed a two-year deferral for implementation in the public sector to require adoption on 1 April 2025. We don't anticipate any impact on our financial statements.

1.3 Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of certain assets and liabilities at fair value.

1.4 Interest on capital

Under 'Managing Public Money', we are required to charge interest on capital (cost of capital) as a percentage of net assets. The amounts generated by this charge are retained by us and offset against any grant requirement (cash) from the sponsoring body (DWP). The charge is shown as interest on capital and the gross grant recorded as income. Interest on capital is charged at 3.5% of net assets and included in our calculation of fees and charges.

1.5 Government grants

We are partly financed by a grant from DWP, which covers costs that are not statutorily recoverable from industry. The grant is credited to the Statement of Comprehensive Net Income (SoCNI) in the year in which it is receivable from DWP. The grant is recognised as income due to our status as a public corporation.

Payments to the Apprenticeship Levy are recorded against staff costs as social security costs. Drawdowns from the Apprenticeship Fund for training are recorded as notional income and expenditure in accordance with IAS 20 – Accounting for Government Grants.

We receive Kickstart funding from DWP to support the costs of several new apprentices. The associated staff costs are recorded as expenditure within the SoCNI.

We receive grant funding from the DESNZ Regulators' Pioneer Fund. This grant sponsors projects led by regulators or local authorities which aim to help create a UK regulatory environment that encourages business innovation and investment. We were awarded the grant in 2022/23 to fund the pilot of a regulatory sandbox on artificial intelligence in the nuclear sector.

(See also Prosecutions, 1.10 below)

1.6 Staff costs

Staff costs include wages and salaries, social security costs and pension costs. We recognise these costs, including untaken annual leave and flexi-leave, when we have an obligation to pay.

IAS 19 requires us to recognise a short-term employee benefit liability when an employee has provided service in exchange for those benefits. Included in the accounts is an accrual for the outstanding employee annual leave and flexi entitlement calculated at the period end date.

1.7 Taxation

Most of our activities are outside the scope of value added tax (VAT) and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

ONR is registered for Corporation Tax. Any trading activities would be liable to Corporation Tax.

1.8 Service Management Agreement with HSE

We received a fully managed accommodation service (and related support services) from HSE. The cost of this service is included in 'right-of-use' asset depreciation for the lease element and 'other expenditure' for the related support services.

1.9 Insurance

Under the Energy Act 2013, we are not permitted to receive certain cover under Crown indemnity and have therefore purchased the following commercial insurances:

- employer's liability compulsory insurance
- public liability insurance
- motor vehicle insurance for hire car users
- cyber insurance
- overseas travel insurance

Insurance costs are included in 'other expenditure'.

1.10 Income recognition

In line with IFRS 15, our significant contracts with customers relate to statutory work (Note 4 provides further detail).

Income is recognised over time as this work has no alternative use for us and there would be an enforceable right to payment for work done to date. Income is calculated using time recording information to calculate recoverable costs.

We analyse income and include the required disclosures if more than 10% of total revenue is received from a single customer during the financial year.

Prosecutions

The fees regulations that underpin our charging methodology allow us to recover the full cost of providing nuclear regulation. However, the regulations do not extend to recovering the costs associated with undertaking a prosecution.

Costs associated with a prosecution are funded by a ring-fenced grant from DWP. This grant includes costs such as legal advice and representation as well as staff costs incurred once a decision has been made to prosecute a dutyholder.

If a prosecution is unsuccessful, we retain the DWP grant to cover our costs. If a prosecution is successful, any costs awarded will be re-imbursed to DWP and accounted for as income in our accounts. Where costs awarded are lower than costs incurred, we will retain the element of the grant that exceeds costs awarded.

Deferred income
Deferred income is money received by us for goods or services that have not yet been delivered. We record deferred income as a liability until delivery of the goods or services, when income is recognised.

The main items of our deferred income are the grants provided by DWP.

The grants are provided in advance for specific activities, for example a prosecution. The deferred amounts are released to income as costs are incurred in carrying out the specific activities for which the grant was awarded. Typically, grants are provided on a quarterly basis so the amount deferred usually covers one to two months activity.

The costs of developing the Safeguards Information Management System asset were paid to us as the costs were incurred. These payments were initially recognised as deferred income over the period that the UK SSAC activities were funded by DESNZ. As this agreement came to an end on 31 March 2022, the deferred income balance was released to income in 2021/22.

1.11 Operating segments
IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker to allocate resources to segments of ONR and also to assess their performance. For 2022/23, the Board has identified our CE/CNI as the chief operating decision maker.

The CE/CNI reviews our operational and financial performance at an aggregated level and these accounts, therefore, do not include a statement of operating costs by operating segment.

1.12 Non-current assets
General
Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold (£5,000 except for leasehold improvements, which is £100,000). Items are pooled where a number of lower value assets in the same category (for example furniture) are purchased. Pooled items must be purchased in the same financial year to allow for capitalisation.

Intangible assets
Intangible assets are initially measured at cost, with subsequent measurement at fair value.

As, in general, no active market exists for our intangible assets, we revalue intangible assets using appropriate indices to indicate depreciated replacement cost. Revaluations are carried out at mid-year and year-end, so that the carrying amount of the asset does not differ materially from its fair value.

When non-current assets are built over time, they are treated as assets under construction and are not capitalised until completion. While costs are being accumulated no amortisation is applied. Once the asset is available for use, all costs associated with the asset are capitalised and amortisation commences.

Costs are monitored to ensure only specific development costs and direct purchases are recorded. Once the asset is available for use it is transferred to the relevant non-current asset register immediately.

Amortisation
Amortisation is charged on intangible assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Asset category	Amortisation/useful life
Internally developed software	5 to 10 years (or predominant limiting factor inherent in the intangible asset)
Software licences	Shorter of the licence period and 5 years

Property, plant and equipment (PPE)
PPE is stated at fair value. However, in accordance with the FReM, we have elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful economic life or are of relatively low value. This, therefore, applies to most IT hardware and furniture and fittings.

On initial recognition, assets are measured at cost, including any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the SoCNI during the financial period in which it is incurred.

Depreciation
Depreciation is charged on PPE using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Asset category	Depreciation/useful life
Leasehold improvements	Over the period remaining on lease
IT hardware	3 to 7 years
Furniture and fittings	5 to 15 years

Impairment of non-current assets
All non-current assets are reviewed annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNI.

1.13 Financial assets and liabilities
Financial assets and liabilities are recognised when we become party to the contracts that give rise to them. It is our policy that no trading in financial instruments is undertaken.

Loans and receivables
The fair value of trade and other receivables is usually the original invoiced amount. Any changes in value are recognised in the SoCNI.

Cash and cash equivalents comprise current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are not subject to significant changes in value. We do not currently hold any petty cash balances.

We have assessed that there is a low risk of credit losses relating to receivables and consequently we estimate that the impact of IFRS 9 to be immaterial.

We consider invoices more than 90 days past due to have increased risk, unless individual assessment indicates they are expected to be recovered in full. We will report the value of these invoices and the associated expected credit losses where material.

As the material elements of our income are recovered from the nuclear industry under legislation or from other government departments, we do not ordinarily recognise any credit losses.

Financial liabilities
Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans.

Impairment of financial assets
We assess at each reporting date whether there is evidence that the carrying amounts of financial assets may not be recoverable.

1.14 Pensions

Most past or present employees are covered by the provisions of the Civil Service Pension Arrangements which are unfunded and contributory defined benefit schemes. We recognise the expected cost of future pension liabilities, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the Civil Service Pension Arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Civil Service Pension arrangements.

Employees may opt to join a stakeholder pension arrangement with employees able to choose a stakeholder pension product from a panel of providers. These are defined contribution schemes and we recognise the contributions payable for the year.

The appointment of non-executive board members is non-pensionable.

1.15 Leases

Leases – prior to 1 April 2022

We applied IAS 17 'Leases' up to 1 April 2022, recognising leases assets as either operating or finance leases. Leases where the lessor retained a significant portion of the risks and rewards of ownership were classified as operating leases and the rentals were charged to the SoCNI on a straight-line basis over the term of the lease. We held operating leases in respect of leasehold buildings in Bootle, London and Cheltenham.

Leases – from 1 April 2022

We adopted IFRS 16 'Leases' (which supersedes IAS 17 'Leases') from 1 April 2022.

IFRS 16 changes the accounting for lessees by removing the distinction between operating leases and finance leases. IFRS 16 requires lessees to recognise right-of-use assets and liabilities for all leases, except for low value and short-term leases (for less than 12 months). This resulted in the recognition of right-of-use assets, measured at the present value of future lease payments with a corresponding liability in the SoFP.

We adopted IFRS 16 on the cumulative catch-up basis, as mandated by the FReM, recognising any cumulative impact on previous years within equity at the beginning of the period. As a result of this approach, prior year comparatives were not restated.

On transition to IFRS 16, under the 'grandfathering' rules mandated in the FReM, right-of-use assets were recognised for all relevant leases previously classified as operating leases. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by any accrued lease payments.

We adopted the following practical expedients on transition:

- not to reassess whether contracts contain a lease or not
- not to make any adjustments for low value leases and to recognise all short-term leases (leases of less than 12 months) through the SoCNI
- not make adjustments for leases for which the underlying asset is of a low value. We have used a de minimis threshold of £5,000, consistent with the capitalisation threshold.

- use hindsight to determine the lease terms in contracts containing options to extend or terminate the lease.
- applied a single discount rate to the portfolio of leases with reasonably similar characteristics

At 1 April 2022, we identified three accommodation leases (for our Bootle, Cheltenham and London offices) that satisfy the criteria for recognition of a lease under IFRS 16.

The definition of a contract is expanded under the FReM definition to include intra-UK government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MOU) agreements.

Measurement of lease liability on transition
On initial application, the lease liability is measured at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application. The incremental borrowing rate is either:

- The interest rate implicit in the lease
- HM Treasury discount rate where interest rates implicit in the lease cannot be readily determined

Impact on transition
The table below reconciles the operating lease commitments under IAS 17 as presented in our Annual Report and Accounts 2021-22 to the lease liability calculated under IFRS 16 on 1 April 2022

Impact on transition to IFRS16	£'000
Operating lease commitments at 31 March 2022	7,338
Exemptions for leases of low value assets	(488)
Re-assessment for IFRS 16	1,518
Discounted using discount rates	(135)
Lease liability recognised at 1 April 2022	**8,233**

Re-assessment for IFRS 16

Factors for the re-assessment of the liability under IFR16:

- VAT: The operating lease commitment under IAS17 is the amount payable in each period including irrecoverable VAT. Under IFRS16 the lease liability excludes irrecoverable VAT
- lease period: Note 12 shows the commitment up to the lease break for our Cheltenham office. The commitment for IFRS 16 purposes shows the liability to the end of the lease
- the lease liability for our Bootle office increased in 2022/23 in line with RPI. The 2022/23 increase is extrapolated to the end of the lease

Capitalisation and depreciation

Depreciation is charged on right-of-use assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to the value of the lease over their expected useful lives.

Asset category	Capitalisation threshold	Depreciation/useful life
Right-of-use assets	£5,000	Over the period of the lease

1.16 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37.

In addition, we disclose for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of 'Managing Public Money'.

Where the time value of money is material, contingent liabilities that are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be discounted by IAS 37 are stated at the amounts reported to Parliament.

1.17 Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive) that can be reliably measured and which results from a past event. Where the time value of money is material, the provision is measured at present value using discount rates prescribed by HM Treasury.

2 Staff costs

			2022/23	2021/22
	Permanently employed staff	Others	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	44,280	1,776	46,056	43,128
Social security costs	5,788	-	5,788	5,246
Other pension costs	12,754	-	12,754	12,157
Total per Statement of Comprehensive Net Income	**62,822**	**1,776**	**64,598**	**60,531**
Less recoveries in respect of outward secondments	(33)	-	(33)	(211)
Grant from DWP - Kickstart	(5)	-	(5)	(15)
Net Total	**62,784**	**1,776**	**64,560**	**60,305**

Further details of staff costs and related expenditure can be found on page 69 in the Remuneration and Staff Report.

3 Other expenditure

Other expenditure		2022/23 £'000		2021/22 £'000
Services provided by HSE*				
Accommodation	1,789		4,013	
Other corporate services	68		75	
		1,857		4,088
Travel and subsistence		2,445		1,139
Training and development		1,071		827
Technical support		954		2,902
Research		2,496		2,489
Industry security vetting		3,676		1,703
Contractors		217		1,050
IT outsourcing		3,797		3,204
Personnel related costs		848		611
Interest on capital		398		397
Interest on loan from DWP		229		189
Interest on right-of-use assets		68		-
Auditors' remuneration		79		67
Other expenditure**		4,546		4,099
Non-cash items				
Depreciation and amortisation	5,300		1,889	
Provision provided for in year	-		924	
Provision not required written back	(474)		-	
Other non-cash	4		(11)	
		4,830		2,802
Total		**27,511**		**25,567**

* Services are provided by HSE because we occupy part of its Bootle site. Accommodation costs in 2021/22 include building lease costs that are now recorded as right-of-use assets under IFRS16. These costs are recorded under depreciation and amortisation. The remaining accommodation costs include rates and utilities.

** Other expenditure mainly comprises professional services, shared services outsourcing, other IT and accommodation costs.

Auditors' remuneration of £79,000 related solely to audit services provided by the National Audit Office.

4 Income

ONR's activities include certain chargeable services, each of which is subject to a financial objective of full cost recovery. Charges for these activities include provision for the recovery of the cost of capital

Income	2022/23 £'000	2021/22 £'000
Revenue from contracts with customers (see page 99)	89,972	76,196
UK SSAC/Safeguards	-	6,625
UK SSAC/Safeguards capital	-	773
Grant from DWP	2,252	2,067
Grant from DESNZ – Regulators' Pioneer Fund	39	-
Grant from DWP – Kickstart	5	15
Grant from Apprenticeship Fund	43	50
Prosecution costs awarded	29	-
DESNZ funding for review of fees regulations (note 14)	404	-
Other sales/income	38	221
Total income	**92,782**	**85,947**

UK SSAC/Safeguards
In September 2017, the government confirmed that it intended to establish a domestic safeguards regime seeking to deliver to existing Euratom standards. Up to 31 March 2021, we received income directly from DESNZ for the cost of setting up this regime to operate the UK SSAC.

We assumed our responsibilities on 31 December 2020 and are now the UK's nuclear safeguards regulator, in charge of the domestic safeguards regime and operating the UK SSAC.

DESNZ continued to fund this work via the DWP grant up to 31 March 2022. The capital funding includes the release of deferred income of £569,000 and in-year capital funding of £204,000.

Breakdown of revenue from contracts with customers (dutyholders)			2022/23			2021/22
	Income £'000	Cost £'000	Surplus/ (deficit) £'000	Income £'000	Cost £'000	Surplus/ (deficit) £'000
Licensing of nuclear installations	61,595	61,595	-	53,263	53,263	-
Civil nuclear security	16,186	16,186	-	12,342	12,342	-
Generic design assessment	3,708	3,708	-	8,150	8,150	-
Safeguards	6,657	6,863	(206)	-	-	-
Radioactive materials transport	799	799	-	745	745	-
Advanced nuclear technologies	860	860	-	1,375	1,375	-
Sub total	**89,805**	**90,011**	**(206)**	**75,875**	**75,875**	**-**
Other fees and charges	167	167	-	321	321	-
Total fees and charges	**89,972**	**90,178**	**(206)**	**76,196**	**76,196**	**-**

Safeguards
The Nuclear Safeguards (Fees) Regulations 2021 came into force on 1 April 2022, giving us the powers to charge Safeguards costs directly to industry. As DESNZ provided capital funding for the Safeguards asset until 31 March 2022, we will not include amortisation to industry relating to this funding. This resulted in a deficit of £206,000 for 2022/23.

Advanced nuclear technologies
These costs were charged to DESNZ.

Analysis of revenue by major customer (>10% of revenue)

Revenue	2022/23 £'000	2021/22 £'000
Customer 1	33,363	26,475
Customer 2	22,976	16,715
Customer 3	-	8,150

Only two dutyholders accounted for more than 10% of ONR's revenue during 2022/23. Customer 3 concluded activity in 2021/22 so incurred no charges in 2022/23.

Customers (dutyholders) are not named for reasons of commercial confidentiality.

5 Property, plant and equipment

2022/23	Leasehold improvements £'000	Information technology £'000	Furniture and fittings £'000	Total £'000
Cost or valuation				
At 1 April 2022	**565**	**782**	**745**	**2,092**
Additions	-	6	44	50
Disposals	-	-	(10)	(10)
Reclassifications	-	-	-	-
At 31 March 2023	**565**	**788**	**779**	**2,132**
Depreciation				
At 1 April 2022	**238**	**378**	**207**	**823**
Charged in year	77	158	69	304
Disposals	-	-	(10)	(10)
At 31 March 2023	**315**	**536**	**266**	**1,117**
Carrying amount at 31 March 2022	**327**	**404**	**538**	**1,269**
Carrying amount at 31 March 2023	**250**	**252**	**513**	**1,015**
Asset financing				
Owned	**250**	**252**	**513**	**1,015**

2021/22	Leasehold Improvements £'000	Information technology £'000	Furniture and fittings £'000	Total £'000
Cost or valuation				
At 1 April 2021	**565**	**782**	**636**	**1,983**
Additions	-	-	109	109
At 31 March 2022	**565**	**782**	**745**	**2,092**
Depreciation				
At 1 April 2021	**161**	**205**	**148**	**514**
Charged in year	77	173	59	309
At 31 March 2022	**238**	**378**	**207**	**823**
Carrying amount at 31 March 2021	**404**	**577**	**488**	**1,469**
Carrying amount at 31 March 2022	**327**	**404**	**538**	**1,269**
Asset financing				
Owned	**327**	**404**	**538**	**1,269**

In the year, we occupied three buildings: Bootle, Cheltenham and London. We have use of furniture in Bootle as part of the SMA with HSE.

Leasehold improvements relate to the capitalisation of property refurbishment at the Cheltenham and London offices.

5a Reconciliation of capital additions to the Statement of Cash Flows

	Note	2022/23 £'000
Capital payables and accruals at 1 April		89
Capital additions	-	50
Capital payables and accruals at 31 March 2023	9	-
Purchase of property, plant and equipment as per Statement of Cash Flows	-	**139**

6 Right-of-use assets

2022/23	Buildings £'000
Cost or valuation	
At 1 April 2022 – on adoption of IFRS 16	8,197
Reassessment	453
At 31 March 2023	8,650
Depreciation	
At 1 April 2022 – on adoption of IFRS 16	-
Charged in year	3,079
At 31 March 2023	**3,079**
Carrying amount at 31 March 2023	**5,571**

ONR adopted IFRS 16 'Leases' from 1 April 2022. Please see note 1.15 for further information on the adoption of IFRS 16 'Leases'.

Reassessment of costs relates to the in-year RPI increase of the Bootle office lease.

7 Intangible assets

2022/23	Internally developed software £'000	Purchased software licences £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 April 2022	**6,471**	**173**	**3,699**	**10,343**
Additions	-	42	1,141	1,183
Reclassifications	4,840	-	(4,840)	-
Disposals	(185)	-	-	(185)
Revaluations	494	9	-	503
At 31 March 2023	**11,620**	**224**	**-**	**11,844**
Amortisation				
At 1 April 2022	**2,705**	**137**	**-**	**2,842**
Charged in year	1,885	32	-	1,917
Disposals	(185)	-	-	(185)
Revaluations	128	6	-	134
At 31 March 2023	**4,533**	**175**	**-**	**4,708**
Carrying amount at 31 March 2022	**3,766**	**36**	**3,699**	**7,501**
Carrying amount at 31 March 2023	**7,087**	**49**	**-**	**7,136**
Asset financing				
Owned	**7,087**	**49**	**-**	**7,136**

Additions and reclassifications

Assets under construction

1 WIReD: the modernisation of our processes and systems to support the efficient undertaking of our regulatory activities. In-year additions: **£838,000**. Reclassification to internally developed software: **£4,537,000.** The remaining amortisation period is nine years and six months.

2 Back-up Resilience: a tool that will allow ONR to restore all of its IT systems and data in a short time frame if ever faced with a catastrophic event such as a major cyber-attack. In-year additions and reclassification to internally developed software: **£238,000**

3 Safeguards Information Management System: this is an IT system that enables us to receive and process nuclear material accountancy declarations from operators, and produce and submit reports to the IAEA, as required under the terms of our safeguards agreements with the IAEA. In-year additions (enhancement to the original asset) and reclassification to internally developed software: **£65,000**

2021/22	Internally developed software £'000	Purchased software licences £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 April 2021	**6,123**	**144**	**3,007**	**9,274**
Additions	216	25	692	933
Disposals	(13)	-	-	(13)
Revaluations	145	4	-	149
At 31 March 2022	**6,471**	**173**	**3,699**	**10,343**
Amortisation				
At 1 April 2021	**1,152**	**95**	**-**	**1,247**
Charged in year	1,540	40	-	1,580
Disposals	(13)	-	-	(13)
Revaluations	26	2	-	28
At 31 March 2022	**2,705**	**137**	**-**	**2,842**
Carrying amount at 31 March 2021	**4,971**	**49**	**3,007**	**8,027**
Carrying amount at 31 March 2022	**3,766**	**36**	**3,699**	**7,501**
Asset financing				
Owned	**3,766**	**36**	**3,699**	**7,501**

7a Reconciliation of capital additions to the Statement of Cash Flows

	Note	2022/23 £'000
Capital payables and accruals at 1 April	-	**181**
Capital additions	-	1,183
Capital payables and accruals at 31 March 2023	10	(80)
Purchase of intangible assets as per Statement of Cash Flows	-	**1,284**

8 Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year		
Trade receivables	6,885	8,235
Deposits and advances	44	26
Prepayments and accrued income	12,685	10,667
Other receivables	182	328
	19,796	**19,256**
Amounts falling due after more than one year		
Trade and other receivables	**14**	**7**
Total receivables	**19,810**	**19,263**

9 Cash and cash equivalents

	31 March 2023 £'000	31 March 2022 £'000
Balance at 1 April	7,133	7,598
Net change in cash and cash equivalent balances	2,054	(465)
Balance at 31 March	**9,187**	**7,133**
The following balances were held at:		
Government Banking Service	9,187	7,133
Balance at 31 March	**9,187**	**7,133**

10 Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year		
Taxation and social security	1,471	1,376
Superannuation	1,361	1,291
VAT	30	48
Trade payables: non-capital	1,038	3,390
Capital payables and accruals – PPE	-	90
Capital payables and accruals – intangible	80	181
Lease liabilities	3,941	-
Other payables	92	32
Accruals and deferred income	8,472	5,176
Loans with DWP	1,508	2,106
	17,993	**13,690**
Amounts falling due after more than one year		
Loans with DWP	9,921	9,107
Lease liabilities	2,237	-
Accruals and deferred income	105	69
	12,263	**9,176**
Total payables	**30,256**	**22,866**

11 Loans from DWP

Loans	Note	31 March 2023 £'000	31 March 2022 £'000
Opening balance – 1 April		**11,213**	**11,180**
Additions in period	18	1,500	2,000
Capital repayments in year		(1,284)	(1,967)
Loans – closing balance (capital)		11,429	11,213
Opening balance – 1 April		96	121
Accrued interest in year*	18	46	1
Accrued interest repaid in year		(17)	(26)
Interest – closing balance		125	96
Closing balance at year-end		**11,554**	**11,309**

* Interest has been accrued on the new capital loan of £1.5 million on a daily basis on amounts drawn down and will be repaid in monthly instalments from November 2023. There was no interest outstanding on the £2 million working capital loan. More detail on the loans can be found in Note 18.

12 Commitments under leases

Buildings commitments as at 31 March 2022 relate to the total future minimum payments under operating leases relating to our offices in Bootle, London and Cheltenham.

ONR adopted IFRS 16 'Leases' from 1 April 2022 therefore there are no operating lease commitments for the current year. Other commitments relate to items outside of the scope of IFRS16.

See note 1.15 for further information on the adoption of IFRS 16 'Leases'

Future commitments outside of the scope of IFRS 16	31 March 2023		31 March 2022	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Not later than one year	-	324	2,954	458
Later than one year and not later than five years	-	-	3,896	30
Later than five years	-	-	-	-
Total committed	**-**	**324**	**6,850**	**488**

13 Lease liabilities

Lease liabilities, measured at the present value of future lease payments relating to our offices in Bootle, London and Cheltenham are shown below:

Buildings	31 March 2023	31 March 2022
	Buildings £'000	Buildings £'000
Not later than one year	4,007	-
Later than one year and not later than five years	2,056	-
Later than five years	220	-
Less interest element	(105)	-
Present value of obligations	**6,178**	**-**

In May 2023 we received formal approval from National Property Controls to exercise our option to renegotiate the lease terms for St James House, Cheltenham ahead of the lease break of 25 March 2024. Contractual negotiations are ongoing with the landlord to remain and downsize.

14 Provisions for liabilities and charges

This provision relates to our estimated liability resulting from our review of fees regulations covering the period 1 April 2014 to 31 March 2021.

DESNZ confirmed that we are not required to reimburse any of the dutyholders that are funded by government. Our original provision included balances that would have been reimbursed to government funded organisations (£474k). DESNZ provided funding for us to reimburse the non-government funded dutyholders.

Review of fees regulations	31 March 2023 £'000	31 March 2022 £'000
Balance at 1 April	924	-
Provided in year	-	924
Provisions not required written back	(474)	-
Utilised in year	(404)	-
Balance at period end	**46**	**924**

Expected timings of future payments:	Review of fees regulations £'000	Total £'000
Falling due within one year	46	924
Falling due after more than one year	-	-
Total	**46**	**924**

15 Other financial commitments

We have entered into non-cancellable contracts which are not leases or PFI contracts.

These commitments relate to the SMA with HSE (excluding lease commitments under IFRS 16), shared services costs and other costs relating to accommodation leases.

The total payments to which ONR is committed are as follows:	**31 March 2023 £'000**	**31 March 2022 (restated) £'000**
Not later than one year	3,124	2,587
Later than one year and not later than five years	1,416	2,085
Later than five years	-	-
Total committed	**4,540**	**4,672**

16 Contingent liabilities

We are defending a civil case brought by a former employee, which may result in a compensation payment. There is significant uncertainty around the estimated liability and the timing of any resulting payment. This uncertainty can fluctuate based on factors such as evidence received, witness statements and whether claims proceed to trial or are settled early.

17 Related party transactions

We are classified as a public corporation and are sponsored by DWP, which is regarded as a related party. During 2022/23, we had significant transactions with DWP.

We had significant transactions with HSE (for which DWP is also the sponsoring department) for the provision of accommodation related services.

In addition, we had a number of significant transactions with MOD, DESNZ and Cabinet Office.

No Board members or senior managers have undertaken any significant transactions with ONR or received benefits from our suppliers other than declared hospitality during the year.

Details of remuneration for key management personnel can be found in the Remuneration and Staff Report within the Accountability Report.

18 Financial instruments

Our cash requirements are met through grant funding provided by DWP and four loans:

- a working capital loan of £2 million. This loan is interest bearing at an annual rate of 3.5%. No repayment of the principal amount is due on this loan until such a time a triggering event occurs (e.g. change to our legal status, a change in sponsor department, certain legislative changes or we cease to exist). At this time, we would commence repayment through an agreed repayment schedule. There is no current expectation that a triggering event will occur withinthe next 12 months
- a capital loan facility of £9.8 million to support capital expenditure requirements from 2019/20 to mid-2021/22 for WIReD, IT Separation and other modernisation activities to develop and enhance our infrastructure. This loan is interest bearing at an annual rate of 1.43% and repayment commenced in December 2020, originally for five years. In April 2022 we agreed with DWP that the repayment period would be extended by three years to November 2028
- a capital loan facility of £2 million to support capital expenditure requirements from mid-2021/22 to mid-2022/23 to continue the development of WIReD and other modernisation activities to develop and enhance our infrastructure. This loan is interest bearing at an annual rate of 2.19% and repayment commenced in November 2022 for a period of six years
- a capital loan facility of £1.5 million to support capital expenditure requirements from mid-2022/23 to mid-2023/24 to continue the development of our modernisation activities to develop and enhance our infrastructure. This loan is interest bearing at an annual rate of 4.09% and repayment is due to commence in November 2023 for a period of six years

The grant is for activities that are not statutorily recoverable from industry.

Financial instruments play a more limited role in creating and managing risk compared with a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with our expected purchase and usage requirements and we are, therefore, exposed to little credit, liquidity or market risk.

19 Events after the reporting period

There have been no events after the reporting period.

The Annual Report and Accounts were authorised by the Chief Executive Officer for issue on the date the Comptroller and Auditor General certified these financial statements, 13 November 2023.

ISBN 978-1-5286-4163-0

E02921573 11/23