



Minutes of the Board
24 January 2019
Redgrave Court, Bootle, L20 7HS

Present:

Members

Nick Baldwin - Chair
Penny Boys - Non-Executive Director
Oona Muirhead - Non-Executive Director
Bronwyn Hill - Non-Executive Director
Jonathan Baume - Non-Executive Director
Simon Lister - Non-Executive Director
Adrienne Kelbie - Chief Executive
Mark Foy - Chief Nuclear Inspector
Sarah High - Finance Director (items 7-9)
Dave Caton - HR Director

Attendees

Anthony Hart - Technical Director
Katie Day - Director of Policy and Communications
Mark Wood, RSM UK (item 4)
Alistair Campbell - Head of IT (item 6)
Tom Judge – IT Director (item 6)
David Smeatham - Principal Inspector (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.
- 1.2 No declarations of interest were received.

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

- 2.1 The minutes of the meeting held on 27 November 2018 were agreed as a correct record.
- 2.2 It was noted that all items on the action log were complete or on track, with the exception of two items:
 - a) Action 3 from the November 2018 Board – note to Board on the approach to improving diversity and inclusion data declarations that had been shared with BEIS, noting in particular ONR action that had been successful. This note was circulated to Board on 21 January, and the action is now closed.
 - b) Action 1 from the January 2018 Board – Board succession plan to be considered at the Board later in the year. The succession plan was discussed at the 13 December Nominations Committee, where it was agreed a populated plan would be presented to the Committee in June in line with its Terms of Reference. This action is now closed for Board and would be reflected on the Nominations Committee Forward Plan.

3 Chair's Report

- 3.1 The Chair provided an oral update on the recruitment competition for a new Chair from 1 April 2019.

- 3.2 He reported that since the Board meeting on 27 November he had attended a meeting with the Minister for Defence Procurement and senior MOD officials, accompanied by the Chief Nuclear Inspector, to discuss a wide range of topics of mutual interest.
- 3.3 On behalf of the Board, he offered congratulations to the Chief Executive for being shortlisted for Transformational Leader as part of the Northern Power Women Awards.
- 3.4 The Board were pleased to note that the Nuclear Safeguards Regulations had unanimously passed through Parliament on 22 January, thereby completing the Parliamentary process. The Board thanked ONR officials for their significant contribution supporting BEIS.
- 3.5 Penny Boys, Non-Executive Director, attended the joint Public Chairs' Forum (PCF) and Association of Chief Executives' (ACE) seminar on 15 January. Lord Callanan, Minister of State at the Department for Exiting the European Union, was the key note speaker.

4 External Effectiveness Review Presentation and Findings.

- 4.1 Mark Wood, RSM UK, presented the findings from the external effectiveness review of the Security Committee and the joint review of the Nominations Committee and Remuneration Committee.
- 4.2 His presentation covered scope, approach and review findings. The full findings from each review had been shared with Board.
- 4.3 *Phase 1 Security Committee (SC) Review* – in addition to establishing the efficiency and effectiveness of the Committee in providing the required assurances to Board on Security matters, the review also considered whether there were better, more streamlined alternative models to retaining a standing Committee.
- 4.4 The review concluded that whilst the Committee remains a largely effective and efficient part of the assurance process, there were two viable options worth considering (1) retain the SC with improvements and enhancements; (2) to adopt an alternative model based on extending the role of the Audit and Risk Assurance Committee (ARAC) and greater Board scrutiny of security regulatory change programmes.
- 4.5 *Phase 2 Joint Review of the Nominations Committee and Remuneration Committee* – the review was conducted jointly given the synergies between the two Committees. In addition to establishing the efficiency and effectiveness of each Committee, the review considered the scope for streamlining current arrangements.
- 4.6 The review concluded that, whilst both Committees operated efficiently and effectively as separate entities, there were benefits in combining the two Committees. It proposed the new Committee would be chaired by the current

Remuneration Committee Chair and attended by all current members of the two Committees.

- 4.7 In discussion, the Board asked on the phase 1 review, with regard to the alternative model proposed for the Security Committee, whether (1) the ARAC Chair had been consulted, and (2) had a full resource implications assessment been conducted. Mark Wood confirmed that the ARAC Chair had not been consulted by him and that the resource implication assessment had been outside the scope of his work.
- 4.8 The Board thanked Mark Wood for his presentation and noted the review findings.

5 External Effectiveness Reviews - Management Response to Recommendations and Action Plan

Phase One – Security Committee

- 5.1 The Chief Nuclear Inspector presented a paper seeking Board agreement to the management recommendation that Option two, replacing the Security Committee with the alternative governance model, would provide a more streamlined model of assurance on ONR's regulation of civil nuclear security. This option would continue to ensure the Board's statutory duties are met and is very much aligned with the arrangements in place for ONR's other purposes.
- 5.2 The alternative governance model is based on extending the role of the ARAC, improving security matters reporting to Board, greater Board scrutiny of security regulatory change programmes, and discussion with BEIS to formalise arrangements around information exchange.
- 5.3 The Head of Corporate Governance highlighted the appointment of a specific Security Non-Executive Director is enshrined in legislation, though the establishment of a Security Committee was not. It is therefore appropriate in governance terms for the Board to consider the two options set out in the paper.
- 5.4 In discussion the Board:
- i. Confirmed they wanted a consistent approach to providing assurance to Board across all our purposes. This is not about less assurance on ONR regulation of civil nuclear security. It is about ensuring all other purposes assure to the same level of NED Board input as is currently the case for security regulation via the Security Committee;
 - ii. Recognised that, in any new arrangement, a rebalancing of the Board agenda would be needed to accommodate enhanced CNI Board reporting, scrutiny of security regulatory change programmes alongside that of other major change programmes; and the planned CNI report on safety, security and safeguards performance of GB Nuclear Industry, which should include the security element of the report currently provided to the Security Committee;

- iii. Commented that the impact of any new arrangement on the Security Non-Executive Director role, ARAC and Board would need to be carefully considered, Terms of Reference would need to be reviewed and a formal role description prepared for the Security Non-Executive Director. The role of external organisations in providing assurance would also need to be addressed;
- iv. That communications with BEIS should be enhanced and normalised , as should reporting to the Chair and Security Non-Executive Director on any urgent security-related incidents;
- v. Stressed the importance of full engagement with the ARAC Chair;
- vi. Commented on the need for simplification and lack of complexity in any new arrangement.

5.5 The Chair concluded this had been a very interesting debate and more thought was needed on how best to provide consistent regulatory assurance across our purposes to Board. He asked that the CNI and Head of Corporate Governance meet with the ARAC Chair and Security Non-Executive Director in advance of a revised proposal being considered in March, satisfactorily addressing Board comments.

Action 1: Phase One, Security Committee – Revised proposal back to Board in March – CNI / Head of Corporate Governance.

Remuneration Committee and Nominations Committee

5.6 The Head of Corporate Governance presented a paper seeking Board agreement to the recommendations set out in the effectiveness review report. None of the recommendations are contentious

5.7 The Board agreed the recommendations and action plan in full. The new arrangements will be introduced on 1 April 2019.

6 IT Separation and Modernisation Update

6.1 The Head of IT presented a paper setting out the status of IT Separation and Modernisation Projects and providing a broader overview of the ONR IT programme and strategic approach.

6.2 In the reporting period, three of the five planned milestones were delivered and two had been delayed: Commence Laptop Rollout Phase Two; and COIN replacement tender. Both are expected to be recovered in year.

Separation

6.3 Five suppliers have returned responses to the Supplier Questionnaire. These are being reviewed and successful suppliers will be invited to participate in a full Invitation to Tender.

6.4 SLT has formally approved Office365 as part of the target IT platform. As part of IT Separation, a Target Operating Model has been drafted that defines how IT will operate post separation.

Modernisation

- 6.5 Phase 1 of the Laptop Rollout had been completed, providing mobility for all users and an improved user experience through faster machines. Following earlier delays, the TRIM (CM9) upgrade has been confirmed for 26/27 January.
- 6.6 A more detailed IT briefing was provided by the Head of IT, accompanied by the IT Director, covering: ONR IT Projects; Key Technical Project Dependencies; Long Term Target and Approach; IT Directorate Technical Governance; and IT Target Operating Model.
- 6.7 The Head of IT added there was now a clear direction for IT separation and beyond. He thanked the Board for their support in utilising external resource.
- 6.8 In discussion the Board:
- i. Were keen to understand what success looks like and how cyber risks were being mitigated in the short and long term.
 - ii. Sought confirmation that ONR was content with HSE cooperation and that the escalation process was working as it should be. The Head of IT confirmed this was the case.
 - iii. Recognised the timetable was aspirational and urged the Head of IT to think about quality, timetable and cost and where the balance would lie.
- 6.9 The Chief Executive added that there are a number of areas that need to be thought through and more detailed discussion would take place in the coming months. It would be important to now think through the requirement setting and feasibility stage. In preparation for March Board, the business case would be circulated to Board members in advance to provide ample opportunity for review given the importance of this issue.

Action 2: IT Separation Business Case to be circulated to Board in advance of the March meeting – Head of IT.

6.10 The Board noted the report.

7 Nuclear New Build – Latest Scenario

- 7.1 The CNI presented a paper informing the Board of the impact on ONR of the recent decision by Horizon Nuclear Power Ltd to suspend all work associated with its Wylfa Newydd Project in Wales.
- 7.2 The paper sets out four options for redeploying the affected ONR resource and for future recruitment, and sets out opportunities and risks for each option, including cost savings for options one to three.
- 7.3 The CNI confirmed that all work had stopped in this area, other than two individuals who would continue engaging with Horizon on how we close out the project in such a way that we can pick it up readily in the future, if required. Technical Support Contracts would also be terminated and recruitment has been placed on hold. The Regulatory Leadership Team had met last week to

establish opportunities for redeployment in other areas of ONR for those affected.

7.4 In discussion the Board:

- i. Confirmed full support for option one which supports our work to build capacity, expert teams and flexibility to move across teams.
- ii. Asked that we look to redeploy affected staff to Regulatory Directorate risk areas with retraining, if necessary.
- iii. Reinforced the importance of being alert to other potential changes in the external environment around new build.

7.5 The Board agreed option one, to retain all affected staff working on the Horizon project and fully redeploy them elsewhere in ONR, recognising the current pressurised demand for regulatory resource. This option includes provision for targeted recruitment for niche and difficult to fill areas.

8 Preliminary Budget Bid 2019/20

8.1 The Finance Director presented a paper providing preliminary 2019/20 budget proposals for review and seeking feedback and comments to inform the final budget proposal to be presented for approval in March.

8.2 She commented that Budget proposals had been developed along accountability lines based on bids from each Director which reflect draft Regulatory Assumptions, the respective draft Directorate Business Plans 2019/20, achievements of our corporate objectives and strategic intent. She highlighted the high level assumptions that supported the budget proposal.

8.3 The budget reflects the drive for improved organisational effectiveness and enhanced leadership capability to optimise regulatory outcomes through undertaking appropriate risk mitigation and modernisation activity.

8.4 The preliminary budget required to deliver ONR's strategic objectives in 2019/20 is £100.3m. The increase in the budget compared to 2018/19 reflects the following key themes: (1) price increases, including a material increase in statutory pension contributions; (2) material growth in activity to support the introduction of the UK SSAC; and (3) infrastructure and resilience cost increases to support risk mitigation and modernisation activity through the delivery of two major strategic improvement projects.

8.5 In discussion the Board:

- i. Noted the public sector pension costs increase, and the advice to plan on the basis that this would happen from 1 April.
- ii. Accepted the capital investment requirement, provided it happens within the year predicted, and highlighted the importance of exploring the risks of slippage.
- iii. Commented that with less new build, the costs of our investment would be spread over a smaller base. It would be important to be aware of trends.

- iv. Commented on the need to take account of the impact of the Wylfa postponement discussed at item 7, and that work should be undertaken more generally to look at new build scenarios and their budget implications in line with previous year's budget preparations.
 - v. Recognised that approximately 10% of the budget was based on areas of uncertainty.
 - vi. Asked for the rationale behind the postponement of Bootle smarter working investment. The Chief Executive confirmed this was around leadership capacity in change management rather than the money.
- 8.6 The Board noted the paper and would provide any additional and more detailed comments to the Director of Finance outside of the meeting.
- 8.7 The Director of Finance advised the Board that she would be circulating the first draft 2019/20 Corporate Plan to Board, early February, for initial comments.

9 Approach to 2020 – 2025 Strategy Development

- 9.1 The Director of Policy and Communications presented a paper setting out our legal obligations regarding strategy consultation, our proposed internal and external engagement approach, including public consultation, to develop ONR's 2020-2025 Strategic Plan. The paper also sets out resource and reputational implications.
- 9.2 She explained that for our external consultation we would utilise existing channels, followed by a six week website consultation on our draft plan. She thanked Board for their early comments on the paper.
- 9.3 She added the Strategic Focus for 2020 – 2025 had been an area of discussion at the Shaping ONR Conference held on 23 January, providing an opportunity for engagement with all leaders across ONR.
- 9.4 The Board agreed the recommendation in the paper on our proposed approach to consultation and engagement to develop ONR's Strategic Plan 2020-2025: that we do not accept the bare minimum compliance approach; and that we treat external and internal engagement as an important opportunity to further secure trust and confidence in ONR.

10 2018 Staff Survey – Findings and Approach

- 10.1 The HR Director presented a paper to inform the Board of the key findings from the independent 2018 Staff Survey. It also provides an overview of the communication and engagement approach being taken to share the results of the survey with staff and to develop and agree meaningful actions against the key priorities identified.
- 10.2 The participation rate of 87% and the overall employee engagement score of 77% is in line with the highest scoring organisations. Overall the results demonstrate ONR is above the benchmark for 21 of the 25 areas for which comparable data is available. This provides evidence of a highly engaged and

motivated workforce that is both proud and committed to achieving its goals and where there are high levels of support and collaboration.

10.3 One concerning factor was that 23% of respondents had selected the 'prefer not to say' option when asked to provide the location in which they work. This is being explored further to establish whether their responses differ fundamentally with the rest of the organisation.

10.4 Results in general have indicated improvements across most key themes. However there are a number of areas that remain disappointing around behaviours and our ability to manage change well.

10.5 Based on feedback from staff, SLT have agreed an approach that is centred on local engagement. The full report with analysis of comments would be provided to Board and regular progress updates given as part of the HR Director's routine Board report.

10.6 In discussion the Board:

- i. Were very pleased with the positive results and supported management's determination to focus on the less positive areas.
- ii. Would like to understand the reasons why people had selected the 'prefer not to say' option when asked their location of work, and asked to see the data around this.
- iii. Suggested it would be helpful, when doing further analysis, to look for any differences between recently joined and long standing employees.
- iv. Commented on the need to think about how to take staff through the change.

10.7 The Board noted the paper and the positive progress that continues to be made.

11 Future Scenarios Workshop

11.1 Board members participated in a scenario planning workshop to inform the development of the ONR Strategic Plan 2020 – 2025.

12 Standing Reports – by Exception

12.1 Chief Nuclear Inspector's Report – the CNI would bring a full report on SyAPs to Board in March. This would provide further detail on the workload issues identified in the transition from prescriptive to outcome based regulation, and management's response to any concerns associated with this.

12.2 HR Director's Report – the Board passed on their congratulations to all those involved in ONR gaining the National Equality Standard (NES) accreditation for the diversity and inclusion work we have taken forward.

Action 3: Full report on SyAPs to March Board – CNI.


13 Any Other Business

- 13.1 ONR Pay Offer 2019/20 – The HR Director provided an oral update on discussions with the Trade Unions (TUs). He advised that we had submitted our best offer to the TUs, based on the envelope agreed by Board in November. The TUs had subsequently indicated that our offer was not acceptable and, that if ONR was not willing to increase the offer, they would not see it as an acceptable offer to present to their members. The HR Director felt the offer was reasonable, supported a ‘one ONR’ approach, and followed on from increased investment in our staff and offered fair and just reward.
- 13.2 The Board thanked the HR Director for the update and supported his approach for the reasons outlined.
- 13.3 Observer Feedback – David Smeatham, Principal Inspector, Operating Facilities, thanked the Board for the opportunity to observe an interesting meeting. He commented on the challenge, rich diversity of views and the Chair’s role in pulling everything together. He really enjoyed being able to participate in the workshop, and concluded by referencing a supportive group of guardians with good alignment to the organisation.
- 13.4 On behalf of the Board, the Chair thanked Jonathan Baume, Non-Executive Director for his significant contribution to the Board, since joining the Board in 2014. As HSE’s appointed Non-Executive Director of the ONR Board, this would be his final ONR Board meeting. Jonathan will step down from the ONR Board on 13 March 2019. He will continue as a member of the HSE Board.
- 13.5 There was no other business raised.

14 Information Papers:

14.1 The Board noted the following information papers:

- 1) UK SSAC Project – Progress Report
- 2) Policy Digest and Horizon Scan Update: October 2018 to January 2019
- 3) Stakeholder Engagement – Dip Test Survey Results 2018
- 4) Security Committee minutes – 4 December 2018
- 5) New Build Funding – Regulated Asset Base Model Update
- 6) Board Forward Look

Minutes approved by the Board:
Signed 
Nick Baldwin, ONR Chair
Date <u>26 March 2019</u>