

**Minutes of the Board
29 January 2020**

Redgrave Court, Merton Road, Bootle, Merseyside L20 7HS

Present:

Members

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

Attendees

Katie Day - Director of Policy and Communications
Anthony Hart - Technical Director
Mina Golshan – Director, SDFW (item 5)
Ryan Maitland – CNI Office (item 8)
Mike Finnerty - Director, New Reactors
(item 9)
Helen Beldon, Head of Budgeting (item 6)
Paula Hughes, Safeguards Nuclear Materials
Accountant, CNSS (observer)

Secretariat: Charlotte Cooper, Head of Corporate Governance (Board Secretary)

1 Welcome, Introductions, Apologies for Absence and Declarations of Interest

- 1.1 The Chair welcomed everyone to the meeting. Apologies for absence were received from Sarika Patel, Non-Executive Director and Simon Lister, Non-Executive Director.
- 1.2 No declarations of interest were received.
- 1.3 The Board Secretary highlighted the need to ensure the Board is quorate, she confirmed formal feedback had been provided from Sarika Patel, Non-Executive Director on the papers and the decision paper at item 4.

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

- 2.1 The minutes of the meeting held on 27 November 2019 were agreed as a correct record.
- 2.2 All actions on the Action Log had either been closed or were on track.

Action 1: A further action was added to the log from November Board to ensure the CNI Annual Report 2020 included a focus on good practice from a Security perspective – CNI.

- 2.3 The Board Secretary provided an oral update on progress of the Corporate Governance Arrangements – 6 month review. She commented that four of five responses had now been received from the Security Committee Experts in Attendance. ONR's response to the issues raised was being considered with support from the CNSS Director and would be incorporated into a paper for Board in March / April 2020.
- 2.4 The Security NED advised that Non Executive Directors' had discussed issues and next steps at their pre-meeting. They were supportive of: an annual Security Committee meeting to consider the Annual Review of Nuclear Security, prior to it

being considered at Board; Security NED attendance at the annual security back briefing process; and to exercise / test the high level joint BEIS / ONR security brief for the Chair and Security NED at BEIS headquarters.

- 2.5 The Board agreed that the Director, CNSS lead on next steps as subject matter expert and the one with the senior relationships with the Experts in Attendance, supported by the Head of Corporate Governance, with a view to a paper being considered by Board in April.
- 2.6 A response to BEIS should be made following the Board in April 2020.

Action 2: The Director CNSS to lead on alternative governance arrangements for Security assurance to inform a paper to Board in April 2020 – Director CNSS.

3 Chair's Report

- 3.1 The Chair reported that since the previous Board he had:
 - i. Accompanied by the CNI and site inspector, visited Oldbury and Berkeley sites on 4 and 5 December 2019.
 - ii. Accompanied by the Chief Executive and CNI, attended a meeting with the Minister of Defence Procurement and senior MOD officials on 8 January 2020 to discuss a wide range of topics of mutual interest.
 - iii. Met separately on 14 and 18 January with the Chairs of the NDA, Environment Agency and Sellafield Limited to discuss matters of mutual interest.
 - iv. Attended a meeting of the Chairs of Safety Regulators' Forum on 28 January. Whilst beneficial it was noted that there was limited turnout.
- 3.2 He provided an update on NED recruitment, confirming the DWP Minister had approved the two successful candidates. Start dates and term of office would be confirmed shortly. The BEIS-led NED recruitment competition for a Security NED is expected to launch on 10 February 2020.
- 3.3 He discussed the potential benefits of licensee Chairs / Chairs of Regulators coming together on an annual basis to discuss matters of mutual interest and would consider this further in one to one discussions.

4 All Staff Conference – Single Tender

- 4.1 The HR Director presented a paper seeking Board approval for procuring the services of Matthew Syed as the keynote speaker for the ONR All Staff Conference on 31 March 2020.
- 4.2 As we prepare to officially launch our 2025 Strategy, we are holding our staff conference to engage and inspire all staff and begin the culture shift required to deliver on our ambitions. As part of the day, we are looking for a high profile speaker who can set the tone for the day, provide an external perspective and fully connect with the audience at a strategic level and influence with long lasting impact. The speaker will need to help staff understand how culture change can positively impact public safety and help deliver our five year strategy.

- 4.3 Matthew Syed is one of the world's most influential thinkers in the field of high performance and cultural change, including safety culture.
- 4.4 In discussion the Board:
- i. Asked about the cost and frequency of the all staff conference.
 - ii. Questioned whether the use of an external speaker provided the best value for money and return on investment in the long term for ONR.
 - iii. Asked whether the speaker would do any preparation in advance and if ONR could make use of the presentation, ideally through a video of the presentation, after the conference itself.
- 4.5 The HR Director confirmed that we would engage with the speaker in advance of the all staff conference and that the material would be ONR's to use following the conference. He confirmed that the Staff Conference would cost circa £60-£70k and was held once every three years.
- 4.6 The Chief Executive commented that the speaker had worked with leading global organisations to build a mind-set of continuous improvement. His background lends itself well to high hazard industry, such as nuclear, and he has specific knowledge of the ONR journey.

Action 3: Ensure the contract makes explicit reference to ONR using the presentation following the conference – HR Director.

Action 4: Overview of staff satisfaction and feedback on the speaker to be reported to April Board – HR Director.

- 4.7 The Board approved the procuring of the services of Matthew Syed as the keynote speaker for the All Staff Conference and noted this would proceed under a single tender arrangement.

5 Policy and Regulation of Decommissioning and Radioactive Waste Management

- 5.1 The Director, SDFW presented a paper to provide information on national policy developments relating to decommissioning and radioactive waste management, and ONR's regulatory strategy in this area for licenced sites, other than at Sellafield.
- 5.2 The decommissioning task is a substantial one, with a wide range of associated hazards and risks, coupled with high cost. The Government's Nuclear Sector Deal has a long-term vision of an innovation-led approach, leading to a 20% reduction in decommissioning costs to the taxpayer.
- 5.3 In December 2018, the Government launched its search for a community to volunteer to host a deep Geological Disposal Facility (GDF) in England and Wales. To enable our role as the licensing authority, amendments are required to the Nuclear Installations Regulations 1971 (NIR 71) and to our interpretation of 'bulk quantities' in the NIA65 radioactive waste disposal purposes. In the interim, waste

above the Low Level Waste (LLW) threshold, usually referred to as Intermediate Level Waste (ILW) will continue to accumulate and be stored above ground with no disposal route available. The LLW Repository has a capacity estimated to last for another 100 years following successful application of the waste hierarchy (prevention, minimisation, reuse, recycle, disposal).

- 5.4 BEIS is drafting a white paper that should result in a revised comprehensive coherent UK policy framework for decommissioning, radioactive waste, radioactive substances and used fuel. ONR has been instrumental in encouraging BEIS to update and consolidate its policy framework, and is involved in shaping the policy prior to the first public consultation planned for March 2020. ONR is an active member of three policy / strategy advisory groups chaired by BEIS.
- 5.5 ONR will continue to undertake proportionate regulation of the licensed sites as they retrieve, package and store ILW and will seek to identify opportunities for innovative regulatory processes. We will continue to advise BEIS and the NDA on the regulatory aspects of policy and strategy development to secure safe and timely decommissioning and radioactive waste management on the licensed sites for radioactive material destined for a future GDF.
- 5.6 In discussion the Board:
 - i. Found the report helpful and informative.
 - ii. Asked whether there were any links to taxation policy. The Director, Policy and Communications confirmed that, to the best of her knowledge, there is no link but there is on-going work regarding the EU taxation regime for sustainable business.
- 5.7 The Board noted the report.

6 Well Informed Regulatory Decisions (WIReD) Update

- 6.1 The WIReD SRO presented a paper providing an update on project status. Formal handover to the CNI, as WIReD SRO, had taken place and a full-time Delivery Lead is now in place. This reflects the recommendation of the GIAA Advisory Review Report that the SRO should be at Senior Leadership Team (SLT) level and planning and delivery needed to be driven by a dedicated Project Manager, in this case the Delivery Lead.
- 6.2 The SRO provided assurance to Board that he had reviewed his diary commitments for 2020 and made a number of decisions to enable him to commit the time necessary, at least 20%, to lead and support the team in the successful delivery of WIReD.
- 6.3 The GIAA Advisory Review report and draft response to the recommendations were shared with the Board.
- 6.4 The Project Team has worked with Informed Solutions in preparing for entering a formal pause. All the necessary documentation had been provided to ONR and the project interaction with Informed Solutions 'wrapped up' appropriately.

- 6.5 The main emphasis of the project is to develop a business case. Key activities for the next few months include a review of Project Board governance and membership, dependencies with IT Separation, and developing procurement options to be evaluated in the business case. The latter includes performance of soft market testing, benchmarking proposals with a range of suppliers, to inform options for Phase 2. We will also have discussions with other government bodies, duty holders and our Technical Support Contract supply chain, a number of whom have performed similar process digitisation activities and will be able to provide useful intelligence to inform the development of the Phase 2 plan.
- 6.6 He highlighted some of the WIReD resource would be focused on the use of SharePoint, which is viewed as a longer term solution for ONR's document management and storage system. Timing would be dependent on IT separation.
- 6.7 In discussion the Board:
- i. Asked when we will get the scope fixed for Phase 2 of the project. The SRO commented that this would likely be the end of March when presenting the indicative Business Plan for Phase 2.
 - ii. Asked about cost savings for the project given the project pause. The SRO believes there are significant cost savings to the original cost estimate. The Finance Director confirmed that £3.5m had been built into the 20/21 budget for WIReD, although this was likely to be significantly reduced.
 - iii. Supported the Project pause and reinforced the need for clear messaging to the organisation.
- 6.8 The Board noted the report.

7 Preliminary Budget 2020 / 21 – Key Messages and Risks

- 7.1 The Finance Director presented a paper providing a high level overview of the preliminary 2020/21 budget proposal, highlighting key messages, assumptions and risk.
- 7.2 She highlighted that the budget required to deliver ONR's strategic objectives in 2020/21 is £96.1m which is £2m lower than the 2019/20 budget. She provided a detailed analysis of budget increases relating to unavoidable operating cost increases; cost base change; and cost recover change.
- 7.3 Duty holders would not be adversely impacted by our budget increase; rather the budget assumes a small decrease in the cost base that will be recovered from industry.
- 7.4 She set out the position on ONR's two strategic projects. The £0.9 budget bid for IT Separation supports business as usual functions throughout the year. £0.45m relates to expenditure items to allow the project to be delivered by 26 May 2020 and the remaining £0.46m relates to capitalisation of assets. She confirmed that the original budget proposals for IT Separation was £1.7m and included a contingent liability for HSE SMA exit costs. These costs had now been removed from the

budget bid. This was discussed in detail at the Audit and Risk Assurance Committee (ARAC) in January 2020.

- 7.5 The WIReD budget figures currently assume delivery of Phase 2 during 2020/21 with costs aligned within business case limits. As per the previous discussion, the delivery plan is being updated to reflect the latest Phase 2 delivery approach and will take account of IT Separation, the pilot duration and business rollout. The full extent of the impact of the WIReD pause and commencement of Phase 2 delivery from a cost and timescale perspective is not known at this stage, although it is likely that the £3.5m currently included in the 2020/21 budget bid would reduce significantly.
- 7.6 She highlighted a number of assumptions within the preliminary budget that present an element of risk. A sensitivity analysis was provided for the key risks that can be quantified financially at this stage, along with the impact analysis and assumptions behind the likelihood of each of the scenarios modelled.
- 7.7 She set out the approach to prioritisation, which included reviews by the Chief Executive and Finance Director of each Directorate's budget bid during November, following which £2.3m was removed from the initial bid numbers to arrive at the £96.1m budget presented in the paper.
- 7.8 In discussion the Board:
- i. Thanked the Finance Director for a quality set of preliminary budget proposals.
 - ii. Acknowledged the approach to prioritisation. Given recurring underspend in recent years, sought further assurance that appropriate challenge had taken place across ONR. The Finance Director confirmed this was the case.
 - iii. Noted the likelihood of a significant reduction in the WIReD bid.
 - iv. Acknowledged that GDA step 4 may have a material impact, should the situation regarding the China travel ban continue for a period of time.
 - v. Acknowledged the HMG Export Control concerns and the position of the Chief Executive in escalating this as a serious concern to BEIS and the impact it may have in regulating GDA Step 4.
 - vi. Reinforced the importance of Regulatory Assumptions alignment with the budget bid.
 - vii. Noted the BEIS charging protocols that are expected to be in place on 1 April 2020.
- 7.9 The Finance Director thanked Board for their comments both in advance of the meeting and at Board. She asked that any further comments are provided by 7 February 2020.

Action 5: Comments on the initial budget bid required to deliver ONR's strategic objectives in 2020/21 to the Finance Director by 7 February 2020 – Board members.

7.10 The final 2020/21 budget bid will be presented to Board in March 2020.

8 OEI Framework – Benefits Realisation and refinements for 2020/21

- 8.1 Ryan Maitland, CNI Office, presented a paper on the outcome of ONR's pilot implementation of the Organisational Effectiveness Indicator (OEI) Framework during 2019/20; the benefits realised during this phase and lessons learned for 2020 and beyond.
- 8.2 The Framework has modernised our approach to benchmarking and reporting organisational effectiveness and efficiency; this has evolved from a historical focus on traditional KPIs aligned to individual Directorates towards an integrated framework of quantitative and qualitative evidence-based measures of performance.
- 8.3 In addition to alignment to the OECD Nuclear Energy Agency Guidance on the Characteristics of an Effective Regulator, the Framework includes a specific set of indicators that demonstrate our view on the progress licensees and other duty holders are making. We have assigned enhanced and significantly enhanced levels of regulatory attention, in returning towards a routine level of regulation attention. This was not a direct measure of our regulatory impact, but will demonstrate duty holder progress, which will offer valuable insight when considering the traction of our regulatory strategies.
- 8.4 ONR has begun to realise tangible benefits in our first year of the Framework across a number of characteristics including: Regulatory efficiency; Traction (effectiveness) of our regulatory strategies; insight from results of duty holder surveys; regulatory capability and resilience; and organisational capability.
- 8.5 Further development and refinement to wider organisational OEIs will take place in 2020/21 along with further refinement to further strengthen its utility.
- 8.6 The Chief Nuclear Inspector commented that the IAEA had recognised ONR's tangible progress in applying the NEA Characteristics during a Regulatory Effectiveness conference of senior national regulators in November 2019. ONR will chair a consultancy to further develop IAEA guidance through which member states can practically share experiences in applying such frameworks.
- 8.7 The Board thanked Ryan Maitland for an excellent presentation and noted the significant progress that had been made.
- 8.8 The Board noted the report.

9 Regulated Asset Base (RAB)

- 9.1 The Director of Policy and Communications and the Director, New Reactors Division presented a paper to update Board on ONR's initial position on the emerging RAB policy framework.
- 9.2 Our understanding had moved on considerably following Board discussion in July 2019. ONR is working closely with BEIS and Ofgem to consider the key emerging policy issues. From our engagement to date, on the high level design principles set

out in the paper, we have not yet identified anything that would compromise our regulation in the context of RAB given the flexibility our goal setting framework affords.

- 9.3 ONR will continue its role in advising BEIS and Ofgem to ensure safety and security remain paramount in decision making and we are not adversely affected by the design of the economic regulatory regime (ERR) as government policy on RAB develops. ONR recognises the importance of a modern enabling regulator to innovation, including new funding models. As such ONR is working with BEIS to inform the development of the RAB, without compromising our independence or safety requirements.
- 9.4 Expectations around RAB within the sector are increasing with a number of licensees and small reactor vendors citing the need for RAB as essential to enable their projects. BEIS believes that RAB has the potential to reduce the cost of private finance for nuclear new build. However, there is a great deal of complexity to work through regarding the design of the RAB policy framework and any associated legislation.
- 9.5 BEIS consultation on the principles of RAB closed in October 2019 and the responses are currently being analysed with a view to publishing a response document (unlikely before February) following ministerial engagement on proposals for the RAB design.
- 9.6 Through our engagements, several policy matters are starting to be considered. We do not yet have formal positions on these matters, but have identified those that will affect us and where we need to be clear on our role. Based on emerging design principles for the RAB and ERR, we have identified potential benefits and risks.
- 9.7 We will continue to engage closely with BEIS on the areas identified as affecting us, especially safety culture and interface with the economic regulator.
- 9.8 In discussion the Board:
 - i. Requested lines to take on the regulatory position regarding replication of a reactor design.

Action 6: Prepare lines to take for Board on the regulatory position regarding replication of a reactor design – Director, Policy and Communications / Director, New Reactors.

9.9 The Board noted the report.

10 Standing Reports – by Exception

- 10.1 **Chief Executive’s Report** – The Chief Executive referred to the ban on travel to China and the HMG Export Control concerns, both issues had been discussed at item 7.
- 10.2 ONR has received the independent stakeholder survey report, with our biggest response rate to date of 31% (364 responses). Headlines included seeing rises in

trust, confidence in our five year capability and capacity, and improvements in providing the right information to interested groups. Areas on which we will focus include proportionality which has decreased by 10%, avoiding unnecessary burdens which had fallen 6% and efficiency which is down 3%. A full report would be presented to Board in March.

- 10.3 Consultation on the 2020 – 2025 Strategy began on 15 January 2020 for a four week period. We do not expect substantial comments at this point, and expect to be able to seek Board approval in March, for May publication.
- 10.4 **Chief Nuclear Inspector’s Report** – The Chief Nuclear Inspector reported the final Dounreay Exotics Consolidation Project shipment from Dounreay to Sellafield was completed in the reporting period. This had been a major achievement for all organisations involved. ONR’s contribution to enabling this activity was highlighted by BEIS, NDA and the licensees.
- 10.5 ONR and the Environment Agency are maintaining close oversight of Sellafield Limited’s response and management of the leak of contaminated water from the original Magnox Swarf Storage Silo building. We have reported the incident to BEIS under Ministerial Reporting Criteria. The incident is rated at Level 2 on the INES scale, and a statement has been published on the IAEA incident website.
- 10.6 A meeting had taken place with the Chair, AWE Management Limited (ML) to gain a better understanding of the ML Board’s view on the leadership of safety and performance at the AWE sites, the issues and enforcement action taken by ONR and any initiatives the Board may have taken in response. An invitation was extended for ONR to attend and brief the ML Board.
- 10.7 **HR Director’s Report** – The HR Director confirmed that, following acceptance of the revised pay offer, this had been implemented with January salary. Joint staff sessions with the Trade Unions have been held to explain the detail and highlight the positive nature of engagement in reaching this position. Exploratory discussions on a longer term pay deal have begun.
- 10.8 We have become aware that we are likely to be deficient in some areas of Health and Safety compliance. We are undertaking an exercise to determine our compliance and produce an assessment of the areas that need to be addressed as a matter of urgency. The HR Directorate is being supported by our internal conventional Health and Safety Team and we expect the assessment report in February 2020.
- 10.9 The Senior Leadership Team has agreed to launch a Task and Finish group looking at Culture following on from engagement with the ONR 2025 group. The Chief Executive will be the SLT sponsor for the group. The Group will consist of colleagues bringing diverse perspectives and skills from across ONR and will work to produce an analysis and design solutions to address issues identified.
- 10.10 **Finance Director’s Report** – The Finance Director provided an update on the full year financial position. As at 31 December 2019, the full year forecast is £91.9m against a budget of £98.1m. This £6.2m forecast underspend has arisen due to a variety of factors, including the impact of the year to date underspend of £4.5m.

10.11 An update on capability and capacity in a number of areas, in particular in respect of IT separation was provided. The SRO is securing additional oversight, support and assurance. Separately, issues in the Programme Management Office had limited its ability to evolve effectively and add value. A review has been commissioned on the effectiveness of the function to inform a refresh and restructure to drive value and enhance change outcomes.

10.12 An update on the HSE Service Management Agreement (SMA) and the difference of opinion between both organisations about liabilities was provided. The matter had been escalated to the respective Chief Executives and DWP.

10.13 In discussion the Board:

- i. Noted we will consider our carbon impact in year three of the 2020-2025 Strategy, as part of the organisational blue print. In the interim there is some appetite to ensure tactical assessment in areas such as purchasing and the Finance Director and Director of Policy and Communications would consider this.
- ii. Asked whether there had been any proposed changes to the pension taxation allowance. The HR Director confirmed there had been no new budget announcements, although he expected an announcement in March 2020.

10.14 The Board noted the four standing reports.

11 Any Other Business

11.1 Paula Hughes, Safeguards Nuclear Materials Accountant, CNSS provided feedback as the Board Observer. She commented that the meeting had been very informative and had supported an understanding on how Board Members interact and work together to govern key issues and challenges. It was honest, collaborative and provided constructive challenge.

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

12 Information Papers

12.1 The Board noted the following information papers:

- 1) Horizon Scan – October 2019 – January 2020
- 2) Data Protection Compliance Update
- 3) Audit and Risk Assurance Committee Update – 13 January 2020
- 4) Board Forward Plan