**Minutes of the ONR Board**

**08 June 2023**

 **Denman Room, St James House, Cheltenham, GL50 3PR**

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| **Present:** Mark McAllister - Chair Sarika Patel - Non-Executive DirectorTracey Matthews - Non-Executive DirectorJean Llewellyn - Non-Executive DirectorJanet Wilson - Non-Executive DirectorSue Gray - Non-Executive DirectorMark Foy - Chief Executive/Chief Nuclear Inspector Sarah High – Deputy Chief Executive Donald Urquhart – Executive Director of Regulation  | **In Attendance:**Dave Caton, HR Director Rachel Grant, Director of Policy and Communications Principal Nuclear Inspector and Innovation Lead (item 5) Simon Coldham, Chief Information Officer (item 6)Dan Harte, Chief Information Security Officer (item 7) **Observers:** Nuclear Safety Inspector, Probabilistic Safety AnalysisSecondee, Nuclear Regulatory Authority, Japan  |
| **Secretariat:** Nikki Howard, Governance and Compliance Manager (Board Secretary) |

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| **1** | **Welcome, Apologies for Absence and Declarations of Interest**  |
| 1.1 | The Chair welcomed everyone to the meeting. An apology for absence had been received on behalf of Geoff Hawker, Finance Director.  |
| 1.2 | There were no declarations of interest. |
| **2** | **Minutes, Matters Arising and Action Points**  |
| 2.1 | The minutes of the meeting held on 26 April 2023 were approved as a correct record subject to an amendment to paragraph 4.3 to delete reference to the business case and amend to ‘he will engage with ONR Board on what is required’, and paragraph 4.9 to include ‘Steve Vinton’.  |
| 2.2 | The Board noted that all actions were either complete or on track. |
| **3** | **Chair’s Report** |
| 3.1 | The Chair commented on current regulatory challenges and the need to think about how ONR and dutyholders can work together to achieve the necessary further improvements.  |
| 3.2 | The Chief Executive/Chief Nuclear Inspector referred to issues relating to Sellafield and Devonport and the need to progress the required improvements. The Executive Director of Regulation referenced changes in leadership across the industry and the need for stability. There is evidence of improvements in some areas but further progress is needed.  |
| **4** | **Executive Board Report** |
| 4.1 | The Chief Executive/Chief Nuclear Inspector (CE/CNI) presented the summary report on key strategic, operational and financial matters and respective summary assessments from the ONR Executive Team (OET). |
| 4.2 | The CE/CNI reported that on 15 June ONR will be holding its first senior leaders ‘Leading ONR’ event since the pandemic. The focus will be on the Alliance Manchester Business School culture survey findings and our individual and collective response. |
| 4.3 | He referred to a Quarterly Assurance Review (Q4) meeting with the Department for Work and Pensions (DWP), Department for Energy Security and Net Zero (DESNZ) and the Ministry of Defence (MOD) and the positive feedback received on our work during 2022/23: regulating the industry, Post Implementation Review (PIR) response, support to departments, response to Ukraine, whilst recognising current and future challenges.  |
| 4.4 | He reported that DWP and DESNZ had agreed to the closure of a further four Post Implementation Review (PIR) recommendations, in addition to the eight previously endorsed for closure by Board in March. DESNZ had indicated their intention to submit a report to Ministers closing out all of the PIR recommendations next year.  |
| 4.5 | He referred to the Safeguards Information Management and Reporting System (SIMRs) risk and his request to the Safeguards Team to consider this risk in relation to the UK State System of Accounting for and Control (SSAC) of civil nuclear material and our current system support arrangements. This risk may be escalated to the Strategic Risk Register until there are satisfactory mitigations in place. |
| 4.6 | He reported on the Nuclear Skills Conference, which was well-attended, the focus being on the step change required to meet the industry’s skills challenge. Ministers announced a new Nuclear Skills Taskforce, which will involve ONR’s Deputy Chief Executive, providing an opportunity to influence and listen.  |
| 4.7 | He referred to the Generic Design Assessment (GDA) process, and that a government announcement to commence new GDAs is anticipated soon. |
| 4.8 | He reported on discussions held with the International Atomic Energy Agency (IAEA), who continue to maintain a presence in Ukraine, and their request to regulatory bodies for volunteers to participate in oversight missions. He has asked for clarity on what is involved so he can consider the impact and then engage with Government Departments. He provided an update following the destruction of the dam in Ukraine highlighting there are no nuclear safety concerns.  |
| 4.9 | He referred to a recent meeting with the Chief Executives of the Health and Safety Regulators, at which challenges in relation to pay, recruitment (including Non-Executive Director (NED) recruitment) and retention were discussed with a degree of commonality in the challenges presented.  |
| 4.10 | The Board discussed the proposed closure of the four PIR recommendations making specific reference to (a) the need to continue to look at more tangible options to gain a real insight as to what stakeholders consider are the barriers to open conversations, noting that the Annual Review of Regulation did provide valuable feedback, (b) value for money and the need to reference this through the efficiency work, (c) the considerable efforts by the Deputy Chief Executive to bring the risk management actions back on track, and for these to now be monitored internally rather than through the PIR, and (d) whether specific examples could be provided to define what we mean by ‘modernising our regulation’.  |
| 4.11 | In response to a question on ONR’s capacity to support international collaboration on Small Modular Reactor (SMR) technologies, the CE/CNI indicated that collaboration is expected to provide some efficiencies as ONR will not need to do all of the assessment work for SMRs proposed to be built in the UK. He added that if designs have already successfully been assessed by another country’s regulator, we will benefit from this by utilising these assessments in our review.  |
| 4.12 | The Executive Director of Regulation (EDR) referred to GDAs for SMRs and the preparations to resource these through productivity improvements in line with our previous discussions. |
| 4.13 | Further to discussions at April Board, the EDR confirmed that a meeting had been scheduled for later this month to discuss areas of concern. A letter has been sent to Sellafield (which was subsequently forwarded by them to the Nuclear Decommissioning Authority (NDA)) setting out our expectations on the need for clear plans and actions that will improve performance. A letter will also be sent directly to the NDA seeking their robust engagement in supporting these required improvements. He welcomed the engagement/oversight from ONR’s Security Committee (SC) who, as part of its consideration of the annual review of security, had agreed to monitor progress at Sellafield in six and 12 months’ time. The SC Chair confirmed that the NDA Chief Executive Officer will be invited to the September SC meeting to discuss how the NDA will work with Sellafield to seek to address these areas of concern. |
| 4.14 | He reported on the Rolls Royce SMR including timescales and resources.  |
| 4.15 | He referred to a recent meeting of ONR’s Security Committee and his request to the Director of Regulation (Civil Nuclear Security and Safeguards) to update the security technical inspection guides as soon as possible.  |
| 4.16 | He expressed his thanks to the HR Director for his support on the predictive recruitment campaign. |
| 4.17 | He referred to the planning inquiry into West Berkshire Council’s (WBC) refusal of a planning application for a housing development in the AWE Detailed Emergency Planning Zone, and while ONR has been asked to provide their views on regulation and emergency preparedness and response, ONR’s independence in this matter has been acknowledged.  |
| 4.18 | He provided assurance that ONR has the necessary expertise and experience to undertake the investigation into the fatality at Hinkley Point C.  |
| 4.19 | The Deputy Chief Executive (DCE) reported that the engagement sessions on the Organisational Review (OR) are progressing well. There has been positive feedback particularly around the openness and honesty which has been appreciated. The project is now moving to Phase Two, with the project board having its first meeting on 12 June. The focus will be on working with staff across the organisation to gain their insight and on the logistics for implementation, with a view to having solutions and options to present in the Autumn.  |
| 4.20 | The DCE reported that the business case for the London office location has now been endorsed by DWP’s Permanent Secretary as ONR’s Sponsor Department. The business case will now be submitted to the Cabinet Office for approval. DWP’s Sponsorship Team have been helpful and supportive and are strong advocates for our case. |
| 4.21 | She reported on positive feedback from DWP which highlighted ONR is ahead in terms of cyber security and that others could learn from us.  |
| 4.22 | She referred to the Optimising Performance Data (OPD) project and the work underway to improve the scope and quality of the data to ensure it is complete, accurate, relevant, and consistent. There are some capacity and capability concerns and the Chief Information Officer is progressing these with our IT provider.  |
| 4.23 | She reported that the Corporate Plan has now been approved by DWP, approval from DESNZ was awaited and it is due to be laid in Parliament on 12 June. |
| 4.24 | She highlighted the positive leadership and engagement by the Policy and Communications Director (i) leading the Non-Governmental Organisations’ engagement event in Suffolk and (ii) facilitating an induction session for government colleagues. Both engagement sessions were well attended and positive feedback has been received.  |
| 4.25 | In response to a question on hybrid working arrangements, the CE/CNI reported that there had been a significant upturn in attendance at ONR’s three offices signifying that the work done by Career Development Managers (CDMs) has had a positive impact. This will continue to be monitored.  |
| 4.26 | The Board noted the report and endorsed the closure of the four PIR recommendations (discussed at paragraphs 4.4 and 4.10 above). The Board also expressed its thanks to the DCE for the additional work/contribution in leading/supporting the Finance Directorate.  |
| **5** | **Update on Innovation** |
| 5.1 | The Principal Nuclear Inspector and Innovation Lead presented an update on the progress of innovation in 2022/23, and the Innovation Hub plans for 2023/24.   |
| 5.2 | He presented the five guiding principles for innovation, illustrating the challenges for the nuclear sector and highlighting the progress to date, making specific reference to what has been achieved, engagement activity and case studies supporting this work. He reported on the effectiveness of the work undertaken so far and the developments for 2023/24. He highlighted that: the Innovation Hub is seen as a success providing a “safe space” for creative thinking and problem solving (internal and external);the New Reactors Division Board and Regulatory Leadership Team (RLT) support the continuation of this work; and this pilot activity will move into an embedded approach as part of ONR’s organisational structure. |
| 5.3 | In response to a question on innovation activity and influencing any potential environmental impact, the CE/CNI reported that (a) the next CNI themed inspection will be on climate change, and (b) ONR has no powers to leverage any influence on environmental matters, but it can be mindful of them as part of its discussions. The EDR added that ONR works closely with the Environment Agency to ensure ONR’s purposes drive the right environmental behaviours.   |
| 5.4 | The EDR commended the Principal Nuclear Inspector and Innovation Lead for the transformational progress he has made on innovation, and reported that he will be leaving ONR soon to take on a new role. The CE/CNI added that Government Departments have been pleased with ONR’s progress on innovation, saying it is leading the way both nationally and internationally.  |
| 5.5 | The Board thanked the Principal Nuclear Inspector and Innovation Lead for an informative presentation, and for his valuable contribution to ONR, and wished him every success in his future role.  |
| **6** | **Business Case – IT Service Provider** |
| 6.1 | The Chief Information Officer (CIO) submitted a business case detailing a proposal from the IT Service Provider project for the implementation of a more formal, structured, ONR Hybrid IT support model to modernise ONR’s IT service offering, whilst ensuring all ONR’s IT services and associated systems are maintained, secure and remain available. He highlighted the main drivers for change are aligned to areas such as IT service improvement, modernisation, development of internal capability and resilience, and simplification, which will then result in efficiencies.  |
| 6.2 | In discussion, the Board commented on the risks associated with the proposal in relation to: ensuring the right skills to deliver the project; recruitment challenges; the use of an outsource provider and the need for constant upskilling of support to ensure the right capability; and the need for a financial plan to ensure costs are managed. The CIO reported that (a) it is believed we can provide 5% efficiencies year on year, accepting this to be our best estimate at this time and more financial details will be available once the detailed requirements with our partners have been assessed, (b) we currently have the skills available for the transition to the proposed arrangements, (c) recruitment for help desk support is expected to be less challenging and we are working with HR to reduce the timescales to bring people in, and (d) recruitment for more specialist expertise is still a challenge but we are working towards bringing people in at entry level and then developing their skills which will also help with succession planning.  |
| 6.3 | The Board commented that this is an opportunity to create our own talent pool, developing skills and capability within the organisation. The Well-Informed Regulatory Decisions (WIReD) process is a good example of where ONR has already achieved this. The HR Director advised that they had engaged with IT apprenticeship providers as part of learning at work week.  |
| 6.4 | In response to a question on modernisation activity and having the user rights to do this, the CIO reported that having a new contract will enable us to improve the balance between our own access rights and service level agreements.  |
| 6.5 | The Board approved the ‘Hybrid Approach’ option (described as a composite approach providing ONR with an IT Service Management model, inclusive of insourcing a single point of IT contact in the form of an ONR Service Desk function).  |
| **7** | **Corporate Security Update** |
| 7.1 | The Chief Information Security Officer (CISO) provided an update on core security activity, focussing on vulnerability management, assurance, projects and incidents, along with a snapshot of key security management information, and future activity, highlighting that there are no major concerns to report.  |
| 7.2 | He discussed a number of ongoing security initiatives, making specific reference to (a) a widely reported recent ransomware attack and that there had been no impact on ONR, (b) effective corporate security controls and associated infrastructure, and the expectation that this strategic risk will soon be within tolerance, (c)recruitment and skills retention challenges, (d) the activity around the renewal of ONR’s Cyber Essentials Plus certification, and a new assurance method due to be launched next year, (e) security technical standards and a new requirement for organisations to ensure all third party suppliers use multi-factor authentication which may preclude ONR achieving reaccreditation status due to Single Operating Platform processes, and (f) the Incident Management and Business Continuity Team moving into his function.  |
| 7.3 | In response to a question on artificial intelligence (AI) the CISO reported on options he is looking at to deploy internally and ONR’s ability to block inappropriate activity.   |
| 7.4 | The Board noted the report and was assured by the update which demonstrated the continued significant progress that has been made by the CISO and his team on our corporate security. |
| **8**  | **Annual Review of Strategic Risks** |
| 8.1 | The Deputy Chief Executive (DCE) provided details of ONR’s Strategic Risk (SR) Register, and the risk management activity during the year to improve ONR’s risk management processes and practices following the Government Internal Audit Agency’s (GIAA) audit in Autumn 2021. |
| 8.2 | The DCE highlighted (a) the increased focus on SRs within the organisation, (b) the need for fit for purpose training and awareness activity as detailed in the recently agreed Risk Improvement Plan (RI Plan), (c) the improvements needed in risk reporting, (d) that six SRs had been de-escalated during the year demonstrating ONR’s increased maturity in risk management, (e) challenges relating to capability and capacity on the team, and (f) the RI Plan will help to address all the recommendations from the 2021 GIAA audit and the risk-related findings from the PIR review, and having additional capability and oversight on this will ensure progress.  |
| 8.3 | In discussion the Board:1. Expressed frustration about the time taken to resolve some concerns but were encouraged by the programme of activity now in place, including the support from GIAA to assist in training activities.
2. Highlighted the need for colleagues to understand risk controls and mitigations.
3. Was confident the SRs were the right ones and that none were being missed.
4. Commented that the comprehensive RI Plan will deliver the improvements needed.

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| 8.4 | The Board discussed the Risk on a Page report and:1. *Organisational capability and capacity* *–* commented on the need to review the inherent and residual risk to reflect the current environment.
2. *Incident management* - noted that the Audit and Risk Assurance Committee (ARAC) had agreed to retain this as a single risk, and that this risk will be developed to ensure an appropriate balance of controls and mitigations across the respective teams.
3. *Financial strategy – funding and charging* – noted this risk is now more focussed, and that it should reduce significantly over the next year.
4. *Delivering efficient regulation across our purposes* – noted the progress on integration reported by the EDR and how this will support the OR, plus the proposed scenario planning activity which will feed into the Board Strategy session in October.
5. *Effective systems to protect the health, safety and wellbeing (HSW) of our staff -* noted that the Achieving Cultural Excellence project together with ONR’s HSW Committee has contributed significantly to the risk mitigations, and ARAC’s suggestion that this risk could be de-escalated if progress continues.
6. *Effective corporate security controls and associated infrastructure* *–* notedthis risk will be soon be within tolerance.
7. *Responding to environmental and social governance (ESG) requirements -* noted this is work in progress with an enhanced focus, as expected from all Arms-Length Bodies.
8. *Supporting key national civil and defence infrastructure project* – noted the factors that will help to reduce this risk over time which include efficiency/productivity work, prioritisation of work, cultural change and crystalising future demand.
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| 8.5 | The Board noted the report. |
| **9** | **Risk Appetite Statement** |
| 9.1 | The Deputy Chief Executive (DCE) provided a summary of ONR’s risk categories and risk appetite statements to support the Board’s annual review in line with the recommendations provided in the Orange Book.  |
| 9.2 | The DCE provided details of four new ONR risk categories; commercial; business continuity/incident management; health and safety and environmental and social governance, and the 2023/24 category ratings for the full suite of risk appetite statements.  |
| 9.3 | In discussion, the Board (a) noted ARAC’s endorsement of the expanded risk appetite statements, with amendments to (i) broaden the fraud category to include financial stewardship and control; and (ii) move financial from minimalistic to cautious, and (b) commented that the risk appetite statements should align to the decisions ONR is making, e.g. if the risk appetite is open then only minimum information needs to be provided to support the required decision. This will be a culture change for some given the AMBS findings of ONR’s strong enacted risk averse tendencies which will require leadership to overcome the desire to provide unnecessary excessive information.  |
| 9.4 | The Board approved the four new ONR risk categories and the full suite of risk appetite statements and category ratings for 2023/24, subject to the amendments suggested by ARAC at paragraph 9.3(a) above, and the Fraud heading being amended to ‘Fraud and Financial Controls’. |
| **10** | **Committee Annual Reports 2022/23** |
| ***10a*** | ***Audit and Risk Assurance Committee (ARAC)*** |
| 10.1 | The ARAC Chair presented the Committee’s Annual Report on the effectiveness of internal controls and risk management, the maintenance of appropriate and adequate audit processes, and the governance of the internal and external audit programmes. The report demonstrates the key work, assurances sought, and advice provided to ensure that the Committee has fulfilled those particular responsibilities. |
| 10.2 | As with previous years, focus has been given to strategic risks, major project delivery and necessary assurances that can be gained from Internal Audit, Regulatory Assurance (RA), and other sources such as deep dives. The ARAC Chair highlighted (a) ONR is in all material aspects a compliant organisation striving to achieve improvements to deliver its mission, (b) concerns relating to risk management activity and the planned improvements (c) the moderate assurance rating given by both GIAA and RA, (d) the need to give some thought to the GIAA re-tender this year, and (e) the NAO audit will now not be completed until September therefore the Annual Report and Accounts will not be laid until November.  |
| ***10b*** | ***Remuneration and Resilience Committee (RRC)***  |
| 10.3 | The RRC Chair presented the annual report on the key work of the Committee and provided assurance it has acted in accordance with its delegated powers. The Committee 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 takes a strategic approach to succession planning for the Board and has oversight of the approach for the wider organisation.  |
| 10.4 | Focus in year has been on: Director remuneration and performance pay; the wider Director community development journey; the approach to setting and assessing performance objectives; and the OR and succession planning, including a high-level succession and resilience assessment for business-critical roles below Director level. It also received updates on the annual/lifetime allowance, NED recruitment, and ONR’s Recruitment and Capacity Group. The RRC Chair highlighted the Committee’s focus on succession planning and its scope across the organisation, its internal effectiveness review which resulted in slightly revised terms of reference which the Board approved in June 2022, and being mindful of not straying into Executive space.   |
| 10.5 | The Board welcomed the Committee’s consideration of succession planning and business critical roles. |
| ***10c*** | ***Security Committee (SC)***  |
| 10.6 | The SC Chair presented the annual report on the key work of the Committee. The Committee is responsible for examining the ONR Annual Review of Security report to provide assurance to the Board that ONR is providing efficient and effective security regulation of the nuclear industry, holding it to account on behalf of the public. The Committee also discusses key security topics of relevance and interest to all attendees. |
| 10.7 | In year, areas of focus included: updates on civil nuclear sector threat; key deliverables from the civil nuclear sector; cyber security threat; and industry training. The SC Chair highlighted the contribution from external attendees which provided the opportunity for shared learning.  |
| 10.8 | The Board noted the three Committee annual reports, and the ONR Chair thanked each Committee Chair and their members for their support and valuable contribution to the organisation.   |
| **11** | **Any Other Business, Summing Up and Close** |
| ***11a*** | ***Corporate Milestones*** |
| 11.1 | The Chief Executive/Chief Nuclear Inspector (CE/CNI) reported on progress against corporate milestones from April to the beginning of June. Of the 13 milestones for Quarter one, three had been completed, seven are on track, and the delivery of the remaining three will move into Quarter Two.  |
| 11.2 | The Board noted the performance update. |
| ***11b*** | ***ONR Pay Offer – 2023-24*** |
| 11.3 | The HR Director reported that ONR had received notification from the Civil Service that Ministers had agreed to allow departments to make a fixed payment of £1,500 to civil servants in delegated grades in recognition of their public service and the challenges of the cost of living. This payment is in addition to the Civil Service Pay Remit Guidance published in April, which allowed departments to make average pay awards up to 4.5% with additional flexibility up to a further 0.5% targeted at those on lower pay bands. |
| 11.4 | He set out the costs and implications should the Board wish to agree this additional one-off payment to replicate that offered to other public servants for all grades (in addition to the Board’s approval of the 5% pay award proposal made in March 2023).  |
| 11.5 | The Board, whilst recognising there is no requirement on ONR to make this additional payment, agreed that the pay offer should be revised to include a commitment to award a fixed payment of £1,500 to all eligible staff regardless of grade or role. This recognises both the commitment and contribution staff have made and is a recognition of the challenges from the current economic situation. The Board agreed, as this will be an additional budget pressure of c.£1m, the budget for 2023/24 will need to be increased as this amount cannot be absorbed through efficiencies.  |
| 11.6 | The Safety Inspector, Probabilistic Safety Analysis and the Secondee, Nuclear Regulatory Authority, Japan, thanked the Board for the opportunity to attend the meeting, and commented on the effective robust and detailed conversations which provided an insight into how the ONR Board works. |
| 11.7 | The Chair thanked everyone for their attendance and contribution, and summarised each item and the agreed way forward. The Chair formally closed the meeting at 13.00. |
|  | **Date and Location of Next Meeting**: 12 July 2023, Hybrid meeting, Boardroom, Windsor House, London and MS Teams (11.15 – 13.30). |
| **12** | **Items for information:*** Programme Management Office Update
* Audit and Risk Assurance Committee Minutes – 27 March 2023
* Security Committee Update – 09 May 2022
* Remuneration and Resilience Committee Update – 24 May 2023
* ARAC Update – 30 May 2022
* Board Forward Look.
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