

**Minutes of the ONR Board
9 June 2021**

MS Teams meeting (due to COVID-19 restrictions)

Present:

Members

Mark McAllister - Chair
Sarika Patel - Non-Executive Director
Tracey Matthews - Non-Executive Director
Jean Llewellyn - Non-Executive Director
Simon Lister - Non-Executive Director
Janet Wilson - Non-Executive Director
Mark Foy - Chief Executive / Chief Nuclear Inspector
Sarah High - Deputy Chief Executive and Finance Director
Donald Urquhart - Executive Director Operations

Attendees

Dave Caton - HR Director
Mike Richardson - Professional Lead (item 5)
Marc McBride - Culture Lead (item 5)
Nick Shaw - Leadership and Management for Safety Inspector (item 5)
Professor Sharon Clarke - Manchester Business School (item 5 - part)
Lynne Mackay - Head of Domestic Safeguards Policy (item 7)

Observer

Ryan Maitland - Head of Executive Support Office

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

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

- 1.1 The Chair welcomed everyone to the meeting. Apologies for absence were received from the Director of Policy and Communications.
- 1.2 No declarations of interest were received.

2 Minutes, Matters Arising and Action Points

- 2.1 The minutes of the meeting held on 28 April were agreed as a correct record. All actions on the action log were complete or on track for delivery.
- 2.2 There were no matters arising.

3 Chair's Report

- 3.1 COVID-19 restrictions had continued to impact on the Chair's external engagement, although he was continuing to make use of virtual meetings where possible.
- 3.2 He provided oral feedback on recent meetings as follows:
 - i. Had catch-up meetings to discuss matters of mutual interest with the Chair of the Environment Agency on 4 May, and with the Chair of the Health and Safety Executive on 12 May.
 - ii. Attended a Public Chairs' Forum (PCF) event on 11 May entitled "The Strategic Impact of COVID".

- iii. Attended a briefing session on 4 June to prepare for a whistleblowing panel event to be broadcast on 23 June. This followed ONR's recent attendance at a meeting with the All-Party Parliamentary Group on Whistleblowing.
- 3.3 He passed on his thanks to the Audit and Risk Assurance Committee (ARAC) Chair and other members of the Committee for their competence and professionalism which was evident during his attendance at the ARAC yesterday, in particular in its focus on risk and in providing the safety net of assurance. This enables the Board to focus on strategic matters.
- 3.4 He shared his early reflections on our new leadership structure which will bring renewed focus as we embark on the next chapter of ONR's journey. He had met individually with our newly appointed Deputy Chief Inspectors (DCIs), each of them bringing something different that will help further shape the culture of ONR.
- 3.5 He concluded by reflecting on the role of our Non-Executive Directors (NEDs) in supporting the Executive to ensure we are as efficient as we can be as we deliver our 2025 Strategy.

4 Executive Directors' Management Report

- 4.1 The Chief Executive / Chief Nuclear Inspector (CE/CNI) presented his first summary report under our new leadership arrangements to update on key matters, and draw on the more detailed standing reports provided by the Deputy Chief Executive (DCE) and the Executive Director of Operations (EDO).
- 4.2 He provided an update on leadership changes, including the transition into DCE and EDO roles. Stability within the Senior Leadership Team (SLT) and the Regulatory Leadership Team (RLT) continues to be a key focus. Each Director new to post has begun to demonstrate a good understanding of their portfolios and key challenges, their teams and stakeholders. They are also being supported through elements of our leadership executive development programme.
- 4.3 He reinforced the importance of leadership visibility and of our programme of internal and external engagement that has kept staff and stakeholders informed of progress with the leadership changes and provided assurance on the stability of our strategic direction.
- 4.4 He confirmed that the Secretary of State for Work and Pensions had signed off our Corporate Plan 2021/22 and that we remain on track to publish on 9 June, subject to Parliamentary priorities.
- 4.5 He provided an update on Department for Work and Pensions (DWP) Sponsorship matters including feedback from his first DWP Quarterly Assurance Review (QAR) meeting and suggested areas of future focus. He highlighted a number of recent DWP Spending Review requests where we have been asked to identify substantial net cashable savings and efficiencies from our resource budget by 2024/25. The expectation was a 5% saving against our 2021/22 baseline, assuming no cost base increases in the intervening periods i.e. inflationary pressures and pay rises will not be funded. He set out the detail in our return which included savings from the Well

Informed Regulatory Decisions (WIReD) project, estates and reduced demand on contractors/consultants. It also included an explicit caveat that any further reduction in expenditure would severely reduce ONR's ability to discharge its statutory and regulatory duties during a period of potential future growth in the nuclear sector.

- 4.6 He confirmed we have launched new guidance, governance and training that will help staff comply with UK Export Control Laws, where nuclear goods and associated technology are classed as export controlled. A permanent export control advisor will join us in July, meaning our key mitigations will be in place to manage our risk exposure.
- 4.7 The DCE provided an overview of achievements, operational activity, assurance and a forward look covering all four support directorates; Finance, HR, Policy and Communications and IT.
- 4.8 She highlighted the establishment of the Support Directorate Leadership Team (SDLT) which has met for the first time. This is a key governance forum to promote collective responsibility for support directorate and organisational stewardship and work collaboratively with strong strategic leadership to support our people, provide strategic oversight, and make an effective contribution to cross-cutting strategic matters. Jointly with the EDO, discussions have taken place to identify opportunities and areas where collaboration between SDLT and RLT can be started or enhanced.
- 4.9 She confirmed that an early priority is to fully review and re-baseline the 2020-25 Roadmap (Strategic Themes 2, 3 and 4) with her leadership team to: confirm progress made to date; clarify any changes to timescales, phasing and scope of activity; identify 'new' work; assess the consequential impact of changes; review the priority designation; and consider the relative loading on individuals, teams and the wider organisation. The outcome will complement an RLT review and feed into a wider SLT review to collectively assess the deliverability of the activity, and inform any prioritisation decisions during the Summer before discussion at the Board Strategy Session in October.
- 4.10 The formal handover of the New Ways of Working (NWoW) recommendations to directorates is underway. Whilst the majority of the work aligns directly with, and will inform, existing planned activity on the 2025 Roadmap, the NWoW Assurance Board will assess the cumulative position of any potential new activity, informed by directorate analysis to identify the scale and evaluate the impact on resources and other key priorities.
- 4.11 She provided a brief update on charging arrangements and confirmed that ARAC had been alerted to the emerging risk at their meeting yesterday. Brief discussion has taken place with DWP and the Department for Business, Energy and Industrial Strategy (BEIS) but at present the level of risk has not yet been quantified.
- 4.12 Our strategic service improvement plan with our IT provider has moved forward sufficiently, with weekly updates at a senior level. Although progress has been good over the past few months, further improvements are needed, and the situation continues to be monitored closely.

- 4.13 The EDO provided assurance to Board that our regulatory activities have been effective, influencing safety and security outcomes and holding the industry to account where appropriate.
- 4.14 He provided an update on RLT and the introduction of topic ‘focus sessions’ to allow RLT space and time to consider key strategic and other issues.
- 4.15 He confirmed that Gideon York and Alun Griffiths had been appointed to Superintending Inspector roles that had become vacant as a result of the recent DCI appointments.
- 4.16 He confirmed ONR had increased its on-site presence in a manner that will enable us to establish new levels when current COVID restrictions are eased. This is being controlled via a suite of guiding principles for site attendance, which have been revised in line with the government’s current position.
- 4.17 A range of options would be looked at to address workforce planning as a result of expanding work programmes particularly in defence and Small Modular Reactors (SMRs) which may require additional resources.
- 4.18 He confirmed the decision by EDF to move Dungeness B nuclear power station into the defueling phase with immediate effect and provided an update on the current position across the AGR fleet.
- 4.19 He provided an oral update on the Atomic Weapons Establishment (AWE) plc’s change in operating model to become a Non-Departmental Public Body, wholly owned by the Ministry of Defence (MOD) and confirmed we had now received AWE’s submissions for assessment.
- 4.20 In discussion the Board:
- i. Reinforced the importance of training and development throughout all ONR, not just with the SLT, and buddying and mentoring was an important element of our broader package. It was also important to support colleagues moving into new roles.
 - ii. Discussed in detail the ONR return to DWP identifying the 5% savings against our 2021/22 baseline.
 - iii. Noted the work to review and re-baseline the 2020-25 Roadmap and reinforced that this would then offer a view for full discussion at the Board Strategy Session in October.
 - iv. Discussed the scale, probability and ONR position on the emerging risk on charging arrangements.
 - v. Discussed the impact of the Dungeness B nuclear power station moving into the defueling phase, and more broadly, the early demise of the AGR fleet.
 - vi. Thanked the Executive Directors for the first management suite of reports under the new arrangements but felt more work was needed to ensure they present as one report with one voice, are more performance driven and avoid duplication and overlap.

4.21 The CE/CNI concluded the item by welcoming Board feedback on both style and content for the new management suite of reports.

4.22 The Board noted the reports.

5 The development of ONR's capability to assess culture through collaboration with the Alliance Manchester Business School (AMBS)

- 5.1 The Professional Lead, Human and Organisational Capability introduced the session on development of ONR's capability to assess culture, through collaboration with Alliance Manchester Business School (AMBS). The session also provided an overview of collaboration and achievements to date, and AMBS' insights into dutyholder perceptions of ONR's impact on culture.
- 5.2 He introduced: Dr Sharon Clarke, Professor of Organisational Psychology, University of Manchester; Marc McBride, ONR Theme Lead for Culture; and Nick Shaw, ONR Leadership & Management for Safety Specialist Inspector.
- 5.3 Sharon provided a high-level overview of AMBS research findings including perceptions of dutyholders' relationships with ONR, views on how ONR influences safety culture within dutyholder organisations, the role of the regulator in influencing dutyholders' safety culture, the factors that characterise an effective regulator, and the ingredients and challenge in building effective relationships.
- 5.4 The research concluded that ONR has great confidence in its capability and competence to diagnose organisational issues and to undertake targeted culture assessment; has published specialist guidance in this area that is recognised by others internationally as being a source of good practice; and has a cohort of inspectors trained in qualitative research methods with increased knowledge of leadership theory, work psychology, and its application.
- 5.5 The ONR team shared their reflections on dutyholder aspects of safety culture and the role of ONR in leading and influencing dutyholder safety culture.
- 5.6 In discussion the Board:
- i. Were keen to understand how we assess organisational culture in dutyholders, the areas for improvement in dutyholder safety culture and the role of ONR in ensuring a good safety culture.
 - ii. Reflected on the important role for ONR in leading, role modelling and influencing dutyholder safety culture.
 - iii. Were assured by the expert level of competence, knowledge and experience in ONR evidenced by the contribution of those involved in the session today.
 - iv. Commented on the importance of our engagement with Safety Directors to develop a code. They acknowledged that the Regulator's Code provided guidelines but also that there are multiple sources of other relevant good practice from which we should draw that prescribe what a good safety culture looks like.
 - v. Discussed relationships with AMBS and the Executive's view in the value of continued mutually beneficial collaboration.

5.7 The Board concluded that the session provided a coherent and valuable perspective on safety culture and thanked all those involved who demonstrated a great sense of confidence to understand and influence culture; they looked forward to further updates as this important work progresses.

6 Corporate Governance Documents

6.1 The DCE introduced the revised ONR Scheme of Delegation (SoD) and Corporate Governance Framework (CGF). She confirmed the draft SoD at Appendix A, has undergone a fundamental review to: take account of the new strategic leadership arrangements; streamline the document to provide increasing clarity; and to ensure that delegations, particularly financial authorities, are set at the right level within ONR to enable and drive efficiency in our decision making and delivery of outputs and outcomes through formal processes and procedures.

6.2 She provided a summary of key changes which included: alignment to the new strategic leadership structure and delegations to the DCE and EDO; reserving approval of ex-gratia payments to the Board; inclusion of delegated financial levels; strengthened internal control for overseas travel; revised delegated financial authorities for both operational and capital expenditure; ensuring Letters of Delegation are fully aligned to the principles of the scheme; and clarifies procurement arrangements including level of approvals, type of competition required, responsibility for budget approval and contract signature.

6.3 The Head of Corporate Governance introduced the draft CGF at Appendix B which has been updated in response to the findings from our recent Board / ARAC Effectiveness Review. The CGF has been reviewed in parallel with the SoD to ensure consistency in our suite of governance documents. It reflects current practice and draws on government guidance and ONR arrangements.

6.4 She provided a summary of key changes which included: changes to Committee Terms of Reference; Standing Orders and our Code of Conduct updated to reflect good practice; introduction of three additional appendices setting out (1) the Chair's roles and responsibilities, (2) Non-Executive Director (NED) roles and responsibilities, and (3) Security NED roles and responsibilities.

6.5 In discussion the Board:

- i. Reinforced the role of the Board in approving the ONR budget and that delegations are for matters within budget. They asked the DCE to ensure the SoD was clear that delegations relate to spend for the purposes intended, and within the budget that is approved annually by the Board.
- ii. Asked the DCE to include an upper executive approval limit based on limits and relevant good practice for other Arm's-Length Bodies (ALBs) in the DWP family.

ACTION 1: Ensure the SoD is clear that delegations relate to spend for the purposes intended, and within the budget that is approved annually by the Board, and that we include

an upper executive approval limit based on limits and relevant good practice for other ALBs in the DWP family – DCE.

6.6 The Board approved the SoD and the CGF.

7 Safeguards Subdivision Quarterly Report

- 7.1 The Head of Domestic Safeguards Policy presented a report to provide an overview of the delivery of the UK State System of Accounting for and Control of nuclear material (UK SSAC). She confirmed all operational activity had proceeded as planned and there are no significant issues to report to Board. ONR continues to deliver all required reporting to the IAEA on time, and to facilitate IAEA safeguards activities in the UK effectively. We are working closely with operators to ensure continued compliance with the requirements of the Nuclear Safeguards (EU Exit) Regulations 2019 (NSR19).
- 7.2 She provided an update on operational delivery, including regular engagement with the IAEA to discuss the implementation of safeguards in the UK and the positive feedback from them on our remote facilitation of their safeguards activities. We have returned to conducting onsite safeguards activities from which our inspectors are benefitting to build their confidence and regulatory experience. The Safeguards Information Management and Reporting System (SIMRS) is operating effectively.
- 7.3 She highlighted a recent issue where the IAEA encountered difficulties with UK customs on shipments of safeguards equipment to the UK, demonstrating the risks associated with unintended and unforeseen consequences of new rules in place following the end of the UK's EU Exit transition period. We have worked with counterparts in BEIS and HMRC to ensure that the necessary documentation and procedures are in place to facilitate import and export of IAEA safeguards equipment.
- 7.4 NSR19 introduces a new requirement for operators to submit Accountancy and Control Plans (ACPs) to enable us to take an outcome focussed approach as far as possible in safeguards. Our implementation of ACP requirements has met resistance from some operators, who perceive ACPs as an additional burden. Whilst not unexpected, we are working closely with all operators to ensure that the ACPs meet their intended purpose, and are a useful tool not only for us, but also for operators.
- 7.5 BEIS interest in our safeguards operations remains high, with regular reporting arrangements working well. Under the current draft nuclear safeguards fees regulations, from April 2022 safeguards will be part funded by government and part funded by cost recovery from operators. Following concerns put forward by operators during public consultation, government is now considering whether to fund a larger proportion of safeguards operations. We will continue to work closely with BEIS as they develop their response to the consultation and to ensure that any new funding arrangement proposals do not impose additional administrative burdens on us in their implementation.

7.6 In discussion the Board:

- i. Were pleased to see strong progress on implementation and that we were tackling issues robustly.
- ii. Noted the position on ACPs and were surprised our implementation of ACP requirements had met some resistance given our significant level of engagement on this matter.
- iii. Noted that the project had been shortlisted in the Project Management Institute's (PMI) UK National Project Awards in the 'Project of the Year (Public Sector)' category and wished the team every success.
- iv. Noted there was an excellent article in the latest Nuclear Institute Journal on the ONR work in establishing an effective process and then delivering the work on Safeguards in the UK.

7.7 The Board noted the report.

8 ONR Annual Report and Accounts (ARA) 2020/21

8.1 The DCE provided a paper to update on the latest position in the production and audit of the 2020/21 ARA and to provide assurance on the progress to publishing the document and laying in the House of Commons library following certification by the Comptroller and Auditor General (C&AG).

8.2 She confirmed updates have been made to reflect comments received from Board, ARAC, SLT, DWP, BEIS and MOD and these are now all reflected in Version 4. She highlighted the most significant changes since version 3 including: (1) addition of forewords; (2) ONR in numbers (awaiting design); (3) Board and SLT structure charts (some minor changes anticipated); and 4) remuneration and pension details included for Board members.

8.3 For the second consecutive year, this year's audit has been conducted against the backdrop of COVID-19 restrictions which has proved challenging for all teams. Once again, ONR, Mazars and National Audit Office (NAO) have collaborated effectively.

8.4 The following areas still remain to be completed: (1) Mazars/NAO still have testing to do to verify elements of the audit, particularly around the remuneration report. Queries may still arise to help with this testing or any other sections of the ARA; (2) we are still awaiting the Letter of Assurance from Shared Services Connected Ltd; and (3) a small number of graphics require updating. These will be updated in time for the signed and designed versions of the ARA.

8.5 The ARAC Chair provided feedback on the discussion at ARAC on 8 June at which the Committee raised no fundamental issues with the messages, or the figures included in the accounts. However, ARAC members had requested the report was further edited, before Ministerial submission, to make it shorter and more coherent.

8.6 The ARAC chair confirmed that ARAC recommended to Board that they approve the CE / CNI to sign the document and oversee any changes required prior to submission, subject to the agreed editorial review and update. The ARAC chair committed to

undertaking a final review of the ARA on behalf of the Board and a final draft would be shared with the Board for assurance.

8.7 In discussion the Board:

- i. Noted the urgent work being undertaken by the Director of Policy and Communications to address the comments made by the ARAC.
- ii. Discussed the improvements needed in our commissioning arrangements.

8.8 The Board approved the ARA subject to the actions set out at paragraph 8.5, noting the CE / CNI would sign the document for onward submission to NAO and subsequent laying before parliament, expected 13 July 2021.

9 SRO Exception reports – comments by exception

9.1 In discussion the Board:

- i. On the WIReD project, noted the establishment of a call-off contract with our IT service provider to improve performance resulting in some benefits with improved visibility of WIReD service requests.
- ii. Thanked the WIReD Senior Responsible Owner (SRO) for the speed at which he had responded to the ARAC discussion yesterday regarding the utility of using an external contractor verses in-house capability to look at the structure, governance and delivery model of the project.
- iii. Expressed their concern on the increasing cost of the WIReD project and the importance of project control which needs to be kept in Board view in advance of the Business Case being presented to Board in September.

9.2 The Board noted the SRO exception reports on the New Information Classification project, and the WIReD project.

10 Summing Up and Close

10.1 The Chair thanked everyone for their attendance and contribution. He summarised each item and confirmed the agreed actions.

10.2 Ryan Maitland, Head of the Executive Support Office (ESO) thanked Board for the opportunity to observe the meeting which had helped set him up well in his new role. He acknowledged the breadth of challenge, wisdom and advice being given to the Executive. He welcomed hearing first-hand Board comments on the new reporting suite which he would address.

10.3 There was no other business raised. The Chair formally closed the meeting.

11 Information Papers

11.1 The Board noted the following information papers:

- a) Committee Annual Reports 2020/21
- b) ARAC Minutes - 13 April 2021
- c) Remuneration and Nominations Committee Update – 25 May 2021

- d) Data Protection Compliance Report 2020/21
- e) Board Forward Look (currently under review)