



Office for  
Nuclear Regulation

# Office for Nuclear Regulation

## Annual Report and Accounts

### 2016/17

HC 67





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Nuclear Regulation

# Office for Nuclear Regulation Annual Report and Accounts 2016/17

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# Performance Report

## Overview

### Chair's Foreword



I am pleased to report that, in the judgement of the Chief Nuclear Inspector, UK nuclear dutyholders have operated satisfactorily throughout this period, most achieving high standards of safety and security, thereby protecting the workforce and public from harm.

This past year has been yet another challenging one for ONR on many fronts. To give but a flavour, the Board has overseen ONR's response to recent Government decisions giving the go-ahead for the design and build of a new nuclear reactor at Hinkley Point C and to a successor class of submarine (Dreadnought). Alongside this, ONR has been making provision for the impact on nuclear regulation arising from the Referendum decision last June to withdraw from the European Union and, as a result, from the Euratom Treaty, whilst continuing to regulate nuclear safety, security and conventional health and safety at licensed nuclear sites across Great Britain to ensure the industry operates safely and securely.

Other achievements of note include: continuing significant improvements, for example at Sellafield, reducing public hazard; recent publication of new Security Assessment Principles (SyAPs) now aligned with our approach to safety regulation by placing the onus on dutyholders to deliver defined security outcomes whilst allowing greater flexibility of approach and encouraging innovation in security solutions; our contribution to meeting the UK's international obligations, for example, reporting on behalf of the UK Government to the International Atomic Energy Agency's 7<sup>th</sup> Convention on Nuclear Safety; productive support to stakeholders across GB through local forums and a successful Non-Government Organisations (NGO) meeting and furthering strong relationships with government departments, agencies and the Devolved Administrations.

ONR underwent significant change over the period of this report both at Board and management level to ensure we remain fit for the future. There were several changes in the senior management team - where a realignment of roles and responsibilities will afford greater alignment of accountability and authority – and improvements to our operational structure, addressing capability needs for the future.

At Board level, I was pleased that Ministers re-appointed Oona Muirhead as Security Non-Executive Director (NED) and Chair of the Security Committee, thereby bringing continuity and stability to the Committee in the face of an evolving and changing global and national threat environment. Operationally, following an external Board Effectiveness review, we revisited our governance arrangements and skills set and have taken the decision to recruit an additional NED with a scientific or heavy engineering background, and welcomed our Finance Director as an Executive Member. A successful Strategy event in October revisited our 2020 strategy, assessing progress, identifying priorities, and shaping our plan for 2017/18 and beyond.

I was also pleased to lead closer Board engagement with staff and with those we regulate, affording opportunities for staff to meet informally and agreeing a programme of site visits (starting with Sellafield in September) to improve our collective knowledge, understanding and visibility.

Finally, I am grateful to ONR staff for their dedication, commitment and professionalism at every level and I also thank my Board colleagues for their professionalism, engagement, constructive challenge and support.

**Nick Baldwin**

Chair of ONR

## Chief Executive's Foreword



Throughout 2016/17, ONR continued to deliver our regulatory core purpose, while maturing as an independent organisation under new leadership.

It was a challenging year welcoming significant senior leadership changes, leading to an essentially new Board, new Executive Management Team, and new Regulatory Management Team.

Throughout this, we maintained focus on influencing nuclear safety, delivering all key milestones, responding to changes in industry demand and in Government, and informing domestic nuclear policy. With public safety at our core, we expanded our engagement with public and industry fora – at home and abroad - about the work that we do, the way we do it and the rationale for our decisions.

But much was rather different. We embarked on a journey of significant operational change. We began to work as a more holistic organisation that wants to reflect the very best practice in governance, management, systems and processes and whose leaders demonstrate the importance of behaviours, alongside technical prowess.

We set up new cross-directorate governance groups, to better engage our staff in helping ONR respond to strategic risk and to better reflect the diversity of our organisation. We revised our functions to better align authority and accountability across HR, Finance, Policy and Communications, and Regulatory operations, and established a new Information and Technology Directorate.

Our Regulatory functions were also re-structured to address the nuclear lifecycle: New Nuclear Build, Operating Facilities, Sellafield, Decommissioning, Fuel & Waste and Civil Nuclear Security and introduced a new Technical Division to provide deep technical support to the Chief Nuclear Inspector.

And having reviewed our organisational design, we scoped the kind of modernisation needed to improve our operational capability, knowledge management and process efficiency.

As before, ONR is appreciative of the support from our government sponsor, the Department for Work and Pensions (DWP), and continued high quality engagement with the Department for Business, Energy and Industrial Strategy (BEIS) and with other government departments, agencies, global regulators and non-government organisations.

As always, we note sincere gratitude to our 564 staff and six Non-Executives who, together, are ONR. We feel very proud of their contribution, their passion for nuclear safety and security, and increasingly, their desire to help ONR be more than the sum of its parts.

**Adrienne Kelbie**

Chief Executive



## Chief Nuclear Inspector's Statement



The arrangements for and management of nuclear safety and security across the UK nuclear sector, including health and safety on nuclear sites, transport of radioactive materials and safeguarding nuclear material, are rightly measured against the highest standards.

As ONR's Chief Nuclear Inspector (CNI), I am pleased to report that based on regulatory evidence I judge that the law is being applied and that the majority of UK nuclear dutyholders have satisfactorily achieved these high standards of safety and security, thereby protecting the workforce and public from harm.

Where facilities have not in all cases met these standards, e.g. at Sellafield, we have continued to apply significantly enhanced regulatory attention; the facilities are safe and strong progress has been made in hazard and risk reduction.

This report, particularly under Strategic Theme 1, provides an overview of our regulatory activity, where our attention has been focussed and how we have delivered against our regulatory objectives.

Against the backdrop of Government confidence in UK nuclear, confirmed through the decisions to proceed with reactor construction at Hinkley C and with build of successor submarines (Dreadnought), we have been successful in delivering our regulatory objectives, including planned inspections. In addition to effective regulation of new build, defence, and hazard and risk reduction at Sellafield, we have maintained strong regulation across our wide portfolio, including: an ageing Advanced Gas Reactors and Pressurised Water Reactors reactor fleet; a significant decommissioning programme; and materials consolidation.

Through our Generic Design Assessment (GDA) process we have continued robust assessment of new reactor designs; the AP1000 GDA Design Acceptance Confirmation was issued in March.

We have continued to apply our proportionate approach to regulatory attention, and are pleased that attention at both Heysham 1 and Hartlepool has returned to routine operations following effective remedial action to address a boiler defect.

Our transport inspections and package assessments have provided continued confidence in the safe transport of nuclear and radiological materials, and we have worked with all relevant stakeholders to ensure successful safeguards implementation. Reflecting the increasing importance of the supply chain on achieving high standards, we have continued to enhance our regulation in this activity.

Regulatory policy and guidance fit for the future remains a key focus and in particular this year we took a significant step to outcome-focussed security regulation with the publishing in March 2017, of our first Security Assessment Principles. This pivotal shift in our regulatory framework is aligned with the goal-setting approach that has been applied so successfully in the nuclear and conventional safety arenas for many years. Our Security Assessment Principles provide an essential foundation as the UK moves towards a non-prescriptive nuclear security regime that strengthens the accountability of the dutyholder.

As before, we have provided high quality advice to BEIS on a number of matters including: Small Modular Reactors; transposition of the Basic Safety Standards Directive; and the implications of UK leaving the Euratom Treaty.

As an internationally respected regulator we have sought to appropriately enhance our international engagement; seeking to influence improvements in global nuclear safety and security, and learn from our international counterparts. Notably, ONR led a successful UK delegation at the 7<sup>th</sup> Convention on Nuclear Safety, on behalf of Government.

As a legally empowered statutory regulator we have primary obligations to hold industry to account and ensure industry protects society. Our independence as a regulator is vital and our independence in decision making is absolute. We are cognisant, however, of our strategic context, and seek to be agile in how we deliver our purposes in the face of change.

As such, we have continued to identify and learn from our activities and have worked through an enabling regulatory approach seeking to consistently employ practices and behaviours that have proven to deliver successful safety and security outcomes. In this manner we are responsive to Government expectations that we should carry out our activities in a way that avoids unnecessary regulatory burden. We continue to look for opportunities to make our regulation more efficient and effective, noting how this benefits not only safety and security but also potentially the growth of compliant organisations.

2017/18 will doubtless be another busy year and we plan to be agile as we regulate independently in a dynamic nuclear environment. As our operational developments bed in, I remain confident in our capabilities to meet the near term challenges, but also to shape ourselves well for the long term; and to be effective, efficient, resilient, and sustainable to ensure society remains properly protected.

**Dr Richard A Savage**

Chief Nuclear Inspector

## **Who we are**

ONR is Great Britain's independent nuclear regulatory authority and regulates the nuclear industry in accordance with the Energy Act 2013 in the areas of nuclear safety, nuclear site health and safety, nuclear security, nuclear safeguards, and transport.

As a Public Corporation, we are an independent body, accountable to Parliament through the Secretary of State for Work and Pensions. We are sponsored by the Department for Work and Pensions (DWP) in relation to governance, finance and conventional health and safety issues.

We are governed by a ten-strong independent Board comprising a Chair, five Non-Executive Directors and four Executive Directors, who support the work of 564 staff based in Liverpool, Cheltenham and London. Nick Baldwin is our Non-Executive Chair.

Our Chief Executive, Adrienne Kelbie, acts as our Accounting Officer. She is directly accountable to Parliament, ensuring all funds for which she is accountable, are spent in accordance with Parliament's intentions and in accordance with HM Treasury's *Managing Public Money*.

The ONR Board delegates all regulatory case decisions to our suitably skilled, qualified and experienced Chief Nuclear Inspector (CNI), Dr Richard Savage, who is directly accountable for ensuring that regulatory decisions are proportionate, balanced and consistent and fall within ONR's Risk Management Framework.

## **What we do**

Our vision is "to be an exemplary regulator that inspires respect, trust and confidence".

We independently regulate nuclear safety, security and conventional health and safety across all nuclear licensed sites within Great Britain. This includes the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites and licensed defence sites together with the regulation of the design and construction of new nuclear facilities and the transport of nuclear and radioactive materials.

At the request of Government, for new nuclear reactor designs proposed for UK sites we conduct GDA activities. For new nuclear build we conduct site licensing activities to support staged permissioning of construction, commissioning and operation.

Our nuclear security regulation is limited to civil nuclear sites and the transport of radioactive material to meet UK safeguards obligations.

We share information about what we do, how we do it and our judgements by engaging with stakeholder groups at all sites, with Non-Government Organisations (NGOs), the public, media and MPs and by publishing reports and information.

By doing so, we aim to fulfil our mission, providing efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public.

## Key Issues and Risks

We introduced a more robust Risk Management Framework and reviewed our strategic and directorate risks in the context of ONR's strategic themes. The Strategic Risks, endorsed by the Board and Audit and Risk Assurance Committee (ARAC), relate to:

- delivery of effective and efficient regulation of GB dutyholders across ONR's purposes;
- change and/or uncertainty in policies relating to the nuclear context within which we operate, ensuring ONR is flexible, adaptable and capable to respond to changing environments and priorities;
- information and cyber security, management and governance to ensure we have appropriate levels of security and control;
- governance, control and processes in ONR;
- our organisational capability and capacity to mitigate the thinning of capability due to our changing staff demographic so that our recruitment optimises the quality and effectiveness of our people;
- generation of adequate funding to efficiently and effectively deliver our strategic objectives.

A new cross-directorate Risk Improvement Group, chaired by the Finance Director, challenged and supported risk owners to better manage risk. Our ARAC scrutinised management's risk assessment and mitigation and risks were thoroughly reviewed by the Executive Management Team and the Board at a dedicated Strategy Session.

Further information on the management of risk can be found in the Governance Statement on page 44.

## Going Concern

ONR funding is provided by charges to the nuclear industry and an element of grant funding from DWP. The grant arrangement is agreed for the next reporting period. Net assets totalling £11.3m are recorded at the end of the financial period. ONR has no outstanding liabilities that threaten its ability to continue.

Consequently the going concern basis has been adopted for the preparation of the ONR financial statements at pages 81 to 96.

## **Sustainability**

ONR satisfies the criteria for not reporting requirements against Greening Government commitments and sustainability. ONR is not the major occupier at any of its office locations.

ONR is committed to corporate sustainability. We support the Government's green transport policy by encouraging the use of public transport for business travel and by making use of digital communication. We have invested in video conferencing facilities to enable reduced travel between ONR office locations whenever practicable.

## **Performance Summary**

In a highly challenging year, ONR met the majority of its milestones and targets and delivered significant additional internal work relating to governance, corporate planning and leadership/management capability.

We achieved all CNI Summary Programme Plan milestones with the exception of two associated with the consignment to Sellafield of unused prototype fuel from Dounreay and the granting of a new nuclear site licence to Winfrith. These were deferred at the request of licensees.

Further detail of ONR's performance can be found within the 'Performance Analysis' section of this report.

Significant attention was also applied to improving the robustness and diversity of corporate governance and planning, financial management, risk management and leadership throughout the financial year. ONR established a new Executive Management Team, Directorate and Divisional Structure, undertook a full organisational design review, and reviewed staffing arrangements and assumptions to inform new strategic workforce plans.

## **Financial Review**

### ***Background***

The financial statements contained within this report have been prepared in accordance with the Direction of the powers conferred by paragraphs 21(1) (b) of Schedule 7 to the Energy Act 2013 (c.32). Our accounts for 2016/17 have been prepared under International Financial Reporting Standards (IFRS) as interpreted by the Government Financial Reporting Manual (FRM). They comprise a Statement of Comprehensive Net Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity, all with related notes.

The Financial Statements are set out on pages 81 to 96.

### ***Overall Performance in 2016/17***

Significant progress has been made to strengthen financial management, governance and control in the organisation with process improvements, a renewed focus on financial discipline and accountability, improved management information, rigorous adherence to policies and procedures and the introduction (in July 2016) of delegated financial authority, complemented by financial awareness training.

We have refreshed the organisation's approach to risk through the development and publication of a new Risk Management Framework complemented by a new Strategic Risk Register supported by revised directorate risk registers. Delegating financial authority to Directors has embedded greater accountability for financial performance and control throughout the business, confirmed by the recent 'Substantial Assurance' rating provided by Internal Audit.

ONR was funded by cost recovery from dutyholders (96%) and a grant from DWP (4%).

### ***Outturn against budget***

| <b>Year</b> | <b>Budget (£m)*</b> | <b>Expenditure (£m)</b> | <b>Variance %</b> |
|-------------|---------------------|-------------------------|-------------------|
| 2016/17     | 70.1                | 70.7                    | 0.9               |

\*Budget adjusted upwards by £1.3m for the Generic Design Assessment work agreed by the Board in November 2016. The original budget included an efficiency target of £2m which was eased during the year. This outcome was achieved by responsible financial management and a focus on sustainable efficiencies.

### ***Invoices raised by ONR that remain unpaid after 30 days***

The cost of the majority of ONR's work is recoverable from the nuclear industry. It is therefore important to the financial health of the organisation that fees and charges are paid promptly and that aged debtors are kept to a minimum. 24% of outstanding invoices were past the payment due date at 31 March 2017. The majority related to one dutyholder where further information on charges was required and supplied shortly after.

### ***Invoices received by ONR that remain unpaid after 30 days***

ONR is committed to paying suppliers promptly. ONR settled 98.7% of invoices within 30 days, against a target of 95%.

### ***Forward liquidity (target ratio of 2:1) – time that cash in the bank and current outstanding invoices cover planned expenditure***

Forward liquidity ratio measures ONR's ability to settle its obligations from its cash and near-cash resources. ONR's forward liquidity was better than target at a ratio of 3:1. This reflects a healthy net asset position to facilitate our ongoing effective engagement with the supply chain and allowing for timely settlement of liabilities.

# Performance Analysis

## ***Strategic Theme 1 - Influencing Improvements in Nuclear Safety and Security***

This is ONR's core purpose. In 2016/17 we continued to protect the public and the environment from harm, maintaining our positive influence on nuclear safety and security in the UK and across the globe.

Our regulatory framework is well established and our regulatory approach has delivered proportionate, targeted and balanced decisions that both address any short term safety and security issues and take a long term view of the challenges of the GB nuclear industry.

We delivered our statutory obligations in accordance with The Energy Act 2013 as defined in the ONR Strategic Plan 2016-20, and our six core functions reflected in the CNI Summary Programme Plan 2016/17:

1. Inspect and evaluate the safety and security culture and performance of our dutyholders, ensuring risks are well controlled.
2. Enforce the law in accordance with our Enforcement Policy Statement.
3. Deliver a permissioning regime, ensuring that dutyholder activities of principal significance to nuclear safety and security achieve UK legal standards.
4. Continually improve the regulatory framework, maintain ONR's management system and sustain our regulatory capability.
5. Engage, inform, advise and consult with dutyholders, international bodies and other stakeholders.
6. Influence our dutyholders to develop through-life strategies, achieving sustained delivery of good practice in health, safety and security.

We delivered 29 of 31 regulatory milestones as published within our CNI Summary Plan<sup>1</sup> (see Table 1). The two not achieved were beyond our control and are indicated within the table. We achieved our three milestones in accordance with our Strategic Plan 2016-2020, these were:

- Publish the Chief Nuclear Inspector's Summary Programme Plan which sets out ONR's high level regulatory milestones for 2016/17;
- Continue to deliver effective, prioritised, targeted and proportionate regulation across all programmes;
- Bring together and clarify guidance on enabling regulation by March 2017 and begin to embed the approach across ONR.

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<sup>1</sup> <http://www.onr.org.uk/documents/2016/cni-summary-programme-plan-2016-17.pdf>



*Table 1 - Performance against 2016/17 CNI Summary Programme Plan*

| Programme  | Key Activity   | Status | Comments  |
|--|--|--------|---|
| <b>Core Function 1 - Inspect and evaluate the safety and security culture and performance of our dutyholders, ensuring risks are well controlled.</b>                            |  |        |   |
| All Operational Programmes   | Undertake compliance inspections on nuclear sites in accordance with site specific regulatory intervention plans – Target: Complete 95% of planned inspections.  | Met    | 99% of planned compliance inspections completed against plan.                                       |
| All Operational Programmes   | Undertake systems based, safety case informed inspections across licensed sites in accordance with site specific regulatory intervention plans – Target: Complete 100% of planned inspections.   | Met    | 100% of Systems Inspections completed against plan.   |
| Civil Nuclear Security   | Conduct a programme of interventions at Sellafield to assess the delivery of the Sellafield Security Enhancement Programme and encourage timely realisation of the risk reduction benefits from security improvements in order to meet Department for Energy and Climate Change (DECC), now BEIS, policy objectives. | Met    | 100% of planned compliance inspections completed against plan.                                      |
| Cross ONR  | Undertake four corporate conventional health and safety interventions.   | Met    | All four interventions complete by March 2017.  |
| Cross ONR  | Conduct radioactive material transport compliance inspections in accordance with sector specific regulatory intervention plans – Target: Complete 95% of planned inspections.  | Met    | 95% of planned inspections completed against plan.  |
| Assurance, Policy and International  | Produce consolidated guidance on safety risk informed regulatory decision-making, thereby clarifying guidance on enabling regulation, and further embed the approach across ONR.   | Met    | Guidance for ONR inspectors was issued in March 2017. External publication is due for January 2018. |
| <b>Core Function 2 - Enforce the law, in accordance with our Enforcement Management Policy.</b>  |  |        |   |
| Operating Facilities   | Assess the Atomic Weapons Establishment's (AWE's) progress against the requirements of the extant Improvement Notice and schedule related to higher activity waste, record the basis of our assessment and inform the licensee.  | Met    | Improvement Notice closed in October 2016.  |
| Sellafield, Decommissioning, Fuel and Waste  | To assess Sellafield Ltd.'s progress against the requirements of the Improvement Notice and schedule related to Magnox Reprocessing Plant, record the basis of our assessment and inform the licensee.   | Met    | Improvement Notice closed in November 2016.   |
| Cross ONR  | Complete determinations, as required by the Radiation (Emergency Preparedness and Public Information) Regulations 2001, of off-site local authority radiation emergency planning areas for eight nuclear sites.  | Met    | In total there were 11 determinations performed exceeding that required within the milestone.       |
| <b>Core Function 3 - Deliver a permissioning regime, ensuring that dutyholder activities of principal significance to nuclear safety and security achieve UK legal standard.</b> |  |        |   |
| New Reactors   | Issue specification to NNB GenCo for first consent, associated with the start of construction and placement of the first nuclear safety related concrete (underground technical galleries).  | Met    | Specification issued in December 2016.  |

| Programme  | Key Activity  | Status  | Comments   |
|--|---|---------|--|
| Operating Facilities   | Implement a programme of inspection and assessment activity to support the licensee statutory outage schedule and issue Licence Instruments, where appropriate, to enable reactor start-ups. The schedule will include Sizewell B, Hartlepool, Heysham 2 and Heysham 1. | Met     | Consents were issued to enable the reactors to be re-started, except at Heysham 1 which was still in its periodic shutdown at the end of the financial year.   |
| Operating Facilities   | Assess the Periodic Safety Report for Hunterston B and Hinkley Point B and issue ONR's decision.  | Met     | Decision letter issued in January 2017.  |
| Operating Facilities   | Assess the decennial Periodic Review of Safety (PRS) submission for the BAE Systems Marine Ltd. Barrow Site, record the outcome of our assessment, and issue the decision letter to the licensee.   | Met     | Decision letters issued in September 2016.   |
| Sellafield, Decommissioning Fuel and Waste   | Assess and if appropriate permission Wylfa's post-generation safety case to enable the site to begin defueling operations.  | Met     | Assessment completed and decision made in May 2016 to allow reactor defuelling to begin, which will reduce risk and hazard at Wylfa.   |
| Sellafield, Decommissioning Fuel and Waste   | Complete regulatory intervention to confirm the capability of Dounreay Site Restoration Limited (DSRL) to implement the consignment to Sellafield of Phase 2 of the Dounreay un-used Prototype Fast Reactor (PFR) fuel.   | Not met | Significant progress was made and a substantial amount of material was consolidated. The development of a revised strategy meant that the milestone could not be achieved. Our regulatory intervention will continue in 2017/18.   |
| Civil Nuclear Security   | Assess and as appropriate approve Dounreay Exotics Consolidation Project (DECP) Transport Security Plans from the three approved carriers throughout the financial year to enable the programme to progress to timescales.  | Met     | All Transport Security Plans, including any supporting plans or operation orders, have been assessed and approved to enable the programme.   |
| Sellafield, Decommissioning Fuel and Waste   | Assess, and if appropriate, grant a nuclear site license to Tradebe Inutec, a tenant on Winfrith licensed site enabling it to become a stand-alone Site Licence Company.  | Not met | A licence application was received from Tradebe Inutec, and ONR completed its work in support of the granting of a licence. However the necessary elements relating to public nuclear liability cover were not all in place to enable ONR to issue a licence. Once BEIS is satisfied with these aspects, ONR expects to be in a position to grant a licence. |
| <b>Core Function 4 - Continually improve the regulatory framework, maintain ONR's management system and sustain our regulatory capability.</b> |   |         |  |
| Civil Nuclear Security   | Deliver new outcome-focussed Security Assessment Principles (SyAPs), including a range of supporting activities enabling industry's subsequent delivery of revised Nuclear Site Security Plans (NSSPs).   | Met     | SyAPs and 38 Technical Inspection Guides (TIGs) were published on 31 March 2017.   |
| Assurance, Policy and International  | Review and update (TIGs) and Technical Assessment Guides (TAGs) in line with the standard review period of three years, taking account of developments in the global nuclear safety and security regime.  | Met     | All TIGs and TAGs have been updated in accordance with the review period. In total we have reviewed 28 TIGs and 29 TAGs.   |
| <b>Core Function 5 - Engage, inform, advise and consult with dutyholders, international bodies and other stakeholders.</b>                     |   |         |  |
| All Operational Programmes   | Publish quarterly reports to public meetings such as Site Stakeholder Groups (SSG) or Local Community Liaison Committees (LCLCs) within eight weeks of quarter end.   | Met     | All SSG and LCLC reports were completed within the requisite timescales.   |

| Programme  | Key Activity   | Status | Comments  |
|--|--|--------|---|
| Sellafield, Decommissioning Fuel and Waste   | Publish guidance and intervention strategies to support the implementation of our policy and approach for the regulation of any future geological disposal facility (GDF).   | Met    | Guidance and intervention strategies were published in March 2017 to support ONR's policy and approach to the regulation of any future GDF in the UK.   |
| Cross ONR  | Publish practical guidance to influence improved compliance with legal requirements relating to emergency planning, security and radiation protection programmes for the transport of radioactive materials by roads.  | Met    | Guidance published in February 2017.  |
| Civil Nuclear Security   | Work with UK safeguards dutyholders and the safeguards inspectorates of the International Atomic Energy Agency (IAEA) and Euratom to enable successful safeguards implementation in the UK and submit reports in fulfilment of the UK's obligations to Euratom, the IAEA, Japan, Australia and related domestic commitments. | Met    | 180 Euratom and IAEA inspections across the UK have been supported. Reports have been submitted in fulfilment of the UK's obligations to Euratom, IAEA, Japan, Australia and related domestic commitments.                |
| Assurance, Policy, and International.  | Report on the progress made in embedding the new arrangements for managing regulatory research in ONR.   | Met    | Completed by March 2017.  |
| <b>Core Function 6 - Influence our dutyholders to develop through-life strategies, achieving sustained delivery of good practice in safety and security.</b> |  |        |   |
| Sellafield, Decommissioning Fuel and Waste   | Aim to facilitate through a range of regulatory interventions, export of >20 skips of legacy fuel from the First Generation Magnox Storage Pond at Sellafield (FGMSP).   | Met    | The export of legacy fuel from the FGMSP commenced in April 2016 and, by March 2017, 25 skips had been retrieved.   |
| Sellafield, Decommissioning Fuel and Waste   | Aim to facilitate through a range of regulatory interventions, acceleration of activities at Sellafield to commence Pile Fuel Cladding Silo hole cutting, which is an enabling activity for retrieval of waste from this silo.   | Met    | Work to cut the retrievals access penetrations in the silo wall beneath these doors commenced in March 2017.  |
| Sellafield, Decommissioning Fuel and Waste   | Aim to facilitate through a range of regulatory interventions at Sellafield, delivery of the Resilience Project capability improvements and demonstrate operability.   | Met    | Capability improvements required as part of the Sellafield Resilience Project were completed to ONR's satisfaction in January 2017. ONR inspectors observed a demonstration of the improved capability in September 2016. |
| New Reactors   | Undertake a project review of the UK Advanced Boiling Water Reactor (ABWR) Generic Design Assessment (GDA).  | Met    | Completed in July 2016.   |
| New Reactors   | Undertake a project review of the AP1000 GDA.  | Met    | Completed in August 2016.   |
| New Reactors   | Produce and approve an intervention strategy covering ONR's assessment of Horizon Nuclear Power's nuclear site licence application for Wylfa Newydd.   | Met    | Completed in March 2017.  |
| Civil Nuclear Security   | Following publication of BEIS's equivalent, deliver a comprehensive Cyber Security & Information Assurance (CS&IA) regulatory strategy and implement an enabling CS&IA regulatory regime (including multi-functional CS&IA Interventions).   | Met    | A comprehensive CS&IA regulatory strategy was delivered in December 2016.   |

## **How we worked**

### ***Nuclear Safety***

Two elements of our regulatory work are associated with nuclear safety compliance inspection and permissioning assessment.

Compliance inspection involves nuclear safety inspectors undertaking regulatory inspections across all licensed nuclear sites to confirm compliance with the conditions attached to the nuclear site licence. Inspections are targeted as per our published strategy and informed through intelligence from incidents both nationally and internationally.

Where shortfalls are identified we take proportionate enforcement action, ensuring that those we regulate promptly return to a compliant state over an agreed period of time. Such action is graded to the safety significance of the shortfalls and may include formal enforcement notices and ultimately prosecution.

We continue to embed our approach to modernising nuclear regulation and have received positive feedback on the approach from Government, stakeholders, and our international counterparts. We have seen considerable improvement across all areas of the nuclear industry, taking a constructive approach with dutyholders and other stakeholders where they are legally compliant, enabling effective delivery against clear and prioritised safety and security outcomes. This approach is now well embedded at Sellafield where there was significant progress with hazard and risk reduction.

### ***Nuclear Site Health and Safety***

Our Conventional Health & Safety (CHS) functions include fire safety.

We carried out four detailed CHS interventions targeted at priority topics identified in the CHS Strategy and based on evidence of risk and previous industry performance. Working at a strategic level has identified underlying causes in performance to be traced to the management system and tackled corporately, rather than at individual site level. This has resulted in some notable successes across the industry highlighting the commonalities of risk management performance across all risks present within the nuclear industry (nuclear, conventional, etc.).

We continue to ensure dutyholders are meeting legal minimum compliance of the relevant statutory provisions under the Health & Safety at Work Etc. Act 1974 and associated legislation, and take proportionate enforcement action where standards are not met. For example, in September 2016 we served an Improvement Notice against Sellafield Ltd for management and control of risks arising from legionella.

We continue to work cooperatively with other regulators in our role as a Control of Major Accident Hazards (COMAH) Competent Authority and with the Health and Safety Executive (HSE) who support our delivery.

### ***Nuclear Security***

We regulate security arrangements within the UK's civil nuclear industry, including physical security, cyber security and information assurance, personnel security, carriers approved to transport nuclear material and security contingency planning and exercising.

In early 2016 we agreed to bring forward the transformation of security regulation towards an outcome-focussed approach, mirroring that used for safety

regulation. Outcome-focussed regulation allows greater flexibility in approach and encourages innovation in security solutions that provide effective and robust protection against the modern threat environment, whilst working in harmony with business processes and maximising opportunities for adding value. Our new Security Assessment Principles (SyAPs) support this flexibility enabling alternative approaches to those defined in the fundamental principles to be applied when justified and increase the accountability of the dutyholder to deliver against security requirements. Extensive stakeholder engagement took place throughout the year informing the SyAPs and associated Technical Assessment Guides which were published on 31 March 2017.

Our annual assessment of dutyholder's security performance has highlighted that, although the level of operational security capability across the industry is improving, development is required in the security capability and capacity of the dutyholder's internal assurance function. A well-resourced and capable security internal assurance function will be a key component of effective delivery of outcome-focussed regulation. We have also identified shortfalls in relation to governance of protective security in general and in particular the delivery of major security projects in the areas of planning, processes and procedures. These areas will be the subject of regulatory interventions to ensure improvement and gain assurance that the arrangements and their implementation are robust.

In 2016, the UK Government launched an updated National Cyber Security Strategy. BEIS developed its first Civil Nuclear Cyber Security Strategy in collaboration with industry stakeholders, the Security and Intelligence Agencies and ONR.

### ***Safeguards***

To ensure that UK Safeguards obligations are met, ONR worked with BEIS, UK dutyholders and the safeguards inspectorates of the IAEA and Euratom. As well as enabling successful safeguards implementation in the UK, we submitted reports in fulfilment of the UK's obligations to Euratom, the IAEA, Japan, Australia and related domestic commitments.

The UK exit from the EU does not significantly impact our regulation beyond the need to work with BEIS to ensure that the UK's commitments on nuclear safeguards continue to be met when the UK ceases to be a signatory to Euratom.

### ***Radioactive Materials Transport***

Our radioactive materials transport focus relates to transport inspection, enforcement and permissioning and package approvals.

We have completed a wide range of planned transport inspections, package design and shipment approvals. These have provided confidence in the safe transport of nuclear and radiological materials. Regulatory approval was granted for 37 radioactive material transport package designs and shipment activities. These take the form of certificates of approval for package designs and shipments and cover both the nuclear sector and radioactive material transportation in the non-nuclear sector. We performed over 100 inspections of radioactive materials transport dutyholders and took proportionate enforcement action to secure sustained compliance with Class 7 transport regulations.

In support of Government's material consolidation policy, we approved transport of Phase1 consignments of nuclear material to Sellafield. These were completed safely and securely.

We worked cooperatively with other agencies including the Environment Agency, Department for Transport, HSE, police forces and Border Force in the area of

radioactive materials transport. We supported industry groups and professional bodies to promote improved compliance. This included the publication of dutyholder guidance on our website to help those we regulate to understand their legal responsibilities.

## **Overview of Regulatory Attention in 2016/17**

The regulatory attention applied to licensed nuclear sites is based on an overall judgement across nuclear safety, security, transport and conventional health and safety. It reflects the level of hazard and risk posed by the facility or activity. As in previous years our judgement is underpinned by qualitative and quantitative measures, gathered through our regulatory activities, including:

- the number and significance of regulatory issues recorded against the site;
- the number and significance of incidents on the site notified to ONR;
- enforcement action being taken or considered in relation to the site;
- delivery of agreed safety and security enhancements;
- whether there were significant organisational changes that adversely impacted the site;
- consideration of current safety and security performance levels and trends for the site.

Routine regulatory attention applies to those sites where we consider that no additional attention, over and above that which was deemed necessary, is required, based on the above factors. Those sites/facilities that sit within routine regulatory attention are reported by exception.

Enhanced regulatory attention describes a higher level of regulatory activity paid to the dutyholder, driven by the factors detailed above.

Significantly enhanced attention is based upon the factors above. However, it recognises additional factors, such as emergent or long standing safety, security issues and/or the risk associated with the facilities in question. Changes in our regulatory strategy to achieve hazard and risk reduction across sites over a shorter period of time could result in a site attracting significantly enhanced regulatory attention. Given the legacy nature of the radioactive inventory across a number of sites and facilities, it is envisaged that some could be in either enhanced or significantly enhanced regulatory attention for a number of years.

The attention levels are shown in Table 2.

Table 2 – Regulatory attention level for nuclear industry sites and licensees

| ONR Regulatory Attention | Sites and Licensee  |
|--------------------------|---|
| Significantly enhanced   | Sellafield decommissioning - Legacy Ponds and Silos (Sellafield Ltd)                            |
|                          | Sellafield – Magnox Reprocessing, Analytical Services and Plutonium Facilities (Sellafield Ltd) |
|                          | Sellafield – Security Infrastructure Enhancements (Sellafield Ltd)                              |
| Enhanced                 | Atomic Weapons Establishment, Aldermaston (AWE plc)   |
|                          | Atomic Weapons Establishment, Burghfield (AWE plc)  |
|                          | Devonport (Devonport Royal Dockyard (Ltd))  |
|                          | Dounreay (Dounreay Site Restoration Ltd)  |
|                          | Harwell (Magnox Ltd)  |
|                          | Sellafield – remainder of estate (Sellafield Ltd)   |
| Routine                  | Barrow (BAE Systems Marine Ltd)   |
|                          | Berkeley (Magnox Ltd)   |
|                          | Bradwell (Magnox Ltd)   |
|                          | Capenhurst (URENCO UK Ltd)  |
|                          | Chapelcross (Magnox Ltd)  |
|                          | Consort Reactor, Ascot (Imperial College of Science, Technology and Medicine)                   |
|                          | Derby (2 sites) (Rolls Royce Marine Power Operations Ltd)                                       |
|                          | Dungeness A (Magnox Ltd)  |
|                          | Dungeness B (EDF Energy Nuclear Generation Ltd)   |
|                          | GE Healthcare, Amersham and Cardiff (2 sites) (GE Healthcare Ltd)                               |
|                          | Hartlepool (EDF Energy Nuclear Generation Ltd)  |
|                          | Heysham 1 (EDF Energy Nuclear Generation Ltd)   |
|                          | Heysham 2 (EDF Energy Nuclear Generation Ltd)   |
|                          | Hinkley Point A (Magnox Limited)  |
|                          | Hinkley Point B (EDF Energy Nuclear Generation Ltd)   |
|                          | Hinkley Point C (NNB Genco Ltd)   |
|                          | Hunterston A (Magnox Limited)   |
|                          | Hunterston B (EDF Energy Nuclear Generation Ltd)  |
|                          | Low Level Waste Repository (LLW Repository Ltd)   |
|                          | Metals Recycling Facility, Lillyhall (Cyclife UK Ltd)   |
|                          | Oldbury (Magnox Limited)  |
|                          | Rosyth (Rosyth Royal Dockyard Ltd)  |
|                          | Sizewell A (Magnox Limited)   |
|                          | Sizewell B (EDF Energy Nuclear Generation Ltd)  |
|                          | Springfields (Springfields Fuels Ltd)   |
|                          | Torness (EDF Energy Nuclear Generation Ltd)   |
|                          | Trawsfynydd (Magnox Limited)  |
|                          | Winfrith (Magnox Limited)   |
|                          | Wylfa (Magnox Limited)  |

## Inspection and Enforcement

We have performed over 1,000 inspections. Over 80% led to a judgement that the licensee complied with agreed arrangements and had implemented them appropriately. Where we identified shortfalls, proportionate enforcement action was taken in accordance with our Enforcement Policy Statement<sup>2</sup>. We monitored progress with safety and security improvements through our formal issues management process.

We implemented new, more straightforward inspection ratings, which were used to track licensee/dutyholder performance and to direct our attention:

- **Green – No formal action.** ONR is generally content that licensee/dutyholder's performance meets relevant good practice (i.e. meets legal requirements) and any identified shortfalls are not significant. ONR feedback is informal and advisory in nature;
- **Amber – Seek improvement.** ONR inspections have identified significant shortfalls. ONR action is to issue an enforcement communication (letter or email) which is tracked to completion;
- **Red – Demand improvement.** Shortfalls have been identified which are sufficiently serious to merit the use of ONR powers to compel compliance (e.g. Improvement Notice, Direction, or withholding of a permission coupled with further sanction in accordance with our Enforcement Policy Statement, if appropriate).

We took enforcement action when dutyholders failed to meet the safety and security expectations required by law. We employed a range of enforcement means to hold dutyholders to account, and secure sustained compliance with the law.

We issued four new Improvement Notices this year, bringing the total open during the year to six. Two were closed when licensees made the required improvements. We have not considered there to be a need to apply further sanction in the form of prosecution.

We have taken regulatory action in the form of two specifications which require the licensee to make changes to their arrangements as required under the nuclear site licence granted by ourselves as part of their permission to operate. This enforcement action was taken in accordance with our Enforcement Management Model and is detailed within Table 3.

Given the maturity of licensee organisations, the extent of regulatory attention applied by ourselves and the robust nature of licensee arrangements, there have been limited occasions in which formal enforcement action was considered proportionate.

In the majority of cases we applied a lower level of enforcement action through the issue of enforcement letters requiring improvements in licensees' arrangements and/or their implementation. Should the licensee not implement the requisite improvements, we can take further enforcement action in the form of Improvement Notices. In addition, we also consider whether further sanction may be warranted, such as prosecution in accordance with our Enforcement Management Model.

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<sup>2</sup> <http://www.onr.org.uk/documents/2014/enforcement-policy-statement.pdf>



Table 3 –Regulatory Enforcement Action 2016/17

| Licensee             | Type               | Description   | Issued   | Compliance Date | Status* |
|----------------------|--------------------|---|----------|-----------------|---------|
| Sellafield Ltd       | Improvement Notice | Improvements required in the management and control of legionella in a cooling tower system at Sellafield in Cumbria.   | 27/09/16 | 31/05/17        | Open    |
| Sellafield Ltd       | Improvement Notice | Improvements required at the Magnox Reprocessing Separation Plant associated with compliance with operating instructions.   | 22/07/15 | 04/11/16        | Closed  |
| AWE Plc, Aldermaston | Improvement Notice | Improvements required associated with long-term strategy for managing Higher Active Waste to reduce the future risk to the public and employees.  | 13/07/15 | 12/10/16        | Closed  |
| AWE Plc, Burghfield  | Improvement Notice | Failure to demonstrate established and implemented arrangement for control of changes to management systems documentation important to safety.  | 15/02/17 | 28/02/18        | Open    |
| AWE Plc              | Improvement Notice | Failure to demonstrate established and implemented arrangement for control of changes to management systems documentation important to safety.  | 15/02/17 | 28/02/18        | Open    |
| Magnox Limited       | Improvement Notice | Failure to demonstrate adequate management and control of the hazards associated with asbestos present on the Wylfa Site.   | 30/03/17 | 28/07/17        | Open    |
| AWE Plc, Aldermaston | Specification      | Under Licence Condition 13 (Nuclear Safety Committee), the licensee shall refer to the AWE Nuclear Safety Committee on at least a quarterly basis for consideration and advice in relation to progress against programme of work against Licence Condition 14 (Safety Documentation). | 28/02/17 | N/A             | Issued  |
| AWE Plc, Burghfield  | Specification      | Under Licence Condition 13 (Nuclear Safety Committee), the licensee shall refer to the AWE Nuclear Safety Committee on at least a quarterly basis for consideration and advice in relation to progress against programme of work against Licence Condition 14 (Safety Documentation). | 28/02/17 | N/A             | Issued  |

\*As at 31 March 2017

### Issues

Should our regulatory activities identify shortfalls in dutyholders' arrangements or their implementation, we will record an ONR issue which is used to manage the progress made by the dutyholder in taking any necessary remedial action in making the requisite improvements to safety or security. The ONR issues are assigned a level commensurate with their safety or security significance, with Level 1 being the highest and Level 4 the lowest. As would be expected, there are lower numbers of ONR issues that have been raised at either Level 1 or 2 in comparison to Level 3 or 4.

We inspected compliance against the full range of issues and confirmed that licensees have made the requisite improvements through the closure of in excess of 900 issues.

The most significant issues (Level 1 and Level 2) were being addressed with 45 closed in comparison with 22 opened. This provides us with confidence in the improvements that are being realised in nuclear safety and security.

### ***Permissioning***

Through requirements set down within the site licence, licensees are required to seek ONR's permission to undertake various activities on nuclear licenced sites. The work by ONR in granting permission involves specialist ONR inspectors performing sampling assessments of the proposed activity such as approval of arrangements, agreement to modifications, or consent to commence operation of a plant or process. We granted permission to dutyholders/licensees to perform over 80 nuclear safety activities.

### **Our Integrated Functions**

#### ***Emergency Preparedness and Response***

We completed 11 determinations of off-site local authority radiation emergency planning and prior information areas. This is in excess of our target of eight and brings the total up to 24 since we began the process in 2014.

We issued new determinations in line with our revised principles for determination in respect of the nuclear sites at Wylfa, AWE Aldermaston, Devonport and the MoD operational berths at Portland, Faslane, Coulport and Loch Goil.

We withdrew the requirement for an off-site emergency planning area at Harwell and confirmed no requirement for an off-site emergency planning area at Dungeness A, Imperial College and Winfrith.

#### ***Incidents notified to ONR meeting IAEA criteria`***

The IAEA International Nuclear Event Scale (INES) operates by assigning a scale level to events, with each level on the scale representing an approximate tenfold increase in severity in relation to the previous level. For most events reported (those of lesser significance and where the applicable INES level is clear), the INES level is determined by the originator of the report. In other cases, advice is sought from the UK INES National Officer, who also has the authority to determine the INES level for any event.

BEIS is the lead government department for INES administration and reporting. BEIS appoints the UK INES National Officer, currently from within ONR, although the duties are independent of ONR's regulatory responsibilities.

Determination of the appropriate INES level requires careful judgement regarding the severity of events/incidents in relation to:

- people and the environment (e.g. the extent of harm to people or the environment);
- radiological barriers and controls at facilities (e.g. impact on containment, contamination control); and
- defence in depth (e.g. the extent to which measures put in place to prevent or cope with accidents may have been compromised).

As a consequence, the INES levels apply not only to circumstances where the outcome is likely to be harmful to people or the environment, but also to a broad range of other circumstances where the effectiveness of a safety protection measure may have been compromised without harm to people or the environment.

During 2016/17 there were 411 INES events notified to ONR in 2016/17 classed at the following levels:

- Level 0 (no safety significance) – 393;
- Level 1 (anomaly) – 16;
- Level 2 (incident) – 2 (details are provided within the sections relevant to Sellafield within this report).

No events were classified as greater than INES Level 2.

INES Level 1 events indicate minor problems with safety components, but with significant defence in depth being in place.

INES Level 2 denotes more serious degradations of the safety systems or with some, though not severe, consequences for people or the environment.

### ***Regulatory assurance***

ONR has improved its approach to assurance over the year and now operates a fully integrated audit and assurance framework in line with HM Treasury 'Assurance Frameworks' guidance. In this framework, ONR commits inspector resource to a Regulatory Assurance function that operates independently of front line regulatory activities.

The function delivers an independent programme of reviews and assurance was provided over the year that the CNI and his delegated team are making decisions and regulating the industry in accordance with The Energy Act 2013. The judgement of the Regulatory Assurance function is based upon targeted sampling to assess compliance with ONR processes and international good practice, through a combination of independent reviews and oversight.

All planned regulatory assurance reviews were completed and front line regulatory activities reviewed this year include: Permissioning, Enforcement, Interventions and Inspections, Regulatory Issues management, Regulatory Research, Security Assessment Principles, and the annual assessment of dutyholders' security performance. These reviews have provided robust assurance and further opportunities to refine our processes in line with ONR's commitment to continuous improvement. All findings from reviews are now prioritised and the status of progress with findings is monitored by the ONR Executive Management Team and Board in order to help achieve a higher level of assurance.

### ***International regulatory activities***

We increased our international engagement to build and maintain relationships with our international counterparts and multilateral organisations such as the IAEA so that we can learn lessons from this body of experience. In Europe we played an active role including with the European Nuclear Safety Regulators Group (ENSREG) and the Western European Nuclear Regulators Association (WENRA).

On behalf of UK Government ONR successfully led the UK delegation at the 7th IAEA Convention on Nuclear Safety. It was confirmed that the UK is fulfilling its convention obligations and areas of good performance were identified.

We led preparations for the first European 'Topical Peer Review' on Ageing Management of Nuclear Power Plant which will commence in 2017 and through IAEA participation, developed international standards and guidance including the Emergency Preparedness and Response Safety Standards Committee.

Attendance at the IAEA General Conference in 2016 enabled a number of bilateral meetings with foreign regulators and support of government in nuclear safeguard activities.

We took part in International Physical Protection Advisory Service (IPPAS) missions to the United Arab Emirates and Sweden and Integrated Regulatory Review Service (IRRS) missions to Sweden, Lithuania, China and South Africa.

The UK hosted an IPPAS follow up mission in 2016 and began preparations to host a full scope IRRS mission in 2019.

### ***Regulatory standards and guidance***

As per our rolling programme to update and maintain our Technical Inspection Guides (TIGs) and Technical Assessment Guides (TAGs), we reviewed and reissued 28 TIGs and 29 TAGs. We also added new guidance on assessment of asset management and assessment of the commissioning of security systems and infrastructure, as well as inspection guidance associated with Licence Condition 2: Marking of the site boundary.

We replaced the National Objectives, Model Standards and Requirements (NORMS) with an outcome-focussed approach to civil nuclear security regulation. Extensive consultation with BEIS and industry informed the new SyAPs, which were published in March 2017.

### ***Regulatory Research and Innovation***

We undertake or commission research in connection with our purposes, supporting delivery of our strategic goal of being an exemplary regulator. Our research supports independent regulatory decision making and needs to be based on an objective scientific and technical understanding of the safety issues.

Our Technical Specialisms identify topics that need further research to meet these objectives and our research coordination team publish these topics on our regulatory research register.

Research activities we undertake or commissioned by us are published on our website along with our annual research report, which summarises the work completed.

We conducted research across a variety of specialisms including: control & instrumentation (C&I), fault studies and structural integrity. C&I topics have been completed by an industry working group and disseminated within the industry partners and ONR, improving knowledge and understanding across a variety of topics including justification of "SMART" instruments. Graphite research has been undertaken for ONR by specific groups centred on the University of Manchester supporting our independent assessment of submissions in support of Consents to restart reactors. Fuel research contracts have been let by ONR to improve our specialists' knowledge of fuel performance in accident conditions and we have published this work on our website.

## **Review against Strategic Theme 1**

### ***Modernising nuclear regulation***

To be an efficient and effective regulator that is fit for the future, we need to ensure that we identify and learn lessons from our activities and consistently employ practices and behaviours that have been proven to deliver successful safety and security outcomes.

Within ONR we call this modernising of nuclear regulation '*enabling regulation.*' Put simply, it means that we will take a constructive approach with dutyholders and other stakeholders where they are legally compliant to enable effective delivery against clear and prioritised safety and security outcomes. This is not new for ONR and there are many examples where this approach has been successful and we will continue to encourage innovation and apply these proven approaches consistently.

Nothing in this approach alters the obligations on industry to comply with the law and enabling regulatory practices do not prevent or curtail us from continuing to hold industry to account on behalf of the public. We will continue to use our enforcement tools when appropriate and our independence remains unchanged.

Both industry and government have a vital part to play in creating and sustaining the conditions where an enabling approach can be successful and we engaged with the Safety Directors' Forum and through the ONR Industry Conference. For example, there are approaches for industry to be enabling by developing robust internal regulation and providing quality safety submissions.

Over the course of the year we have developed internal guidance on enabling regulation and continued to embed the approach including the development and enhancement of training for regulatory staff.

### ***Hazard reduction and remediation at the Sellafield legacy facilities***

Our strategy for regulating the acceleration of safe and secure retrievals from the Legacy Ponds & Silos continued to be effective. The export of legacy fuel from the First Generation Magnox Storage Pond commenced in April 2016 and, by March 2017, 25 skips had been retrieved. The installation of the Silo Emptying Plant machine at the Magnox Swarf Storage Silo was completed in November 2016 and inactive commissioning has begun.

Notable progress was made by Sellafield Ltd. at the Pile Fuel Cladding Silo including the installation of six new containment doors and the commencement of cutting access penetrations in the silo wall beneath these doors. This work marked a major milestone towards the start of waste retrievals from this facility. The Legacy Ponds & Silos will remain under a significantly enhanced level of attention and one of ONR's top significant priorities until significant bulk waste retrieval has progressed further.

Completion of the programme of improvements relating to the adequacy of, and adherence to, operating instructions at the Magnox Reprocessing Plant enabled closure of the Improvement Notice in October 2016. However, given the critical role of the plant in delivering the UK Magnox Operating Programme, this facility will remain under significantly enhanced regulatory attention during 2017/18. Similarly, although some improvements have been seen in the plutonium facilities and analytical services, we will continue to apply a significantly enhanced level of attention to these areas to influence sustained hazard and risk reduction across the Sellafield site.

In January 2017, an event occurred in the Magnox Reprocessing Plant on the Sellafield site and involved a skin dose to a single operator which breached the 500mSv limit set

by the Ionising Radiations Regulations 1999 (IRR99s). The event, which happened during sampling of highly active raffinate, has been confirmed as INES Level 2 and an ONR investigation has commenced to determine what, if any, further enforcement action is considered necessary. The operator reported to the Health Physics Surgery where contamination was found on one finger of his right hand; the contamination was removed shortly after the event.

The Analytical Services and Plutonium Facilities (North) have attracted a significantly enhanced attention level as they do not meet the high standards expected from nuclear facilities. This attention level reflects the nature of the hazard, the magnitude of the risks associated with the complex and the critical role these facilities play in support of Sellafield's and the UK's hazard and risk reduction programmes.

Hazard reduction and remediation at Sellafield progressed well during the year. Three CNI Programme milestones related directly to hazard and risk reduction. The first, to regulate the export of legacy fuel from First Generation Magnox Storage Pond to enable removal of more than 20 skips of fuel, was achieved in December 2016. Permission was granted in March 2017 to start hole cutting (retrieval access penetration operations) at the Pile Fuel Cladding Silo which will enable the retrieval of waste. Capability improvements required as part of the Sellafield Resilience Project were completed to our satisfaction in January 2017, which included a demonstration of the improved capability in September 2016.

Other major achievements in this area include granting permission to the commencement of sludge export from the Pile Fuel Storage Pond, with the result that both legacy ponds at Sellafield exported fuel and sludge for the first time and granted permission to allow Sellafield to commence demolition of the First Generation Magnox Reprocessing stack.

## **Preparing for new nuclear generation**

### ***Generic Design Assessment (GDA)***

The principal aim of the GDA process is to reduce regulatory uncertainty and provide clarity on design and safety case changes that may be required as a result of the UK regulatory system, ahead of construction on site. GDA is a four step approach that considers the design in greater detail as each of the steps progresses. At the end of the process, should the design be suitable for construction, a Design Acceptance Confirmation (DAC) is issued. There is the option to issue an interim DAC if we are broadly satisfied with the design but require specific issues to be addressed ahead of construction and prior to issue of a DAC.

The two organisations currently undertaking GDA and the current status of the assessments are:

- Westinghouse Electric Company Limited – GDA of Westinghouse AP1000® pressurised water reactor. Westinghouse submitted all of their material for the closure phase and we completed our assessment and issued a DAC for the Westinghouse AP1000® in March 2017;
- Hitachi-GE – GDA of the ABWR boiling water reactor. We are completing Step 4 of GDA and it is anticipated that Hitachi-GE will complete GDA in December 2017.

Security assessments have been undertaken within GDA work on the Hitachi-GE UK ABWR and Westinghouse AP1000® reactor designs, ensuring that adequate conceptual security arrangements are included in the work and the concept of security by design is achieved.

We received a request from Government to commence a GDA of the HPR1000 reactor technology proposed for operation. We commenced GDA Step 1 in January 2017.

We provided regulatory advice to the BEIS Small Modular Reactor (SMR) team to assist their development of a competition to identify the most suitable SMR for the UK.

The two CNI Programme milestones related to undertaking project reviews of the Hitachi UK ABWR GDA in July 2016 and the Westinghouse AP1000® GDA in August 2016 were both completed.

### ***New Reactor Licensing (NRL)***

Three organisations were preparing applications for a Nuclear Site Licence (NSL) to construct and operate nuclear power stations in Great Britain:

- Horizon Nuclear Power Wylfa Limited (Horizon) for the construction and operation of two Hitachi-GE UK ABWR at Wylfa Newydd on Anglesey;
- NuGeneration Limited (NuGen) for the construction and operation of three Pressurised Water Reactors (PWR) of the Westinghouse AP1000® design at Moorside near to Sellafield in Cumbria;
- NNB Generation Company (SZC) Limited for the construction and operation of two EDF/AREVA European Pressurised Water Reactors (EPR™) at Sizewell C in Suffolk.

We provided pre-licence application advice and guidance to assist them with understanding the licensing process and our expectations of a capable licensee organisation.

We received a Nuclear Site Licence application from Horizon, which remains in formal assessment. As part of the licensing process we gathered evidence to confirm that the organisation structure, resources, management arrangements and safety case strategy (and a number of other requirements) have been satisfactorily implemented and Horizon can demonstrate it is suitable to be granted a nuclear site licence.

Engagement with NNB Generation Company (SZC) Limited in relation to the construction of an EPR™ is at an early stage.

### ***New Reactor Construction***

NNB Generation Company (HPC) Limited (NNBGenCo HPC) is the licensee for the Hinkley Point C (HPC) twin EPR™ reactor site near Bridgewater in Somerset.

Safety and security submissions have met our expectations and significant progress was made with the HPC project during 2016. NNB GenCo HPC submitted the interim safety case for the Technical Galleries to ONR in summer 2016 as scheduled. ONR assessed this alongside progress in other key elements of the project including: compliance with licence conditions; organisational capability; and progress in addressing GDA assessment findings. We granted our consent for the start of construction (Technical Galleries) in March 2017.

NNB GenCo HPC is preparing the pre-construction safety report in advance of submission to ONR for assessment in mid-2017. This will detail the safety justification for construction of the reactor building, associated nuclear safety buildings and other intermediate structures.

## **Regulating Operating Reactors**

EDF Energy Nuclear Generation Ltd (NGL) is the licensed operator of seven twin-reactor Advanced Gas-cooled Reactor plants and a Pressurised Water Reactor at Sizewell B. All NGL sites received a routine level of regulatory attention, including Heysham 1 and Hartlepool, which previously received enhanced attention following the identification of a defect in one of their boilers; remedial action has now been taken by the licensee to address this issue to our satisfaction.

Overall, NGL's nuclear power stations have continued to operate safely. Where we identified areas for improvement, the licensee has responded promptly to our advice. In addition, NGL has longer-term improvement plans in place to ensure continued safe and secure operations. In January 2017, we concluded our assessment of the Periodic Safety Reviews (PSR) for Hinkley Point B and Hunterston B and made a decision to support a further period of operation, subject to the satisfactory outcome of ongoing inspection and maintenance activities.

An increasingly important feature of NGL's focus is on issues relating to ageing management and it is recognised that age-related safety issues need to be adequately addressed if its aspirations for plant lifetime extensions are to be fully realised. All plant lifetime extensions will be underpinned by the Periodic Safety Reviews outlined previously. A key aspect of future safe operations depends upon enhanced examination, inspection and maintenance. Ageing management will continue to be a strategic theme across the reactor fleet to ensure that NGL demonstrates that it is adequately managing risks arising from ageing related degradation.

The ageing effects on the graphite bricks which make up the structure of the reactor cores is a significant area of work for NGL and ONR since the graphite cores are irreplaceable structural components. In particular at Hunterston B, the extent of 'key-way root cracking' continues to be assessed by NGL as part of its routine inspections performed during periodic shutdown of the station. The phenomenon, predicted by detailed analysis and understanding developed from research and development work, is also expected to be seen at Hinkley Point B as an ageing mechanism of the core. ONR's assessment of the licensee's safety case for operation after the onset of key-way root cracking concluded that there was an adequate justification to support continued reactor operations.

Separately, inspections at Heysham 2 revealed cracking of the peripheral graphite blocks similar to those found during the Torness statutory outage in 2015. This cracking mechanism is judged by NGL not to have any impact on the operation or safe shutdown of the reactor and will be subject to further analysis and monitoring as part of their maintenance and inspection arrangements. Our independent assessment concurs with NGL's judgement in this matter.

We issued legal consents to permit reactors at Hartlepool, Heysham 2 and Sizewell B to re-start following their statutory periodic shutdowns for maintenance, inspection, testing and refuelling. In granting permission, our inspectors examined the licensee's arrangements for controlling and completing the maintenance activities, reviewed test and inspection records and inspected plant and equipment. We were satisfied that NGL had completed its intended activities to enable a further period of operation.

During the Sizewell B periodic shutdown, the major 10 yearly in-service inspection and examination of the reactor pressure vessel (RPV) was completed, to confirm its continued integrity. We were satisfied that the results demonstrate the RPV's integrity and that the hydrogen flaking evident in two reactors in Belgium is not present in the Sizewell B RPV. We also considered the integrity of components supplied to Sizewell B



by the Areva Le Creusot forge in France, following identification of anomalies and omissions in production records related to components supplied for nuclear applications in a number of countries. ONR is satisfied that Sizewell B remains safe to operate. We continue to liaise closely with our regulatory counterparts in France (ASN) and are monitoring any further developments.

### ***Regulating Defence Nuclear Sites***

We regulate nuclear safety on seven licensed nuclear sites that are part of the MoD's overarching Defence Nuclear Programme, which supports the UK's fleet of nuclear-powered submarines and nuclear warhead manufacture. We work closely with DNSR, which regulates nuclear safety on the non-licensed MoD operated sites and in areas where we do not have legal authority, such as transport of defence radioactive materials.

While overall we judge that safety on the sites is acceptable, some of the identified safety issues are persistent and will continue to require enhanced regulatory attention to ensure that the licensees deliver safety improvements in the longer-term.

Consequently three of the sites remain subject to enhanced levels of regulatory attention; these are the AWE plc operated weapons sites at Aldermaston and Burghfield and the Devonport submarine re-fit facilities licensed to Devonport Royal Dockyard Ltd (DRDL).

Our relationships with key stakeholders (AWE, MoD, DNSR and the Environment Agency) have continued to mature through collaborative working of the senior strategic level stakeholder forum established during 2015.

There have been some notable achievements during the addressing of a number of long-standing safety significant legacy issues in one of these facilities. We have closed the Improvement Notice requiring AWE to recommend options for long term safe management of radioactive waste.

During 2016 we found a number of non-compliance issues against Nuclear Site Licence Conditions and required AWE to address these issues, ensuring sustained legal compliance and that risks are controlled to as low as reasonably practicable. Further areas for improvement were identified in relation to leadership and management for safety.

DRDL has made progress in delivering operational safety improvements through implementing its nuclear safety improvement programme. Our assessment identified that reasonably practicable improvements should be made to some of the ageing facilities and associated infrastructure to support long-term safe and reliable operations. DRDL is working with the MoD to develop plans to upgrade its infrastructure to align with the future projected workload. The identified safety issues have continued to attract an enhanced level of attention.

In September 2016 we concluded our assessment of the BAE Systems Marine Ltd. (BAESML) decennial Periodic Review of Safety (PRS) at their submarine construction site in Barrow. We judged the PRS to have been comprehensive and systematic and resulted in our support for continued operations for a further period of 10 years. Our assessment identified a number of recommendations for improvements to safety that BAESML is required to address. BAESML will soon be applying to us for a new licence to enable the area of the licensed site to be increased, as part of its major re-development project to prepare for construction of new submarines.

As part of the MoD's submarine dismantling project at the Rosyth Royal Dockyard, the licensee Rosyth Royal Dockyard Limited completed its preparations within a dedicated dock to remove radioactive waste from one of seven redundant submarines laid-up afloat at the site. We conducted a joint readiness inspection with the Scottish Environment Protection Agency prior to commencement of first removal of plant and equipment from the submarine in December 2016. We welcome commencement of this work as a clear demonstration by MoD of its intent to remediate its legacy submarines.

The House of Commons voted in July 2016 to renew Trident, the UK's fleet of submarines (Vanguard Class) in support of Government's policy of continuous at-sea deterrence. This commitment is to replace the Vanguard Class ballistic missile carrying submarines when they reach the end of their operating lives. The licensed nuclear sites at Barrow and Derby are being reconfigured to prepare for the manufacturing and commissioning of four new Dreadnought class submarines that will follow completion of the remaining Astute class submarines.

Rolls-Royce Marine Power Operations Limited at Derby continued to construct and commission new nuclear facilities to produce reactor cores for the 'Dreadnought' class of submarine, while maintaining production at its ageing facilities. It responded to ONR's advice by enhancing arrangements in several areas, including organisational capability.

At BAESML's Barrow site, new facilities are being constructed. At both Derby and Barrow sites we have been assessing the new and upgraded facilities prior to, and during construction to judge that relevant standards of nuclear safety were being applied.

New facilities are being planned and under construction on the two AWE licensed sites. During the year we continued our assessment and inspection to ensure that they meet modern nuclear safety standards.

## **Regulating decommissioning and disposal**

### ***Remainder of the Sellafield estate***

The remainder of the Sellafield estate covers a range of facilities, some with a considerable radiological hazard. Whilst the significance of regulatory issues at these facilities is less than those at the Legacy Ponds & Silos described in the earlier section, the complexity and volume of decommissioning work and the interrelationship of these facilities with the ponds and silos areas justify continuing with an enhanced level of attention. This level of attention is likely to continue for the foreseeable future.

Hazard and risk reduction and other improvement projects which have been the focus of our interventions include:

- preparations for the demolition of the First Generation Magnox Reprocessing Plant stack;
- the Separation Area Ventilation project;
- planning to remove the Windscale Pile 1 stack diffuser;
- the management of Highly Active Waste stocks, including the commissioning of the Evaporator D;
- physical and safety case improvements for site-wide infrastructure;
- influencing improvements in the treatment of human factors within safety cases;
- the Sellafield Resilience Project, which has improved the site's resilience to extreme events.

In August 2016, an event occurred in a redundant reprocessing facility at Sellafield which involved two operators who were conducting radiography operations using X-ray equipment. Whilst undertaking these operations their electronic personal dosimeters alarmed, which alerted them to leave the area immediately and hence not receive any appreciable dose of radiation. Sellafield Ltd. confirmed that neither of the operators received significant radiation doses. Further to Sellafield Ltd.'s investigation, the event was confirmed INES Level 2 due to its impact on defence in depth (arising from apparent shortfalls in adherence to safety procedures). We have initiated an investigation into the event, which is expected to be completed in June 2017.

In February 2017 an event occurred in the THORP complex on the Sellafield site in which an operator received an internal radiation dose in excess of statutory limits. The event occurred whilst the operator was carrying out routine glovebox work to clean a sump level alarm probe and involved a puncture wound through the operator's gloves. This event has been confirmed as INES Level 2. We have initiated an investigation into this event. Given that our inquiries are ongoing, we are not in a position to provide further details at this time.

We continued to focus on a series of interventions to assess the delivery of the Sellafield Security Enhancement Programme (SSEP), including cyber security elements, with a view to enabling further hazard and risk reduction at site. Whilst delivery of the SSEP continues to progress, challenges to the wider delivery schedule remain, principally due to competing resource demands. To support strategic progress on hazard and risk reduction, we performed a number of interventions in respect of re-categorisation of an important facility operated by a tenant on the Sellafield site. To ensure the security assurances necessary for the operation of that facility were suitably robust, the tenant was subjected to significantly enhanced regulatory attention.

Overall, Sellafield Ltd continued to maintain its progress towards delivering higher standards of nuclear safety and security. Some areas for further improvement remain, including:

- the quality of internal investigations;
- the provision of human factors-qualified staff;
- increasing the clarity of safety cases;
- continuing to strengthen the internal regulator.

### ***Shutdown Magnox reactors***

Our focus regulating the shutdown Magnox reactor sites has been on securing progress with de-fuelling at Wylfa and progress to complete projects aimed at reducing remaining hazards and preparing the defueled sites for Care and Maintenance.

We completed our assessment of the Wylfa Power Station post-generation safety case and took the decision in May 2016 to allow reactor de-fuelling to begin, which will reduce risk and hazard at Wylfa. Wylfa is the last Magnox reactor to shutdown and defuelling is a key step towards the end of the UK's Magnox Operating Programme.

Our Conventional Health and Safety corporate intervention of asbestos management at Magnox Ltd identified a failure to demonstrate adequate management and control of the hazards associated with asbestos present on the Wylfa site. An Improvement Notice was issued in March 2017 with the improvements required by July 2017.

There have been no significant issues that have led to any sustained level of regulatory attention beyond that appropriate to routine business. It is not proposed to increase the attention level for any of these sites moving into 2017/18. However, there will be

continued focus on the conventional health and safety risks from asbestos on the Magnox sites over the coming year.

### ***Harwell***

Over the reporting period there have been a number of senior staff changes at Harwell, with the loss of specialist knowledge, short staffing in the emergency preparedness team and evidence of a poor security culture. In addition, a tenant on the Harwell site relied on the Harwell Site Security Manager to advise and guide on security matters and as the individual has retired, the tenant has been left with a degraded security capability and capacity. As a consequence Harwell has been subject to enhanced regulatory attention.

### ***Dounreay***

Our regulation remains focussed on the consignment of legacy material and unused fuels from the Prototype Fast Reactor to Sellafield for long-term storage. We are working constructively with the licensee, DSRL and other stakeholders, to accelerate hazard and risk-reduction at the site.

The following CNI Summary Programme Plan milestone for Dounreay was not met this year:

- complete regulatory intervention to confirm the capability of DSRL to implement the consignment to Sellafield of Phase 2 of the Dounreay unused Prototype Fast Reactor fuel.

Although DSRL has made significant progress in 2016/17 and has consolidated a substantial amount of the material from the site, unforeseen issues in the licensee's development of the transport safety case for the next phase resulted in delays, to the extent that this milestone was unachievable in-year. Transport security focus has remained on assessments and interventions related to the approval of the transport security statements and plans for the moves associated with the Dounreay Exotics Consolidation Project.

### ***Geological Disposal Facility***

We have made good progress in developing guidance and a strategy to support the licensing and regulation of any future UK Geological Disposal Facility. To complete this and to capture international experience, we have been engaged with regulatory counterparts to ensure we continue to provide the Government and the prospective developer, Radioactive Waste Management Limited, with high quality regulatory advice on the design, construction and operation of any such facilities. The publication in March 2016 of guidance and intervention strategies to support ONR's policy and approach to the regulation of any future geological disposal facilities in the UK was an important step supporting the licensing of any such facility.

## ***Strategic Theme 2 - Inspiring a Climate of Stakeholder Respect, Trust and Confidence***

ONR is a well-trusted regulator, respected in the UK and internationally and working with stakeholders with varied views about, and experience of, the nuclear industry and the regulation thereof. We adopted a more transparent and direct approach last year, and took opportunities to ensure that the new Executive Management Team met with stakeholders

Our internal audit assurance ratings highlighted improved management and governance and improving attention to management actions.

To develop a new 2017-20 external stakeholder engagement strategy, we mapped our stakeholders, methods of engagement and interests. This has informed our plans for direct stakeholder surveys to improve our understanding of external perspectives about ONR.

### **Industry**

During the year, we operated in an increasingly challenging environment, with heightened political, media, academic and public attention to the nuclear arena. We continued to engage openly with staff meeting hundreds of stakeholders in local fora through licensee site stakeholder groups and Environment Agency-led consultation events.

Our industry conference was fully subscribed affording an opportunity for the 87 delegates to hear about and engage with ONR's progress with effective regulation, modernisation and corporate cohesion.

We re-engaged an Independent Advisory Panel seeking their opinion about our research strategy including innovation, SMRs and regulation of sites during final stages of decommissioning.

### **Non-Government Organisations (NGO)**

NGOs bring important challenge and scrutiny to the work of any regulator and we sought to establish a consistent, effective and professional relationship with NGO representatives. Building on bi-lateral engagement, we hosted an event with 17 organisations, focussing on generic design assessment, security and decommissioning matters.

By focussing on the areas of importance to NGOs and clarifying ONR's role and responsibilities, we were better able to respond to concerns and queries. We also agreed to meet twice annually, to afford better continuity for this audience.

### **The public and media**

At all times, we strive to be transparent and accessible and we adopted a more strategic and consistent approach to media engagement, contributing to some high profile television and radio documentaries. In so doing, we re-organised our staffing and systems to better integrate our public-facing functions (e.g. Enquiries, Freedom of Information) with a new Policy and Communications Directorate, established to improve the consistency with which we serve our varied external audiences.

We have made information freely available to the public. We received 95 requests for information under the Freedom of Information Act 2000 and/or the Environment

Information Regulations 2004. We responded to 92 of those within the statutory time limit, with three in progress at the year end.

ONR, as a prescribed body under the law, received eight Protected Disclosures – two from staff and six from third parties. Six cases were closed to the satisfaction of those who made the disclosures. One related to a difference of professional opinion which was subject to independent review. Although this outcome did not entirely meet the expectations of the third party, they agreed the process had been robust. A final one is in progress.

All were welcomed as opportunities to reflect on learning both within ONR and external bodies and improve where possible. We also improved our internal process to provide greater clarity to both the public and to staff about how to raise concerns, and the priority attached to investigation of all such concerns.

## **Government**

Senior staff undertook a programme of site visits and engagement with senior nuclear industry figures, to promote safety and security improvements, and to improve mutual understanding of ONR's enabling regulation, corporate direction, and progress against plan.

In a time of significant change, our government engagement was recognised as being more coherent and effective. We began to update our Government Framework Document, as well as drafting new tri-laterals to reflect the need for collective working across departments, given DWP and BEIS have common interests in our performance.

## **International engagement**

We maintained our global engagement in line with our international obligations. This included producing, on behalf of government, the UK report to the 7<sup>th</sup> Convention on Nuclear Safety, which demonstrated UK compliance with international standards.

Senior management and key regulatory staff engaged with senior industry and regulatory figures at home and abroad, sharing what we do, how we do it, and the lessons we have learned. We addressed thousands of stakeholders through national and international conferences, sharing our approach to nuclear safety and security, and learning from other regulators.

### ***Strategic Theme 3 - Achieving our Vision through our People***

We established a new EMT with strong governance arrangements and have recruited well, successfully achieving our plan to increase frontline resource by 10%.

We focussed on improving leadership and management by introducing more training, management briefings and emphasising the importance of behaviours alongside technical knowledge. A significant programme of management workshops, seminars and bitesize training has been well received and we will continue in 2017/18 to address key capability issues for managers. We also ensured that all our Professional Lead roles were focussed fully on the development and building of capability and resilience within our specialisms and recruited to full complement.

Of major importance last year was our management response to the February 2016 staff survey. Staff feedback gave the new leadership teams much to consider and our work to capitalise on the positives and address the negatives and is very much work in progress particularly in relation to culture change. With the support of staff, we did, however, make some very good progress and will benchmark this again in 2017.

We introduced two new governance groups. Greater Leadership and Management, is accountable for improving our capabilities by developing a leadership behavioural framework and implementing a new structured, anonymous 360 degree feedback process. The Strategic Workforce Planning Group is accountable for taking a long term view of ONR's resourcing needs and improving staff deployment.

To address operational resource needs, we:

- were staffed to full complement by updating our recruitment campaigns to reach more diverse candidates, attracting apprentices and graduates and retaining inspectors in line with planning assumptions;
- developed a strategic workforce planning approach to make best use of ONR's resources to support effective recruitment, succession planning, career development and to underpin organisational resilience and will formalise this approach in 2017/18;
- completed a full re-warranting process to maintain relevance of regulatory frontline capability for our inspectors; and
- established and began building an Information and Technology Directorate; to begin data separation from the HSE, including a Programme Management Office and developing our own IT capability.

To position us to improve next year, we:

- re-structured some teams and functions, to better align accountability and authority over people, budget, and risk. This simpler structure reduced the number of Directorates and introduced a new Technical Division to support the CNI and our Regulatory Management Team. A significant element of this change was to bring focus to the HR Directorate with all people and learning and development activities within its remit. This placed much clearer accountability on the HR function to address the full scope of capacity and capability challenges we face;
- agreed a new Estates Strategy 2017-20 to address the risks associated with lease end dates, ensure efficiency and minimise uncertainty to staff involved;
- developed a new People Strategy 2017-20 to provide a more strategic and holistic direction, reflecting emerging needs such as addressing expectations of a changing staff demographic, improved diversity and mobile working;
- updated our operating model to reflect our organisational design challenges and opportunities, including the need for increased capability and capacity for future

years. We have worked with the National Skills Academy for Nuclear to grow our nuclear technical competence.

We continued to support relevant skills agendas by working with All About STEM to establish an ONR cohort of Science, Technology, Engineering and Mathematics (STEM) ambassadors to promote opportunities in the nuclear sector, and the Nuclear Institute to improve the professionalism and diversity of staff in the nuclear sector.

We have established and maintained strong links with Women in Nuclear (WiN UK) to support our wider profile and Adrienne Kelbie agreed to become its Patron. This has helped us start to take action to address diversity issues. We are also represented at Powerful Women, which seeks to advance the professional growth and leadership development of women across the energy sector. We are proud that we have more women in senior roles.

For 2017/18 we have changed Strategic Theme 3 to “Getting the best out of our people” and added a fourth, “Delivering a high performing, sustainable organisation”. This will enable us to continue to focus on the people and cultural changes we want to undertake to attract, retain and engage our staff while also introducing some strategic changes to help us modernise and become more flexible and efficient.

**Adrienne Kelbie**

**Accounting Officer  
Chief Executive  
Office for Nuclear Regulation  
08 June 2017**



# Accountability Report

## Corporate Governance Report

### Directors' Report - Composition of ONR's Board

#### *Non-Executive Board Members*

##### **Nick Baldwin - ONR Chair**



Nick was appointed the Chair of the ONR Board on 1 April 2014, having been its Interim Chair from 1 April 2011 and represents ONR on the Health & Safety Executive Board. He is a Chartered Engineer, a Chartered Director, a Fellow of the Institution of Mechanical Engineers, a Fellow of the Institution of Engineering and Technology, a Fellow of the Energy Institute and a Fellow of the Institute of Directors. Until July 2002, he was the Chief Executive of Powergen, joining the firm in 1989 having held a series of board-level and senior management positions. Nick is also a Vice Chair of the Worcestershire Local Enterprise Partnership Board, a Non-Executive member of the Worcestershire Digital Board and a member of the Energy and Utility Forum Advisory Board.

##### **Jonathan Baume**



Jonathan was appointed, by the Health and Safety Executive Board, as a member of the ONR Board on 1 April 2014. He is currently one of eleven Civil Service Commissioners (who regulate recruitment to the civil service). He has held a number of lay and representative posts in the trade union movement in a career spanning almost 40 years, including a role at the TUC in policy development on employment law and diversity and serving as a member on the Council of the Advisory, Conciliation and Arbitration Service.

##### **Penny Boys**



Penny was appointed to the Board on 1 March 2016. Penny has a wide range of experience and expertise from a long career in public service, both at official and Non-Executive Board member level, including an eight year period as one of the first Non-Executive Directors of the water regulator, Ofwat. As a Senior Civil Servant, Penny served in a number of Departments including the former Department of Energy and the Department of Trade and Industry as well as independent regulators and competition authorities.

## **John Crackett**



John was appointed as a member of the Board on 1 April 2014. He chaired the Remuneration Committee until 31 December 2015 when he became Chair of the Audit and Risk Assurance Committee. Previously John was Managing Director of Central Networks the UK's second largest distributor of electricity and also E.ON UK Board member responsible for safety, health and environment. John is a Chartered Engineer and a Fellow of two professional institutions. His career has spanned power station design, project management, operational management and running generation, business services, IT, energy services and distribution businesses. His other interests include being a trustee of sustainable energy and social housing charities and advising the MoD on electricity generation and distribution.

## **Bronwyn Hill**



Bronwyn was appointed to the Board on 18 January 2016 and is Chair of the Remuneration Committee. Bronwyn brings to the Board a wide range of experience and expertise in the delivery of infrastructure and services. Bronwyn is a former Permanent Secretary at the Department for Environment, Food and Rural Affairs and has wide experience in infrastructure, regulation and public service, with a civil service career primarily in the Department for Transport.

## **Oona Muirhead**



Oona was appointed as a member of the Board on 1 October 2014 and is the Chair of ONR's Security Committee. She began her career in the MoD, was Director of Communications during the Kosovo campaign of 1999 and then Director General responsible for organisational change across the MoD. After senior executive roles in DEFRA and the Local Government Organisation she became Chief Executive of the South East England Development Agency in 2011. She also chaired the Nations & Regions Group (South East) for the 2012 London Olympic Games Organising Committee and is a Trustee of the Royal Navy & Royal Marines Charity.

## ***Executive Board members***

### **Adrienne Kelbie – Chief Executive**



Adrienne became ONR's Chief Executive and an Executive Board member on 18 January 2016. She has spent twenty years in senior leadership roles in the public sector, with fifteen at Board level. She has been Chief Executive of the Disclosure and Barring Service, Deputy Chief Executive of Hull City Council and held a range of corporate and operational roles in large scale lottery funding and was Commissioner, Accounts Commission Scotland from 2007-2010. Adrienne is a Chartered Fellow of the Chartered Institute for Personnel and Development, a Companion Member of the Chartered Management Institute and a graduate of Oxford University's Major Programme Leadership Academy. Adrienne is currently the Patron of Women in Nuclear UK.

### **Dr Richard Savage – Chief Nuclear Inspector**



Richard was appointed as ONR's Chief Nuclear Inspector and an Executive Board member on 18 March 2016. Richard has 28 years' experience in the nuclear sector, with 17 years in defence. He has wide safety management, engineering and leadership experience both in programme delivery and as a regulator. In 2012, he became the first civilian Head of the Defence Nuclear Safety Regulator with responsibility to regulate nuclear and radiological safety and environmental protection in the Defence Nuclear Programme. He was also MoD's Head of Nuclear Profession. He has a BSc and PhD from the Faculty of Science and Engineering, Birmingham University. He is a Chartered Engineer, a Fellow of the Institute of Mechanical Engineering and a member of the Royal Corps of Naval Constructors.

### **David Senior – Director of Regulatory Assurance**



David left ONR under voluntary exit terms on 31 March 2017. David was appointed as Director of Regulatory Assurance and Executive Board member on 1 July 2014, with responsibility for providing assurance of ONR's regulatory processes, decision making and enforcement. David was previously Deputy Chief Nuclear Inspector for the Defence Programme and Decommissioning, Fuel & Waste Programmes. David has considerable international experience, having represented the UK at the European Nuclear Safety Regulators Group (ENSREG) and Western European Nuclear Regulators Association (WENRA). David is a Chartered Mechanical Engineer.

### **Sarah High – Finance Director**



Sarah was appointed as Finance Director on 1 June 2016 and Executive Board member on 1 January 2017. She trained with PwC and had a number of roles in the private sector before joining DWP in 2004 where she held a variety of senior positions including Head of Commercial Support, Deputy Director of Finance (DCS), Head of DWP Business Intelligence and Head of Finance Profession Capability. Sarah is a Chartered Accountant; a member of the Institute of Chartered Accountants in England & Wales.

## Appointment and resignation of Board members during 2016/17

During the reporting period, the Board comprised a Non-Executive Chair, up to five Non-Executive Directors and four Executive Directors. The changes to Board membership were:

| Date           | Name         | Event     | Role                             |
|----------------|--------------|-----------|----------------------------------|
| 1 January 2017 | Sarah High   | Appointed | Finance Director                 |
| 31 March 2017  | David Senior | Resigned  | Director of Regulatory Assurance |

The Board would like to express its thanks for David Senior's many years of service.

## Managing Conflicts of Interest

Details of the management of conflicts of interest can be found within the Governance Statement on pages 44 to 59.

## Pension Liabilities

Details of pension costs are contained in Note 1.13 and Note 2 to the ONR Accounts and in the Remuneration and Staff Report on pages 61 to 76.

## Our Workforce

One of our strategic priorities is our commitment to become an employer that values its people and creates the conditions required to secure and retain a motivated, stable and sustainable workforce and we have recorded our progress against this priority on pages 37 to 38.

## Staff numbers

More information is contained in the Remuneration and Staff Report on page 70.

## Review of tax arrangements of public sector appointees

As part of the review of tax arrangements of public sector appointees published by the Chief Secretary to the Treasury in May 2012, Departments and their Arm's Length Bodies are required to publish information in relation to the number of off-payroll engagements. A detailed breakdown of these appointments as well as further narrative can be found at page 75 in the Remuneration and Staff Report.

## Diversity

Information and detailed analysis is provided in the Remuneration and Staff Report on pages 70 to 72.

## Employee Health and Safety

ONR has established its own Health and Safety Group which meets three times a year. Further information can be found in the Governance Statement on page 58.

## **Sickness Absence**

The average number of working days lost due to sickness in 2016/17 was 3.79. Further information, including comparison to 2015/16 can be found in the Remuneration and Staff Report on page 74.

## **Data/Information Security**

There were no losses of personal data that needed to be recorded in 2016/17. See Governance Statement on page 58.

## **External Auditors**

ONR's financial statements have been audited by the Comptroller and Auditor General, whose certificate appears on pages 79 to 80. The cost of audit work was £50,000, which related solely to audit services.

## **Director's Statement**

So far as the Accounting Officer is aware, there is no relevant audit information of which ONR's auditors are unaware. The Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that ONR's auditors are aware of that information.

**Adrienne Kelbie**

**Accounting Officer  
Chief Executive  
Office for Nuclear Regulation  
08 June 2017**

## Governance Statement

This statement sets out the ONR system of governance, internal control and risk management designed to manage rather than eliminate the risk of failure to achieve policies aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

ONR is governed through three complementary routes:

- the Principal Accounting Officer for the Department for Work and Pensions (DWP) who is responsible for ensuring the financial and management controls applied by the department are appropriate and sufficient to safeguard public funds and that those applied by Arm's Length Bodies, of which ONR is one, conform with the requirements both of propriety and good financial management;
- the Chief Executive's responsibilities as ONR's Accounting Officer designated by the Principal Accounting Officer for ONR's management and expenditure;
- the Board's collective responsibility for setting and delivering ONR's strategic aims and objectives, and for ensuring that effective arrangements are in place to provide assurance on governance, risk management and internal control as set out in the ONR Board Constitution.

Our corporate governance structure reflects the principles of the Cabinet Office *Code of Good Practice on Corporate Governance*, and reflects the particular requirements for effective independent nuclear regulation.

The Energy Act 2013, in establishing ONR as an independent public corporation, created the ONR Board. It is responsible for setting and delivering ONR's strategic aims and objectives and for ensuring that effective arrangements are in place to provide assurance on governance, risk management and internal control.

The 2013 Act prescribed the composition of the Board as:

- up to seven Non-Executive Directors (NEDs), including the Chair. The Chair and four NEDs are appointed by the Department for Work and Pensions. HSE may appoint a NED from its Board. One must have experience of, or expertise in, matters relevant to civil nuclear security matters and is appointed by the Department for Business, Energy and Industrial Strategy (BEIS);
- up to four Executive members, to include the Chief Executive (CE) and the Chief Nuclear Inspector (CNI).

### What the Board does

The ONR Board is responsible for:

- setting and delivering ONR's strategic aims and objectives consistent with its overall strategic direction, within the agreed government policy and the resources framework determined by the Secretary of State for Work and Pensions;
- ensuring that the responsible Minister is kept informed of any changes that could impact on ONR's strategic direction or the achievement of its targets and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with;

- ensuring that the ONR Board operates within the limits of its statutory authority and any delegated authority agreed with DWP, and in accordance with any other conditions relating to the use of public funds;
- ensuring that, in reaching decisions, the ONR Board takes into account guidance issued by DWP;
- ensuring that it regularly reviews financial information concerning the management of ONR, is informed in a timely manner about any concerns about the activities of ONR and provides positive assurance to DWP that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including the use of the Audit and Risk Assurance Committee to help the Board address key risks;
- appointing, with the consent of the Secretary of State for Work and Pensions, the Chief Nuclear Inspector and the Chief Executive and setting performance objectives for these roles with remuneration terms linked to these objectives.

The Board is supported by four standing committees: an Audit and Risk Assurance Committee, a Remuneration Committee, a Nominations Committee and a Security Committee.

## Attendance at Board and Committee meetings

Board member attendance at meetings 1 April 2016 to 31 March 2017

| <b>Non-Executive Members</b>   | Board(8) | ARAC (4) | Security (4) | Remuneration(3) | Nominations(1) |
|--|----------|----------|--------------|-----------------|----------------|
| Nick Baldwin (ONR Board Chair)   | 8        | 1*       | 4            | 3               | 1              |
| Jonathan Baume   | 6        | -        | -            | -               | -              |
| John Crackett  | 8        | 4        | -            | -               | 1              |
| Oona Muirhead  | 8        | 4        | 4            | -               | 1              |
| Bronwyn Hill   | 8        | -        | 4            | 3               | -              |
| Penny Boys   | 7        | 3        | -            | 3               | -              |
| <b>Executive Members</b>   |          |          |              |                 |                |
| Adrienne Kelbie  | 8        | -        | -            | -               | -              |
| Richard Savage   | 6        | -        | -            | -               | -              |
| David Senior   | 7        | -        | -            | -               | -              |
| Sarah High (from 1 January 2017)   | 2        | -        | -            | -               | -              |
| * ONR Board Chair is invited to one meeting per year   |          |          |              |                 |                |
| NB: Executive Directors (not Executive Board Directors) also support, but are not members of, the ONR Board / Committees |          |          |              |                 |                |

## Accountability to Parliament

ONR is directly accountable to DWP as its sponsor department. The Secretary of State for Work and Pensions has the principal responsibility to Parliament for ONR governance, finance and performance in relation to Conventional Health and Safety. These responsibilities are delegated to the responsible Minister, who will account for these matters in Parliament.

Details of ONR's governance arrangements are provided in the ONR/ DWP Framework updated, on 22 February 2016, <http://www.onr.org.uk/documents/2014/onr-dwp-framework.pdf>.

The ONR/DWP Framework Document sets out the roles and responsibilities of DWP, the ONR Board and the ONR Chair, and the ONR Chief Executive as Accounting Officer. As DWP does not have government responsibility for civil or defence nuclear policy, the Framework outlines our relationship to BEIS and the MoD.

The Secretary of State for BEIS is accountable for: the UK civil nuclear regulatory framework and policies including civil nuclear safety and security (including the security of nuclear material in transport); emergency planning and response; nuclear safeguards; and the transport of radioactive material.

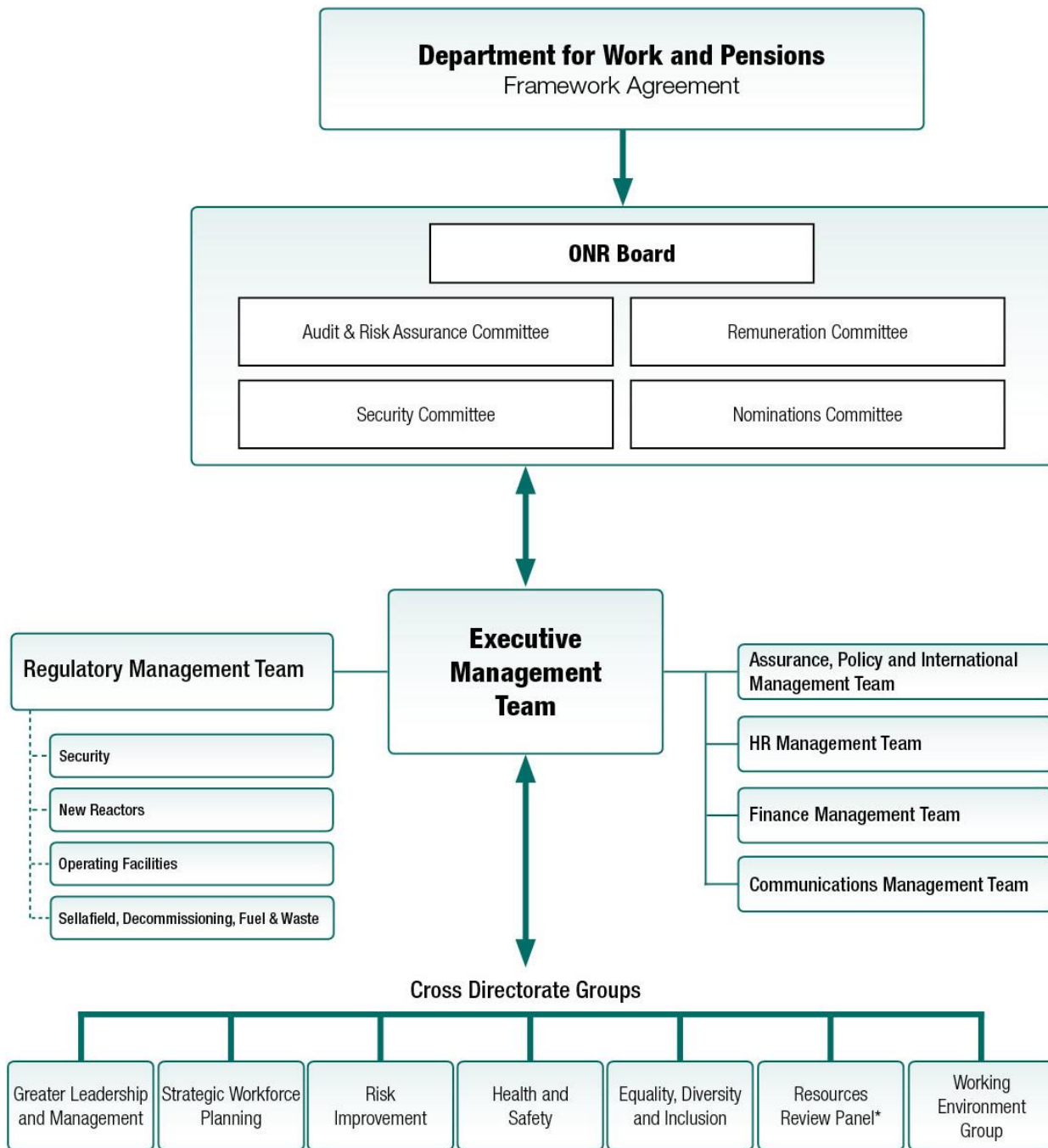


The Secretary of State for Defence is accountable for nuclear safety and security at nuclear sites operated wholly or mainly for defence purposes.

ONR provided assurance to Ministers on our regulatory effectiveness and performance in nuclear safety and security relevant to their respective portfolio.

The sponsorship role was formally discharged through quarterly meetings of a Sponsorship Board attended by senior officials from DWP, ONR and BEIS. The Sponsorship Board reviewed ONR's operational and financial performance, key risks and emerging issues. ONR provided monthly data to DWP on its forecasts and use of resources and submitted quarterly data on its operational performance. The day to day sponsorship role was discharged by the Head of Arm's Length Bodies Partnership.

# Corporate Governance Framework 2016/17



(EMT has agreed the terms of reference for all cross directorate groups)

\*until 30 June 2016

## Work of the Board

The Board is responsible for ensuring effective arrangements for governance and internal control at ONR. The Board's Constitution reflects the principles of the Cabinet Office *Code of Good Practice on Corporate Governance* (leadership, effectiveness, accountability and sustainability), taking into account the particular requirements for independent nuclear regulation. It includes the Board's Standing Orders, a schedule of decisions reserved to the Board and the Terms of Reference for each Committee.

Key areas of focus for the Board in 2016/17 were:

- to provide support to the Chief Executive for strategic re-alignment of the senior team, establishing new governance structures to address strategic risks, challenge and scrutiny of strategic focus and operational delivery;
- the development of the ONR Corporate Plan 2017/18 to be published in Summer 2017 introducing a new strategic theme to demonstrate a focus on sustainability, effectiveness and efficiency;
- approval of the 2017/18 budget reflecting the Corporate Plan objectives and the Regulatory Assumptions, the Summary Regulatory Plan and strategic intent;
- approval of high level strategies including Estates, Communications and a refreshed ONR People Strategy for 2017-20;
- agreeing proposals for conducting the next round of Non-Executive Director recruitment to replace the existing Chair of the Audit and Risk Assurance Committee when his appointment ends in December 2017, recruiting to a new post bringing significant experience of programme delivery and an engineering or scientific background, engaging with senior stakeholders at ONR's Industry Conference and visiting Sellafield;
- to provide direct liaison with senior Government officials at the Board Strategy session and informal Board meetings.

An independent review of the Board effectiveness indicated that the Board had developed substantially, particularly in respect of its composition and culture and was on a journey from good to great. The key challenge for the Board in the short term has been continuing the pace of change whilst remaining focussed on key priorities.

## **Audit and Risk Assurance Committee (ARAC)**

The ARAC oversaw a robust programme of work during 2016/17 to provide assurance to the Board. It ensured that appropriate and adequate audit processes were maintained to oversee the internal and external audit programmes. The ARAC comprised three Non-Executive Directors and a co-opted member Clifford Shanbury, with representatives from Internal Audit and National Audit Office in attendance. The ONR Board Chair attended one meeting in accordance with the Committee's Terms of Reference.

ARAC completed its work programme. An annual report was considered by the Accounting Officer and the Board, noting that ONR was in all material aspects a compliant organisation, striving to achieve improvements in the management of resources, performance and processes.

ARAC oversaw a significant review of the Risk Management Framework and the Strategic Risk Register, risk mitigation activities and the implementation of Internal Audit and Regulatory Assurance recommendations. In February 2017, ARAC approved an Integrated Audit and Assurance Framework based upon HM Treasury's Assurance Framework. It sets out clear accountability for our three lines of defence and a more coherent corporate approach.

The most significant risk on the ONR Risk Register – and the only one assessed with a residual rating of 'red' throughout the year – concerns cyber or data compromise to information systems. During 2016/17 ONR appointed a Director of Information and Technology to improve the IT/IS infrastructure and address the weaknesses previously identified. He has set a programme of work for 2017/18 which will enable ONR to implement and control its own cyber defences, further enhance data security and integrity and give greater flexibility to deliver more effective and efficient solutions. One of the main challenges in reducing this risk is the significant dependence on third-party suppliers; the Director is engaged directly with our IT service partners to plan a separation of our IT architecture from HSE.

The ARAC received regular updates on the IT modernisation plan and how it is progressing. However, it is unlikely that a material improvement in risk can be achieved until after April 2018, due to dependencies and lead times. ONR is working closely with HSE on cyber defences. An independent NCC group report has been delivered to HSE/ONR setting out a number of recommendations all of which will be completed by 31 May 2017. Added to this ONR has already taken logical control of its own TRIM document management system from HSE.

In addition to an annual self-review, an independent effectiveness review of ARAC was undertaken. It judged the Committee as effective in discharging its Terms of Reference. It was recognised that throughout the year, following improvements to ONR's executive governance arrangements, the ARAC had repositioned to a more appropriate oversight role, for example, decisions on the risk management process and the strategic risk register are taken by the Executive Management Team and reported to ARAC as part of its oversight role.

## **Nominations Committee**

The Committee met in November 2016 and agreed proposals to strengthen Executive Director Board membership, to bring Board level accountability on Finance and HR, reflecting the importance of ONR's capacity and capability agenda. The Finance Director was appointed Executive Director of the Board on 1 January 2017. The HR Director became an Executive Director of the Board on 1 April 2017.

## **Remuneration Committee**

The Remuneration Committee oversaw all matters relating to the remuneration and performance of the Executive Board members and assurance on the level and structure of remuneration for SCS equivalent staff. The Committee agreed performance bonus payments for SCS equivalent staff for 2016/17, and remuneration proposals for 2017/18. To reflect increased responsibilities arising from the reduction of one Director post and in line with the EMT re-alignment agreed by the ONR Board, the Committee approved proposals to adjust some Executive salaries.

A key focus for 2016/17 was the introduction by the Chief Executive of a new approach to objective setting and performance management, including a pilot of 360 degree feedback. This was designed to underpin a wider focus on leadership and corporate behaviours at senior level.

The Committee conducted an annual internal review of its performance. The review concluded the roles, functions and responsibilities of the Committee had been discharged effectively. The ONR Board agreed a proposed change to the Committee's Terms of Reference reflecting its oversight of all matters relating to the remuneration and performance of Executive Board Directors and its assurance role in ensuring the framework set for SCS equivalents is being applied consistently and operating as intended.

## **Security Committee**

The Security Committee oversaw a robust programme of work during 2016/17 to provide assurance to the Board. The Committee comprised three Non-Executive Directors, with representatives from Civil Nuclear Constabulary, Civil Nuclear Security, BEIS, MoD and the Centre for the Protection of National Infrastructure in attendance.

An annual report was considered by the Board in June 2016 recognising the significant work that has continued to provide robust regulation of the industry and to make improvements to ONR's regulatory approach, capacity and capability. Committee members were satisfied that ONR continued to demonstrate a commitment to achieve improvements in the provision of efficient and effective regulation of the nuclear industry with respect to risk, malicious intent, and all other aspects of industry's business. The Committee's programme of work was structured around strategy and priorities, managing key risks, assurance, and capability and best practice.

The development of SyAPS has been a key focus for the Committee in 2016/17. The Committee discussed ways to ensure industry and stakeholders understand this approach will strengthen the accountability of dutyholders and will require the industry to improve its own leadership and capacity including in relation to industry internal assurance. SyAPS were successfully launched on 31 March 2017.

Having considered whether the level of regulatory attention was appropriate, the Committee endorsed ONR's assessment of the state of the industry and endorsed the proposed regulatory priorities for 2017/18.

Throughout 2016/17 the Committee received reports on performance against the nine priorities that had been agreed at the start of the year and against the risk register. A number of issues were identified including personnel security for foreign investment in new nuclear and the need for the risk register to clearly define what ONR is responsible for.

The Committee conducted an internal review of effectiveness which concluded that the Committee had fulfilled its responsibilities set out in its Terms of Reference although

changes to the assurance framework means the Terms of Reference should be clearer in setting out the requirement to provide internal assurance, including regulatory and internal audit assurance.

## **Monitoring Performance of the Board and its committees**

The ONR Chair carried out both mid and end-year appraisals with each Non-Executive Director against the criteria set out on appointment. The review process included a short self-assessment and priorities for the next year. An agreed written record of the end of year discussion was submitted to DWP as our sponsor department for inclusion, as appropriate, in overall reports to Ministers.

The ARAC, Security Committee and Remuneration Committee provided annual reports to the ONR Board to demonstrate the work undertaken to ensure the Committees had fulfilled their roles and responsibilities.

## **Executive Leadership of ONR**

The Executive Management Team (EMT) is the primary executive decision-making body supporting the Board in ensuring effective governance and internal control at ONR. It also delegated work to engage and develop sustainable improvements, staff development and a positive culture.

Membership comprises all Chief Executive direct reports and one Deputy Chief Inspector nominated by the Chief Nuclear Inspector. EMT is responsible for delivering the Strategic Plan and had a strong focus on strategy, corporate governance, business planning, risk, our people agenda, performance and stakeholder engagement. EMT spent time together at mid-year reviewing effectiveness, strategic intent and leadership behaviours.

New executive governance arrangements were introduced on 1 April 2016 to improve accountability, openness and transparency in our decision making processes and to support delivery of our operations (corporate and regulatory). In addition to the EMT, each Director has a constituted Directorate Management Team to discharge its own operational responsibilities.

The Board has delegated regulatory case decisions to our suitably skilled, qualified and experienced CNI in accordance with the Energy Act 2013. The CNI is personally and directly accountable for ensuring that regulatory decisions are proportionate, balanced and consistent. Our Regulatory Management Team (RMT) plays a key role in enabling a strong regulatory focus by nuclear qualified and experienced leaders accountable for delivery. It has the largest operational accountability, team and budget and provides leadership to ensure ONR's regulatory strategy is delivered and that ONR is effectively and efficiently regulating the nuclear industry.

To tackle a number of long-standing issues, we introduced new cross-directorate governance groups. The Resource Review Panel met as a central control for spending decisions in excess of £15,000 until 30 June 2016. Control of expenditure improved significantly in 2015/16, as evidenced by reviews undertaken by Internal Audit. We further delegated financial controls, placing emphasis on the personal accountability of managers on 1 July 2016.

We have appointed more diverse senior teams, in particular at Board, EMT and RMT level, and established greater stability. These new relationships and perspectives engendered significant review of our regulatory focus, corporate governance, organisational design and capability, estate and IT infrastructure, cost base and

strategic risks. The senior teams' collective insight has informed the development of ONR's Corporate Plan 2017/18.

### **Managing conflicts of interest**

All Board members were required to record their other interests and to update any changes to their register of interests. The interests of each Board Member can be viewed at <http://www.onr.org.uk/onr-board.htm>. The ONR's Code of Corporate Governance set out the process to be followed should a Board member identify a potential conflict of interest. All members were asked to declare interests at each Board and Committee meeting. Five potential conflicts of interest were raised, four of which were recorded in the minutes of the Remuneration Committee and one in the Audit and Risk Assurance Committee. Disclosures were recorded in the minutes and, where necessary, the members concerned did not take part in any deliberation or decision on the matter.

### **Transparency**

The Board's strategy promotes openness and transparency in nuclear regulation based on a presumption of disclosure. Appropriate Board papers and minutes were published on ONR's website <http://www.onr.org.uk/meetings/>.

We received 95 requests under the Freedom of Information Act 2000 (FoI) and/or the Environment Information Regulations 2004 (EIR). There were 92 completed and three were ongoing. Four requests were subject to an internal review and all of these were completed satisfactorily within the required 20 working days with no further interaction.

Five complaints (originating from outside ONR and are about ONR in relation to a work activity for which ONR has regulatory responsibility) and 25 concerns (from members of the public or employees relating to a wrong doing in a workplace in relation to a matter that ONR regulates) were received. All complaints and 15 concerns were completed to the third parties' satisfaction. Ten concerns are in progress.

There were two requests relating to the Data Protection Act 1998, both relating to individuals asking for details of their own vetting information. Both were completed satisfactorily.

### **Whistleblowing**

In February 2017, EMT revised the whistleblowing process to better support the robust policy by providing greater clarity of accountabilities, reporting requirements, governance, standard of record keeping and a consistent approach for both internal and external concerns raised. Six-monthly reports are considered by EMT and ARAC.

ONR, as a prescribed body under the law, received eight protected disclosures – two from staff and six from third parties. Six cases were closed to the satisfaction of those who made the disclosures. One related to a difference of professional opinion which was subject to independent review. Although this outcome did not entirely meet the expectations of the third party, they agreed the process had been robust. A final one is still in progress at the time of publication.

We welcome concerns being raised with us to ensure that we and the nuclear industry control risks effectively and continue to maintain high standards. As a result of some concerns raised, we have made positive changes towards continuous improvement.

## Setting objectives and operational performance management

The Annual Plan 2016/17 was included in the 2016-20 Strategic Plan. It sets out ONR's objectives and key performance indicators, agreed by the Board, approved by the Secretary of State for Work and Pensions and published on ONR's website <http://www.onr.org.uk/documents/2016/strategic-plan-2016-2020.pdf>.

Four standing reports were submitted to each Board meeting to enable each Executive member to demonstrate accountability for their area of responsibility:

- Chief Executive Report - to provide assurance to the Board that ONR is being properly managed to deliver its strategic intent and to consider corporate risk mitigation;
- Chief Nuclear Inspector Report - to provide assurance to the Board that ONR is meeting its statutory regulatory obligations;
- Director of Assurance, Policy and International Report - to provide the Board with independent assurance on the discharge of regulatory duties; and
- Finance Director Report - to report on financial management and performance and to provide assurance to the Board that ONR is being properly managed to deliver its operational plans to budget and is effectively mitigating risk.

## Risk management, compliance and internal control

The Board agreed its risk appetite statement which was published in the ONR Strategic Plan 2016 to 2020 <http://www.onr.org.uk/documents/2016/strategic-plan-2016-2020.pdf>.

A prescribed process was in place for the management of risk at all levels within ONR to enable the identification of new risks, review of existing risks and the escalation/de-escalation of risks within the levels of the organisation. A review, in consultation with the Board and ARAC, resulted in a revised Risk Management Framework and Strategic Risk Register. Risks were managed and updated regularly by action owners assigned at Director level and assurance regarding the effectiveness of mitigations was provided through the risk governance structure.

ONR manages risk through clear lines of executive accountability and regular review and challenge by our Risk Improvement Group and EMT, subject to scrutiny by the ARAC and Board.

The Risk Improvement Group, chaired by the Finance Director, provided challenge to risk owners on the effective management of ONR's corporate and programme risks. It considered and made recommendations on the escalation/de-escalation of risks and the effectiveness of mitigations.

## Internal Audit (IA)

The Board engaged the Government Internal Audit Agency to provide internal audit services directly to ONR. The programme of work was informed by an Internal Audit plan that was agreed by the ARAC at the start of the year. Internal Audit provided assurance on:

- Governance of Whistleblowing, Gifts and Hospitality and Conflicts of Interest Policies;
- Social Media Policy;
- Pensions – Accounting Officers Certificate;
- Payroll – Allowances;



- Regulatory Key Performance Indicators;
- Regulatory Deep Dive (Issues Database);
- Finance and HR Polices (International Travel, Car Hire and Expenses);
- Regulatory Assurance Function;
- Communications and Insight;
- Time Recording;
- Planned Inspections – Planning and Monitoring;
- Delegated Financial Authorities;
- Risk Management;
- Technical Support Contracts;
- Information Governance – End of Year Processes.

The oversight and tracking of progress on recommendations had been further strengthened by regular reports to the EMT.

Overall, the Government Internal Audit Agency gave a Moderate assurance rating based on recent reviews, recent developments and actions against outstanding recommendations.

### **Regulatory Assurance**

Our independent regulatory assurance function completed a schedule of 16 independent regulatory assurance reviews to provide assurance to the CNI and the Board on compliance, quality and effectiveness of ONR’s regulatory activities including decision making. The ratings assigned following these 16 reviews are shown in the table below and recommendations are then raised and prioritised proportionate to these ratings.

| Assurance rating | Number of reviews |
|------------------|-------------------|
| Substantial      | 6                 |
| Moderate         | 5                 |
| Limited          | 4                 |
| Unsatisfactory   | 1                 |
| <b>Total</b>     | <b>16</b>         |

The regulatory assurance reviews and oversight of ONR’s regulatory activities identified no significant matters to challenge confidence that ONR is regulating the nuclear industry in accordance with our purposes as required by the Energy Act 2013 and the overall assurance rating was moderate. This judgement was based on a proportionate oversight and review sample across ONR programmes to assess compliance with processes and performance objectives. Findings were used to improve processes and share good practice across the organisation, demonstrating ONR’s commitment to drive continuous improvement and raise standards.

The ARAC endorsed the Regulatory Assurance review plan for 2017/18 which was significantly shaped by the Strategic and Regulatory Risk Registers.

The ARAC also endorsed a new Integrated Audit and Assurance Framework for implementation from 1 April 2017. The Framework is based upon HM Treasury’s ‘Assurance Frameworks’ guidance which uses a ‘Three Lines of Defence’ approach to provide a complete, coherent and integrated Audit and Assurance Framework for the organisation. A review will take place in 2017 to ensure the new assurance framework is operating effectively.

## Letters of Assurance provided by ONR's Executive Management Team

2016/17 Letters of Assurance from all my direct reports set out the details on how each Director had discharged their accountabilities detailed in their letter of delegation during the year. They have provided me with: their key business developments; how they had discharged their governance and control arrangements within their Directorate; details of any significant control challenges and any emerging control issues throughout 2016/17.

Performance was rated against an internal control system using a scale of 1 to 5 (1 being objectives not met and 5 being fully compliant with no exceptions). The Letters of Assurance, with the exception of the concerns listed below, recorded that they were fully compliant with no exceptions (scoring 5) or broadly compliant with minor exceptions/minor impact (scoring 4).

In the letters submitted by the CNI, Director of Assurance, Policy and International, HR Director and the Director of Communications and Insight the following concerns were raised relating to:

- slippage in a small number of milestones not completed within the financial year;
- the scope to improve business processes across the Assurance, Policy and International Directorate;
- budget shortfalls due to an oversight of a membership fee not identified at budget-setting and increased financial pressure in the Technical Services Contract (TSC) budget;
- the need to progress the Communications and Insight Directorate Risk Register;
- the need to strengthen the performance management reporting arrangements within the Communications and Insight Directorate;
- two "people" risks on the Corporate Risk Register currently shown as amber and with a target rating of green by 2018/19;
- the need for more qualitative data relating to Key Performance Indicators (KPIs);
- dedicated in-programme assurance not being available within all Regulatory Programmes during 2016/17 as a result of the decision to redeploy resource to operational tasks;
- following a concern raised, a number of recommendations were made to improve the process, competence and training of those making regulatory decisions and develop improved communications in this area. Recommendations subject to RMT review;
- appraisals managed within the Regulatory Directorate have identified some areas of poor performance and are being addressed with HR;
- through a recent investigation it was evident that the process for resolving difference of opinion is not widely known in Regulatory Directorate and effective mechanisms to raise awareness are being considered.

## **Assurance provided in respect of financial, HR and procurement transactional services provided by Shared Services Connected Ltd (SSCL)**

SSCL continues to operate employee-related HR, payroll and expenses administration, financial accounting, procurement and relevant IT processes to ONR as part of a wider service to Government. We have received and considered the letter of assurance from the Director of Shared Services for Government – Cabinet Office, in respect of SSCL's performance.

The information provided is based on the Independent Standard on Assurance Engagement 3402 (ISAE 3402) report prepared by PricewaterhouseCoopers LLP (PwC) as the Independent Service Auditor (ISA). The purpose of the report was to provide assurances to those charged with governance, in bodies to which SSCL provides services, on the effectiveness of controls related to the management statements on the accuracy and transparency of key processes.

PwC's opinion is qualified as there are areas where controls did not work as effectively as SSCL anticipated. For ONR, these areas are information technology, human resources and order to cash (debtors). We can confirm that there is no material impact on the financial statements as a result of these findings.

SSCL has committed to address the issues in the following manner:

- Where a control has not been followed, an investigation has taken place to understand the cause and remedial action has already taken place or is planned; and
- Where evidence is missing or not retained, SSCL is addressing this by ensuring evidence is retained, procedures are up-to-date and additional management checks are implemented where required.

SSCL will review and implement any recommended control improvements in order to strengthen the control environment and this is already underway.

Additionally, the Director of Shared Services for Government – Cabinet Office has promised to follow up each individual action to ensure adequate controls are put in place.

ONR will monitor progress against the remedial action plan.

## **Assurance provided in respect of services provided through a Service Management Agreement (SMA) by HSE**

The SMA outlines the responsibilities to ensure that HSE (as the Service Provider):

- carries out its duties and obligations under the Agreement in accordance with its terms and that it has exercised, and continues to exercise, reasonable skill, care and diligence in the performance of those duties and obligations;
- monitors compliance with obligations under the Agreement and notifies ONR of any issues that may have an adverse material impact on delivery; and
- has sufficient, appropriately skilled and experienced resources to enable HSE to comply with its obligations under the Agreement.

The HSE Director has considered the areas covered by the SMA, and having reviewed the controls that have been put in place, he has determined that the arrangements

provide a reasonable level of assurance and there are no significant issues arising which need to be brought to ONR's attention. This is based on a combination of Public Service Network accreditation, internal audits of IT contract management in HSE and of IT disaster recovery in the Liverpool offices. This is supported by ONR's own contract management arrangements.

### **Data/information and cyber security**

ONR adhered to the requirements of the Government's Security Policy Framework. We continued to monitor information security extensively and identified IT capability and infrastructure improvements that will be implemented over the coming year. There were no losses of personal data that need to be recorded. The Director of Information and Technology is leading work to further enhance the security and integrity of ONR's IT systems.

### **Hospitality**

A register of offers and receipts of gifts and hospitality made to staff each financial year, whether accepted or not, was maintained for sign off by the Finance Director. During 2016/17 a review of the policy was undertaken and all staff were advised of the changes to the process. A mid-year report was provided to the EMT and ARAC. Compliance with the policy is good and staff are regularly completing and submitting the appropriate returns with evidence of approval by their line managers. All staff were reminded, periodically, of the gifts and hospitality policy.

### **Fraud and Bribery**

Staff were required to comply with the Fraud and Bribery Policy which is included in the Staff Handbook. To support the policy, a fraud section was added to the ONR intranet.

No incidents of fraud or bribery (actual or suspected) were reported.

### **Health and Safety**

The Health and Safety Committee became accountable to the EMT in July 2016. The newly titled Health and Safety Group promoted the health and safety of all staff, thereby meeting requirements laid down in the Safety Representatives and Safety Committee Regulations 1977 (as amended) and section 2(4) of the Health and Safety at Work Act 1974. The Group comprised ONR management and trade union representatives and was chaired by the HR Director.

The Health and Safety Group met three times and provided an annual report to the EMT giving assurance that internal health and safety within ONR was managed in a sensible and proportionate way, in line with health and safety legislation.

### **Significant control challenges faced by ONR**

ONR addressed challenges to improve budget forecasting, corporate and information governance and infrastructure reliability and security. Where shortcomings were identified, management assurance was provided that action has been taken or planned. Improvements were evidenced through Internal Audit reviews and management feedback.

The most significant control challenge related to cyber threats and/or data compromise of ONR systems. I appointed a full time, permanent Director of Information and Technology to improve our cyber defences, enhance data security and integrity and to

modernise our IT estate. I acknowledge support from the HSE in addressing these matters and due to third party interdependencies, I consider that a material improvement in risk will be achieved in 2017/18.

While the Board considers the overall control environment to be adequate, we intend to continue to improve executive governance, corporate planning and performance management, and – like many organisations - to focus heavily on our information risks.

**Adrienne Kelbie**

**Accounting Officer  
Chief Executive  
Office for Nuclear Regulation  
08 June 2017**

## Statement of Accounting Officer Responsibilities

Under paragraph 21(1) b of Schedule 7 of the Energy Act 2013, ONR is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Work and Pensions, with the consent of HM Treasury. The accounts are prepared on an accruals basis and give a true and fair view of ONR's state of affairs at the year-end and of its net income and expenditure, changes in taxpayer's equity and cash flows for the financial year.

In preparing its accounts, ONR is required to comply with, and has complied with the requirements of the Government Financial Reporting Manual issued by HM Treasury (the FReM) and in particular to:

- observe the Accounts Directions issued by DWP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that ONR will continue in operation.

The Accounting Officer for DWP has designated the Chief Executive (between 1 April 2016 and 31 March 2017) of ONR as Accounting Officer with responsibilities for the propriety and regularity of the public finances for which she is answerable, for keeping proper records and for safeguarding assets as set out in '*Managing Public Money*' published by HM Treasury.

As the Accounting Officer for ONR, I am responsible for maintaining a sound system of internal control whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury Guidance, *Managing Public Money*.

I confirm that there is no relevant audit information that the National Audit Office have not been made aware of and that I have taken all necessary steps to ensure access to relevant information has been given.

I confirm that this report as a whole and the judgement required in preparing it, is fair, balanced and understandable and that I take personal responsibility for this being so.

I confirm that I have reviewed the system of internal control in operation and along with Statements of Assurance from Directors, have made the following assessment to cover the 12 month period 1 April 2016 to 31 March 2017.

# Remuneration and Staff Report

## Appointments

Nick Baldwin continued in his role as Board Chair. He was appointed by the Secretary of State for Work and Pensions for a period of five years in April 2014, having been its Interim Chair from 1 April 2011, following the establishment of ONR as a Public Corporation.

Adrienne Kelbie continued in her role as Chief Executive. Adrienne was formally appointed Chief Executive on 18 January 2016 on a three year fixed term appointment following an external competition.

Richard Savage continued in his role as Chief Nuclear Inspector. He had been formally appointed Chief Nuclear Inspector on 18 March 2016 on a three year fixed term appointment following an external competition.

Sarah High was appointed as an Executive of the ONR Board on 1 January 2017. Sarah was appointed ONR Finance Director on 1 June 2016 following an external competition.

David Senior, Deputy Chief Inspector and Director of Regulatory Assurance, left under voluntary exit terms as an Executive of the ONR Board on 31 March 2017.

The Secretary of State for Work and Pensions was also responsible for appointing all Non-Executive Board members, with the exception of Oona Muirhead who was appointed by the Secretary of State for BEIS and Jonathan Baume who was nominated to the ONR Board by the HSE Board and received no remuneration from ONR.

## Service Contracts

ONR applies the principle that appointments should be made on merit on the basis of open and fair competition as set out in the Civil Service Commissioners' Recruitment Code.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination by ONR, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Details of the service contracts for Board members who have served during the year are shown below.

| Name                  | Start date of contract | End date of contract | Notes   |
|-----------------------|------------------------|----------------------|---|
| <b>Non-Executives</b> |                        |                      |   |
| Nick Baldwin          | 1 April 2014           | 31 March 2019        | Chair   |
| Jonathan Baume        | 1 April 2014           | 31 December 2019     | Appointed by HSE. Re-appointed 1 October 2016 |
| Penny Boys            | 1 March 2016           | 31 January 2020      |   |
| John Crackett         | 1 April 2014           | 31 December 2017     |   |
| Bronwyn Hill          | 18 January 2016        | 31 January 2020      |   |
| Oona Muirhead         | 1 October 2014         | 30 September 2017    | Reappointed to 30 September 2020              |

| Name              | Start date of contract | End date of contract | Notes   |
|-------------------|------------------------|----------------------|---|
| <b>Executives</b> |                        |                      |   |
| Adrienne Kelbie   | 18 January 2016        | 17 January 2019      | Chief Executive   |
| Richard Savage    | 18 March 2016          | 17 March 2019        | Chief Nuclear Inspector   |
| David Senior      | 1 July 2014            | 31 March 2017*       |   |
| Sarah High        | 1 January 2017         | n/a                  | Appointed as an Executive member of the Board on 1 January 2017 |

| Name  | Start date of contract | End date of contract | Notes |
|---|------------------------|----------------------|-------|
| <b>Audit and Risk Assurance Committee (ARAC) Member</b> |                        |                      |       |
| Clifford Shanbury                                       | 19 March 2012          | 30 September 2018    |       |

\* *David Senior's contract was open ended; however he left ONR under voluntary exit terms, with his last day of service being 31 March 2017.*

## Remuneration policy

The Remuneration Committee has responsibility for all matters relating to the remuneration and performance of the Executive members of the ONR Board and other senior staff at Senior Civil Service (equivalent) levels, covering current and future years, taking into account recommendations and work programme of the Senior Salaries Review Body.

The Remuneration Committee may advise the Secretary of State for Work and Pensions on remuneration for Non-Executive members, but is not involved in setting their remuneration levels.

## Remuneration (including salary) and pension entitlements (subject to audit)

The following section provides details of the remuneration and pension interests of the Board Members.



|  | Salary (£'000)<br>Full year Equivalent shown in<br>brackets where applicable |                        | Bonus payments (£,000)<br><sup>4</sup> |         | Benefits in Kind (to nearest<br>£100) <sup>1</sup> |         | Pension Benefits (to<br>nearest £1,000) <sup>2 3</sup> |         | Total (£'000) |                    |
|--|--|------------------------|--|---------|--|---------|--|---------|---------------|--------------------|
|  | 2016/17  | 2015/16                | 2016/17                                | 2015/16 | 2016/17  | 2015/16 | 2016/17  | 2015/16 | 2016/17       | 2015/16            |
| <b>Non-Executives</b>  |  |                        |  |         |  |         |  |         |               |                    |
| <i>Board Chair</i><br>Nick Baldwin   | 35 - 40  | 35 - 40                | -                                      | -       | 3,200  | 3,400   | -  | -       | 40 - 45       | 40 - 45            |
| Penny Boys   | 10 - 15  | 0 - 5<br>(10 - 15)     | -                                      | -       | 200  | -       | -  | -       | 15 - 20       | 0 - 5<br>(10 - 15) |
| John Crackett  | 10 - 15  | 10 - 15                | -                                      | -       | 600  | 600     | -  | -       | 15 - 20       | 15 - 20            |
| Bronwyn Hill   | 10 - 15  | 0-5<br>(10 - 15)       | -                                      | -       | -  | -       | -  | -       | 10 - 15       | 0 - 5<br>(10 - 15) |
| Oona Muirhead  | 10 - 15  | 10 - 15                | -                                      | -       | -  | -       | -  | -       | 10 - 15       | 10 - 15            |
| Jonathan Baume<br>(a)  | -  | -                      | -                                      | -       | -  | -       | -  | -       | -             | -                  |
| <b>Executives</b>  |  |                        |  |         |  |         |  |         |               |                    |
| <i>Chief Executive</i><br>Adrienne Kelbie  | 140 - 145  | 25 – 30<br>(140 - 145) | 10 - 15                                | -       | -  | -       | 68   | 15      | 225 - 230     | 40 - 45            |
| <i>Chief Nuclear<br/>Inspector</i><br>Richard Savage<br>(b)  | 145 - 150  | 70 – 75<br>(120 - 125) | 0 - 5                                  | 5 - 10  | 2,200  | 800     | 227  | 119     | 380 - 385     | 190 - 195          |
| <i>Finance Director</i><br>Sarah High (c)  | 20 - 25<br>(95 - 100)  | -                      | 5 - 10                                 | -       | -  | -       | 29   | -       | 60 - 65       | -                  |
| <i>Deputy Chief<br/>Inspector and<br/>Director of<br/>Regulatory<br/>Assurance</i><br>David Senior (d) | 110 - 115  | 110 - 115              | -                                      | -       | -  | -       | 113  | 96      | 225 - 230     | 210 - 215          |

<sup>1</sup> In 2015/16, ONR was granted a PAYE Settlement Agreement (PSA) by HMRC under which it settles, in a single payment, the income tax liability on all the benefits in kind detailed above.

<sup>2</sup> Total pension benefits made to David Senior of £113,000 comprise £18,000 pension benefits and also a compensation for loss of office of £95,000, which was agreed in year under the Civil Service Compensation Scheme. Details of the voluntary exit are contained within the Exit Packages table in the Remuneration and Staff Report on page 74.

<sup>3</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

<sup>4</sup> The SCS Bonus payments will be made in 2017/18.

#### **Notes:**

- (a) Jonathan Baume is appointed as a Non-Executive Director by HSE and is not remunerated by ONR.
- (b) Chief Nuclear Inspector – pension benefits have been recalculated for 2015/16 due to retrospective changes to salary data.
- (c) Appointed Finance Director on 1 June 2016 and was subsequently appointed as an Executive member of the ONR Board on 1 January 2017.
- (d) Deputy Chief Inspector and Director of Regulatory Assurance from 1 April 2014 to 31 March 2017.

Remuneration shown is for periods of Board appointment only.

#### **Salary**

For executives, 'salary' includes gross salary which may include allowances, which are subject to UK taxation. This report is based on accrued payments made by ONR and thus recorded in the annual accounts.

#### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by ONR and treated by HM Revenue and Customs as a taxable emolument. These benefits for Board members include travel and subsistence payments as appropriate. Any ensuing tax liability is met by ONR.

#### **Bonuses**

Bonuses are based on performance levels attained and are made as part of the appraisal process. For executives, this is agreed by the Remuneration Committee. For other senior officers, this is subject to moderation by the ONR Senior Staff Pay Committee and endorsed by the Remuneration Committee. The value of bonuses is dependent upon a number of factors and is subject to the total amount of available funds. Bonuses relate to the performance in the year in which they become payable to the individuals. The bonuses reported in 2016/17 relate to performance in 2016/17.

No bonuses are paid to Non-Executive Directors.

## Pay multiples

ONR is required to disclose the relationship between the remuneration of the highest-paid Director in the organisation and the median remuneration of the organisation's workforce.

The following table compares the pay band of ONR's highest paid Executive Director compared with the media rate of pay (subject to audit).

|  | 2016/17 | 2015/16   |
|--|---------|-----------|
| Band of highest paid Director's total remuneration £'000 | 155-160 | 150 - 155 |
| Median total remuneration £                              | 68,500  | 67,500    |
| Ratio  | 2.31    | 2.29      |

The calculations **include** staff with permanent and fixed term contracts, as well as staff with inward secondment contracts for whom ONR meets the payroll costs.

The calculations **exclude**: Non-Executive Directors (apart from the Board Chair); ONR staff with outward secondment contracts where ONR does not pay the payroll costs and non-contracted staff, e.g. specialist staff brought into ONR via technical support contracts.

The banded remuneration of the highest paid Director in ONR in the financial year 2016/17 was £155,000 to £160,000 (the comparative figure for 2015/16 was £150,000 - £155,000). This was 2.31 times the median remuneration of the workforce, which was £68,500 (for 2015/16, this was 2.29 times the median remuneration of the workforce, which was £67,500).

In 2016/17, no employees received remuneration in excess of the highest paid Director (in 2015/16, no employees received remuneration in excess of the highest paid Director). Remuneration ranged from £18,819 to £158,000 (for 2015/16, the range was £18,500 to £154,000).

Total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value (CETV) of pensions.

## Pension Benefits (subject to audit)

|                    | Accrued pension at pension age as at 31/03/17 and related lump sum £'000 | Real increase in pension and related lump sum at pension age £'000 | CETV at 31/03/17 £'000 | CETV at 31/03/16 £'000 | Real increase in CETV £'000 | Employer contribution to partnership pension account (nearest £100) |
|--------------------|--|--|------------------------|------------------------|-----------------------------|---|
| Adrienne Kelbie    | 10 - 15  | 2.5 - 5  | 156                    | 110                    | 31                          | -   |
| Richard Savage (a) | 50 - 55 plus a lump sum of 160 - 165                                     | 10 - 12.5 plus a lump sum of 30 - 32.5                             | 1,054                  | 818                    | 194                         | -   |
| Sarah High (b)     | 20 - 25  | 0 - 2.5  | 278                    | 258                    | 17                          | -   |
| David Senior       | 35 - 40 plus a lump sum of 105 - 110                                     | 0 - 2.5 plus a lump sum of 2.5 - 5                                 | 793                    | 736                    | 17                          | -   |

### Notes:

CETV are shown in respect of periods of Board appointment only.

(a) Richard Savage – CETV at 31 March 2016 has been re-calculated due to retrospective changes relating to salary data.

(b) Sarah High – CETV at 31 March 2016 has been replaced with value immediately before taking up appointment i.e. 31 December 2016.

## Civil Service Pensions (CSP)

Pension benefits are provided through the CSP arrangements. Although ONR staff from 1 April 2014 were no longer civil servants, ONR is included in Schedule 1 of the Superannuation Act 1972 which allows for staff of a publicly funded body to be included in the CSP arrangements.

From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.

All members who switch to alpha have their PCSPS benefits “banked”, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a “money purchase” stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.0% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of  $1/80^{\text{th}}$  of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of  $1/60^{\text{th}}$  of final pensionable earnings for each year of service.

Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on the member's pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the

member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

New Career Average pension arrangements were introduced from 1<sup>st</sup> April 2015 and the majority of classic, premium, classic plus and nuvos members joined the scheme.

Further details of the new scheme are available at:

<https://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

### **Cash Equivalent Transfer Values**

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individuals have accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **The real increase in CETV**

This is the element of the increase in accrued pension funded by the Exchequer. This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Compensation for loss of office (subject to audit)

David Senior, previously Executive member of the Board (and Deputy Chief Inspector and Director of Regulatory Assurance), left under voluntary exit terms on 31 March 2017. He received a compensation payment for loss of office of £95,000.

## Co-opted Non-Executive Audit and Risk Assurance Committee (ARAC) Member (subject to audit)

For 2016/17, fees and expenses amounting to £3,219 (compared to £3,200 for 2015/16) were paid to the independent (co-opted) member of the Audit and Risk Assurance Committee, as shown in the table below.

|                   | 2016/17<br>Total fees and expenses<br>£'000 | 2015/16<br>Total fees and expenses<br>£'000 |
|-------------------|---|---|
| Clifford Shanbury | 0 - 5                                       | 0 - 5                                       |

## Staff information

### Senior Civil Service (equivalent)

There were ten Senior Civil Service (equivalent) posts as at 31 March 2017. This was a decrease of one compared to the previous year. This was due to Les Philpott conducting his post of Deputy Chief Executive up until it was abolished as redundant following a decision by the ONR Board effective on 1 April 2016.

Les Philpott ceased to be an Executive member of the Board on 17 January 2016, and left the organisation under the Voluntary Exit scheme under the Civil Service Compensation Scheme arrangements on 1 April 2016. The total amount paid for this exit package was paid in 2015/16, details of which are enclosed in the ONR Annual Report and Accounts 2015/16.

| Full-time equivalents by pay band | Pay range              | 31 March 2017 | 31 March 2016 |
|-----------------------------------|------------------------|---------------|---------------|
| SCS 2 Equivalent (1)              | £82,900 to<br>£162,500 | 2             | 3             |
| SCS 1 Equivalent (2)              | £58,200 to<br>£117,800 | 8             | 8             |
| Total                             |                        | 10            | 11            |

### Recruitment into leadership positions

ONR has secured individuals to key leadership roles. These include a Finance Director (Sarah High); Policy and Communications Director (Dan Grice); and an Information and Technology Director (Mark Stanyer).

Anthony Hart has been appointed as Technical Director (SCS Band 1 level) following an external competition and took up the position early in 2017/18.

## Staff numbers

The average number of full-time equivalent posts was:

|         | Permanent staff (1) | Other staff (2) | Total |
|---------|---------------------|-----------------|-------|
| 2015/16 | 496                 | 4               | 500   |
| 2016/17 | 520                 | 3               | 523   |

### Notes:

1. Permanent staff includes those on permanent or fixed term contracts. This includes staff on secondment out of ONR, for whom the organisation remains responsible.
2. Other staff includes those engaged on the objectives of ONR (for example short term contract staff, agency/temporary staff, inward secondments where ONR is paying for the whole or the majority of their costs).

## Diversity

We have a legal and moral responsibility to ensure that everyone who comes into contact with us is treated fairly, with dignity and with respect for their personal circumstances. We are therefore committed to creating a culture of equality, diversity and inclusion throughout our organisation.

We have engaged with the UK National Equality Standard (NES) to undertake an assessment of diversity and inclusion within ONR and help us deliver our vision, strategy and action plan. The NES sets clear diversity and inclusion criteria against which organisations are independently assessed. It is utilised globally and the assessment will provide us with a detailed roadmap with recommendations to help us implement those areas requiring improvement. The Equality, Diversity and Inclusion Group will be instrumental in driving positive change and taking forward the recommendations from the NES assessment.

We have continued to deliver training to improve understanding and levels of awareness on issues of diversity and inclusion including to Board members. Our “name anonymous” recruitment is now embedded and we have delivered “unconscious bias” training to those most involved in recruitment.

ONR’s gender split has remained unchanged at 31.2% female staff compared with 2015/16. However, some significant changes have occurred, with the appointment of an additional two female Senior Civil Service equivalents in 2016/17. This has increased the cadre of females occupying Senior Civil Service equivalent roles from 9% at 31 March 2016 to 30% at 31 March 2017.

|   | 31 March 2017 |        | 31 March 2016 |        |
|---|---------------|--------|---------------|--------|
|   | Male          | Female | Male          | Female |
| Number of staff by gender (headcount)     |               |        |               |        |
| Directors (Non-executive)                 | 3             | 3      | 3             | 3      |
| Senior Civil Service equivalents*         | 7             | 3      | 10            | 1      |
| Permanently appointed staff (Bands 1 – 6) | 382           | 172    | 354           | 162    |
| Total                                     | 392           | 178    | 367           | 166    |

\*Senior Civil Service equivalents include David Senior, whose last day of service was 31 March 2017.



Although we had seen an increase in the declaration rates relating to ethnicity, disability and religious belief at 31 March 2017 compared to 31 March 2016, we continued to have low self-declaration rates relating to the various diversity characteristics, which mean we do not have an effective baseline against which our performance in the area of diversity (with the exception of age and gender) can be assessed. We will be working to address this in 2017/18.

Due to activity to access a more diverse pool of candidates, we have seen a significant increase in the number of staff under 30 years of age joining ONR.

***Self-declarations recorded against diversity characteristics at 31 March 2017:***

| <b>Ethnicity</b> | <b>Percentage (31 March 2017)</b> | <b>Percentage (31 March 2016)</b> |
|------------------|-----------------------------------|-----------------------------------|
| White            | 41%                               | 36%                               |
| Minority ethnic  | 2%                                | 2%                                |
| Not declared     | 57%                               | 62%                               |

| <b>Disability</b>        | <b>Percentage (31 March 2017)</b> | <b>Percentage (31 March 2016)</b> |
|--------------------------|-----------------------------------|-----------------------------------|
| Do not have a disability | 33%                               | 26%                               |
| Have a disability        | 1%                                | 1%                                |
| Prefer not to say        | 3%                                | 3%                                |
| Unknown                  | 63%                               | 70%                               |

| <b>Sexual orientation</b> | <b>Percentage (31 March 2017)</b> | <b>Percentage (31 March 2016)</b> |
|---------------------------|-----------------------------------|-----------------------------------|
| Heterosexual              | 37%                               | 39%                               |
| LGBT                      | 1%                                | 1%                                |
| Prefer not to say         | 16%                               | 18%                               |
| Unknown                   | 46%                               | 42%                               |

| <b>Religious belief</b> | <b>Percentage (31 March 2017)</b> | <b>Percentage (31 March 2016)</b> |
|-------------------------|-----------------------------------|-----------------------------------|
| Christian               | 31%                               | 21%                               |
| Other religious belief  | 3%                                | 2%                                |
| None                    | 10%                               | 9%                                |
| Prefer not to say       | 9%                                | 7%                                |
| Not known               | 47%                               | 61%                               |

| Age                | Percentage (31 March 2017) | Percentage (31 March 2016) |
|--------------------|----------------------------|----------------------------|
| Less than 30 years | 7.3%                       | 4.3%                       |
| 30 to 39 years     | 17.2%                      | 15.9%                      |
| 40 to 49 years     | 27.8%                      | 30.0%                      |
| 50 to 59 years     | 36.8%                      | 39.6%                      |
| 60 to 69 years     | 10.7%                      | 9.8%                       |
| 70 and over        | 0.2%                       | 0.4%                       |

To increase diversity and inclusion in ONR, we have collaborated with 'All About STEM', to establish an ONR cohort of STEM Ambassadors from across the organisation and the Nuclear Institute to improve the professionalism and diversity of staff in the nuclear sector.

We have been actively supporting STEM in the regions by engaging with pupils and teachers from local schools to provide living examples of how young people can apply STEM subjects to pursue interesting and rewarding in careers within the nuclear industry.

ONR has also actively supported Women in Nuclear UK (WiN UK). The Chief Executive is Patron of WiN UK and we have representation in the WiN North West Branch and are continuing to support their three year strategic plan to further gender balance in the nuclear sector by supporting their "Attraction, Retention and Progression" core element.

### ***Staff policies relating to disability***

ONR has a number of policies relating to employees (and potential employees) with disabilities:

- we have committed to being a "Disability Confident" (DC) employer and have registered at Level 1 and use the logo in our advertisements for vacancies across ONR;
- we aim to build our reputation as a DC employer and have committed to achieve Level 2 status in 2017/18;
- recruitment and selection – we continued to invite candidates to notify of any special requirements and to make adjustments to selection arrangements for individuals as appropriate;
- we supported employees with disabilities during their employment and training by obtaining occupational health advice relating to reasonable adjustments and implementing them, developing a policy regarding workplace adjustment passports to record and share information about agreed adjustments as an individual moves around the organisation and provided ONR staff with access to a workplace disability network, as well as other minority groups;
- we provided training on equality, diversity and inclusion, which included disability, for all staff and delivered bespoke recruitment and selection training incorporating "unconscious bias" for panel members to support selection of people with disabilities (and other minority groups) to join the organisation and on promotion.

## Staff costs (subject to audit)

|  | 2016/17                            |                |               | 2015/16        |
|--|------------------------------------|----------------|---------------|----------------|
|  | Permanently employed staff<br>£000 | Others<br>£000 | Total<br>£000 | Total<br>£000  |
| Wages & salaries                                       | 32,035                             | 123            | 32,158        | 30,822         |
| Social security costs                                  | 3,776                              | -              | 3,776         | 3,032          |
| Other pension costs                                    | 7,080                              | -              | 7,080         | 6,717          |
| <b>Total per Statement of Comprehensive Net income</b> | <b>42,891</b>                      | <b>123</b>     | <b>43,014</b> | <b>40,571</b>  |
| Less recoveries in respect of outward secondments      | (42)                               | -              | (42)          | (43)           |
| <b>Net Total</b>                                       | <b>42,849</b>                      | <b>123</b>     | <b>42,972</b> | <b>*40,528</b> |

\*In 2015/16 secondment recoveries were recorded as a reimbursement in Wages & Salaries. In 2016/17 they were recorded in Other Income. The 2015/16 Total per Statement of Comprehensive Net Income was £40,528k.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but ONR is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts>.

For 2016/17, employers’ contributions of £7.0 million were payable by ONR to the PCSPS (2015/16, £6.6 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016/17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £68,958 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2,445, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £92,366. Contributions prepaid at that date were nil.

### ***Ill-health retirement***

In 2016/17, two individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £28,620.

These liabilities were not the responsibility of ONR and were paid by the Civil Service Pension Scheme.

### **Sickness absence information**

Although sickness absence levels within ONR have risen slightly in comparison with 2015/16, they have remained relatively low against the benchmark of 5.50 for the public and wider energy sectors.

|  | 2016/17 | 2015/16 |
|--|---------|---------|
| Average number of working days lost due to sickness absence per person | 3.79    | 3.22    |

### **Exit packages – Civil Service and other compensation schemes (subject to audit)**

| Exit package cost band        | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|-------------------------------|-----------------------------------|-----------------------------------|--|
| <£10,000                      | -                                 | -                                 | -  |
| £10,000 - £25,000             | -                                 | -                                 | -  |
| £25,000 - £50,000             | -                                 | -                                 | -  |
| £50,000 - £100,000            | -                                 | 1 (1)                             | 1 (1)                                      |
| £100,000 - £150,000           | -                                 | -                                 | -  |
| £150,000 - £200,000           | -                                 | (1)                               | (1)  |
| Total number of exit packages | -                                 | 1 (2)                             | 1 (2)                                      |
| Total cost /£                 | -                                 | 95,000 (253,429)                  | 95,000 (253,429)                           |

*2015/16 figures shown (in brackets)*

The above figures include compensation for loss of office of £95,000 paid to David Senior (Deputy Chief Inspector and Director of Regulatory Assurance) with the approval of the Minister for the Cabinet Office on his voluntary exit under the Civil Service Compensation Scheme.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in the full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

**Off-payroll staff (includes temporary and consultancy)**

**High paid off-payroll appointments**

All off-payroll engagements as of 31 March 2017, for more than £220 per day and that have lasted longer than six months are as follows:

|   |          |
|---|----------|
| <b>Number of existing engagements as of 31 March 2017</b>           | <b>4</b> |
| Of which the number that have existed at the time of reporting for: |          |
| Less than one year  | 1        |
| Between one and two years   | 2        |
| Between two and three years   | 1        |
| Between three and four years  | 0        |
| Four or more years  | 0        |

All existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Secondes (four individuals) from other government departments, who are paid directly by those departments' payroll, are deemed to be low risk of failing to meet their personal tax liabilities and no further assurance is sought. For all other appointments outlined above, however, assurance is sought.

New off-payroll engagements or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that have lasted for longer than six months are as follows:

|  |   |
|--|---|
| Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017  | 3 |
| Number of the above which include contractual clauses giving ONR the right to request assurance in relation to income tax and National Insurance obligations | 3 |
| Number for whom assurance has been requested   | 3 |
| Of which.....  |   |
| Number for whom assurance has been received  | 3 |
| Number for whom assurance has not been received  | 0 |
| Number that have been terminated as a result of assurance not being received   | 0 |

Off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017:

|  |   |
|--|---|
| Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year.  | 1 |
| Total number of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure includes both on payroll and off-payroll engagements. | 1 |

The exceptional circumstance which led to the one off-payroll engagement was the urgent need to secure an individual to work as Finance Director at Board level. An individual was needed with financial management and accounting experience in a relevant public sector organisation to support ONR as a newly established public corporation, whilst the recruitment of a suitably experienced permanent appointee was undertaken. An external recruitment exercise for a Finance Director took place, with Sarah High being appointed as Finance Director on 1 June 2016. As such, the exceptional engagement ended on 30 June 2016 (started 9 March 2015).

### ***Nuclear Graduates Scheme***

In relation to other off-payroll appointments, ONR has sponsored four cohorts, totalling 29 participants, on the Nuclear Graduates Scheme - this is a nuclear industry-wide scheme that is run by Energus. ONR has chosen to sponsor individuals’ participation in the scheme to support its future talent pipeline.

Participants are employed by Energus for the two-year programme and undertake a number of placements within the sponsoring organisation as well as in other nuclear industry organisations. At the end of the scheme, ONR sponsored participants are offered permanent employment in ONR, subject to successfully meeting the standards set by the scheme and ONR. All seven graduates from the first cohort have accepted permanent offers of employment with the organisation and joined in October 2016.

ONR has obtained assurance from Energus that the organisation maintains full, true and accurate sets of accounts and records in connection with the Programme and all transactions related to them in accordance with generally accepted accounting principles in the United Kingdom.

### ***Consultancy***

ONR expenditure on consultancy totalled £323,000 and was paid to three suppliers.

This was for advice on matters including organisational design, economic impact of nuclear regulation and the effectiveness of ONR’s Board and Audit and Risk Assurance Committee.

# Parliamentary Accountability and Audit Report

## Regularity of Expenditure (subject to audit)

The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive of the Office for Nuclear Regulation as Accounting Officer for ONR with responsibilities for the propriety and regularity of the public finances for which she is answerable, for keeping proper records and for safeguarding assets as set out in 'Managing Public Money' published by HM Treasury.

## Fees and Charges (subject to audit)

Under the Energy Act 2013, ONR makes a full cost recovery for certain chargeable services and receives grant funding from the DWP for non-chargeable activities such as Safeguards and Transport Inspection. The tables below show ONR's income and a breakdown of the fees and charges:

| Income                       | 2016/17<br>£'000 | 2015/16<br>£'000 |
|------------------------------|------------------|------------------|
| Fees and charges (see below) | 68,203           | 60,872           |
| Grant from DWP               | 2,441            | 3,609            |
| Other sales/income           | 88               | 60               |
| <b>Total income</b>          | <b>70,732</b>    | <b>64,541</b>    |

| Breakdown of Fees and Charges      | 2016/17       |               |                     | 2015/16       |               |                     |
|------------------------------------|---------------|---------------|---------------------|---------------|---------------|---------------------|
|                                    | Income        | Cost          | Surplus / (deficit) | Income        | Cost          | Surplus / (deficit) |
|                                    | £'000         | £'000         | £'000               | £'000         | £'000         | £'000               |
| Licensing of nuclear installations | 40,278        | 40,278        | -                   | 40,074        | 40,074        | -                   |
| Civil Nuclear Security             | 9,585         | 9,585         | -                   | 7,800         | 7,800         | -                   |
| Generic Design Assessment          | 17,300        | 17,300        | -                   | 11,664        | 11,664        | -                   |
| Radioactive Materials Transport    | 772           | 772           | -                   | 1,058         | 1,058         | -                   |
| <b>Sub Total</b>                   | <b>67,935</b> | <b>67,935</b> | <b>-</b>            | <b>60,596</b> | <b>60,596</b> | <b>-</b>            |
| Other Fees and Charges             | 268           | 268           | -                   | 276           | 276           | -                   |
| <b>Total fees and charges</b>      | <b>68,203</b> | <b>68,203</b> | <b>-</b>            | <b>60,872</b> | <b>60,872</b> | <b>-</b>            |

## Statement of Losses and Special Payments

There have been no losses or special payments which exceed the £300k reporting threshold. There was one severance payment made of £95k. Further details can be found in the Remuneration and Staff Report on page 74.

## Remote Contingent Liabilities (subject to audit)

ONR has no contingent liabilities, remote or otherwise.

## Long Term Expenditure Trends

The following table shows actual costs and income for 2016/17 and the forecast for 2017/18. The majority of the forecast increases relate to anticipated growth in the number of nuclear specialists who will be recruited in order to meet the demand assumptions. These assumptions include anticipated growth in new GDA, applications for new site licences and new nuclear construction in the civil and defence sectors. As the work of ONR is governed by regulation activities, and is also demand driven by the industry, we have not presented forecasts for future years beyond 2017/18.

|                     | Actual        | Forecast      |
|---------------------|---------------|---------------|
|                     | 2016/17<br>£m | 2017/18<br>£m |
| <b>Costs</b>        |               |               |
| Staff               | 43.0          | 49.9          |
| Other               | 27.7          | 30.5          |
| <b>Total cost</b>   | <b>70.7</b>   | <b>80.4</b>   |
| <b>Income</b>       |               |               |
| Change to industry  | 68.3          | 78.6          |
| Grant               | 2.4           | 1.8           |
| <b>Total Income</b> | <b>70.7</b>   | <b>*80.4</b>  |

\*The forecast only includes resource expenditure and excludes capital expenditure of £0.7m.

**Adrienne Kelbie**

**Accounting Officer  
Chief Executive  
Office for Nuclear Regulation  
08 June 2017**



# **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Office for Nuclear Regulation for the year ended 31 March 2017 under the Energy Act 2013. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

## **Respective responsibilities of the Board, Accounting Officer and Auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Energy Act 2013. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office for Nuclear Regulation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office for Nuclear Regulation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Office for Nuclear Regulation's affairs as at 31 March 2017 and of net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Energy Act 2013 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Energy Act 2013; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**

**13 June 2017**

# Financial Statements

## Statement of Comprehensive Net Income for the year ended 31 March 2017

|   | Note | 2016/17<br>£'000 | 2015/16<br>£'000 |
|---|------|------------------|------------------|
| <b>Expenditure</b>  |      |                  |                  |
| Staff costs   | 2    | 43,014           | 40,528           |
| Other expenditure   | 3    | 27,718           | 24,013           |
| <b>Operating costs</b>  |      | <b>70,732</b>    | <b>64,541</b>    |
| Income  | 4    | (70,732)         | (64,541)         |
| <b>Net operating cost / (income) for the year</b>                 |      | -                | -                |
| <b>Total Comprehensive Net Income for the year ended 31 March</b> |      | -                | -                |

All income and expenditure is derived from continuing operations.

The comprehensive net income for the year shown above is zero because costs are wholly recovered either under statute from the nuclear industry or, for activities that are not covered by statute, they are funded by a grant from the Department for Work and Pensions.

The notes on pages 85 to 96 form part of these accounts.

## Statement of Financial Position as at 31 March 2017

|                                  | Note | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|----------------------------------|------|------------------------|------------------------|
| <b>Non-Current Assets</b>        |      |                        |                        |
| Property, plant and equipment    | 5    | 553                    | 647                    |
| Intangible assets                |      | 5                      | 4                      |
| <b>Total non-current assets</b>  |      | <b>558</b>             | <b>651</b>             |
| <b>Current assets</b>            |      |                        |                        |
| Trade and other receivables      | 6    | 15,176                 | 12,519                 |
| Cash and cash equivalents        | 7    | 2,284                  | 5,073                  |
| <b>Total current assets</b>      |      | <b>17,460</b>          | <b>17,592</b>          |
| <b>Total assets</b>              |      | <b>18,018</b>          | <b>18,243</b>          |
| <b>Current Liabilities</b>       |      |                        |                        |
| Trade and other payables         | 8    | (6,737)                | (6,962)                |
| <b>Total current liabilities</b> |      | <b>(6,737)</b>         | <b>(6,962)</b>         |
| <b>Assets less liabilities</b>   |      | <b>11,281</b>          | <b>11,281</b>          |
| <b>Equity</b>                    |      |                        |                        |
| General fund                     |      | 11,281                 | 11,281                 |
| <b>Total equity</b>              |      | <b>11,281</b>          | <b>11,281</b>          |

The Notes on pages 85 to 96 form part of these accounts

**Adrienne Kelbie**

**Accounting Officer  
Chief Executive  
Office for Nuclear Regulation  
08 June 2017**

## Statement of Cash Flows for the year ended 31 March 2017

|  | Note | 2016/17<br>£'000 | 2015/16<br>£'000 |
|--|------|------------------|------------------|
| <b>Cash flows from operating activities</b>  |      |                  |                  |
| Net operating cost   |      | -                | -                |
| Adjustments for non-cash transactions  | 3    | 158              | 169              |
| (Increase)/decrease in trade and other receivables   | 6    | (2,657)          | 1,194            |
| <i>Less movements in receivables relating to items not passing through the Statement Of Comprehensive Net Income</i> |      | (3)              | -                |
| (Decrease) in trade payables   | 8    | (225)            | (602)            |
| <i>Less movements in payables relating to items not passing through the Statement Of Comprehensive Net Income</i>    |      | (1)              | 10               |
| <b>Net cash outflow from operating activities</b>  |      | <b>(2,728)</b>   | <b>771</b>       |
| <b>Cash flows from investing activities</b>  |      |                  |                  |
| Purchase of property, plant and equipment  |      | (112)            | (14)             |
| Purchase of intangibles  |      | -                | -                |
| Proceeds of disposal of property, plant and equipment  |      | 51               | 32               |
| <b>Net cash outflow from investing activities</b>  |      | <b>(61)</b>      | <b>18</b>        |
| <b>Cash flows from financing activities</b>  |      |                  |                  |
| Loan repayments to DWP in year   |      | -                | (5,900)          |
| <b>Net financing</b>   |      | <b>-</b>         | <b>(5,900)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period</b>  |      | <b>(2,789)</b>   | <b>(5,111)</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>  | 7    | <b>5,073</b>     | <b>10,184</b>    |
| <b>Cash and cash equivalents at the end of the period</b>  | 7    | <b>2,284</b>     | <b>5,073</b>     |

The Notes on pages 85 to 96 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

|                                       | General Fund<br>£'000 |
|---------------------------------------|-----------------------|
| <b>Balance at 1 April 2015</b>        | 11,281                |
| Comprehensive net income for the year | -                     |
| <b>Balance at 31 March 2016</b>       | <b>11,281</b>         |
| Comprehensive net income for the year | -                     |
| <b>Balance at 31 March 2017</b>       | <b>11,281</b>         |

The General Fund represents the total assets less liabilities of ONR to the extent that the total is not represented by other reserves and financing items.

The Notes on pages 85 to 96 form part of these accounts.

## **Notes to the Accounts**

### **1 Statement of accounting policies**

#### **1.1 Basis of preparation and statement of compliance**

These financial statements have been prepared on a going concern basis and in accordance with the 2016/17 Government Financial Reporting Manual (FReM) ([www.gov.uk/government/publications/government-financial-reporting-manual-2016-to-2017](http://www.gov.uk/government/publications/government-financial-reporting-manual-2016-to-2017)) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of ONR, for the purposes of giving a true and fair view, has been selected. The particular accounting policies adopted by ONR are set out below. They have been applied consistently in dealing with the items that are considered material in relation to the accounts.

All amounts included in the financial statements have been rounded to the nearest thousand pounds unless stated otherwise.

#### **1.2 Accounting standards, interpretations and amendments**

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2017, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. The following standards relevant to ONR have been issued but are not yet effective:

- IFRS 9 Financial Instruments (effective from 1 January 2018);
- IFRS 15 Revenue from Contracts with customers (effective from 1 January 2018);
- IFRS 16 Leases (effective from 1 January 2019).

ONR will carry out a review to assess whether it is anticipated that there will be any material impacts upon the financial statements following the introduction of these standards which will be adopted once we are required to do so by the FReM.

#### **1.3 Accounting convention**

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of certain assets and liabilities at fair value, as determined by the relevant International Financial Reporting Standards.

#### **1.4 Interest on Capital**

Under Managing Public Money ONR is required to charge interest on capital (cost of capital) as a percentage of net assets. The amounts generated by this charge are retained by ONR and offset against any grant requirement from the sponsoring body. The charge is shown as cost of capital and the gross grant recorded as income.

#### **1.5 Government grants**

ONR is partly financed by a grant from the Department for Work and Pensions which covers costs that are not statutorily recoverable from industry. The grant is credited to the Statement of Comprehensive Net Income in the year in which it is receivable from DWP. It is recognised as income due to ONR's status as a public corporation.

## **1.6 Employee benefits**

In accordance with IAS 19 Employee benefits, short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that ONR has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to senior management are accrued to the extent that the total value of the bonuses can be measured reliably. If payable, general staff bonuses and bonuses relating to senior management are accrued in the year to which the performance relates and paid in the following financial year. The policy in relation to employee pensions is disclosed on page 67 in the Accountability Report.

IAS19 requires ONR to determine true short term employee benefit liability for employee leave. ONR calculates annual leave balances using an estimate of the amount of annual and flexi leave that staff have accumulated at year end.

## **1.7 Value added tax**

Most of ONR's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

## **1.8 Service Management Agreement with the Health & Safety Executive (HSE)**

ONR receives a fully managed service from HSE which includes accommodation, IT, telecommunications, communication services and other corporate services. The cost of this service is included in "other expenditure". Consequently, as HSE retain the risks and rewards of the relevant assets, ONR does not recognise any assets available under this Agreement.

## **1.9 Insurance**

Under the Energy Act 2013 ONR is not permitted to receive certain cover under Crown indemnity and has therefore purchased the following commercial insurances:

- Employer's liability compulsory insurance;
- Public liability insurance;
- Motor vehicle insurance for Private User Scheme (PUS) and hire car users;
- Overseas travel insurance.

Insurance costs are included in "Other" expenditure.

## **1.10 Revenue recognition**

Income principally comprises fees and charges for services that ONR provides to external customers on a full-cost recovery basis. It also includes grant funding from DWP.

ONR complies with IAS18 for all significant income streams and recognises revenue when earned. Earned income is assessed using time recording information and reliable estimates of recoverable costs.



### **1.11 Non-current and intangible assets policy**

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Items are pooled where a number of lower value assets in the same category (IT and furniture) are purchased.

#### **1.11(a) Intangible assets**

Intangible assets are initially measured at cost, with subsequent measurement at valuation. IT software is capitalised when the value is £5,000 or greater and is amortised over a period of 5 years or over the licence period if shorter.

#### **1.11(b) Property, plant and equipment**

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, ONR has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful economic life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles and furniture.

On initial recognition, assets are measured at cost, including any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to ONR and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Income during the financial period in which it is incurred.

#### **1.11(b)(i) Capitalisation and depreciation policy**

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

| <b>Asset category</b>               | <b>Capitalisation threshold</b> | <b>Depreciation/amortisation useful life</b>               |
|-------------------------------------|---------------------------------|--|
| <i>Leasehold improvements</i>       | £100,000                        | <i>Up to 20 years (over the period remaining on lease)</i> |
| <i>IT assets including software</i> | £5,000                          | <i>3 to 7 years</i>  |
| <i>Furniture &amp; Fittings</i>     | £5,000                          | <i>2 to 15 years</i>                                       |
| <i>Motor vehicles</i>               | £5,000                          | <i>3 to 5 years</i>  |

#### **1.11(b)(ii) Revaluation and impairment of non-current assets**

For the reasons of materiality, ONR does not revalue its non-property assets and therefore does not have a revaluation reserve.

All non-current assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The

recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Income.

### **1.12 Financial assets and liabilities**

Financial assets and liabilities are recognised when ONR becomes party to the contracts that give rise to them. It is ONR policy that no trading in financial instruments is undertaken.

#### **Loans and receivables**

The fair value of trade and other receivables is usually the original invoiced amount. Any changes in value are recognised in the Statement of Comprehensive Net Income.

Cash and cash equivalents comprise current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. ONR does not currently hold any petty cash balances.

#### **Financial liabilities**

Financial liabilities within trade payables and accruals are non-interest bearing and are recognised at fair value, which is usually the original invoiced amount.

#### **Impairment of financial assets**

ONR assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial instruments they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. Impairment losses are recognised in the Statement of Comprehensive Net Income.

### **1.13 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded, defined benefit, contributory, public service occupational pension scheme made under the Superannuation Act 1972. ONR recognises the expected cost of future pension liabilities, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, ONR recognises the contributions payable for the year.

The appointment of Non-Executive Board members is non-pensionable.

### **1.14 Leases**

Leases where the lessor retains a significant portion of the risks and rewards of ownerships are classified as operating leases and the rentals are charged to the Statement of Comprehensive Net Income on a straight line basis over the term of the lease.

ONR holds operating leases in respect of leasehold buildings in Bootle, London and Cheltenham.

### 1.15 *Going concern*

The financing of ONR is met through a combination of charges to the nuclear industry together with grant funding from the Department for Work and Pensions. The grant arrangement is agreed for the next reporting period and ONR's statutory obligations remain unchanged.

Consequently the going concern basis has been adopted for the preparation of these accounts.

### 1.16 *Contingent liabilities*

Contingent liabilities are disclosed in accordance with IAS 37.

In addition, ONR discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of "Managing Public Money".

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be discounted by IAS 37 are stated at the amounts reported to Parliament.

ONR does not have any contingent liabilities at 31 March 2017.

## 2 **Staff Costs**

|  | 2016/17                            |                |               | 2015/16        |
|--|------------------------------------|----------------|---------------|----------------|
|  | Permanently employed staff<br>£000 | Others<br>£000 | Total<br>£000 | Total<br>£000  |
| Wages & salaries                                       | 32,035                             | 123            | 32,158        | 30,822         |
| Social security costs                                  | 3,776                              | -              | 3,776         | 3,032          |
| Other pension costs                                    | 7,080                              | -              | 7,080         | 6,717          |
| <b>Total per Statement of Comprehensive Net income</b> | <b>42,891</b>                      | <b>123</b>     | <b>43,014</b> | <b>40,571</b>  |
| Less recoveries in respect of outward secondments      | (42)                               | -              | (42)          | (43)           |
| <b>Net Total</b>                                       | <b>42,849</b>                      | <b>123</b>     | <b>42,972</b> | <b>*40,528</b> |

\*In 2015/16 secondment recoveries were recorded as a reimbursement in Wages & Salaries. In 2016/17 they were recorded in Other Income. The 2015/16 Total per Statement of Comprehensive Net Income was £40,528k.

Further details of staff costs and related expenditure can be found on page 73 in the Accountability Report.

### 3 Other Expenditure

|  | 2016/17<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| Services provided by Health & Safety Executive** | 7,784            | 7,538            |
| Technical support                                | 9,044            | 7,101            |
| Travel and subsistence                           | 3,250            | 2,734            |
| Industry security vetting                        | 1,722            | 1,976            |
| Personnel related costs                          | 1,328            | 1,012            |
| Interest on capital *                            | 459              | 456              |
| Interest payable on loan from DWP                | -                | 114              |
| Auditors remuneration                            | 50               | 50               |
| Other expenditure                                | 3,923            | 2,863            |
| <b>Non-cash items</b>                            |                  |                  |
| Depreciation and amortisation                    | 140              | 165              |
| (Profit) / Loss on disposal                      | 15               | 4                |
| Other non-cash                                   | <u>3</u>         | =                |
|  | 158              | 169              |
| <b>Total</b>                                     | <b>27,718</b>    | <b>24,013</b>    |

\* Interest on capital represents cost of capital charged calculated at 3.5% of net assets.

\*\* Services are provided by the Health & Safety Executive because ONR occupies part of its Liverpool site and these include:

|                          | 2016/17<br>£'000 | 2015/16<br>£'000 |
|--------------------------|------------------|------------------|
| Accommodation            | 4,059            | 4,041            |
| IT / telecommunications  | 2,674            | 2,311            |
| Communication services   | 41               | 212              |
| Other corporate services | 1,010            | 974              |
| <b>Total</b>             | <b>7,784</b>     | <b>7,538</b>     |

### 4 Income

The activities of ONR include certain chargeable services, each of which is subject to a financial objective of full cost recovery. Memorandum Trading Accounts are prepared where the cost of a particular service exceeds £1,000,000. The charges for these activities include provision for the recovery of notional insurance and cost of capital. Information is supplied to satisfy HM Treasury's Fees and Charges purposes, not for IFRS purposes.

| Income                       | 2016/17<br>£'000 | 2015/16<br>£'000 |
|------------------------------|------------------|------------------|
| Fees and charges (see below) | 68,203           | 60,872           |
| Grant from DWP               | 2,441            | 3,609            |
| Other sales/income           | 88               | 60               |
| <b>Total income</b>          | <b>70,732</b>    | <b>64,541</b>    |

| Breakdown of Fees and Charges      | 2016/17       |               |                     | 2015/16       |               |                     |
|------------------------------------|---------------|---------------|---------------------|---------------|---------------|---------------------|
|                                    | Income        | Cost          | Surplus / (deficit) | Income        | Cost          | Surplus / (deficit) |
|                                    | £'000         | £'000         | £'000               | £'000         | £'000         | £'000               |
| Licensing of nuclear installations | 40,278        | 40,278        | -                   | 40,074        | 40,074        | -                   |
| Civil Nuclear Security             | 9,585         | 9,585         | -                   | 7,800         | 7,800         | -                   |
| Generic Design Assessment          | 17,300        | 17,300        | -                   | 11,664        | 11,664        | -                   |
| Radioactive Materials Transport    | 772           | 772           | -                   | 1,058         | 1,058         | -                   |
| <b>Sub Total</b>                   | <b>67,935</b> | <b>67,935</b> | <b>-</b>            | <b>60,596</b> | <b>60,596</b> | <b>-</b>            |
| Other Fees and Charges             | 268           | 268           | -                   | 276           | 276           | -                   |
| <b>Total fees and charges</b>      | <b>68,203</b> | <b>68,203</b> | <b>-</b>            | <b>60,872</b> | <b>60,872</b> | <b>-</b>            |

Analysis of revenue by major customer (>10% of revenue)

| Revenue    | 2016/17<br>£'000 | 2015/16<br>£'000 |
|------------|------------------|------------------|
| Customer 1 | 19,917           | 18,206           |
| Customer 2 | 12,604           | 11,653           |
| Customer 3 | 10,347           | 7,590            |

Customers are not named for reasons of commercial confidentiality.

## 5 Property, Plant and Equipment

| 2016/17                  | Leasehold Improvements | Information Technology | Motor Vehicles | Furniture and Fittings | Total      |
|--------------------------|------------------------|------------------------|----------------|------------------------|------------|
|                          | £'000                  | £'000                  | £'000          | £'000                  | £'000      |
| <b>Cost or valuation</b> |                        |                        |                |                        |            |
| At 1 April 2016          | 266                    | 2                      | 569            | 112                    | 949        |
| Additions                | -                      | 9                      | -              | 104                    | 113        |
| Disposals                | -                      | (2)                    | (102)          | (8)                    | (112)      |
| <b>At 31 March 2017</b>  | <b>266</b>             | <b>9</b>               | <b>467</b>     | <b>208</b>             | <b>950</b> |

|                         |            |          |            |           |            |
|-------------------------|------------|----------|------------|-----------|------------|
| <b>Depreciation</b>     |            |          |            |           |            |
| At 1 April 2016         | 104        | 2        | 168        | 28        | 302        |
| Charged in year         | 51         | 1        | 70         | 19        | 141        |
| Disposals during year   | -          | (2)      | (42)       | (2)       | (46)       |
| <b>At 31 March 2017</b> | <b>155</b> | <b>1</b> | <b>196</b> | <b>45</b> | <b>397</b> |

|   |            |          |            |            |            |
|---|------------|----------|------------|------------|------------|
| <b>Carrying amount at 31 March 2016</b> | <b>162</b> | <b>-</b> | <b>401</b> | <b>84</b>  | <b>647</b> |
| <b>Carrying amount at 31 March 2017</b> | <b>111</b> | <b>8</b> | <b>271</b> | <b>163</b> | <b>553</b> |

|                        |     |   |     |     |     |
|------------------------|-----|---|-----|-----|-----|
| <b>Asset financing</b> |     |   |     |     |     |
| Owned                  | 111 | 8 | 271 | 163 | 553 |

| 2015/16                  | Leasehold Improvements | Information Technology | Motor Vehicles | Furniture and Fittings | Total      |
|--------------------------|------------------------|------------------------|----------------|------------------------|------------|
|                          | £'000                  | £'000                  | £'000          | £'000                  | £'000      |
| <b>Cost or valuation</b> |                        |                        |                |                        |            |
| At 1 April 2015          | 266                    | 2                      | 619            | 107                    | 994        |
| Additions                | -                      | -                      | -              | 5                      | 5          |
| Disposals                | -                      | -                      | ( 50 )         | -                      | ( 50 )     |
| <b>At 31 March 2016</b>  | <b>266</b>             | <b>2</b>               | <b>569</b>     | <b>112</b>             | <b>949</b> |

|                         |            |          |            |           |            |
|-------------------------|------------|----------|------------|-----------|------------|
| <b>Depreciation</b>     |            |          |            |           |            |
| At 1 April 2015         | 52         | 2        | 89         | 14        | 157        |
| Charged in year         | 52         | -        | 93         | 14        | 159        |
| Disposals during year   | -          | -        | ( 14 )     | -         | ( 14 )     |
| <b>At 31 March 2016</b> | <b>104</b> | <b>2</b> | <b>168</b> | <b>28</b> | <b>302</b> |

|   |            |          |            |           |            |
|---|------------|----------|------------|-----------|------------|
| <b>Carrying amount at 31 March 2016</b> | <b>162</b> | <b>-</b> | <b>401</b> | <b>84</b> | <b>647</b> |
|---|------------|----------|------------|-----------|------------|

|                        |     |   |     |    |     |
|------------------------|-----|---|-----|----|-----|
| <b>Asset financing</b> |     |   |     |    |     |
| Owned                  | 162 | - | 401 | 84 | 647 |

In the year ONR occupied three buildings in Liverpool, Cheltenham and London under operating leases. As part of its Service Management Agreement with HSE, ONR has use of IT equipment and furniture and therefore holds few IT assets.

Leasehold improvements refer to the capitalisation of property refurbishments at the Cheltenham office.

Motor vehicles are held by operational staff across ONR under the Private User Scheme (PUS). The PUS is an arrangement where ONR provided officers with a lease vehicle for a period of 3-5 years. Officers must meet certain qualifying conditions (job role, business usage, mileage, etc.) to be eligible for the scheme. Access to the scheme ended on 30 September 2014 for new applications and no new scheme is planned.

## 6 Trade receivables and other current assets

### (a) Analysis by type

|  | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Amounts falling due within one year</b> |               |               |
| Trade receivables                          | 5,270         | 3,492         |
| Deposits and advances                      | 44            | 34            |
| Prepayments and accrued income             | 9,860         | 8,993         |
| Other receivables                          | 2             | -             |
| <b>Net Receivables</b>                     | <b>15,176</b> | <b>12,519</b> |

### (b) Intra-government balances

The following tables analyse total trade and other receivable balances across the categories shown:

|   | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| <b>Amounts falling due within one year</b>          |               |               |
| Balances with other central government bodies       | 3,253         | 2,858         |
| Balances with NHS trusts                            | -             | 22            |
| Balances with public corporations and trading funds | 108           | 78            |
| <b>Sub-total: intra-government balances</b>         | <b>3,361</b>  | <b>2,958</b>  |
| Balances with bodies external to government         | 11,815        | 9,561         |
| <b>Total receivables</b>                            | <b>15,176</b> | <b>12,519</b> |

## 7 Cash and cash equivalents

|   | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|---|------------------------|------------------------|
| Balance at 1 April                              | 5,073                  | 10,184                 |
| Net change in cash and cash equivalent balances | (2,789)                | (5,111)                |
| <b>Balance at 31 March</b>                      | <b>2,284</b>           | <b>5,073</b>           |
| <b>Represented by:</b>                          |                        |                        |
| Government Banking Service                      | 2,284                  | 5,073                  |
| <b>Balance at 31 March</b>                      | <b>2,284</b>           | <b>5,073</b>           |

## 8 Trade and other payables

### (a) Analysis by type

|  | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|--|------------------------|------------------------|
| <b>Amounts falling due within one year</b> |                        |                        |
| Taxation and social security               | 1,098                  | 987                    |
| Superannuation                             | 814                    | 774                    |
| VAT  | 107                    | 48                     |
| Trade payables: non-capital                | 1,228                  | 362                    |
| Capital payables and accruals              | 1                      | -                      |
| Other payables                             | 4                      | 10                     |
| Accruals and deferred income               | 3,485                  | 4,781                  |
| <b>Total</b>                               | <b>6,737</b>           | <b>6,962</b>           |

### (b) Intra-government balances

|   | 31 March 2017<br>Amounts falling due within one year<br>£'000 | 31 March 2016<br>Amounts falling due within one year<br>£'000 |
|---|---|---|
| Balances with other central government bodies       | 3,545   | 4,392   |
| Balances with Local Authorities                     | -   | -   |
| Balances with NHS trusts                            | 34  | 63  |
| Balances with public corporations and trading funds | 38  | 39  |
| <b>Sub-total: intra-government balances</b>         | <b>3,617</b>  | <b>4,494</b>  |
| Balances with bodies external to government         | 3,120   | 2,468   |
| <b>Total trade and other payables</b>               | <b>6,737</b>  | <b>6,962</b>  |



## 9 Capital commitments

There were no capital commitments at 31 March 2017.

## 10 Commitments under non-PFI operating leases

Total future minimum lease payments under operating leases relating to ONR's offices in Liverpool, London and Cheltenham are given in the table below, for each of the following periods:

| Obligations under operating leases           | 31 March 2017      | 31 March 2016      |
|--|--------------------|--------------------|
|  | Buildings<br>£'000 | Buildings<br>£'000 |
| Not later than 1 year                        | 3,271              | 3,584              |
| Later than 1 year and not later than 5 years | 4,263              | 7,496              |
| Later than 5 years                           | -                  | -                  |
| <b>Total Committed</b>                       | <b>7,534</b>       | <b>11,080</b>      |

## 11 Other financial commitments

ONR has entered into non-cancellable contracts which are not leases or PFI contracts.

These commitments relate to the service management agreement with HSE, shared services costs and other costs relating to accommodation leases.

| The total payments to which ONR is committed are as follows: | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Not later than 1 year  | 4,429         | 4,545         |
| Later than 1 year and not later than 5 years                 | 1,130         | 1,945         |
| Later than 5 years   | -             | -             |
| <b>Total Committed</b>                                       | <b>5,559</b>  | <b>6,490</b>  |

## 12 Related party transactions

ONR is a statutory body accountable to the Secretary of State for Work and Pensions and is classified as a public corporation. DWP is ONR's sponsoring Department and the two bodies are regarded as related parties. During 2016/17, ONR had significant transactions with DWP.

ONR was previously an in-house agency of HSE and occupies its head office under a Service Management Agreement. Details of charges under this agreement in 2016/17 are set out in Note 3.

In addition ONR had a number of significant transactions with Ministry of Defence.

No board members or senior managers have undertaken any significant transactions with ONR or received benefits from ONR suppliers other than declared hospitality during the year.

### **13 Financial instruments**

The cash requirements of ONR are met through grant funding provided by DWP which plays a more limited role in creating and managing risk compared with a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with ONR's expected purchase and usage requirements and ONR is therefore exposed to little credit, liquidity or market risk.

### **14 Events after the reporting period**

IAS 10 requires ONR to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

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