**Minutes of the ONR Board**

**1 February 2023**

**Virtual meeting via MS Teams**

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| **Present:**  Mark McAllister - Chair  Sarika Patel - Non-Executive Director  Tracey Matthews - Non-Executive Director  Jean Llewellyn - Non-Executive Director  Janet Wilson - Non-Executive Director  Sue Gray - Non-Executive Director  Mark Foy - Chief Executive/Chief Nuclear Inspector  Sarah High – Deputy Chief Executive  Donald Urquhart – Executive Director of Regulation  Geoff Hawker – Finance Director | **In Attendance:**  Dave Caton – HR Director  Charlotte Cooper, Head of Corporate Governance  Rachel Grant, Head of Policy  Ruth Jarvis - Corporate Services Business Manager and Jonlee Lockwood - Head of Data and Analytics (item 8)  **Observer:** Paul Garesse, Regulatory Technical Advisor, Executive Support Office |
| **Secretariat:** Nikki Howard, Governance and Compliance Manager | |

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| **1** | **Welcome, Apologies for Absence and Declarations of Interest** |
| 1.1 | The Chair welcomed everyone to the meeting. He welcomed Sue Gray to her first meeting as a Non-Executive Director. There were no apologies for absence. |
| 1.2 | The Chair commented this will be Charlotte Cooper’s last meeting as Board Secretary prior to her taking up her new role as Efficiency Lead and Head of the Executive Office. Board members thanked Charlotte for being an exemplary Board Secretary and wished her well in her new role. |
| 1.3 | There were no declarations of interest. |
| **2** | **Minutes, Matters Arising and Action Points** |
| 2.1 | The minutes of the meeting held on 23 November 2022 were approved as a correct record. |
| 2.2 | The Board confirmed its decision, made in correspondence during December 2022, to approve ONR’s Risk Management Framework. |
| 2.3 | The Board noted all actions were either complete or on track. |
| **3** | **Chair’s Report** |
| 3.1 | The Chair reflected positively on his attendance at the recent in-person ONR Security Committee and the constructive engagement from external colleagues. |
| 3.2 | The Chair provided feedback on his separate meetings during December 2022 and January 2023 at which he discussed matters of mutual interest with the Chairs of: EDF; the Health and Safety Executive; the Regulatory Horizons Council; Nuclear Transport Solutions; UK Government Investments; the Environment Agency; and Sellafield Limited. He had also met separately with the Deputy Director, Arm’s-Length Bodies Partnerships at the Department for Work and Pensions. |
| 3.3 | The Chair commented on the focus of the Board agenda and how the three main topics were linked. |
| **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) and the Finance Director (FD). |
| 4.2 | The CE/CNI commented that decisions on pre-emptive recruitment and in-house IT capability were major cost drivers in the proposed increase in the 2023/24 budget proposal (to be discussed in more detail at item 7). |
| 4.3 | He referred to paragraph 1.2 above highlighting that combining the two roles Charlotte Cooper will be taking up (ONR’s Efficiency Lead and Head of the Executive Office) creates synergies, ensuring Charlotte can harness the insight and oversight that the joint role provides, while benefitting from the proximity to OET. |
| 4.4 | He reported that there is now a better understanding of the breakdown of time spent by inspectors working on regulatory matters and the associated costs; 65% of time spent on regulatory activity is a more accurate figure. There is still room for improvement to ensure time is booked correctly and this will be progressed. |
| 4.5 | He reported that there is more clarity on future Generic Design Assessments (GDAs). BEIS, with assistance from ONR, has completed the screening process for a number of small modular reactor (SMR) technologies, two of which (alongside the Rolls Royce UK SMR) will now progress to GDA which aligns with ONR’s assumptions. |
| 4.6 | He referred to the Sizewell C judicial review which will be held in March and advised that the legal challenge to the Secretary of State’s original decision has been brought by local campaign groups. As yet ONR has not been asked to participate. |
| 4.7 | In discussion the Board:   1. Noted that the Audit and Risk Assurance Committee (ARAC) had recently discussed the timetable for the Annual Report and Accounts (ARA) and the need to avoid publishing the Chief Nuclear Inspector’s (CNI) annual report at the same time. The Board was assured the CNI annual report will be completed prior to the ARA in future to reduce the impact on the organisation. 2. Recognised that there will be significant changes in executive leadership across the industry over the coming months, and the need to ensure that resilience had been discussed during the nuclear week in Parliament which had commenced 30 January. 3. Noted the Risk Management Framework had been developed with ARAC and the Board. Internal Audit had also completed a significant review, the findings for which have been accommodated, along with aligning to key principles from the HM Treasury orange book where appropriate to ONR. |
| 4.8 | The Deputy Chief Executive (DCE) advised the Board that the change initiatives and formal prioritisation exercise were progressing and will be discussed by OET in March. |
| 4.9 | The DCE reported that the DWP/ONR Framework Document has been substantively agreed with DWP, BEIS and the Government Legal Department (GLD). There are some ongoing discussions with DWP and HM Treasury on the current format of the document in relation to the Cabinet Office template and how best to progress this. Whilst it was normal practice to review the document every three years, it was delayed by agreement due to the Post Implementation Review in the previous year. |
| 4.10 | She advised that ONR’s evidence for the DWP Annual Assurance Assessment for 2022 has been shared with ARAC and submitted to DWP’s partnership team; we are expecting an overall ‘green’ rating. |
| 4.11 | She reported that two major risk mitigation milestones for the back-up resilience project have recently been achieved which provides ONR with a tested capability to restore clean versions of its azure environment (and azure data) in the event of a malicious attack. |
| 4.12 | She advised that the Policy and Communications (P&C) Director has now left ONR to start a new role at Transport for the North. Interim director support will be provided from the P&C heads of functions for their respective topic areas until a permanent appointment is made. |
| 4.13 | She highlighted that responses to ONR’s Openness and Transparency Policy consultation were broadly positive and we remain on track to publish by the end March 2023. |
| 4.14 | She referred to the Maximising our Potential project which had completed three months ahead of schedule and under budget, having implemented a new approach to Performance Management and contributor awards to recognise exceptional performance in year. Positive feedback has been received with staff welcoming the more focussed and regular discussions about issues such as wellbeing. |
| 4.15 | She advised that work pressures on the IT team continue and while morale is good, this is not sustainable. Ensuring access to resources to deliver on our strategic outcomes will be explored during the current budget setting process. The planned transition of WIReD (Well Informed Regulatory Decisions) into the IT team, as business as usual, is a positive development but again this will be an additional resource to absorb. Prioritisation will be a key activity to help manage the demands and this will continue to be monitored. |
| 4.16 | The Executive Director of Regulation (EDR) reported that the annual review of regulation had been helpful in identifying some cultural challenges. This is discussed in more detail at item 5 below. |
| 4.17 | He advised that the WIReD project has now delivered all of the phase 2 processes to time, cost and quality. Work towards the transfer of the WIReD platform to the Information, Technology and Delivery Directorate (ITDD) is progressing, with some staff recruited to deliver the project also transferring over. Internal Audit had completed a review which received a moderate assurance rating. |
| 4.18 | He referred to the tragic fatality of a contractor at Hinkley Point C, and advised that Avon and Somerset Police continue to lead the investigation. ONR has offered support to the latter and is conducting its own investigation in parallel. |
| 4.19 | He advised that increasing the delivery of the conventional health and safety strategy has continued to be a focus across industry. |
| 4.20 | He reported that the recruitment campaign for the Regulatory Directorate (RD) is progressing well with a number of high quality and capable candidates applying which highlights ONR as an attractive employer. |
| 4.21 | He advised that discussions on the potential integration of Civil Nuclear Security and Safeguards into the Operating Division have been scheduled to determine if it is the right thing to do and whether the timing is right. |
| 4.22 | The Finance Director (FD) reported that work is progressing on the two recommendations (risk management and charging arrangements) from the Post Implementation Review. ONR is keen to progress this taking on board stakeholder feedback and increasing transparency with dutyholders. |
| 4.23 | He advised that there had been a comprehensive review of ONR’s strategic risks by OET and ARAC and it was concluded that they are being effectively managed. Further education and awareness training is needed on the risk management system to ensure accurate and timely reporting of mitigations/controls, and this will be progressed with the system provider and risk owners. |
| 4.24 | He reported on the Quarter 3 financial forecast which is £95.4m against a budget of £97.3m. This includes £2m pressure not budgeted for (2% pay increase vs 4.5% - £1.5m; and £0.5m for utility bills and lease cost increases). If these pressures had not been absorbed, the position would be £93.4m. The underspend is primarily driven by: staffing (the impact of national insurance reductions and recruitment slippage); a reduction in technical support contracts; two projects moving to 2023/24; and other minor movements across the RD and Corporate Services Directorates. |
| 4.25 | He advised that the recruitment target of 637.9 FTE at 31 March 2023 will be achieved. |
| 4.26 | The Board noted the report. |
| **5** | **Annual Review of Regulation** |
| 5.1 | The EDR presented the findings from the annual review of regulation (ARoR). The objectives of which were to: review the effectiveness of regulatory strategies; learn lessons from the previous year, including input from regulatory, intelligence and oversight (RIO); seek feedback from key dutyholders; consider themes for the next CNI report; and develop priorities for the year ahead. |
| 5.2 | He highlighted that (a) the regulatory strategies are broadly delivering as expected but further progress is needed on defence sites in enhanced attention; (b) further preparations are needed in readiness for the future infrastructure workload; (c) in relation to proportionality, there needs to be some re-balancing of our regulatory footprint/footfall; (d) further work is needed on the CNI themes to ensure a strategic, consistent, and coherent approach across industry; (e) feedback from CEOs was positive, indicating: ONR is considered to be a fully effective regulator; it adds value to industry through enabling regulation and innovation; it helps industry to grow its confidence; and relationships are good, with the ability to have strategic conversations; and (f) there were four main challenges: transparency and predictability of costs; not adopting positions pre-emptively and breaking through the culture of it having to be tried and tested over a number of years (this is being addressed through training); proportionality and keeping focus on strategic matters; and consistency between purposes. |
| 5.3 | He advised that the Regulatory Leadership Team (RLT) will be exploring the feedback from RIO, looking at areas such as: proportionality; having more effective handovers; greater understanding of our overhead costs; more focus on our own quality controls and cultural matters. This internal feedback provides helpful clarification of the stakeholder survey results, and we can now put plans in place to address it. Responding to this annual review will be a priority for RLT for the year ahead and those who have provided feedback will be kept in the loop. Our response will be proportionate with a focus on coherence of intelligence, confidence of inspectors and consistency of outputs. |
| 5.4 | He reported on RD demographics and current assumptions over the next three years highlighting the need to recruit in advance to enable national infrastructure work to continue. Predictive recruitment is a necessary control measure to mitigate the strategic risk - *ONR fails to support key national civil and defence infrastructure projects,* along with efficiency and prioritisation. There are two elements in relation to the ageing demographic, bringing new people in and keeping existing expertise, and this will require us to do some predictive recruitment. Work is also being undertaken with HR colleagues to look at a variety of ways to help new recruits gain the experience needed. |
| 5.5 | In discussion, the Board:   1. Recognised that this is a valuable piece of work, providing real tangible data and an insight into how things are currently done and where improvements can be made. This will require decisive and courageous leadership and clarity on the difference expected. Targets will be set, using a risk-based approach/intelligence, and this will help people to understand the direction of change. 2. Suggested the Nuclear Chairs’ Group will find this feedback helpful. 3. Commented RLT will need to role model behaviours and lead by example on cultural change. 4. Asked whether completing this review annually may be too frequent. The Board was assured the review next year will focus on a different aspect. 5. Suggested current pension limitations will need to be monitored as any potential changes may impact the decisions of those who are thinking of retiring. 6. Stressed the need to be efficient and attentive to the lessons learned from this review, and think about how to structure this as business as usual and not label everything as a priority or as a separate project. |
| 5.6 | The Board acknowledged this was an important milestone and thanked the EDR for the information provided. |
| **Action 1:** To share the feedback from the ARoR with the Nuclear Chairs’ Group, and provide an update to the Board on the progress of the actions – EDR – September 2023. | |
| **6** | **Organisational Review - Findings and Action Plan** |
| 6.1 | The HR Director provided the final options report on the organisational review and the proposed action plan which focussed on two workstreams - Operating Model and Pay and Grading. |
| 6.2 | He reported that the review looked at a range of operating models, exploring the benefits of each and benchmarking them against other public/private organisations (with a caveat that not all were like for like). The findings highlighted an opportunity to move to a business delivery model which could be aligned with the existing structure. It also provided an opportunity to assess whether we are doing the right things or if there is a better way, linking to the efficiency agenda. |
| 6.3 | The pay and grading findings highlighted that we are broadly aligned to the market but with high premiums in some areas. This was supported by the benchmarking outcomes presented, making comparisons to the market, by role and the nuclear delta. It was recognised that while the review identifies high premiums in some areas, there is a need for this to be managed in the context of the competitive market. OET favoured an approach to align deltas with the wider market over time and these gaps will then reduce. |
| 6.4 | In discussion the Board:   1. Advised that in making changes to the operating model, there is a need to ensure our processes/systems are updated to ensure clarity of the change. The Board was assured that this has been factored into the implementation activity. 2. Commented moving to a business delivery model will align with the integration work within the RD. It provides the opportunity to right size the organisation and for closer working across functions. |
| 6.5 | The Board recognised this will be a significant change for the organisation and its impact should not be underestimated. Implementation will be over the next 18-months/two years and OET needs to ensure this is done well, so we implement what is necessary, while continuing to look after our people and regulate the industry. Communication and engagement are a key factor, the steps need to be correlated to demonstrate a co-ordinated approach, ensuring alignment to the efficiency agenda. This engagement should also factor in the cultural aspect, explaining any differences and highlighting the value everyone brings to the organisation |
| 6.6 | The Board noted the key findings and next steps, and supported the proposed approach. |
| **7** | **2023/24 Budget – Draft Budget Proposal** |
| 7.1 | The FD provided the draft budget proposal for 2023/24 for review and feedback to inform the final budget submission scheduled for Board decision in March 2023. |
| 7.2 | He thanked Board members for their initial feedback and challenge during recent one-to-one Non-Executive Director (NED) engagement. |
| 7.3 | The FD reported on the proposed budget increase against the 2022/23 Period 7 full year forecast and the key principles which have been applied in setting the draft 2023/24 budget, which included (a) the proposed pay award and inflation assumptions; (b) pre-emptive recruitment; (c) work to progress one GDA in 2023/24; (d) unavoidable net cost increases; (e) in-house technical IT support; and (f) unfilled vacancies from 2022/23. |
| 7.4 | In discussion the Board:   1. Noted the vast majority of recruitment will be at Band 3 level, or Band 2 with the right level of skills and experience. Gaps in Corporate Services have reduced. 2. Noted in-house IT support services will require resources but this will be less expensive than outsourcing. There is a need to ensure it is efficient to change. 3. Commented each year the proposed budget shows increases (year on year growth) and this does not align with our efficiency ambitions. It was suggested it would be premature to factor in efficiencies at this stage given key activity in this area has not yet started. 4. Suggested clarity on what are one-off costs and what are ongoing will help inform our decision making. 5. Suggested having multi-year budgets (e.g. an indicative budget for three years) will help with future forecasting and will provide a more holistic view. 6. Commented there is a need to be realistic about the proposed pay award and future recruitment ambitions. The Board was advised   pre-emptive recruitment has been agreed previously and it needs to continue to reflect the increased demands on our services. It is progressing more quickly this year so targets will be achievable.   1. Advised while recruitment is progressing there is a need also to factor in the time and resources needed for training, induction and support. 2. Commented the presentation and clarity on the narrative to support the budget submission is important (e.g. what improvements will be evident from the increase). |
| 7.5 | The Board noted the draft budget proposal for 2023/24 and asked for (a) an indicative three-year budget forward look, (b) the current proposed budget figure to be reduced; identifying what is needed to bring it down, and then where the pinch point is, and (c) those efficiencies which are already in the pipeline (plus those areas where work is about to start) to be factored into the final budget submission to be presented in March 2023. |
| **Action 2:** To (a) provide an indicative three-year budget forward look, (b) reduce the current proposed budget figure, identifying what is needed to bring it down, and then where the pinch point is, and (c) capture those efficiencies which are already in the pipeline (plus those areas where work is about to start) as part of the final budget submission – FD – March 2023. | |
| **8** | **Performance Data - Show and Tell** |
| 8.1 | The Board received a demonstration on the work undertaken to provide a dashboard which looks at the whole hierarchy of performance across the organisation. This has helped to establish more accurate and consistent reporting of ONR’s key performance measures, information is more accessible and it has facilitated quarterly reporting to OET, enabling them to have greater oversight. Further work is still needed to ensure timeliness and data quality and these improvements are progressing. |
| 8.2 | The Board received assurance that as this activity matures, manual processes will start to be removed, creating efficiencies. This activity will also integrate with other data systems, such as WIReD, and the improvements proposed will include the ability to identify any slippage in a piece of work more easily and whether it has a wider impact across other areas in the organisation. |
| 8.3 | The Board thanked Ruth Jarvis and Jonlee Lockwood for an informative presentation. |
| **9** | **Any Other Business, Summing Up and Close** |
| 9.1 | There were no items of any other business. |
| 9.2 | Paul Garesse thanked the Board for the opportunity to attend the meeting, highlighting there had been good open and honest discussions with a healthy level of tension and challenge. |
| 9.3 | The Chair thanked everyone for their attendance and contribution, and summarised each item and the actions agreed. The Chair formally closed the meeting at 13.30. |
|  | **Date and Location of Next Meeting**: 29 March 2023, Boardroom, Windsor House, London |
| **10** | **Items for information:**   * Horizon Scan * PMO Quarterly Update * Corporate Security Quarterly Update * Audit and Risk Assurance Committee Minutes – 20 September 2022 * Audit and Risk Assurance Update – 18 January 2023 * Security Committee Minutes – 6 December 2022 * Board Forward Look |