

UNITED KINGDOM ATOMIC ENERGY AUTHORITY
Minutes of the 5th Board Meeting in 2015

Date: 18 September 2015

Location: Bickerton Room, E6,
The Library, Culham Science Centre

Members present:

Roger Cashmore, Chairman
Steve Cowley
Peter Jones
Steve McQuillan

In attendance:

Martin Cox
Grazka Kazmierska (BIS)
David Martin
Catherine Pridham
Maya Riddle (secretary)
Rosie Hawkes, Head of HR (1-4)
Kay Nicholson, Head of Assurance (6-7)

Apologies:

Keith Burnett

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1 Chairman's Opening Remarks

- 1.1 Roger Cashmore welcomed Grazka Kazmierska, representative from the BIS sponsor team, to her first Board meeting.

2 Minutes of the 17 June 2015 Board meeting

- 2.1 The Board approved the minutes of the fourth Board meeting on 17 June 2015 2015, subject to a few minor corrections.
- 2.2 Members reviewed the actions.

3 Update on Board recruitment

- 3.1 Rosie Hawkes provided an update on Board recruitments:
 - the BIS Senior Remuneration Overview Committee had approved the specification for the CEO. This now required ministerial approval;
 - the shortlist for a new non-executive director had been agreed and interviews were scheduled in November; and
 - government approval was being sought to extend Steve McQuillan's term to 31 January 2016.
- 3.2 Roger Cashmore said that UKAEA had been invited to participate in the Shareholder Executive's Women on Board scheme. The Remuneration Committee recommended this as a worthy scheme providing women with non-executive director experience, which would also help provide diversity on the UKAEA Board.
- 3.3 The Board agreed that UKAEA should host a female non-executive director and potential put forward senior candidates to join the scheme.

4 Board sub-committee Chairs Updates

- 4.1 Steve McQuillan said that he had chaired a Remuneration Committee meeting that morning, on behalf of Keith Burnett. Key points from the meeting included:
 - status of board recruitment (as covered above);
 - work was ongoing on future pensions arrangements;
 - good progress was being made on succession planning, but this was constrained by ability to recruit in areas and there were pinch points; and
 - Rosie Hawkes had done a good job with the pay remit, trying to get flexibility.
- 4.2 Grazka Kazmierska said that the officials might take time on the pay case as they were also working on the government spending review.

Rosie Hawkes left the meeting

4.3 Peter Jones highlighted the following points from the Audit Committee meeting held that morning:

- UKAEA and NAO were looking to collaborate more on the auditing of the annual accounts, in particular the NAO could help with auditing of the new financial system;
- a number of issues had been identified in the audits on contractors. A working group had been set up and progress would be reviewed at the March meeting;
- an amended internal audit plan for 2015/16 had been agreed. More resource might be required next year; and
- there had been an attempted fraud, but it had been caught. The BIS alerting process seemed to be working better.

4.4 Steve McQuillan highlighted the following points from the 15 September Board Assurance Committee meeting:

- the committee's Terms of Reference had been reviewed and updated;
- preparations for tritium operations were discussed. The committee wanted assurance that sufficient resources would be made available to complete the safety case;
- there was concern that ongoing financial austerity could cause stress and morale issues and he would be discussing this with Rosie Hawkes;
- some mandatory safety compliance training was below target and the time taken to close out non-conformances was increasing. Those responsible for the worst performance would be called to the meeting; and
- the new non-executive director would take over as chair, once in post.

4.5 The Board agreed the revised Assurance Committee Terms of Reference.

Rosie Hawkes left the meeting

5 Review of Board Performance

5.1 Maya Riddle said that the Board and the sub-committee performance reviews were predominantly positive. The Board review was more extensive this year and had identified reporting on projects/early warning signs of problems and allowing sufficient time for Board meetings as areas for improvement.

5.2 Action had already been taken with introduction of major project dashboards and an additional board meeting had been scheduled in 2016. It was also proposed that there were more regular reports on risk and corporate performance.

5.3 The process for assessing performance of Board members had been considered, in response to a Triennial review recommendation, and it was proposed that the:

- Executive performance continued to be assessed by Remuneration Committee as there was already a robust review process in place;
- the Chairman's performance be reviewed by BIS; and
- NED performance to be reviewed annually by the Chairman.

- 5.4 The Triennial review had also recommended that UKAEA considered options for improving the Board's openness and a number of options were proposed in the paper.
- 5.5 Members considered the options and agreed that:
- a strategy meeting with UKAEA management should be held; and
 - Board members should be invited to an all-staff talk and Q&A session.
- 5.6 The Board endorsed the recommendations.

Kay Nicholson, Head of Assurance, joined the meeting

6 CEO's Report

- 6.1 Steve Cowley informed members that there had been a positive meeting with the Commission about JET. It had been agreed that we should plan on the basis of the extended scenario. However, extension of the JET operating contract to 2020 would need formal approval.
- 6.2 The House of Lord's Science & Technology Committee recent review of fusion research recognised UKAEA's international reputation and the importance of retaining scientific credibility.
- 6.3 A review of fusion and fission research had been held this week, chaired by Prof Peter Littlewood, on behalf of the research councils.
- 6.4 The Materials Research laboratory was almost fully booked. The Material Research Facility would be officially opened in the spring and be affiliated with the Henry Royce Institute.
- 6.5 UKAEA had won a £15m contract for the European Spallation Source (ESS) hot cell remote handling system. The RACE facility would test the system, decoupling it from on-site construction of ESS in Lund, Sweden. The Science & Technology Facilities Council (STFC) was managing the UK's contributions to ESS.
- 6.6 Martin Cox informed members that progress of the MAST-Upgrade plan was ca. 85%, which would allow the target for pump-down in December 2016 to be met. However, the cost to completion was estimated to increase. The Culham Programme Advisory Committee was reviewing the project on 21 October and a report was being developed for the meeting.
- 6.7 Roger Cashmore asked a number of questions on the project dashboards and asked for better consistency between the reports.
- 6.8 The Board noted the report.

7 Review of Key risks

- 7.1 Kay Nicholson said that over the past 6-months, since the last report, improvements had been made to the risk management process including better tracking of risks and their mitigation and greater integration of project risks. The risk appetite statement had also been reviewed and updated.
- 7.2 There were 17 key risks. Austerity and financial constraints continued to be significant features of the risk landscape. The highest scoring risks were:
- Risk 117 – Adverse sterling/Euro rate;

- Risk 32 – Insufficient funding from EPSRC;
- Risk 194 – MAST-U fails to meet budget/schedule;
- Risk 69 – Breakdown of equipment lead to programme delays; and
- Risk 166 – Large increase in employer pension contributions.

- 7.3 Roger Cashmore queried whether the adverse euro exchange rate really was the highest risk and suggested that the report could be more strategic.
- 7.4 Catherine Pridham commented that some of the key risks were regularly discussed during Board business and that for the next report it might be worth focusing on 2-3 of the other top 10 risks.
- 7.5 Steve McQuillan asked about Risk 69 and noted that there had been a number of failures of equipment which had impacted on programmes.
- 7.6 Peter Jones requested that the risk appetite statement include a low tolerance regarding compliance with project and technical change control procedures.
- 7.7 The Board noted the report and endorsed the risk appetite statement, subject to the comment above.

Kay Nicholson left the meeting

8 P4 Financial report

- 8.1 Catherine Pridham highlighted key points of the financial position at the end of period 4, which included:
- the report had been updated to provide a greater breakdown of the income and expenditure;
 - the JET budget and forecasts for were being revised in light of the changing programme due to extended scenario;
 - EPSRC was slightly below the phased budget;
 - commercial property measure was on target but the Business development measure was behind target; and
 - build work had started on the new system (Unit 4 Business World) to replace SAP. User acceptance testing was due to be completed in February 2016. The option of delaying go-live to 1 April 2016 was being considered. This was supported by NAO, but the timetable for auditing needed to be resolved.
- 8.2 The Board noted the financial position and supported the option of implementing the new financial system at the financial year end.

9 Comprehensive Spending Review (CSR)

- 9.1 Catherine Pridham informed members that a draft submission had been sent to BIS in July and that this would be developed. Key themes for the submission included Well-found lab and opportunities for strategic growth.
- 9.2 Grazka Kazmierska said that the CSR would cover 4 years and high level allocations would be in the autumn statement. In parallel, BIS was working on the science

allocations.

10 Triennial Review

- 10.1 Steve Cowley said that the Triennial Review report had been published. It had concluded that UKAEA met the Review's test criteria; in particular, that delivery of fusion research in the UK was needed and was a technical function which required external expertise to deliver. The main recommendations were that UKAEA should continue as a non-department public body, but should explore much closer alignment or a merger with either the National Nuclear Laboratory (NNL) or STFC.
- 10.2 Any efficiency savings from a merger were likely to be negligible; he therefore thought it would be worth taking the time to consider the strategic importance for the UK.
- 10.3 Steve McQuillan agreed that there were unlikely to be business savings, but that there might be synergistic benefits.
- 10.4 Peter Jones said that it was worth considering the structures which would support closer working.
- 10.5 Roger Cashmore commented that UKAEA was already collaborating with NNL on materials and with STFC on the ESS project, the Harwell JV and on skills training. He asked that the Board be kept updated on response to the recommendations.

11 Any Other Business

- 11.1 Catherine Pridham provided an update on the Harwell campus, which included:
- planning permission for the innovation centre was taking longer than expected; and
 - the JV had permission for 500 homes on the Harwell site.
- 11.2 The Board noted the position and concluded UKAEA should take a collaborative approach with the Oxfordshire Local Enterprise Partnership and council.
- 11.3 David Martin informed members that there were currently two employment tribunals from agency supplied workers.
- 11.4 Board dates for 2016 were agreed.
- 11.5 The next Board meeting would be held on Tuesday 8 December 2015.

Secretary Maya Riddle

Chairman Roger Cashmore

Date 8 December 2015