



Office for  
Nuclear Regulation

**OFFICE FOR NUCLEAR  
REGULATION  
ANNUAL REPORT  
AND ACCOUNTS  
2018/19**

HC 2271





---

# OFFICE FOR NUCLEAR REGULATION ANNUAL REPORT AND ACCOUNTS 2018/19

Presented to Parliament pursuant to Paragraphs 21, 24 and 25(3) of Schedule 7 to the Energy Act 2013.

Ordered by the House of Commons to be printed on 20 June 2019.

**HC 2271**



© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit:  
[nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: [www.gov.uk/official-documents](http://www.gov.uk/official-documents) and [www.onr.org.uk](http://www.onr.org.uk)

Any enquiries regarding this publication should be sent to us at [contact@onr.gov.uk](mailto:contact@onr.gov.uk).

ISBN 978-1-5286-0879-4

CCS1118984353

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

---

# CONTENTS

|   |  |     |
|---|--|-----|
| 1 | PERFORMANCE REPORT .....   | 6   |
|   | Chair's Foreword .....   | 8   |
|   | Chief Executive's Foreword .....   | 10  |
|   | Chief Nuclear Inspector's Statement .....  | 12  |
|   | Performance overview .....   | 14  |
|   | Who we are .....   | 14  |
|   | What we do .....   | 15  |
|   | Where we do it .....   | 17  |
|   | Key Issues and Risks .....   | 19  |
|   | Going concern .....  | 20  |
|   | ONR in numbers - 2018/19 .....   | 22  |
|   | Performance Summary .....  | 24  |
|   | Financial Performance .....  | 26  |
| 2 | PERFORMANCE ANALYSIS .....   | 30  |
|   | Strategic Theme 1 – Influencing improvements in nuclear sector safety and security .....               | 31  |
|   | Strategic Theme 2 – Inspiring a climate of stakeholder respect, trust and confidence .....             | 58  |
|   | Strategic Theme 3 – Getting the best out of our people .....   | 66  |
|   | Strategic Theme 4 – Developing a high-performing, sustainable organisation .....                       | 70  |
| 3 | ACCOUNTABILITY REPORT .....  | 78  |
|   | Corporate Governance Report .....  | 79  |
|   | Directors' Report - Composition of ONR's Board .....   | 79  |
|   | Sickness Absence .....   | 85  |
|   | Governance Statement .....   | 87  |
|   | Statement of Chief Executive's Responsibilities .....  | 110 |
|   | Chief Executive's statement .....  | 110 |
|   | Remuneration and Staff Report (including Gender Pay Report) .....                                      | 111 |
|   | Remuneration Policy .....  | 112 |
|   | Staff Information .....  | 119 |
|   | 2019 Gender Pay Report .....   | 124 |
|   | Parliamentary Accountability and Audit Report .....  | 132 |
|   | The Certificate and Report of the Comptroller and Auditor General to the Houses Of<br>Parliament ..... | 134 |
| 4 | FINANCIAL STATEMENTS .....   | 138 |

1

PERFORMANCE  
REPORT





**ONR** Office for  
Nuclear Regulation

## OVERVIEW

### CHAIR'S FOREWORD

In my final contribution as Chair for the Office for Nuclear Regulation (ONR), I am delighted to report that ONR has delivered its mission and vision. Last year, we continued to influence and improve nuclear safety and security through our enabling approach to safety and making progress to implement Security Assessment Principles (SyAPs) rollout. We have also developed a new safeguards capability in preparation for the UK leaving the European Union (EU), ensuring the UK can continue to meet international non-proliferation obligations. In doing all these, we have protected the workforce and the public.



**Nick Baldwin CBE**

ONR Chair until 31 March 2019

We have delivered safety and security outcomes, taking appropriate enforcement action where required, including four prosecutions.

We continued to recruit and develop many new staff, and sought to become a role model for improved diversity in the nuclear sector, with many staff short-listed for talent awards for the first time, and a few winners, demonstrating the calibre and commitment of our people.

I am confident in the senior team's leadership of ONR, with a single-minded purpose, improved corporate cohesion, and appropriate balance between short, medium and long-term outcomes. This has led to improved staff satisfaction, a transformation in our approach to capability and capacity building through the ONR Academy - a strategic improvement project designed to enhance our learning and development offering - and the first steps towards a world-class regulatory information and knowledge management system.

We said farewell, with thanks, to Jonathan Baume, the Health and Safety Executive's (HSE's) appointed Non-Executive Member of the ONR Board and, after eight years, I too leave the Board in the capable hands of Mark McAllister who takes the reins on 1 April 2019.

All of this is possible only due to the talented and hard-working staff who choose ONR as their employer. Their enthusiasm, determination and loyalty remain a true constant in ONR's remarkable history for which I thank them all. I would also like to thank my Board Members for their integrity, dedication, wise counsel and generous support at all times.

It has been my pleasure to serve ONR, to see it mature as an excellent regulator, and to help it grow into a truly world-class organisation in every sense.

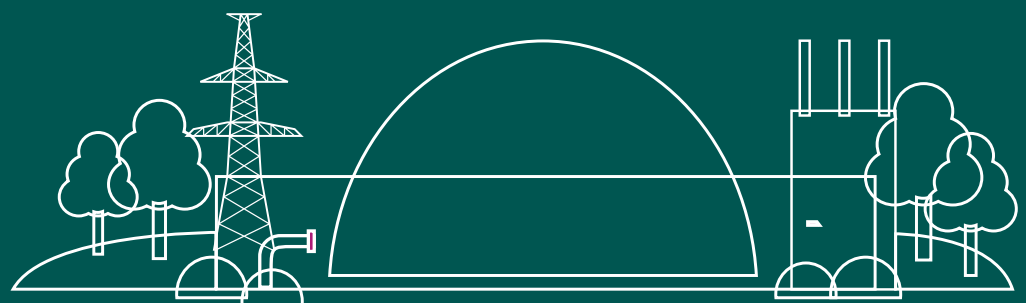
**Nick Baldwin CBE**

ONR Chair



---

OUR MISSION IS TO  
PROVIDE EFFICIENT AND  
EFFECTIVE REGULATION OF  
THE NUCLEAR INDUSTRY,  
HOLDING IT TO ACCOUNT  
ON BEHALF OF THE PUBLIC



---

## CHIEF EXECUTIVE'S FOREWORD

I feel proud and privileged to have led ONR through a busy and challenging year where we became stronger than ever.

We have continued to deliver our prime purpose of ensuring public safety, while maturing our supporting functions and our corporate ways of working. With one more year of our 2015-2020 strategy ahead, I am delighted that we are on a smooth track to deliver our promises in an uncertain environment.

While priding ourselves on our regulatory record, ONR is increasingly outwards and future-focussed, learning lessons from many sectors, and delivering significant change well for the short and longer terms.

We worked flexibly to deliver effective regulation to a busy agenda, responding to challenges throughout the nuclear lifecycle. This included advising government regarding new nuclear technology and innovation, assessing designs for new build, responding to economic changes and market decisions, and regulating the Hinkley Point C build. We've regulated ageing reactors effectively, which has brought increased technical challenges on graphite cracking. And in decommissioning, fuel and waste, we've supported industry to progress remediation of many long-standing hazards in the UK.



**Adrienne Kelbie**  
Chief Executive

---

## OUR COMMITMENT TO WORK MORE OPENLY HAS IMPROVED STAKEHOLDER PERCEPTIONS AND LED TO STRONGER ENGAGEMENT WITH THOSE WHO DO NOT FORM PART OF INDUSTRY OR GOVERNMENT.

---

We established a new UK State System of Accountancy for and Control of Nuclear Materials (UK SSAC) function in readiness for a departure from Euratom and developed new emergency planning arrangements for rollout in 2019. The implementation of our SyAPs has needed more time than anticipated, so we adjusted our plans to ensure we focussed on the quality outcomes it is intended to support.

Our commitment to work more openly has improved stakeholder perceptions and led to stronger engagement with those who do not form part of industry or government. New ways of working laid out in this report enabled a more diverse audience on key topics, providing greater clarity about what we do and how we do it. I am grateful for the effective working relationships with government, industry, Non-Governmental Organisations (NGOs), academics, the media and our regulatory peers.

---

Of great importance to ONR is our focus on becoming an even better organisation for our people. Focussed leadership, with a unified senior team, improved diversity and inclusion and the many changes brought to our culture and ways of working has led to our best ever staff survey results, an extremely encouraging sign for our future. I am proud that our new Academy is developing all staff, at all grades and career stages through modern in-house learning, firmly developing our capability as fast as we have grown our capacity.

Lastly, we continued to modernise our organisation. Projects include the development of our IT estate, information governance changes to accommodate the General Data Protection Regulation (GDPR), an improved Enforcement Management Model and commencement of our Well Informed Regulatory Decisions (WIReD) knowledge management project. WIReD will transform the way we work by enhancing our ability to work as a collective team, sharing knowledge, accessing data and working remotely.

Overall, this has been an excellent year for ONR, and I offer my heartfelt thanks to our wonderful staff who work tirelessly to ensure we can be the best we can be. Talented and committed to their public service, they instil great confidence in ONR's future.

**Adrienne Kelbie**

Chief Executive

## CHIEF NUCLEAR INSPECTOR'S STATEMENT

During my first full year as ONR's Chief Nuclear Inspector, I have continued to feel privileged to lead our dedicated and highly experienced staff in the delivery of our core regulatory purpose. Based on the work of my regulatory team and the evidence that they have gathered, I am pleased to report my judgement that the majority of UK nuclear dutyholders have continued to achieve the high standards of safety and security that society expects.

The table on page 38 shows that a small number of licensees and other dutyholders will receive significantly enhanced and enhanced regulatory attention during 2019/20. This year, to improve transparency, we have provided the underlying factors that have informed the enhanced levels of regulatory attention assigned to certain dutyholders. As the public would expect, we have also strengthened our arrangements for measuring and reporting on the effectiveness of our regulatory strategies in securing improvements that will enable dutyholders to return to routine levels of regulatory attention in a timely manner.



**Mark Foy**  
Chief Nuclear Inspector

## THE MAJORITY OF UK NUCLEAR DUTYHOLDERS HAVE CONTINUED TO ACHIEVE THE HIGH STANDARDS OF SAFETY AND SECURITY THAT SOCIETY EXPECTS

I am pleased that we now stand ready to deliver the UK SSAC, which will enable the UK to meet international safeguards obligations following the UK's exit from Euratom and am delighted to report that we have warranted our first cohort of new Safeguards inspectors. Having completed this first phase of our SSAC project, continued focus is required to ensure we deliver the final phase that will establish broader Euratom equivalent arrangements which meet government expectations for the final UK SSAC.

We have also demonstrated our ability to respond to uncertainty in the nuclear new build sector that led to the demise of two major projects. This saw the timely re-deployment of a number of my inspectors to work that we had previously decided to defer, or to other posts that we had been seeking to recruit to.

Our ability to respond quickly to the reduced demand was important for our staff and the industry, but maintaining this level of flexibility in the future will become increasingly difficult.

We have maintained our contribution to the global nuclear safety and security regime, influencing international standards and improving our own, as we have learnt from others' good practices. We have also committed to the UK government and our international partners that we will continue to work collaboratively with the European Nuclear Safety Regulators Group (ENSREG) following the UK's exit from the EU, in the interests of promoting and strengthening standards of nuclear safety and security at a global level.

---

Following the presentation of a report to the 6th review meeting of the International Atomic Energy Agency's (IAEA's) Joint Convention on the Safety of Spent Fuel Management and the Safety of Radioactive Waste Management in May 2018, I was pleased that the UK received the accolade of a rare 'good practice' from other Member States, in recognition of the UK's application of the waste hierarchy.

During October 2019, the UK will welcome the IAEA's Integrated Regulatory Review Service (IRRS) team, which will assess the adequacy of the UK's legal and regulatory framework for nuclear and radiological safety. I am confident that the IRRS team will continue to recognise ONR's regulatory framework as robust and effective in delivering our mission, but we remain prepared for any areas of improvement that the peer review team identify.

In the autumn, ONR will publish an annual report that details my CNI assessment of industry's safety and security performance across the UK. It is my intention that this report will provide the public and our wider stakeholders with a comprehensive analysis and insight into our regulatory activity across the nuclear estate in addition to the wider transport of radioactive materials undertaken across the industrial and medical sectors. The report will provide evidence of the outcomes that we are influencing, it will incorporate an analysis of events reported to ONR during the 2018 calendar year and provide an annual statement on progress against the research commissioned by ONR.

Recognising our role in enabling the development of advanced nuclear technologies as part of the government's wider clean growth strategy, I have initiated a strategic review of our future regulation of innovation in the industry and how ONR itself can continue to modernise its approach to regulation. To better inform our considerations, we have started to work with our international partners to explore common challenges and opportunities, as well as reaching out to a broad range of organisations in the UK.

It is timely for me to recognise the significant contribution from our outgoing Chair, Nick Baldwin CBE, in his stewardship of ONR in our journey to the mature organisation we are today. It has been another busy and successful year for ONR. I am now looking ahead to 2019/20 with much enthusiasm and confidence in my team to regulate effectively in a dynamic nuclear landscape, and as we continue to shape our focus for 2020 to 2025.

**Mark Foy**

Chief Nuclear Inspector

---

## PERFORMANCE OVERVIEW

The overview section provides a short summary of ONR's role, our purpose, the key risks, to the achievement of our objectives and how we have performed in the year.

### WHO WE ARE

ONR is the UK's independent nuclear regulator of nuclear safety, security and conventional health and safety at licensed nuclear sites<sup>1</sup> in Great Britain (GB). This includes the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites, as well as licensed defence sites (except for security which remains within Ministry of Defence's (MoD) remit), together with the regulation of new nuclear facilities. We also regulate the transport of civil nuclear and radioactive materials, the regulation of the transport of Defence Nuclear material remains a MoD function.

Our nuclear security regulation covers approval of security arrangements within the civil nuclear industry and provides regulatory oversight for the security of transportation of civil nuclear materials. The Government has assigned ONR with responsibility for regulating nuclear safeguards (in respect of nuclear materials accountancy and control) after the UK departs from the EU and Euratom, to ensure the UK can continue to meet its international safeguards obligations.

We are an independent, public corporation, 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.

During 2018/19 we were governed by an eleven-strong unitary Board comprising, Chair, six independent Non-Executive Directors and four Executive Directors, who support the work of approximately 600 staff across our three offices in Bootle, Cheltenham and London.

Our Chief Executive, Adrienne Kelbie, is personally and directly accountable for the leadership and executive delivery of the organisation and for ensuring all funds are spent in accordance with Parliament's intentions and in accordance with HM Treasury's 'Managing Public Money' guidance and other relevant governing guidance and instructions.

The ONR Board is responsible for our regulatory strategy. The Board has delegated all regulatory decisions to our Chief Nuclear Inspector, Mark Foy, who is personally and directly accountable for ensuring that regulatory activities are targeted effectively, properly discharged and that regulatory decisions are proportionate and consistent. He provides assurance to the Board that regulatory decisions are being made appropriately within the legal requirements of the Energy Act 2013.

---

<sup>1</sup> For security purposes, ONR regulates other organisations who hold sensitive nuclear information (SNI).

---

## WHAT WE DO

Our vision is to become an exemplary regulator that inspires respect, trust and confidence. Our mission is to provide efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public.

In areas where the law is not prescriptive, the UK operates a goal-setting approach to nuclear safety, nuclear security and conventional health and safety. We seek to ensure the required high standards of safety and security in the nuclear sector are met.

Our duty is to ensure that the nuclear industry reduces risks to workers and the public so far as is reasonably practicable, controls hazards effectively and has a culture of continuous improvement.

In respect of nuclear safeguards, currently, ONR monitors safeguards performance in the UK, supporting and intervening as necessary with UK dutyholders and/or Euratom and the IAEA to ensure that safeguards obligations in the UK are met in a proportionate manner.

Over the last 12 months we worked in cooperation with industry to ensure that the IAEA and Euratom inspection activities in the UK were undertaken efficiently and allowed the IAEA and Euratom to collect the evidence they require to draw their safeguards conclusions. ONR ensured that the UK operators' accountancy declarations were delivered to Euratom on time and collated information from industry to produce obligated reports to the IAEA in accordance with the Voluntary Offer Agreement (VOA) and the Additional Protocol (AP). These inspections and reports have enabled the IAEA and Euratom to provide international assurance that the UK has complied with its obligations as set out in the VOA and AP.

During 2018/19 we followed our goal-setting approach which places clear accountability on dutyholders to achieve the required high standards of nuclear safety and security, but allows innovative and flexible solutions that reflect local circumstances. By working more openly with stakeholders, a collective view of risk and potential solutions in the interests of safe and secure operations can be adopted and, in turn, relevant good practice shared with others to encourage continuous improvement.

Our enabling approach to regulation means that we take a constructive position with dutyholders and other stakeholders to facilitate effective delivery against clear, agreed and prioritised safety and security outcomes. The focus is on strengthening industry accountability, while enabling dutyholders to discharge their accountabilities in an efficient and effective way. This approach is captured in our guide: 'Holding to Account and Influencing Improvements – a Guide to Enabling Regulation in Practice'.

We regulate safety and security during the transport of civil radioactive material by road, rail and inland waterways in GB. We advise on the transportation of nuclear and radioactive material by air and sea within the UK's territorial waters. This includes the movement of flasks carrying spent nuclear fuel from operating and decommissioning nuclear reactors and radio-pharmaceuticals needed for hospitals.

---

We carry out a range of regulatory activities to assure the safe transport of radioactive materials. We grant approval for the designs of packages used to carry high-hazard radioactive materials. This is to ensure they meet exacting international safety standards and the packages are built to robust quality assurance plans and are correctly used and maintained. Regulation is also carried out through a programme of targeted, risk-informed inspections and engagement with dutyholders.

We are open and transparent and provide information on our regulatory activities on our website, through face-to-face engagement activities and our responses to questions, enquiries and concerns.

We have engaged with local stakeholder groups and local liaison committees at licenced sites, and with NGOs, the public, media and across Government, including Whitehall.

The Deregulation Act 2015 confirmed the economic growth duty on non-economic regulators, and in 2017 we commissioned NERA Economic Consulting to examine the economic impact of our regulation on dutyholders. NERA's report highlighted a number of positive findings, including our regulatory strategy for Sellafield and the Generic Design Assessment (GDA) process and provided a reassuring view on regulatory efficiency and effectiveness. It also identified some areas for potential improvement. We have made significant progress addressing the recommendations made by NERA Consulting and anticipate that any residual work will move to normal business by the end of 2019/20.





---

## WHERE WE DO IT

We regulate nuclear safety, nuclear security and conventional health and safety across 37 GB sites as indicated in Figure 1. Figure 1 includes other non-licensed sites operated directly by the MoD, where we have some limited authority. In addition, we regulate the transport of radioactive material between civil sites, that are not used for defence purposes, being carried by road, rail and on some inland waterways, and material transported to other non-nuclear sites, such as hospitals.

To discharge our conventional health and safety purpose effectively under the Energy Act 2013, we have continued to develop and consolidate our capacity and capability to regulate conventional health and safety across the nuclear industry. We continue to target the priority topics representing the highest risks of ill health and injury, including significant health hazards, major accident hazards, and construction activities. Where appropriate, we complete multi-disciplinary inspections to test compliance with all legal duties and licensing to reduce the burden on dutyholders.

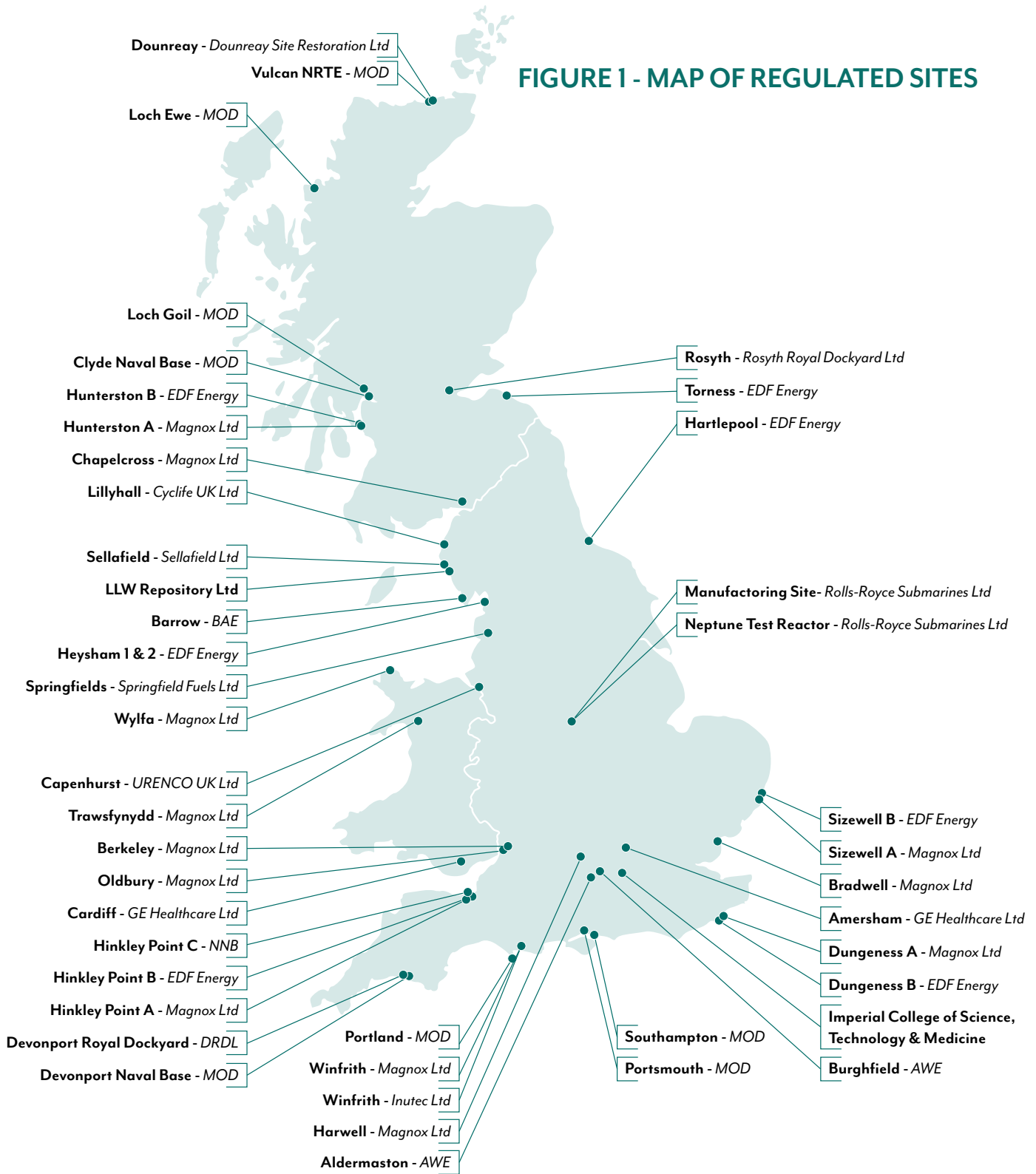
Our Civil Nuclear Security and Safeguards (CNSS) division is responsible for assessing and approving security arrangements across the civil nuclear industry. These arrangements are designed to prevent the theft or sabotage of nuclear or other radioactive material, the sabotage of nuclear facilities and the unauthorised disclosure of Sensitive Nuclear Information (SNI). Our regulatory decision-making takes into account the full range of protective measures, including physical security, personnel security, cyber security and information assurance. Our regulatory vires extends to nuclear licensed sites and premises, locations holding sensitive nuclear information and approved carriers. This amounts to a significant portfolio of approximately 400 dutyholders.

With regard to our civil nuclear security activities, we undertake regulatory duties overseas to ensure compliance with UK civil nuclear regulations, including:

- approved carriers based overseas and UK-based approved carriers operating worldwide;
- inspections of arrangements for the protection of UK sensitive nuclear information held overseas;
- interventions to enable the approval of cross-border transport arrangements for nuclear material;
- interactions in relation to treaties focussed on the protection of enrichment technology; and
- cyber security and information assurance.

Since nuclear safety, security and safeguards is an area of international interest, we work closely with international multi-lateral organisations, such as the IAEA and bilaterally with other international regulators to develop standards and share experience to identify improvements we can make to our policy and practices.

**FIGURE 1 - MAP OF REGULATED SITES**



|                                     |  |                              |
|-------------------------------------|--|------------------------------|
| MOD - Ministry of Defence           | EDF Energy - EDF Energy Nuclear Generation Ltd | BAE - BAE SYSTEMS Marine Ltd |
| DRDL - Devonport Royal Dockyard Ltd | AWE - Atomic Weapons Establishment Plc         | NNB - NNB GenCo HPC Ltd      |

---

## KEY ISSUES AND RISKS

We manage risk through clear lines of executive accountability and regular review and challenge by our Risk Improvement Group (RIG) and Senior Leadership Team (SLT), subject to scrutiny by our Audit and Risk Assurance Committee (ARAC) and the ONR Board.

As the UK's independent regulatory body for nuclear safety, security and safeguards, our role is to regulate the nuclear industry effectively, to ensure that dutyholders observe the high standards required by UK legislation. We prioritise and focus our regulatory inspection, assessment and permissioning activities on those areas that pose the greatest risk to the public, employees and society.

Risks materialise, in most cases, with an element of uncertainty. To enable us to align internal and external risks effectively, we have linked risk to our key performance indicators (KPIs) and delivery milestones. This enables us to ensure mitigations are in place to reduce the threat more effectively.

During 2018/19, we undertook a substantial review of our KPI framework. We have developed a new, modern, fit for purpose Organisational Effectiveness Indicator (OEI) framework that supersedes the largely output-focussed and efficiency based KPIs relied upon to date.

Further work is planned during 2019/20 to automate our risk management, key performance reporting and audit arrangements. This will benefit the organisation as we will be able to link key dependencies into one centralised system.

During 2018/19, we reviewed the effectiveness of our new Risk Management Framework and considered our strategic and directorate risks in the context of our strategic themes. In summary, the strategic risks, endorsed by the ONR Board and ARAC, that we managed during the year related to:

- delivering efficient and effective regulation;
  - information management practices and protective security systems to ensure we have established adequate and appropriate levels of security and control
  - cyber security and infrastructure;
  - strengthening our organisational governance, control and processes;
  - enhancing our organisational capability and addressing the demographic and knowledge transfer challenge, so that our recruitment, retention, staff development and talent management practices optimise the quality and effectiveness of our people;
  - change and/or uncertainty in policies relating to the nuclear context within which we operate, ensuring we are flexible, adaptable and capable to respond to a changing operating environment and priorities;
  - developing an independent UK SSAC to meet international safeguards obligations by the end of March 2019;
  - ability to respond effectively to the impact of Brexit;
  - commercial oversight and delivery; and
  - organisational resilience.
-

---

Following the government's decision to exit the EU, and consequently Euratom, we have worked to develop an independent UK SSAC that meets international safeguards obligations. During 2018/19, we have focussed on recruiting and training our safeguards inspectors and on implementing the UK SSAC Safeguards Information Management and Reporting System (SIMRS). We have tested and implemented the required systems and capability to enable the UK to meet its international nuclear safeguards obligations upon leaving Euratom.

We will continue to maintain a UK SSAC risk given the broader on-going political uncertainty regarding the timing and terms of the UK's exit from the EU.

During the year, we reduced the impact of our capacity and funding risks as a result of achieving sufficient mitigation and providing evidence and assurances to ARAC that the risks are more appropriately managed at the directorate level.

Despite meeting its target rating during 2018/19, the Brexit risk will continue to be managed and monitored until the UK has left the EU.

During 2018/19 we were successful in delivering all mitigations, including a new Strategic Framework for International Engagement and establishing arrangements with government to manage specific regulatory and industry impacts (which are limited to transport, export/import regimes and some security matters) around 'no deal'. Where necessary, we are sharing intelligence with government and industry to manage Brexit implications.

Further information on the management of risk can be found in the Governance Statement on pages 87 to 109.

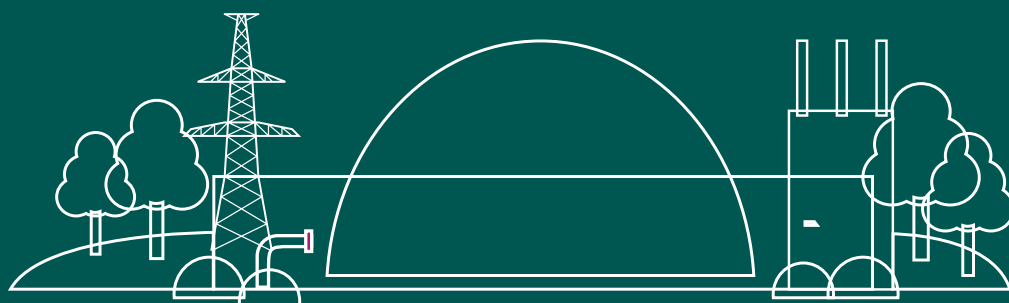
## Going concern

We are funded in two ways: we recover approximately 98% of our running costs from the nuclear industry we regulate and government departments to whom we provide a service; the remaining 2% is funded by a grant from our sponsor body, DWP, to cover activities which are statutorily prohibited from being recovered from industry. The income generated from cost recovery funds the regulation of the industry. ONR does not make any profit or surplus, and nuclear site licensees are charged only for the work undertaken in regulating them. The grant is agreed for the current Spending Review period and confirmed annually. For 2018/19, net assets totalling £11.3m were recorded at the end of the financial year. We have no outstanding liabilities that threaten our ability to continue.

Consequently, the going concern basis has been adopted for the preparation of the financial statements at pages 138 to 163.

---

OUR VISION IS TO BECOME  
AN EXEMPLARY REGULATOR  
THAT INSPIRES RESPECT,  
TRUST AND CONFIDENCE



# ONR IN NUMBERS - 2018/19

**£78.3m**

**TOTAL  
EXPENDITURE  
FOR YEAR**

**30**

**PERMISSIONING  
ACTIVITIES AND  
DETERMINATIONS**

**1.2m HOURS  
WORKED**

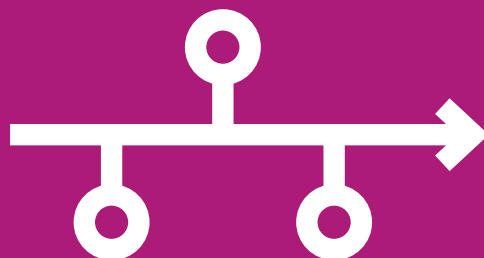


**OVER 750 COMPLIANCE  
INSPECTIONS CARRIED OUT**

**436**

**INTERVENTION  
RECORDS  
PUBLISHED**

**53/60 MILESTONES  
DELIVERED**



**ONR.ORG.UK  
141,000 UNIQUE USERS  
FROM 181 COUNTRIES**



**WE REGULATE**

**37**

**LICENSED SITES**



**9**

**IMPROVEMENT NOTICES ISSUED**

**55**

**TRANSPORT DUTYHOLDER INSPECTIONS**

**593**

**MEMBERS OF STAFF (FTE)**



**21%**

**OF OUR LEADERSHIP ROLES ARE OCCUPIED BY WOMEN**

**STAKEHOLDER SURVEY**

**87%** **85%** **82%**

**ONR IS INDEPENDENT** **ONR IS TRUSTED** **ONR LISTENS**

## PERFORMANCE SUMMARY

We delivered 53 out of 60 of our corporate milestones and delivered significant organisational improvements relating to governance, corporate planning, change management and developing leadership/management capability.

We achieved 91 out of 104 of our regulatory plan milestones; four regulatory milestones were deferred to 2019/20 and nine removed due to changes in operational priorities.

Further detail of our performance can be found within the 'Performance Analysis' section of this report. This is split between four strategic themes to deliver our vision which align with our Top Ten Priorities for 2018/19, against which we delivered as follows:

### **Strategic Theme 1 - Influencing improvements in nuclear sector safety and security (see pages 31 to 57)**

- 1 Maintained delivery of our core regulatory functions, holding industry to account on behalf of the public. We focussed on sites in enhanced and significantly enhanced regulatory attention and commenced the initial assessment of SyAPs-informed nuclear site security plans.
- 2 Developed an independent UK SSAC to meet international safeguards standards by the end of March 2019.
- 3 Supported development of the emergency preparedness elements of the Euratom Basic Safety Standards Directive (BSSD) (2013), including developing an Approved Code of Practice (ACoP) and associated guidance to support development of revised Radiation (Emergency Preparedness and Public Information) Regulations (REPPiR) (2019) laid in Parliament on 27 March 2019.

### **Strategic Theme 2 - Inspiring a climate of stakeholder respect, trust and confidence (see pages 58 to 65)**

- 4 Strengthened our stakeholder engagement and insight to enhance public confidence in ONR's regulation while addressing the areas for improvement in response to our 2017 stakeholder survey.

### **Strategic Theme 3 – Getting the best out of our people (see pages 66 to 69)**

- 5 Launched the ONR Academy and enhanced our learning opportunities to improve our capability, organisational resilience, management and leadership skills.
- 6 Simplified and refined our management structures to deploy more skilled leaders who will provide consistent management and development of staff, releasing resource to focus on regulatory activity.
- 7 Focussed on improvements, informed by our 2017 Staff Survey, across four key drivers: feeling valued, leadership and management, behaviours, and managing change, supported by an ONR-wide action plan to keep us on track, resulting in improvements in our 2018 Staff Survey results.



---

**Strategic Theme 4 – Developing a high-performing, sustainable organisation (see pages 70 to 76)**

- 8 Took steps towards strengthening our cyber security and information governance by progressing our IT Separation activity. This will help us build our own networks and develop plans to commence migration of our data from HSE systems during 2019/20. We have also ensured we are compliant with the new GDPR requirements.
- 9 Started our activity to modernise our operating environment to transform the way we work, including enhancements in IT provision, embedding effective change management and introducing smarter working practices in our office environments.
- 10 Commenced a programme (to 2020) to simplify, standardise and automate our major regulatory processes through WIReD, prioritising knowledge management and business process review, improving our efficiency and effectiveness.



## FINANCIAL PERFORMANCE

### FINANCIAL REVIEW

For 2018/19, our final outturn was £78.3m compared to a budget of £84.6m, an underspend of £6.3m. The main reasons for the underspend arose from overstated recruitment forecasts along with slippage in WIReD delivery plans. We have undertaken significant activity to review the causes of the underspend to learn lessons and mitigate the risk of future recurrence. Development of the 2019/20 budget was informed by the outcomes and characterised by robust review and challenge. We have also strengthened the financial delegations to reinforce the need for appropriately robust directorate and corporate financial control, governance and accountability. Due to the nature of our charging methodology, the underspend manifests directly in proportionately lower charges to industry and government as it crystallises throughout the year.

### 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 2018/19 have been prepared under International Financial Reporting Standards (IFRS) as interpreted by the government Financial Reporting Manual (FRoM). 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 138 to 163.

**TABLE 1 - OUTTURN AGAINST BUDGET**

| Year    | Budget (£m)* | Expenditure (£m) | Variance % |
|---------|--------------|------------------|------------|
| 2018/19 | 84.6         | 78.3             | 7.4        |

\* Expenditure includes capital expenditure of £2.194m.

Income comprises fees and charges, grants (from DWP and funding from the Department for Business, Energy and Industrial Strategy (BEIS)) and other income. Fees and charges reflect income received from ONR's core regulatory activities (see Note 4 in the Financial Statements).

FIGURE 2 – INCOME SPLIT 2018/19 VS 2017/18

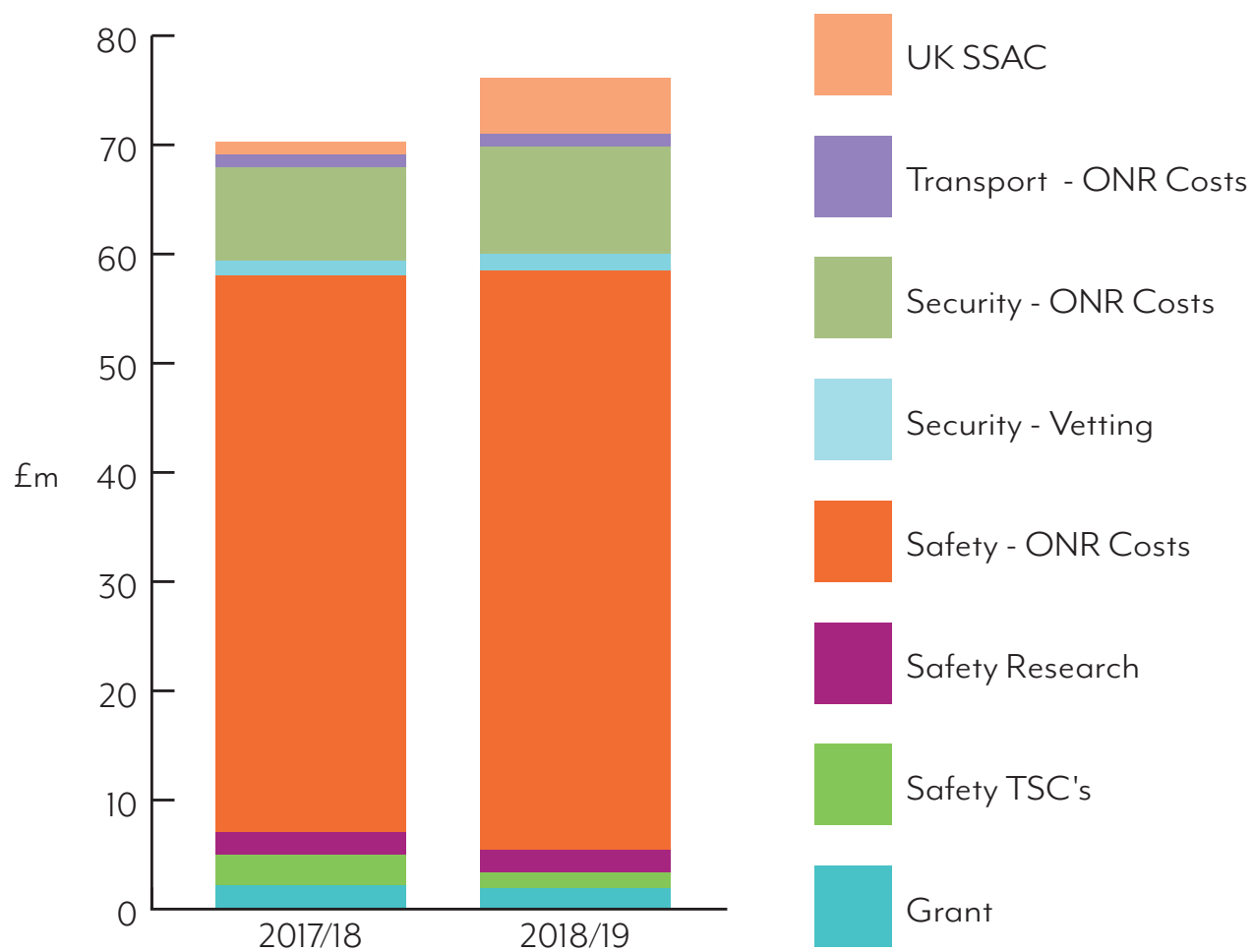
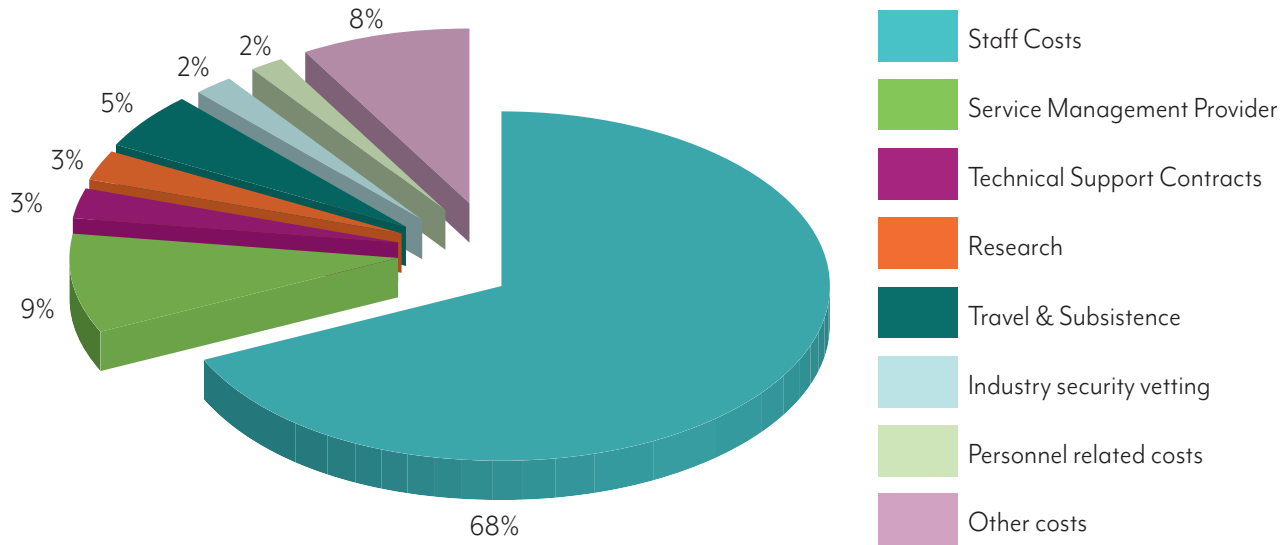


FIGURE 3 – EXPENDITURE SPLIT 2018/19



Expenditure primarily comprises staff costs – 68%; and Service Management Provider costs (accommodation, estates and IT services provided by HSE) – 9%.

The Statement of Financial Position shows a significant increase in ONR’s asset base due to the increase in investment in capital projects.

FIGURE 4 – STATEMENT OF FINANCIAL POSITION



ONR has invested in a number of capital projects during the year. These are shown in the following table and further details can be found in Notes 5 and 6 to the Financial Statements.

**TABLE 2 – CAPITAL EXPENDITURE IN YEAR**

|   | £'000s       |
|---|--------------|
| Windsor House Building Works  | 276          |
| Furniture and Fittings  | 111          |
| WIReD (Well Informed Regulatory Decisions)                                  | 486          |
| IT Separation (from HSE)  | 338          |
| SIMRS <sup>2</sup> (Safeguards Information Management and Reporting System) | 880          |
| ONR Academy On-line   | 103          |
| <b>Total</b>  | <b>2,194</b> |

SIMRS was capitalised as an IT asset on 29 March 2019 as this was the date the asset came into use. It is considered crucial to the work of future arrangements for UK SSAC, and will continue to have value in all potential Brexit scenarios as it enables ONR to systematically and effectively collate and scrutinise operators' nuclear material accountancy, improving current arrangements. As well as being crucial to the delivery of the UK SSAC, SIMRS will enable ONR to optimise its current non-regulatory safeguards role under the Energy Act 2013.

2 IT system to support UK SSAC

# 2

## PERFORMANCE ANALYSIS



## PERFORMANCE ANALYSIS

### INTRODUCING OUR STRATEGIC THEMES

# 1.

Influencing improvements in nuclear sector safety and security



# 2.

Inspiring a climate of stakeholder respect, trust and confidence



# 3.

Getting the best out of our people



# 4.

Developing a high-performing, sustainable organisation



### STRATEGIC THEME 1 – INFLUENCING IMPROVEMENTS IN NUCLEAR SECTOR SAFETY AND SECURITY

#### Summary Performance

Influencing improvements in nuclear safety, security and safeguards is ONR's core purpose. In 2018/19, we regulated the nuclear industry efficiently and effectively, to protect the public and environment from harm, in accordance with our purposes as defined within the Energy Act 2013: nuclear safety; nuclear site conventional health and safety, nuclear security, nuclear safeguards and transport.

Our regulatory framework is well established and our regulatory approach has delivered proportionate, targeted and balanced decisions in a changing nuclear environment. However, we continue to evolve recognising the need to be a responsive organisation that adapts to the changing nuclear landscape and seeks continuous improvement.

## Regulatory activity in 2018/19

We have reviewed our Strategic Plan, including our regulatory assumptions for 2016 to 2020 and are content it remains valid and will continue to inform ONR's activities to 2020. In accordance with our Plan, our regulatory work to deliver against Strategic Theme 1 has focussed on:

- Securing hazard and risk reduction at the Sellafield legacy facilities;
- Regulating decommissioning and planning for future regulation of disposal;
- Regulating existing civil nuclear reactors and defence sites; and
- Regulation of new reactor construction and preparation for future new reactor construction.

## Summary of delivery against our top ten priorities in 2018/19

We have delivered our statutory obligations in accordance with the Energy Act 2013 and as defined within our 2018/19 Corporate Plan.

### TABLE 3 - DELIVERY AGAINST STRATEGIC THEME 1 PRIORITIES

#### **Strategic Theme 1: Influencing improvements in nuclear sector safety and security**

- 1 We have maintained delivery of our core regulatory functions, focussing our regulatory strategies on sites receiving enhanced and significantly enhanced regulatory attention and the initial assessment of SyAPs-informed nuclear site security plans.
- 2 We have made good progress in delivering a UK SSAC that enabled the UK to meet its international safeguards obligations by March 2019. Building on our work to date, we are now focussing on establishing arrangements that are equivalent in scope and coverage to that delivered by Euratom by December 2020.
- 3 We have continued to support, by providing technical advice and guidance, the government's implementation of the BSSD throughout 2018/19. This has included drafting an Approved Code of Practice (ACoP) to assist dutyholders in their compliance with the new Radiation (Emergency Preparedness and Public Information) Regulations (REPPiR) (2019). There are two remaining deliverables which will be completed during 2019/20:
  - i Publishing the ACoP and associated guidance to support the REPPiR 2019; and
  - ii Guidance to support consequential updates to the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations (CDG) 2009 for emergency arrangements.



TABLE 4 - KEY PERFORMANCE INDICATORS FOR STRATEGIC THEME 1

| KPI Ref | Description  | Target  | Actual   |
|---------|--|---|--|
| B1      | Undertake compliance inspections on nuclear sites in accordance with site specific regulatory intervention plans   | Complete 90% of all planned inspections           | Met: 97% delivered   |
| B2      | Undertake systems based, safety case informed inspections across licensed sites in accordance with site specific regulatory intervention plans   | Complete 95% of planned Systems Based Inspections | Met: 100% delivered  |
| B3      | Conduct radioactive material transport compliance inspections in accordance with sector specific regulatory intervention plans   | Complete 90% of planned inspections               | Met: 100% delivered  |
| B4      | Pending potential revisions to REPPiR during the period, complete determinations under REPPiR (2001) of offsite local authority radiation emergency planning areas for six nuclear sites | 100%  | Not Met:<br><br>This KPI was removed under change control due to it becoming apparent that new REPPiR regulations would supersede ONR's responsibility, in light of local authorities acquiring responsibility to complete determinations under the new regulations. |
| B5      | Publish all regulatory decision reports within 6 weeks   | 90%   | Met: 100% delivered  |

## OUR WORK

### Nuclear safety

There are two distinct elements of our regulatory work associated with nuclear safety; compliance inspection and permissioning assessment. Compliance inspection involves inspectors undertaking regulatory inspections on the licensed nuclear sites to confirm compliance with the conditions attached to the nuclear site licence. These inspections are undertaken in a targeted manner and informed through intelligence gathered from our activities and from incidents that have occurred both nationally and internationally.

Where shortfalls are identified we take enforcement action to ensure that the dutyholders are compliant. The action taken is graded to the safety significance of the shortfalls and may include formal enforcement notices or, for the most significant matters, prosecution.

---

Through requirements specified within the site licence, licensees are required to seek our permission to undertake various activities on nuclear licenced sites. Our work in granting permission involves specialist ONR inspectors performing sampling assessments and undertaking inspection of the proposed activity.

This can include approval of arrangements, agreement to modifications, or consent to commence operation of a plant or process. In 2018/19 we granted 30 permissions to dutyholders / licensees.

We have continued to consolidate our Technical Division, leading on integrated functions and major projects. These include: the Transport Competent Authority (TCA), technical standards and guidance, research, regulatory intelligence and international co-ordination. As part of our Integrated Audit and Assurance Framework, our Regulatory Oversight function has continued to mature and provide assurance to our Technical Director and our Chief Nuclear Inspector.

### **Nuclear site conventional health and safety**

We have continued to implement a new resourcing and resilience strategy for regulation of conventional health and safety which has been pivotal in addressing capability and capacity requirements. This has resulted in a series of recruitment campaigns which have increased the number of inspectors this year in this function, with a further increase planned by 2021. This increase in resource has allowed us to bring in-house the frontline delivery of key regulatory functions relating to construction previously delivered by HSE.

The planned increase will further strengthen and consolidate regulatory delivery next year. As from 1 April 2019, we will take over key regulatory functions relating to the Control of Major Accident Hazards (COMAH), currently delivered by HSE. This initiative will allow us to further improve co-ordination of our regulatory functions on site, and strengthen our role as part of the COMAH Competent Authority with the relevant environment agency.

This has also resulted in an increasingly significant contribution to permissioning activities, including the assessment of Bradwell's management of hazards and risks to facilitate entry of the site into care and maintenance, and contributing towards permissioning of activities related to high hazard and risk reduction at Sellafield.

### **Civil nuclear security and safeguards**

For 2019/20, we have updated our strategic theme 1 to include safeguards, reflecting the work undertaken during 2018/19 to establish a UK SSAC. The Civil Nuclear Security and Safeguards (CNSS) Division is responsible for assessing and approving security arrangements across the civil nuclear industry.

We have conducted a series of proportionate and targeted inspections, verifying compliance with approved security plans in accordance with the Nuclear Industries Security Regulations (NISR) 2003. We have assessed the adequacy of security plans and also carried out investigations and enforcement considered necessary to promote, achieve and sustain compliance with the law.

---

We recognise the importance of alignment between safety and security regulation. Our security inspectors have worked closely with all other regulatory divisions and specialisms, particularly in areas such as the cyber security of plant systems, hazard and risk reduction at Sellafield and the consolidation of special nuclear materials.

It has been a particularly busy year in the implementation of our outcome-focused regulatory assessment framework - SyAPs. This new approach further aligns our safety and security regulatory purposes, and provides a basis for consistent and proportionate regulatory judgements. SyAPs has benefits for industry, allowing dutyholders to make informed decisions about how to protect their nuclear material, facilities and information, thereby increasing the responsibility and accountability of the dutyholder. Importantly, its implementation will result in a refreshed security plan for every civil nuclear dutyholder and a better regulatory oversight of security competence, capability and ownership across the industry. During the year, it became evident that the time for dutyholders to produce SyAPs-aligned security plans, and for us to assess them, was longer than originally forecast. Accordingly, the project delivery date has been moved to December 2020.

As a priority, we have sought to improve capability and capacity in Cyber Security and Information Assurance to strengthen our expertise. Resource challenges common across this field in the UK resulted in recruitment targets not being met. We have targeted regulatory activity to the greatest hazard, many alongside BEIS, and the National Cyber Security Centre (NCSC), to influence improvements across the industry.

We have persuaded dutyholders, including those in the supply chain, to deliver demonstrable effective cyber protection arrangements and contingency plans suited to a rapidly changing threat environment. We have increased our oversight of, and engagement with, those organisations holding SNI not on nuclear premises and subject to NISR Regulation 22, collectively known as List N. A Technical Support Contract (TSC) provides us with additional reassurance in respect of compliance across the List N community and reduces regulatory costs for compliant businesses.

## **Nuclear safeguards**

We have continued to work with government, operators and the safeguards inspectorates of the IAEA and Euratom to ensure that UK safeguards obligations are met. As well as monitoring and facilitating successful safeguards implementation in the UK, we have submitted reports as part of the UK's obligations to Euratom, the IAEA, Japan, Australia and to satisfy domestic commitments. The UK's planned exit from Euratom has had limited impact on the delivery of our current safeguards role.

We made good progress in delivering a UK SSAC and were ready to deliver a UK SSAC that enables the UK to meet its international safeguards obligations from 29 March 2019. We remain ready to do so when the UK exits Euratom. We will expand this to deliver a domestic safeguards regime that is equivalent in coverage and effectiveness to that delivered by Euratom by December 2020.

---

## Radioactive materials transport

Our regulation of radioactive materials transport concentrated on approval of package designs, permissioning, compliance inspection, and enforcement for both nuclear and the non-nuclear sectors.

Our work supporting the nuclear sector has been a key enabler to the safe transport of reactor fuel and special nuclear materials, and our inspection of dutyholders in the non-nuclear sector is fundamental to safety of transport of radioactive materials.

Radioactive materials are used extensively across the country in a wide range of applications such as medical treatment, industrial radiography, and research. In 2018/19, we approved 44 radioactive material package designs and shipments across both sectors, whilst completing 55 inspections of dutyholders providing us with confidence in transport safety. Enforcement action was taken against an industrial radiography company to ensure sustained compliance with the Ionising Radiation Regulations (2017).

## Overview of regulatory attention in 2018/19

The regulatory attention that we have applied to licensed nuclear sites over the past year is summarised in Table 5.

The attention level assigned for each site is based on an overall judgement across nuclear safety, conventional health and safety, security<sup>3</sup> and transport purposes. During 2018/19 we undertook a comprehensive review of our process and guidance to inspectors for the assignment of regulatory attention levels. This has resulted in a more systematic process that strengthens the evidential basis by which attention levels are assigned, and the means by which we will seek to influence a return towards routine regulatory attention in the coming year, where this is practicable to do so.

The assigned attention level and supporting analysis is now shared with licensees at the end of each financial year in the interests of transparency, and to support discussions in annual reviews of safety and security. To ensure consistency of approach, two levels of governance are in place to provide additional assurance.

The assignment of attention levels under the revised process has been achieved through assessment against a range of safety and security indicators, aligned to three safety performance attributes and four security-related attributes. The safety related indicators correlate with ONR's Nuclear Safety Performance Indicator framework<sup>4</sup> but with greater regulatory emphasis:

<sup>3</sup> Excluding defence nuclear licensed sites

<sup>4</sup> <http://www.onr.org.uk/operational/inspection/onr-opex-in-002.pdf>

---

## Safety Attributes

- **Safety performance** as a product of dutyholder compliance recorded across the various safety purposes, incidents on the site and delivery against agreed or required safety enhancements.
- **Control of Hazard and Risk** as a product of the level of hazard and risk posed by the dutyholder's undertakings and the adequacy with which the licensee demonstrates that risks are controlled so far as is reasonably practicable in accordance with an adequate and live safety case. As part of our consideration, we take into account the licensee's onsite emergency preparedness and response capability in terms of its capability to manage and respond to fault progression within and beyond the design basis. The adequacy of conventional health and safety risk profiling and transport package safety cases is also taken into account.
- **Safety Leadership and Culture** relating to a framework adopted by ONR's Human & Organisational Capability specialism for assessing licensee performance against Leadership and Management for Safety (LMfS) themes, linked to each of the four LMfS Safety Assessment Principles (SAPs): Leadership; Capable Organisation; Decision Making and Learning. We also take into account the licensee's independence advice and challenge functions.

## Security Attributes

- **SyAPs Plan Development** - the industry is currently in the process of developing nuclear site security plans for us to assess against the new SyAPs.
- **Security Strategic Enablers** - this attribute measures how appropriate the arrangements are in meeting the associated outcomes.
- **Security Operations** - this attribute measures how appropriate the dutyholders' security operations are in meeting the associated outcomes.
- **Security Delivery** - this attribute relates to dutyholders' performance as it relates to compliance and inspection ratings, the ability to complete improvements to schedule, reportable events and the annual security response exercise outcome.

An overall attention level has been assigned for each licensed site, based on an objective evaluation against all of the safety and security attributes.

**Routine regulatory attention** applies to those sites where we consider that no additional attention was deemed necessary over and above that which would normally apply. Those sites/facilities that sit within routine regulatory attention are reported by exception in this report.

**Enhanced regulatory attention** describes a higher level of regulatory activity paid to the dutyholder, driven by the factors detailed above. This may also include sites where a short-term increase in risk is necessary to secure long-term hazard and risk reduction.

**Significantly enhanced attention** is based upon the factors above. However, it recognises additional factors such as emergent or long-standing safety or 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, where we consider risks to be intolerable, or where persistent failure of a dutyholder to address long-standing regulatory issues, could result in a site attracting significantly enhanced regulatory attention.

**TABLE 5 - REGULATORY ATTENTION LEVELS FOR LICENSEES**

| Regulatory Attention Level for 2019/20 | Site and licensee  |
|--|--|
| <b>Significantly enhanced</b>          | Sellafield – First Generation Magnox Storage Pond, Magnox Swarf Storage Silo and Pile Fuel Cladding Silo (Sellafield Ltd)<br>Sellafield – Analytical Services Facility and Special Nuclear Materials Facilities (Sellafield Ltd)<br>Sellafield – Overall Site Security (Sellafield Ltd)  |
| <b>Enhanced</b>                        | Atomic Weapons Establishment, Aldermaston (AWE plc)<br>Atomic Weapons Establishment, Burghfield (AWE plc)<br>Devonport (Devonport Royal Dockyard Ltd)<br>Dounreay (Dounreay Site Restoration Ltd)<br>Sellafield – Remainder of estate (Sellafield Ltd)<br>Hunterston B (EDF Energy Nuclear Generation Ltd) <b>(Increased from Routine)</b><br>Dungeness B (EDF Energy Nuclear Generation Ltd) <b>(Increased from Routine)</b>  |
| <b>Routine</b>                         | Barrow (BAE Systems Marine Ltd)<br>Berkeley (Magnox Ltd)<br>Bradwell (Magnox Ltd)<br>Capenhurst (Urenco UK Ltd)<br>Chapelcross (Magnox Ltd)<br>Consort Reactor, Ascot (Imperial College of Science, Technology and Medicine)<br>Derby (two sites) (Rolls Royce Marine Power Operations Ltd)<br>Dungeness A (Magnox Ltd)<br>GE Healthcare, Amersham and Cardiff (GE Healthcare Ltd)<br>Hartlepool (EDF Energy Nuclear Generation Ltd)<br>Harwell (Magnox Ltd)<br>Heysham 1 (EDF Energy Nuclear Generation Ltd)<br>Heysham 2 (EDF Energy Nuclear Generation Ltd)<br>Hinkley Point A (Magnox Ltd)<br>Hinkley Point B (EDF Energy Nuclear Generation Ltd)<br>Hinkley Point C (NNB Genco HPC Ltd)<br>Hunterston A (Magnox Ltd)<br>Low level Waste Repository (LLW Repository Ltd)<br>Metals Recycling Facility, Lillyhall (Cyclife UK Ltd)<br>Oldbury (Magnox Ltd)<br>Rosyth (Rosyth Royal Dockyard Ltd)<br>Sizewell A (Magnox Ltd)<br>Sizewell B (EDF Energy Nuclear Generation Ltd)<br>Springfields (Springfields Fuel Ltd)<br>Torness (EDF Energy Nuclear Generation Ltd)<br>Trawsfynydd (Magnox Ltd)<br>Winfrith (Magnox Ltd and Tradebe Inutech)<br>Wylfa (Magnox Ltd) |

TABLE 6 - REGULATORY ATTENTION LEVELS FOR OTHER DUTYHOLDERS

| Regulatory Attention Level | Dutyholder  |
|----------------------------|---|
| <b>Enhanced</b>            | National Nuclear Laboratory (Windscale) – Security considerations Only            |
|                            | Magnox (Corporate) – Security considerations only <b>(Increased from Routine)</b> |
|                            | EDF Energy Nuclear Generation Ltd (Corporate) – Security considerations only      |
|                            | Direct Rail Services Ltd  |
|                            | Geodis UK Ltd <b>(Increased from Routine)</b>                                     |
|                            | TN International Orano <b>(Increased from Routine)</b>                            |
|                            | Dounreay Site Restoration Limited (Transport)                                     |
|                            | Harwell (Canberra)  |

### Inspection and Enforcement during 2018/19

In 2018/19 we undertook a total of 773 compliance inspections across our purposes. This is approximately 25% fewer than during 2017/18 for the following reasons:

- A reduction in planned civil nuclear security inspections due to increased regulatory focus on securing development of SyAPs informed nuclear site security plans; and
- A decision taken in 2017 to pause the inspection of non-nuclear radioactive materials transport dutyholders, owing to the changes in our vires with respect to the Ionising Radiations Regulations 2017, and diversion of resources to support BEIS in the development of amendments to the CDG Regulations.

On the occasions where we have identified shortfalls, proportionate enforcement action has been undertaken in accordance with our Enforcement Policy Statement (EPS) and we monitor progress with safety and security improvements through our issues management process.

We employed a range of enforcement means to hold dutyholders to account, and secure sustained compliance with the law. During this financial year, we:

- Served nine improvement notices, six of which have been closed satisfactorily. We anticipate the remaining three to be closed by dutyholders in accordance with required schedules;
- Issued 35 enforcement letters; and
- Issued one Direction under Licence Condition 15.

During 2018/19 ONR instigated prosecutions against three licensees and one dutyholder, charged with offences associated with three incidents, summarised in Table 7.

TABLE 7 - SUMMARY OF PROSECUTIONS INSTIGATED DURING 2018/19

| Licensee / Dutyholder | Details of Incident and Charges   | Plea        | Outcome                                      |
|-----------------------|---|-------------|--|
| Sellafield Ltd        | Offence under Health & Safety at Work etc. Act 1974, in connection with a contaminated puncture wound that occurred at the THORP plutonium finishing line in February 2017.   | Guilty Plea | Sellafield Ltd fined £380,000 plus costs     |
| AWE plc               | Offences against the Health & Safety at Work etc. Act 1974 Section 2(1) in relation to an electrical incident on 27 June 2017, at the company's Aldermaston site which resulted in injury to an employee. The incident was a conventional health and safety matter and there was no radiological risk to workers or the public. | Guilty Plea | AWE plc fined £1m plus costs                 |
| EDF Energy NGL        | Offences under the Health & Safety at Work etc. Act 1974, section 3(1), in relation to an incident on 12 April 2017 at Hinkley Point B which resulted in injury to a Doosan Babcock Ltd employee. The incident was a conventional health and safety matter and there was no radiological risk to workers or the public.         | Guilty Plea | EDF Energy NGL fined £200,000 plus costs     |
| Doosan Babcock Ltd    | Offences under the Work At Height Regulations 2005, Regulation 4(1) for the aforementioned incident at Hinkley Point B.   | Guilty Plea | Doosan Babcock Ltd fined £150,000 plus costs |

In April 2018 we published a new Enforcement Management Model (EMM). This aims to:

- Ensure consistency in the enforcement decision making process;
- Ensure proportionality and targeting by considering the risk based criteria against which decisions are made;
- Provide a framework for making enforcement decisions transparent, and for ensuring that those who make decisions are accountable for them;
- Help inspectors assess their decisions in complex cases, and allow peer review of enforcement action; and
- Guide less experienced inspectors in making enforcement decisions.



## PERFORMANCE ACROSS OUR REGULATORY DIVISIONS

### REGULATION OF SELLAFIELD, DECOMMISSIONING, FUEL AND WASTE SITES

#### Sellafield

ONR's regulatory strategy for Sellafield continues to be effective, and has secured significant progress in hazard and risk reduction on site. Examples included:

- the demolition of the First Generation Reprocessing stack; removing risk of collapse;
- beginning work to reduce radioactivity from liquor in the first extension of the Magnox Swarf Storage Silo (MSSS) to complement other preparatory work already underway for remediation of waste from this legacy facility; and
- completion of notable improvements to the condition of the asset, including containment, at the Special Nuclear Material North Complex, resulting in significant reduction in risk to the public and workers arising from these mission-critical facilities.

In addition, we granted permission to Sellafield Ltd. (SL) to begin a number of other enabling activities that are essential for progress in hazard and risk reduction. A key example is our formal agreement in June 2018 to a major change in Sellafield's organisational structure in preparation for the planned cessation of reprocessing operations and associated change of mission. This will enable Sellafield to focus on safe decommissioning, used fuel and radioactive waste management.

**TABLE 8 - DIVISIONAL PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES**

| Milestone   | Status | Comments   |
|---|--------|--|
| Make decision on adequacy of Sellafield Ltd.'s management of change regarding implementation of its new operating model | Met    | Completed June 2018  |
| Make decision on interim storage of used Advanced Gas-cooled Reactor fuel within THORP at Sellafield                    | Met    | Completed November 2018  |
| Make decision – Permission commencement of repacking of special product containment at Sellafield                       | Met    | Completed March 2019. Permission not granted pending further readiness assessment by ONR |

---

### Significantly enhanced regulatory attention

The level of attention applied to Sellafield site's **legacy facilities** is not a reflection of the site's safety and security performance or its level of compliance with the relevant legislation. It signifies challenges associated with the waste retrieval from, and decommissioning of, some of the high-hazard legacy facilities which are degrading and fall far below the high standards expected from modern nuclear facilities. These include:

- legacy ponds and silos;
- Special Nuclear Material North Complex; and
- analytical services facilities.

The Sellafield site is highly complex and congested, with ageing high hazard facilities. This means that retrieval of radioactive materials requires novel and intrusive techniques, often over a long period of time. Owing to the nature of radiological hazards at the site and the interdependencies between facilities, we will maintain significantly enhanced regulatory attention at Sellafield until the hazardous inventory has been retrieved from ageing facilities and placed into safe and secure modern storage on site.

### Enhanced regulatory attention

Sellafield is a complex and interlinked site with many tightly-coupled safety dependencies between facilities of varying design standards, age and condition. Therefore, **the remainder** of the Sellafield site has received enhanced attention in 2018/19 and will continue to do so for 2019/20.

### Civil nuclear security at Sellafield

Sellafield Ltd has continued to receive significantly enhanced attention for security due to the continuing security enhancement programme and levels of activity in certain areas.

Our regulatory focus has been on securing delivery of continuous improvements in the protection of nuclear material and facilities. We have targeted our attention on the capabilities that deliver the greatest impact, notably the installation of further detection technology and the main site command facility. Where delivery has been delayed, we have sought and received assurance that the project is well-controlled.

Early in the reporting year, a number of security events required us to apply regulatory attention to several of Sellafield Ltd's security investigations. Appropriate lessons have been identified and we will continue our regulatory focus on security culture and on influencing improvements in the security competence of the internal assurance function.

## Decommissioning, fuel and waste sites

TABLE 9 - DIVISIONAL PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES

| Milestone   | Status | Comments                |
|---|--------|-------------------------|
| Make decision – Permission for entry of Bradwell into its care and maintenance stage  | Met    | Completed November 2018 |
| If appropriate, grant new nuclear site licence to Tradebe Inutec on the Winfrith site | Met    | Completed February 2019 |

### Enhanced regulatory attention

The enhanced level of attention is due to the nature of the activities required to complete removal of the majority of special nuclear materials from the site (Dounreay Consolidation Programme), and the range and extent of other hazard and risk reduction projects needed for remediation of the site to an agreed end-state. These include work to remediate the shaft and silo, reactors and fuel cycle facilities. We will conduct a review of the Dounreay decommissioning work following the completion of the consolidation programme to confirm the licensee's required actions to enable its return to routine regulatory attention.

### Routine regulatory attention

All other decommissioning, fuel and waste sites have continued to receive a routine level of regulatory attention.

In November 2018, we issued permission for Bradwell to enter a period of care and maintenance, which allows for natural decay of the residual radioactivity over around 70 years. This major milestone was achieved without any radiological or major conventional safety incidents. Bradwell is the first site in the UK to enter into care and maintenance and therefore sets the precedent for deferred dismantling in the UK.

In February 2019, we granted Inutec Ltd a site licence for Winfrith in its own right. This enables Inutec Ltd to continue to operate beyond the date that the greater Winfrith site is finally de-licensed. The site takes receipt of, treats and consigns radioactive waste for disposal, as a service to the wider UK nuclear industry.

Wylfa is the only Magnox site outstanding to complete defueling operations. We have influenced the licensee to make improvements to plant reliability. This resulted in improved defueling performance, expected to be complete within timescales that meet the Nuclear Decommissioning Authority's (NDA) Magnox Operating Programme, which includes the reprocessing of remaining Magnox spent fuel at Sellafield.

We have continued to support the government's policy for geological disposal. We have assessed the generic disposal system safety case produced by the developer, Radioactive Waste Management Ltd (RWM) and have produced guidance, jointly with the Environment Agency (EA) to explain the role of regulators in licensing and regulating a future Geological Disposal Facility (GDF). We also explained our role during public events to support a policy consultation by BEIS.

### Civil nuclear security on decommissioning, fuel and waste sites

We have assessed and approved all security arrangements related to the consolidation of Special Nuclear Material from Dounreay during 2018/19.

Through a series of regulatory inspections and assessment of an amended security plan, we confirmed Magnox Ltd's readiness to manage security at the Bradwell site during care and maintenance. This supported the overall ONR consent and establishes a methodology as further sites enter a period of care and maintenance.

## REGULATION OF OPERATING FACILITIES

### Operating nuclear power stations

EDF Energy Nuclear Generation Ltd (EDF NGL) is the licensed operator of seven twin-reactor Advanced Gas-cooled Reactor (AGR) sites, and a Pressurised Water Reactor (PWR) situated at Sizewell B. Overall, we are satisfied that EDF NGL's nuclear power stations have continued to operate safely, and that where we have identified areas for improvement, the licensee responded promptly and appropriately to our advice.

TABLE 10 - DIVISIONAL PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES

| Milestone  | Status   | Comments  |
|--|--|---|
| Assess the report of the EDF NGL periodic safety review (PSR) for Heysham 1 and Hartlepool, record the outcome of our assessment and issue decision letters to the licensee  | Met  | Completed in February 2019 and decision letters issued to Heysham 1 and Hartlepool.   |
| Complete compliance inspections and assessment activity to support the periodic shutdowns at Heysham 2 (R7), Dungeness B (R22), Hinkley Point B (R4), Heysham 1 (R2), Torness (R2), Hunterston B (R3) and Hinkley Point B (R3) and issue licence instruments, where appropriate, to enable reactor start-ups | Hinkley Point B (R4) – Met<br>Hinkley Point B (R3) – Met<br>Heysham 1 (R2) – Met<br>Torness (R2) – Met<br>Dungeness B (R22) – Not Met<br>Heysham 2 (R7) – Met<br>Hunterston B (R3) – Not Met | Scheduled return to service of Dungeness B (R22) in November 2018 was delayed to enable EDF NGL to repair an emergent defect to boiler main steam pipework.<br><br>Hunterston B Reactor 3 is yet to return to service whilst a safety case is under development in light of graphite core progression beyond safety case limits and conditions. |

---

## Enhanced regulatory attention

Dungeness B and Hunterston B were elevated to an enhanced level of regulatory attention during 2018/19 to reflect specific issues that needed to be addressed during the year, outlined below.

### Hunterston B

In March 2018, we were informed that additional cracks had been found by EDF NGL at Hunterston Reactor 3 during planned inspections of the graphite bricks that make up the reactor core. This reactor is regarded as the lead reactor for the development of cracks in graphite bricks (known as keyway root cracks) as the reactor core had in 2018 operated for longer than the rest of the fleet. As a consequence, EDF NGL took the decision to delay return to service of the reactor pending further inspection work, and to allow it time to make a safety case for a further period of operation.

In addition, in October 2018, Hunterston B Reactor 4 was taken out of service to allow further graphite core inspection work to be undertaken. Although it has operated for a slightly shorter period than Reactor 3, it also showed signs of potentially significant graphite cracking which required further inspection.

Before either reactor can return to service, EDF NGL must produce a safety case to demonstrate to ONR that the reactor can continue to be operated safely for a further period. These safety cases will be subject to detailed examination by specialist ONR inspectors. We will only agree to further operation of either Hunterston reactor once we are satisfied that it is safe for them to operate for the period up to their next core inspection. Such assessment work is intensive, and requires substantial additional effort, justifying the reason for its elevation to enhanced attention.

### Dungeness B

Dungeness B has received enhanced regulatory attention for a number of reasons. Firstly, the reactors are subject to a number of major improvement projects, which will further increase safety margins. These are welcomed, but will require additional regulatory oversight. There have also been a number of safety shortfalls which, together with some long-standing regulatory concerns that have not yet been adequately addressed, have, and will continue to, merit additional regulatory attention.

## Routine regulatory attention

The other six EDF NGL sites (Torness, Hartlepool, Heysham 1, Heysham 2, Hinkley Point B and Sizewell B) have received a routine level of regulatory attention, and this is unchanged from the previous year.

Ageing fleet management will continue to be a strategic focus for us across the reactor fleet, to ensure that EDF NGL demonstrates that it is adequately managing risks arising from ageing-related degradation. A rigorous review of EDF NGL's processes for ageing fleet management was completed in December 2017 and was published on our website.

We issued legal consents to permit the re-start of reactors at Hinkley Point B (Reactor 4), Heysham 2 (Reactor 7), Heysham 1 (Reactor 2) and Torness (Reactor 2) following their statutory periodic shutdowns (which allow maintenance, inspection, testing and refuelling to be undertaken).

In granting such consents, our inspectors conducted detailed examinations of the licensee’s arrangements for controlling and completing the maintenance activities, reviewed test and inspection records, and undertook physical inspections of plant and equipment. We were satisfied that, in each case, EDF NGL had successfully completed these activities, and that safety had been demonstrated for a further period of operation.

### Civil nuclear security at operating nuclear power stations

We have continued to drive improvements in EDF NGL’s security project delivery, ownership of security risk and mitigation at site level, and embedding security as a routine business function within the licensee’s existing processes. EDF NGL corporate nuclear security has played a significantly enhanced role in delivery of SyAPs-aligned security plans across the fleet. Assessment of these will take considerable regulatory effort during 2019/20.

EDF NGL has continued to receive enhanced regulatory attention, principally due to significant regulatory effort still required in respect of vital area identification studies and SyAPs-aligned security plans across the fleet. Improvements in security capability are still being embedded and the cyber security programme of enhancements remains to be finalised.

## REGULATION OF DEFENCE NUCLEAR SITES

### Atomic Weapons Establishment (AWE) sites

TABLE 11 - DIVISIONAL PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES

| Milestone   | Status | Comments   |
|---|--------|--|
| Assess and report to AWE on the licensee’s progress against development of their Structured Improvement Programme           | Met    | Completed in September 2018  |
| Conduct an inspection to establish AWE’s readiness for the planned Chief Nuclear Inspector inspection scheduled for 2019/20 | Met    | Completed March 2019 – ONR has concluded that insufficient progress has been made by the licensee to enable the planned inspection to take place during 2019/20. |

### Enhanced regulatory attention

#### Aldermaston and Burghfield

We have revised our strategy for regulation of the AWE Aldermaston and Burghfield sites, which will continue to receive enhanced regulatory attention. We have adopted a balanced regulatory approach predicated on continuing to inspect for compliance and holding the licensee to account where necessary, whilst providing appropriate focus on the timely implementation of actions to deliver improved safety performance across AWE’s wider activities.

---

We have assessed and reported on AWE's successful development of a wide-ranging Structured (safety<sup>5</sup>) Improvement Programme (SIP). This improvement programme is now at the implementation phase and we have already seen good evidence of improvements in safety leadership and safety related decision-making.

The sites continue to rely on the use of a number of ageing facilities, and work continues on the construction of a number of 'modern standards' replacement facilities as part of the government's investment in the AWE sites. We are currently assessing safety justifications for some of the older key facilities, and are monitoring the timely implementation of engineered and safety case upgrades necessary to support future operations.

We have continued to regulate in accordance with our revised strategy, holding AWE to account where necessary whilst providing a regulatory environment that will encourage AWE to make strategic improvements and demonstrate that it is progressing towards a position where the sites are ready to return to routine regulatory attention.

## PROPULSION SITES

### Enhanced regulatory attention

#### Devonport Royal Dockyard Limited (DRDL)

A revised regulatory strategy for propulsion sites was developed and initiated during 2017. This focuses on increased regulatory capacity and capability for the regulation of DRDL to oversee necessary improvements to its safety performance.

The new regulatory strategy was targeted at safety related improvements necessary to allow its return to 'routine regulatory attention'. Our strategy reflects an enabling approach and provision of advice and guidance as appropriate and requires shared commitment and delivery by the licensee. It also invokes a more risk informed and targeted approach across the wider propulsion sites portfolio.

For the 2019/20 reporting year, we will continue to focus on performance improvements at the Devonport site, and on regulating the strategic projects across the submarine enterprise. This includes early engagement on the infrastructure required for the Astute class deep maintenance periods, Dreadnought new build programmes, and decommissioned nuclear submarine defueling and dismantling.

In August 2018, we undertook a delivery confidence review of the licensee's progress against its improvement plan, which concluded that a rating of 'amber' should be allocated (meaning that successful delivery is achievable, but management attention is required). A further delivery confidence review was undertaken in March 2019, and we have started to review our regulatory strategy to secure the necessary improvements.

## Routine regulatory attention

We regulate four other nuclear licensed propulsion sites and a number of defence-authorized sites: Rosyth Royal Dockyard Limited; BAE Systems Marine Ltd, Barrow and two Rolls Royce Submarines Limited licensed sites. There have been no significant enforcement actions taken in the period and we are satisfied that these sites maintained adequate compliance with their legal obligations during 2018/19.

In 2018/19 we also issued a new site licence to BAE Systems Marine Ltd to extend the Barrow nuclear licensed site in readiness for the Dreadnought (new submarine class) programme.

During this period, we have also made progress in reviewing our regulation of defence sites to ensure continued effective and efficient regulation by ONR, the Defence Nuclear Safety Regulator (DNSR) and HSE, and to allow us to continually improve the effectiveness and efficiency of such regulation. This is scheduled to conclude during 2019.

## Preparation for new nuclear generation

The overall objective of our New Reactors Division is to influence and regulate new nuclear build organisations to deliver safe and secure reactors in line with government policy, and to secure the confidence of stakeholders in our ability to regulate new nuclear build in the UK through open and transparent engagement.

To manage this and provide the necessary focus and flexibility, the Division has undertaken work across all elements of the new build lifecycle, and supported government in relation to Advanced Nuclear Technologies (ANTs).

**TABLE 12 - DIVISIONAL PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES**

| Milestone   | Status | Comments  |
|---|--------|---|
| Complete assessment and make formal decision regarding the consent for the construction of the Hinkley Point C Nuclear Island | Met    | Completed in November 2018 and Consent issued to NNB GenCo HPC Ltd          |
| Develop assessment strategy for Advanced Nuclear Technology   | Met    | Completed November 2018 and strategy approved by Regulatory Leadership Team |
| Complete assessment and make decision on the commencement of Step 3 for GDA of the UK HPR1000                                 | Met    | Completed in November 2018 and Step 3 commenced thereafter                  |

<sup>5</sup> Civil Nuclear Security is not regulated by ONR on Defence sites





## NEW REACTOR CONSTRUCTION

### Routine regulatory attention

During 2018/2019, Hinkley Point C has received a routine level of regulatory attention.

NNB Generation Company HPC Limited (NNB GenCo) is the licensee for the Hinkley Point C (HPC) twin European Pressurised Reactor (EPR)<sup>™</sup> reactor site near Bridgwater in Somerset. There were two formal permissions granted for HPC during 2018/19, giving agreement in July 2018 for the start of construction of the HPC Pumping Station and consent in November 2018 for the start of construction of the HPC Nuclear Island.

### New reactor licensing

We are currently working with two other organisations that may submit applications for a Nuclear Site Licence to construct and operate nuclear power stations in GB:

- NNB GenCo - for the construction and operation of two EDF/AREVA EPRs<sup>™</sup> at Sizewell C (SZC) in Suffolk. Engagement with NNB GenCo is at an early stage. Limited technical assessment has taken place during the year but engagement is due to increase during the course of 2019.
- Bradwell B Power Generation Company (BRB GenCo) - for the construction and operation of two PWRs of the UK HPR1000 design at Bradwell B in Essex.

---

We received an application from Horizon Nuclear Power Wylfa Limited in Spring 2017 for the construction and operation of two Hitachi-GE UK Advanced Boiling Water Reactors (ABWR) at Wylfa Newydd on Anglesey. Following a decision taken by Hitachi-GE to suspend work on the project in January 2019, we have substantially reduced our regulatory activity and redeployed our specialist inspectors elsewhere across our regulatory portfolio.

At the beginning of the year, we continued pre-application engagement with NuGeneration Limited (NuGen) for the placement of new reactors at Moorside near to Sellafield in Cumbria. However, in October 2018 Toshiba confirmed that it had been unable to secure either a buyer for NuGen or investment for development of the Moorside site and consequently the project has been unable to progress.

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

The principal aim of the GDA process is to provide confidence that the requesting parties proposed design is capable of being constructed, operated and decommissioned in GB in accordance with the high standards of safety, security and environmental protection required. For the requesting party, this leads to a reduction in regulatory uncertainty and project risk regarding the design, safety and security cases and enables future licensing, construction and regulatory activities.

This GDA process was developed in 2007 and has been reviewed and revised a number of times to take account of experience gained through each assessment. During 2018/19, a further review was undertaken that also considered the changes in the nuclear industry in the decade since GDA was devised, in particular the recent Nuclear Sector Deal (NSD) and the potential for more mature Small Modular Reactor (SMR) designs to enter GDA. Consequently, a revised three-step GDA process has been developed and will be implemented for future designs entering the GDA process should government request ONR to undertake such a GDA in future.

The revised process is intended to enhance the efficiency and flexibility of the GDA process, without lowering the high standards of safety and security required.

China General Nuclear Power Corporation and EDF Energy, the requesting parties, through their joint venture company General Nuclear System Ltd, are currently progressing the UKHPR1000 reactor design through the GDA process. The initial preparatory step (Step 1) was completed in November 2017, with the first assessment step (Step 2) being completed twelve months later, in November 2018.

Following the completion of Step 2, the process moved immediately into Step 3 of the GDA process which involves a more detailed design assessment. Step 3 is intended to conclude in December 2019.

---

## Advanced Nuclear Technologies (ANTs)

As part of the Clean Growth Strategy, the government has made £5 million available to ONR (until March 2020) to further develop our capability and capacity to support and assess the development of ANTs. We have established a project team to deliver the regulatory role in response to the government's proposals for taking forward ANTs. The key activities include:

- upskilling ONR staff on ANTs;
- support to BEIS SMR competition including engagement with Advanced Modular Reactor (AMR) vendors;
- engagement with Mature Technology (MT) SMR developers;
- review of ONR guidance to ensure it is fit for the purpose of regulating ANTs; and
- design of a flexible SMR assessment process and development of additional safety case guidance.

Good progress has been made against all of these objectives during 2018/19, notably significant progress towards completion of the BEIS AMR competition, completion of the Stage 2 engagement with all current MT SMR vendors, the review (including technical topic specific) and drafted new GDA guidance to requesting parties (which will be published should ONR be requested to commence a GDA).

---

## REGULATION OF CIVIL NUCLEAR SECURITY AND SAFEGUARDS

### Civil nuclear security (other dutyholders)

Regulation of civil nuclear security at licensed sites is reported in an integrated manner in the preceding sections.

The regulatory attention levels received by other NISR 2003 approved transport carriers is reported in Table 6. Those receiving enhanced attention are summarised below:

- Dounreay Site Restoration Limited in light of the continued programme of consolidation of Special Nuclear Material;
- Direct Rail Services due to an enhanced programme of regulatory activity in-year;
- Geodis UK Ltd in light of an increase in number of nuclear materials transports and a need for enhancements in security capability; and
- TN International Orano due to delayed resolution of regulatory issues.

### Nuclear safeguards

Key project milestones achieved by the UK SSAC project have included:

- award in May 2018 of a contract to Axis 12 to develop SIMRS;
  - development of the safeguards regulatory framework;
  - developing and delivering the full suite of professional technical and regulatory training required to meet international safeguards obligations by 29 March 2019;
  - recruitment and training/development of SSAC professional staff with a number of safeguards inspectors gaining their full warrants;
  - development of a comprehensive SSAC target operating model in the autumn of 2018, together with the processes and guidance for handling monthly declarations to IAEA and the proposed schedule of safeguards inspections for 2019/20;
  - provision of subject matter expertise to BEIS and the government to;
    - i. conclude the agreement of the UK's Voluntary Offer Agreement and Additional Protocol with the IAEA;
    - ii. secure royal assent for the UK Nuclear Safeguards Act in the summer of 2018 and passing of the Nuclear Safeguards (EU Exit) Regulations 2019; and
    - iii. conclude Nuclear Cooperation Agreements with the USA, Canada, Australia and an amended agreement with Japan;
  - completion of SIMRS build, secure hosting, testing and integration of the system with ONR processes in readiness for 29 March 2019; and
  - conclusion on 29 March 2019 of a three month period of 'parallel running' to test SSAC operations in a like live manner to ensure operational readiness to deliver a UK SSAC that enables the UK to meet international safeguards obligations from 29 March 2019.
-

The UK SSAC project has met all of its major milestones as planned and was ready to deliver a UK SSAC that would enable the UK to meet its international safeguards obligations. The project is now working towards building upon this capability to deliver a domestic safeguards regime equivalent in effectiveness and coverage to that provided by Euratom, by the end of December 2020.

## TECHNICAL DIVISION

Our Technical Division (TD) has continued to lead our integrated functions and major projects, organised around eight delivery streams reporting to the TD board.

**TABLE 13 - DIVISIONAL PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES**

| Milestone   | Status  | Comments  |
|---|---------|---|
| ONR REPPIR code of practice and guidance ready for public consultation                                | Met     | Met in March 2019   |
| Complete final draft of REPPIR code of practice and guidance  | Not Met | Deferred to 2019/20 in light of Government delays in drafting regulations             |
| Produce guidance on amendment to transport regulations  | Not Met | Deferred to 2019/20 in light of Government delays in drafting regulations             |
| Participate in ENSREG Topical Peer Review hearings  | Met     | Completed May 2018  |
| Complete Integrated Regulatory Review Service (IRRS) self-assessment and agree corrective action plan | Met     | Completed March 2019  |
| Publish regulatory intelligence report for period to December 2017                                    | Met     | Completed January 2019  |
| Complete Redgrave Court Incident Suite (RCIS) technical cell capability improvement programme         | Met     | Completed March 2019  |
| Integrate emergency response to a transport event into ONR's arrangements                             | Met     | Completed July 2018   |
| Report to Regulatory Leadership Team - establishment of investigation-sub specialism                  | Met     | Completed September 2018  |
| SAPs review - professional leads complete phase one   | Not Met | SAPs project has been deferred to 2020/21 due to unforeseen staffing capacity issues. |

## Transport Competent Authority (TCA)

We are the GB Competent Authority for the transport of radioactive materials<sup>6</sup>, which means we are legally required to carry out this function. We have established a TCA function to focus on improved governance, alignment of processes with ONR arrangements and staff capability. The TCA is responsible for oversight of all transport inspection and assessment work performed within the divisions.

<sup>6</sup> Except for Defence Nuclear material

---

During 2018/19, we provided significant support to BEIS in the development of amendments to the CDG Regulations. As a result of this work, we paused the non-nuclear inspection programme which provided an opportunity for us to review our strategy of how we regulate this sector. Our revised strategy continues to seek improvement in legal compliance by the dutyholders, but now includes a focus on the supply chain and influencing key stakeholder groups and professional associations.

### **Emergency preparedness and response (EP&R)**

We are committed to ensuring appropriate arrangements are in place to deal with a nuclear emergency. We assess the adequacy of UK arrangements through our dedicated EP&R team, working in partnership with organisations and agencies involved in emergency response including, licensees of nuclear installations, local authorities, government departments and other stakeholders.

In 2018/19, all planned inspections of local authorities' arrangements for preparation of an "off-site emergency plan" (REPPiR [2001] Regulation 9) were completed and were assessed as adequate. Based on these inspections, our assessments of emergency plans and our observations of demonstrations of these plans, we consider all our local authority dutyholders to be in routine regulatory attention.

We have continued to provide technical support to national projects such as joint agency modelling and the replacement for the UK's Radioactive Incident Monitoring Network (RIMNET). We have maintained the RCIS to meet our current minimal objectives for responding to an emergency, but the essential IT upgrades required are dependent on ONR's IT separation project. A review of our response arrangements to a nuclear emergency has identified a series of improvements to promote resilience and a programme of work is being developed for implementation in 2019/20.

In response to government requests, significant additional support has been required to assist BEIS in their development and application of guidance on the use of the semi-urban demographic criteria for the siting of new nuclear build sites. The work highlighted shortcomings in our own arrangements and resilience in this area which have since been resolved.

### **Technical guidance and standards**

The maintenance and refresh of both safety and security Technical Inspection Guides (TIGs) and Technical Assessment Guides (TAGs) has continued, with business impact target assessments now embedded as part of the process, supported by productive consultations undertaken on many of the changes with other regulators, principally DNSR and the Environment Agency.

We have implemented new TIG and TAG documents to account for developing nuclear technologies with innovative methods used in their production. Our work to improve the currency of TIGs and TAGs will continue to receive enhanced resource during 2019/20.

---

## Regulatory oversight

As part of our Integrated Audit and Assurance Framework, we have a tiered regulatory oversight function to provide assurance to the Technical Director and CNI across all aspects of our regulatory activities. Tier 1 provides additional within-directorate assurance to the CNI and Regulatory Directorate's divisional directors that our regulatory activities are being undertaken in accordance with the ONR management system, are bounded by the legislative framework within which we operate, and meet the expectations of the ONR EPS. Regulatory oversight activities provide confidence to the CNI in discharging his role in accordance with ONR's written scheme of delegation, enabling assurance to be provided to the highest levels of the organisation, our sponsoring department DWP, and wider government.

The work performed within the oversight function complements and informs the Regulatory Assurance function activities performed at Tier 2 and Government Internal Audit Agency activities at Tier 3. It provides assurance of a non-independent nature such that it can be used to identify areas of organisational learning as well as provide a focus for improvement, whereas, Tiers 2 and 3 perform their tasks independently of the Regulatory Directorate. The reports and learning points arising from regulatory oversight activities are captured and have been presented to staff at each of our offices over the course of the year.

Specific activities performed in 2018/19 included:

- a review of the Hitachi-GE ABWR Design Acceptance Confirmation (DAC) as part of the GDA;
- observing interventions performed against each of ONR's purposes with a view to capturing organisational learning. Upon completion of observed inspections licensees / dutyholders are requested to rate the value of the intervention from 1 to 5, with 5 being the highest; the licensee / dutyholder index is currently at 3.89 based upon feedback from the six observed inspections. All considered that the behaviours of ONR's inspectors were either good or excellent and all considered there to be value in the inspection with none rated below 3;
- a review of the permission granted for nuclear island concrete at HPC;
- a review of value for money of the graphite research contracts against HM Treasury guidance; and
- capturing relevant learning arising from the Hackitt review into the Grenfell tragedy.

Over the reporting period, a number of opportunities for learning have been identified relating to inspection practices, clarity in regulatory expectations and compliance focus, and updating of guidance and process. In addition, there were a number of commendable practices identified associated with the work of ONR inspectors.

---

## Regulatory research

We undertake or commission research in connection with our purposes. Our research supports independent regulatory decision making, which 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 the topics are published on our regulatory research register. Research activities that we undertake or commission are published on our website and in Autumn 2019, will be reported comprehensively in the CNL's report on the safety, security and safeguards performance of the nuclear industry.

## Major project delivery

### Licence condition and SAPs review

We took a decision to pause our Licence Conditions Review project during 2018/19 in light of competing regulatory priorities and the significant programme of regulatory guidance required as part of this project.

The scope of the SAPs project included a review of the 2014 SAPs to incorporate changes in IAEA standards since 2014, incorporation of new technical areas in the SAPs (e.g. supply chain) and undertaking appropriate stakeholder engagement and consultation. As a result of resource issues, and anticipating that the changes were expected to result in only minor changes to the SAPs, the project was deferred.

We anticipate that, in light of competing regulatory and wider business priorities during 2019/20, these projects will not be progressed next year. We are nevertheless satisfied that the extant SAPs remain relevant and fit for purpose standards.

### Basic Safety Standards Directive

Following the submission of the draft REPPiR regulations to the European Commission in September 2018 and BEIS' unveiling of its draft REPPiR (and CDG regulations) in late October 2018, we continued to draft the ACoP and guidance for the regulations. In March 2019, we completed a first draft of the ACoP and guidance which was laid with the new regulations in parliament.

### Preparation for full scope Integrated Regulatory Review Service Mission

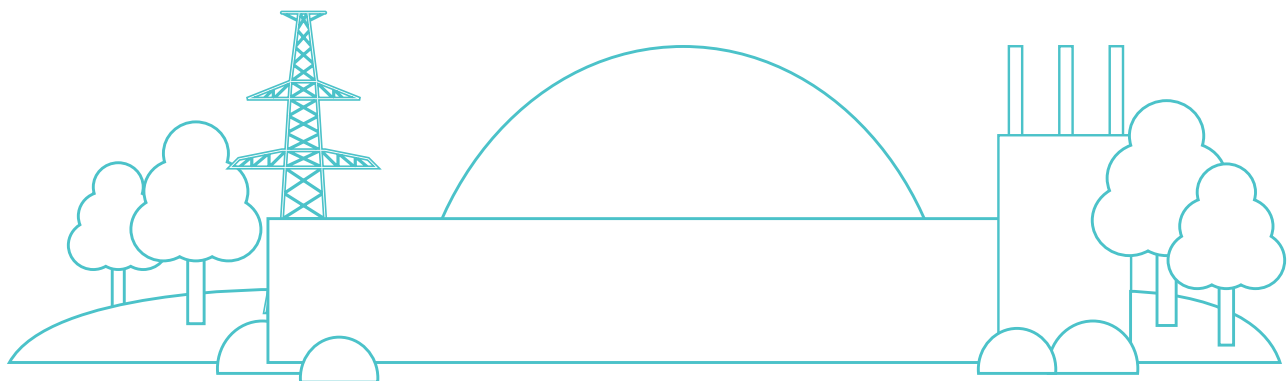
Preparation for the full-scope IRRS Mission in October 2019 has been a significant focus for ONR during 2018/19. We have undertaken a comprehensive self-assessment of compliance with IAEA safety standards and are coordinating the UK's hosting of the mission on behalf of BEIS.



---

## PRIORITIES FOR 2019/20

- Maintain delivery of our core regulatory functions, holding industry to account on behalf of the public; including activity to assess security plans against Security Assessment Principles (SyAPs) and embed this new outcome-focussed approach to regulating civil nuclear security.
- Embed an independent UK SSAC to enable the UK to meet its international safeguards obligations after leaving Euratom, as a result of Brexit, and work towards a safeguards system equivalent in effectiveness and coverage to that provided by Euratom, by December 2020; and
- Support implementation of the emergency preparedness elements of the Euratom Basic Safety Standards Directive (BSSD) (2013), including developing a Code of Practice (and associated guidance) in support of the revised Radiation (Emergency Preparedness and Public Information) Regulations (REPPiR) (2019) and guidance to support amendments to the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations (CDG) 2009.



## STRATEGIC THEME 2 – INSPIRING A CLIMATE OF STAKEHOLDER RESPECT, TRUST AND CONFIDENCE

TABLE 14 - PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES

| Strategic Theme 2 (15 milestones)                                 | Status | Comments                |
|---|--------|-------------------------|
| Host nuclear industry personnel security forum                    | Met    | Completed April 2018    |
| Participate in ENSREG Topical Peer Review hearings                | Met    | Completed May 2018      |
| Present UK Report to the Joint Convention Review Meeting          | Met    | Completed May 2018      |
| Host Industry Conference  | Met    | Completed May 2018      |
| Publish Regulators' Code Self-Assessment                          | Met    | Completed May 2018      |
| Represent UK at the IAEA Nuclear Security Guidance Committee      | Met    | Completed June 2018     |
| Lay 2017/18 Annual Report and Accounts before Parliament          | Met    | Completed June 2018     |
| Complete IRRS self-assessment                                     | Met    | Completed January 2019  |
| Host webinar on outcome of UK Report to the Joint Convention      | Met    | Completed August 2019   |
| NGO Forum (October 2018)  | Met    | Completed October 2018  |
| Host webinar on HPC Nuclear Island consent                        | Met    | Completed November 2018 |
| Publish Regulatory Intelligence report for the period to Dec 2017 | Met    | Completed March 2019    |
| Host webinar on ENSREG Topical Peer Review                        | Met    | Completed February 2019 |
| Present paper at US NRC Regulatory Information Conference         | Met    | Completed March 2019    |
| NGO Forum (March 2019)  | Met    | Completed March 2019    |

TABLE 15 - KEY PERFORMANCE INDICATORS FOR STRATEGIC THEME 2

| KPI Ref | Description  | Reporting frequency | Target | Actual |
|---------|--|---------------------|--------|--------|
| B5      | Publish all regulatory decision reports within 6 weeks | Quarterly           | 90%    | 100%   |
| B6      | Respond to FOI/EIRs requests within statutory limits   | Monthly             | 100%   | 98%    |

We engage with a wide range of stakeholders at a local, national and international level. We recognise that the views of our stakeholders vary, and we seek to engage in a balanced and fair way, responding to all perspectives, while being clear about our role, purpose and independence.

We have sought to improve and enhance our stakeholder engagement to respond to the increasing interest in the sector, and explain how we are changing and modernising our regulation to be able to respond effectively.

TABLE 16 - SUMMARY OF DELIVERY AGAINST OUR TOP TEN PRIORITIES IN 2018/19

**Strategic Theme 2: Inspiring a climate of stakeholder respect, trust and confidence**

- 4 We have strengthened our stakeholder engagement and insight to enhance public confidence in ONR's regulation while addressing the areas for improvement in response to our 2017 stakeholder survey.

**OPENNESS AND TRANSPARENCY**

Public confidence in our regulation of the nuclear industry is essential. We have continued to provide detailed information, as set out in our publication scheme, on how we regulate, the rationale for our regulatory decisions, our research and regulatory intelligence. Our ambition is to be open and transparent in our engagement and we have been engaging with ENSREG and the IAEA to seek out best practice and identify improvements to develop our policy and approach.

This year we have updated our technical guidance, streamlined our processes, and increased training to ensure we are able to respond promptly and effectively to information requests received under the Freedom of Information Act and Environmental Information Regulations, responding to 98% of cases within 20 working days. We have also operated an effective enquiries service, meeting our response time of 20 working days in 87% of cases, to provide information to the public on a range of regulatory and organisational matters.

**REGULATORS' CODE**

In May 2018, we published our Regulators' Code Self-Assessment Report which showed progress against the actions from our initial review in 2015 and provided an update on how well our activity currently aligns with the Code.

Reflecting on our experience of regulating in accordance with the Code, we found, as in 2015, that our goal-setting regulatory framework allows us to regulate according to the high standards expected whilst also operating in accordance with the Code. Following the self-assessment, we continue to work to improve our activity in relation to the Code by starting to gather feedback from dutyholders on their experience of using our guidance and fully embedding our enabling approach. A further update will be published in 2020 to coincide with the end of our current strategy 2015-2020.

---

## WORKING WITH OUR STAKEHOLDERS

We have used the insight gathered from our 2017 stakeholder survey to define and deliver improvements in our external communications, including how we work with government and NGOs.

We embraced a more dynamic and proactive use of digital methods of communication, including videos, webinars and social media to improve engagement. Our webinars have covered a range of subjects, including regulatory milestones such as our permissioning of the Nuclear Island concrete pour at HPC in November 2018, and learning from the ENSREG Topical Peer Review on ageing management. We want to be more accessible and our webinars are proving popular, offering a modern engagement opportunity for our stakeholders to communicate with ONR leaders and experts on a range of topics, without having to travel.

Our short explanatory videos on important developments such as the closure of the Thermal Oxide Reprocessing Plant (THORP) facility at Sellafield, and the move into care and maintenance at Bradwell, have had a positive impact on our social media channels, increasing followers and engagement rates, with videos being viewed several thousand times. We will develop this programme further in 2019/20 in order to enhance understanding of key regulatory matters.

We continued to engage both proactively and reactively with media, particularly during the handling of a number of high profile issues. Starting with our first Chief Nuclear Inspector's themed inspection in March 2018, we have adopted a more proactive media approach for our inspection activities in order to build understanding and confidence in our regulatory role. We have engaged closely with a broad range of media in light of considerable interest around recent prosecutions and enforcement activities, an incident at Heysham 1 power station in November 2018, and the extended reactor outages at Hunterston B.

Gathering insight and views from our stakeholders is very important to us. Through new internal reporting arrangements and collaboration, we are getting greater feedback from external meetings and blending this with data gathered from our enquiries function to help improve our understanding of our stakeholders' interests and concerns. This valuable information helps to inform and adapt our communications approach and focus.

Over 2018/19, we increased our programme of face-to-face engagement activities. Our industry conference in May 2018 brought together over 80 senior leaders from across the sector and focused on 'public safety – everyone's responsibility', providing an opportunity for us to set out how we are modernising our regulation and our organisation.

Our industry conference is just one way we engage with those we regulate to build effective and trusted working relationships that are critical to securing effective safety and security outcomes. We have multiple channels to engage with industry; from our routine inspections, to our regular meetings with dutyholders and licensees. We also engage regularly with the Safety Director's Forum (SDF) which facilitates effective industry communication on the strategic regulatory matters and is a useful means of gathering regulatory intelligence and responding to the industry's views.

---

We introduced annual industry finance engagement events in June 2018 to provide greater clarity around our charging methodology and enhance the openness and transparency in our engagement. As part of our ongoing activity to consider the economic impact of regulation we will also be including this as a discussion item at the 2019 event.

Our continued proactive programme of engagement with the NGO community has enabled us to have honest, open and constructive dialogues. We strengthened governance of the ONR NGO Forum this year, refreshing and publishing new terms of reference, welcoming new members and putting in place more collaborative co-chair arrangements.

We held two full Forum meetings in October 2018 and March 2019, providing opportunities to improve understanding of our role and how we regulate. We've focused on topics of interest to NGO members, such as security regulation, how we are regulating in response to ageing reactor issues like graphite, and new emergency planning arrangements.

Outside of formal meetings, our webinar programme, regular correspondence and news updates as well as bespoke meetings have augmented our NGO engagement, helping us build and improve relationships.

More widely, we continued to attend Site Stakeholder Groups and Local Liaison Committees, providing regular reports on our regulatory activity. We are also working with the SDF to review and influence effectiveness of these meetings to improve consistency across the industry.

We have communicated developments on UK SSAC with industry through the Nuclear Industry Association working group on Brexit, providing regular updates on project progress, supporting BEIS Euratom Exit industry forum consultation events, and providing progress reports to industry forums, such as the SDF and the Society of Radiological Protection's Small Users Liaison Group. We have also contributed regularly to trade and industry journals.

We held two SSAC industry days in June 2018 and January 2019 to share project progress and plans with industry and seek their feedback on the development of our SSAC operating model and the safeguards guidance for nuclear material accountants and safeguards inspectors. Our operator workshop in December 2018 focused specifically on nuclear material accountancy to identify the most effective ways of working together under the new safeguards regime.

Our website remains an important communication channel and in 2018/19, we published 53 project assessment reports, 119 site stakeholder group reports and 484 intervention records. The site was visited by more than 140,000 unique users from across 181 countries with USA, China and Japan being the most frequent non-UK visitors.

Our external newsletter, ONR News, now reaches over 9,000 stakeholders. Three editions this year have provided information of our regulatory priorities and activities, how we are building our capacity and capability and how we are modernising as an organisation.

We intend to build on this in 2019/20 with the aim that ONR News becomes a trusted and valuable source of information for our stakeholders.

---

## STAKEHOLDER SURVEY

Following our first stakeholder survey in 2017, we conducted a follow-up stakeholder survey in October 2018, using a sample of the questions from 2017 to 'test' our progress.

The survey was distributed via YouGov to 1,061 contacts; we had a response rate of 31% (329), with the majority of responses coming from licensees, government and other industry / dutyholders.

The overall outcome is positive; there has been no significant reduction where we were doing well in 2017, with stakeholders viewing us as professional, trusted and fair. We have made some improvements in areas needing attention, with marginal increases in stakeholder views of our proportionality, consistency and capacity and capability. The results of our next full survey in Autumn 2019 will provide a better indication of the significance of these changes. The full survey results were published in February 2019.

## CNI INDEPENDENT ADVISORY PANEL

The Chief Nuclear Inspector's Independent Advisory Panel met twice to address topics including regulation of innovation, our research strategy and our role in enabling, to the extent which is appropriate, the government's Nuclear Sector Deal. The panel comprises a range of experts from industry, professional institutions and academics and in March 2019, we embraced greater transparency and diversity by appointing two NGO community members.

## WORKING WITH GOVERNMENT

We have maintained a close working relationship with BEIS to provide our expertise and technical knowledge to shape government policy as an independent regulator. This year we have provided guidance on new emergency planning arrangements to implement the BSSD, proposals for a Regulated Asset Base (RAB) model to fund new nuclear build, regulation of new technologies and the Nuclear Sector Deal. We have also started to consider how regulation can facilitate innovation, whilst maintaining our high standards of safety and security.

We consider our regulatory planning assumptions with government departments to ensure that we are able to manage our resources effectively in a changing operating environment. These have been kept under review throughout the year, and then refreshed and agreed annually to form part of our Corporate Plan.

In addition to quarterly engagement between our Chief Executive, CNI and BEIS directors, we've brought together BEIS and ONR leadership teams twice over the last year to collectively consider our operating environment and discuss matters of mutual interest and cooperation.

These arrangements are augmented with Quarterly Accountability Reviews with DWP as our sponsor department, strengthened working arrangements between BEIS sponsorship officials and our enhanced policy function, and more regularised engagements with the MoD. These changes have fostered positive and constructive engagement to manage growing and changing regulatory demands.

In November we published the revised DWP Framework Document<sup>7</sup>, providing greater clarity on mutual expectations and modernising in line with demands upon us and our organisational strategy.

<sup>7</sup> <http://www.onr.org.uk/documents/2018/onr-dwp-framework-document-oct18.pdf>

---

In relation to the UK SSAC, our project team engaged regularly with BEIS through the Euratom Exit Programme, working directly with the Euratom Exit Unit in the development of the Nuclear Safeguards Regulations and negotiations with international partners on safeguards related agreements. Our project lead also gave evidence to the House of Lords EU Energy and Environment Sub-Committee on the project's progress in July 2018.

## REGULATORY INTELLIGENCE AND OPERATIONAL EXPERIENCE

During 2018/19, we strengthened our regulatory intelligence processes developing a new process to produce regular reports and reintroducing operational experience notes across the organisation to highlight specific regulatory issues.

The analysis of events reported to ONR between April 2015 and December 2017 was published in March 2019. This report focussed on our actions in relation to the more significant events (INES 1 and above and events meeting Ministerial Reporting Criteria) as well as licensee / dutyholder actions. Incidents for 2018 will be included in our first CNI report in Autumn 2019.

## INTERNATIONAL REGULATORY COOPERATION

### Strategic Framework for International Cooperation

The regulation of nuclear safety, security, safeguards and the transport of radioactive material operates within a global context of international law, obligations, standards and guidance. Our effective engagement and influence on a worldwide platform is imperative to:

- influence the development of safety standards and security guidance and incorporate into UK regulatory system to promote high standards;
- enhance our reputation as a world-leading regulator; and
- support other countries to reach for the highest standards in nuclear safety and security.

Our work ranges from fulfilling legal, treaty and government obligations and directly influencing ONR regulatory standards to supporting our strategic objectives, maintaining visibility, providing knowledge transfer and for professional development. We have published a new Strategic Framework for International Engagement this year which provides the strategic context, setting out the priority objectives and criteria for our international engagement to support our organisational strategy into the 2020s.

It defines the over-arching governance structure for priority international engagements and also includes criteria for considering requests to participate in international fora and events over and above those identified as priorities.

The Framework will be reviewed annually to reflect our changing and evolving operating environment.

---

We continued to support a significant portfolio of international work with key bodies including the IAEA, Nuclear Energy Agency (NEA), and other influential standards-setting bodies such as the Western European Nuclear Regulators Association (WENRA). This work enables us to influence globally, learn from relevant international good practice and maintain alignment with international obligations, standards and conventions, and to ensure their output takes account of UK practice / law and meets the UK's needs.

### **Treaty and convention obligations**

In May 2018 our CNI led an ONR delegation to Vienna to support the UK's presentation of its sixth report on the Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (known as the Joint Convention). There was a strong UK contingent to the review meeting as well, including BEIS, the NDA, the EA and Sellafield Ltd.

Preparation of the UK country report demanded a substantial effort in coordinating the input from a wide range of organisations. The UK received international recognition for the implementation of a waste management hierarchy that has extended the life of the country's Low Level Waste Repository by 100 years. The UK was also one of only six nations to be awarded a highly sought-after 'good practice' commendation.

We led the development of European wide guidance on article 8a of the Nuclear Safety Directive – "Timely implementation of Reasonably Practicable Safety Improvements to Existing Nuclear Power Plants". We also played a leading role in the preparations for the first ENSREG 'Topical Peer Review' on Ageing Management of Nuclear Power Plants, which commenced in 2017 and we delivered the UK's report to the EU in December 2017. This report, authored jointly by ONR, EDF NGL and EDF-NNB GenCo HPC was subject to international scrutiny in early 2018, including at a peer review meeting held by ENSREG in Luxembourg in May 2018.

### **Multilateral cooperation**

We have continued to support the development of and revision to international safety and security standards through our membership of IAEA's standing committees. Attendance at the IAEA General Conference in September 2018 also enabled a number of bilateral meetings with foreign regulators.

In support of our new build activities, we participated in a variety of international engagements during 2018/19, which include:

- Multi Design Evaluation Programme interactions, including ABWR and HPR1000; and
- interactions with the NEA in relation to cooperation on ANTs.

We have supported two IAEA IRRS missions to Spain and the Netherlands and two International Physical Protection Advisory Service (IPPAS) missions to Switzerland and Japan.



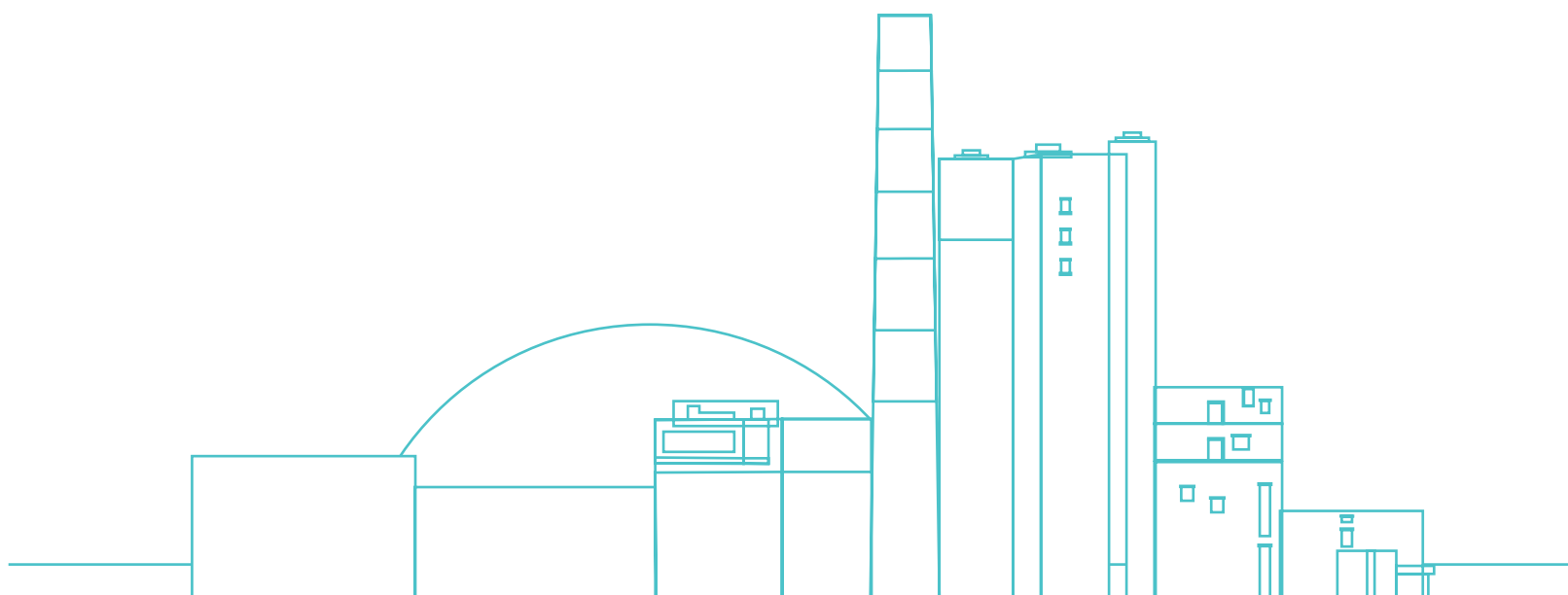
---

## Bilateral cooperation

We continued to support our bilateral agreements and have undertaken information exchanges and visits with fellow national regulatory bodies including the French (ASN), Japanese (NRA), the nuclear safety authority in Finland (STUK), Chinese (NNSA), the Canadian Nuclear Safety Commission (CNSC) and the US Nuclear Regulatory Commission (NRC). We've also engaged with Environmental Protection Agency (Ireland) and the Norwegian government (with their regulator) over matters of mutual interest, given close geographic proximity. In June and September 2018 we renewed the information exchange arrangements with ASN and US NRC respectively.

## PRIORITIES FOR 2019/20

- Strengthen insight, peer review and effective two-way stakeholder engagement; and
- Lead the UK IAEA Integrated Regulatory Review Service (IRRS) Mission 2019, working with other regulators and government to present a coherent and accurate position of how we regulate in the UK.



## STRATEGIC THEME 3 – GETTING THE BEST OUT OF OUR PEOPLE

TABLE 17 - PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES

| Strategic Theme 3 (8 milestones)                                  | Status | Comments                |
|---|--------|-------------------------|
| Publish Gender Pay Report   | Met    | Completed July 2018     |
| Conduct 2018 Staff Survey   | Met    | Completed October 2018  |
| Agree 2018 Staff Survey Action Plan                               | Met    | Completed December 2018 |
| Complete National Equality Standard assessment                    | Met    | Completed November 2018 |
| Introduce Corporate Social Responsibility Policy                  | Met    | Completed March 2019    |
| Complete migration of ONR learning and development to ONR Academy | Met    | Completed March 2019    |
| Implement Mental Health Strategy                                  | Met    | Completed March 2019    |
| Complete RCIS Technical Cell capability improvement programme     | Met    | Completed March 2019    |

TABLE 18 - HOW WE PERFORMED AGAINST OUR KEY PERFORMANCE INDICATORS

| KPI Ref | Description  | Reporting frequency       | Target          | Actual |
|---------|--|---------------------------|-----------------|--------|
| B7      | Capacity: starter numbers for technical specialists  | Quarterly (annual target) | 5% net increase | 6%     |
| B8      | Capability: proportion of eligible ONR staff who have advanced to the next level in Competency Pay Progression                   | Annually                  | 30%             | 45%    |
| B9      | Diversity and Inclusion: Declaration rates: improve current annual response from 43% to 60% of organisation making a declaration | Quarterly                 | 60%             | 77%    |
| B10     | Capability: proportion of warranted safety and security inspectors at or above target  | Quarterly                 | 80%             | 80%    |
| B11     | Engagement: staff engagement index to improve from 70% to upper quartile benchmark (public sector)                               | Annually in-year          | 74%             | 77%    |
| B12     | Capacity: leavers – turnover/attrition (ONR overall)   | Quarterly (annual target) | <7%             | 5.8%   |

**TABLE 19 - SUMMARY OF DELIVERY AGAINST OUR TOP TEN PRIORITIES IN 2018/19****Strategic Theme 3: Getting the best out of our people**

- 5 The ONR Academy project concluded in February 2019 and is now established in our organisation as a centre of excellence for training and development. This has contributed to improvements in our capability and organisational resilience. Our bespoke courses in management development and the implementation of 360 degree feedback have helped to build the competence of our future leaders and has laid the foundations on which to base a more focused leadership programme for 2019/20.
- 6 We have simplified our management structure to deploy more skilled leaders who provide consistent management and development of staff, releasing regulatory capacity.
- 7 We have delivered tangible improvements across the organisation that have contributed to significant improvements in our 2018 Staff Survey results.

This year we focussed on addressing the cultural issues within ONR including promoting and improving our understanding of diversity and inclusion, addressing poor behaviours, developing our management and leadership and responding to the findings from the 2017 staff survey. Improvements across the key themes in the 2018 staff survey results demonstrate success, with particular increases in employee engagement, leadership and feeling valued.

Externally, we have addressed issues from the stakeholder survey in building confidence in our capacity and capability to meet the regulatory demands and challenges. We achieved external accreditation to demonstrate effective impact in areas such as diversity and inclusion and recognition through award nominations for the quality and innovative approaches undertaken to build capacity.

We achieved accreditation to the National Equality Standard this year, providing national recognition of our commitment to continually strengthen an organisational culture of diversity and inclusion. The accreditation helped us identify what we are doing well, but also, through a number of recommendations that we will build into our action plan, how we can improve further.

Our 2018 staff survey results highlight that we are above the public sector benchmark for 21 of the 25 areas for which comparable data is available. This provides evidence of a highly engaged and motivated workforce that is both proud and committed to achieving its organisational goals, with high levels of support and collaboration.

We saw an increase from our 2017 survey on leadership ratings with a 32 percentage point increase relating to ONR staff feeling our leadership is visible and accessible (76%) and a 23 percentage point increase in the trust of staff in messages from the leadership (69%). Overall the leadership index has increased to 58% from 52%, improving the ONR position within the upper quartile and well above the public sector benchmark (44%).

Other areas of significant high scores include: 93% of staff understanding the standards of behaviour expected of them, 90% understanding the role and responsibilities of the Career and Development Manager (CDM), 86% proud to work for ONR, and 92% feeling that they work as a team.

---

The ONR Academy project concluded in February 2019 and is now established in our organisation as a centre of excellence for training and development. We have developed bespoke training more suitable to our regulatory needs with an ethos of “little, local and often”. It enables us to deliver consistency in how we develop our staff, through effective knowledge management and clear development pathways, and offers a modern learning environment that is helping our staff realise their potential and enhance our capability.

We launched the ‘ONR Academy Online’, our learning and content management system that provides the new home for e-learning and the ‘go-to’ place for coaching guides and any learning and development guidance. Designed to complement our existing learning and development opportunities, it works alongside face-to-face and classroom learning and provides an efficient and effective system to support our staff to develop their capability.

To support our people in demonstrating the right skills and behaviours, we implemented a behavioural framework as part of our performance management system. This established an agreed set of standards and supports development and assessment of leadership and management at all levels. This framework also underpins our processes for recruitment, rewarding and recognising performance and career progression.

We have strengthened our focus on how new initiatives and change across the organisation can impact our staff, and been more active in seeking out and listening to feedback from our people. The key themes we have taken forward this year include:

## LEADERSHIP AND MANAGEMENT

We have improved in all the main areas of our staff survey, including leadership, visibility and staff engagement. Our bespoke courses in management development and the implementation of 360 degree feedback have helped to build the competence of our future leaders. To complement this, we developed a mandatory training programme for all CDMs, designed to support individuals who are new to the role and provide refresher training for existing managers.

We have taken a more proactive approach to managing casework to provide greater oversight and increased support to managers to deal with complex and sensitive issues and have introduced new procedures on capability and bullying and harassment.

We have focused on improving our employee engagement and leadership visibility, accessibility and trust. This included a variety of two-way engagement activities such as quarterly briefing sessions with our Chief Executive and CNI delivery of a monthly core brief to staff as well as ‘lunch and learn’ sessions on topical matters. We have held several key engagement events with our leaders, providing opportunities to develop our organisation’s values and behavioural framework as we start to shape our strategy for 2020-25. The outputs from these events will provide significant input to our new leadership development programme due to be launched in 2019.

We are starting to see the benefits of this improved engagement. Our staff survey employee engagement index score has increased from 70% to 77% (the public sector benchmark is 65%).

## SUPPORTING PEOPLE TO HAVE THE RIGHT SKILLS AND BEHAVIOURS

A programme of development and support workshops, including addressing any lessons learnt from on-going evaluation, launched our new Behaviour Framework into the organisation in Spring 2018. To widen opportunities and accommodate increased demands, we have improved core and bespoke training through our Academy, reducing average timescales for warranting new regulatory staff.

To complement this, we reviewed and improved our warranting process to ensure it is fully inclusive of our core purposes including safeguards. We also completed an organisational capability review to identify skills gaps and produced a new improved learning prospectus for all staff.

## DIVERSITY AND INCLUSION

In addition to our accreditation of the National Equality Standard, we were pleased to achieve Disability Confident Employer - Level 2 status which confirms that we are a disability confident employer.

Our focus on raising awareness of diversity and inclusion in ONR, which included holding a number of events and completing a successful data declaration campaign, saw us achieve an average declaration rate of 77%.

## REWARD, ATTRACT AND RETAIN STAFF

We were delighted with a participation rate of 87% in our 2018 staff survey, demonstrating how committed our staff are to providing their views and improving ONR. During the year, we improved our total reward package to ensure we remain competitive and introduced personal reward statements for all staff, confirming all pay and non-pay related benefits our staff are entitled to. We implemented the 2018/19 pay deal for staff and provided more initiatives to support staff well-being, resulting in an increase in our staff feeling valued to 53%, well above the benchmark.

We achieved our recruitment targets and maintained retention levels, exceeding the targets for the UK SSAC project and introduced a further recruitment pipeline launching nuclear degree level apprenticeships.

To improve the experience of those applying to work for ONR, we incorporated security and vetting responsibilities within our HR Directorate to provide a single point of contact.

To demonstrate our commitment to diversity and inclusion, we also published our second gender pay report.

## PRIORITIES FOR 2019/20

- Enhance ONR's leadership and management skills;
- Promote a healthy organisational culture, focusing on organisational values and behaviours; and
- Provide coherent and consistent leadership of, and ensure staff engagement in, our change portfolio.

## STRATEGIC THEME 4 – DEVELOPING A HIGH-PERFORMING, SUSTAINABLE ORGANISATION

TABLE 20 - PERFORMANCE AGAINST 2018/19 CORPORATE MILESTONES

| Strategic Theme 4 (17 milestones)  | Status  | Comments   |
|--|---------|--|
| Implement GDPR Phase 1   | Met     | Completed May 2018   |
| Publish DWP/ ONR Framework Document and Scheme of Delegation   | Met     | Completed November 2018  |
| Agree integrated IT Separation Plan (from HSE) and IT Modernisation Plan   | Delayed | Delayed; pending new supplier engagement   |
| Integrate emergency response to a transport event into ONR's arrangements  | Met     | Completed July 2018  |
| Re-locate London office  | Met     | Completed July 2018  |
| Implement ONR Enforcement Management Model (EMM)   | Met     | Completed July 2018  |
| Complete laptop rollout (Phase 1)  | Met     | Completed November 2018  |
| Establish Investigation sub-specialism   | Met     | Completed September 2018   |
| Commission Corporate Planning activity for 2019/20   | Met     | Completed September 2018   |
| Commence Phase 1 of WIReD project  | Met     | Completed November 2018  |
| Complete SAPs review - Professional Leads (Phase 1)  | Deleted | Deleted November 2018. SAPs project has been deferred to 2020/21 due to unforeseen staffing issues |
| Commence laptop rollout (Phase 2)  | Delayed | Delayed to post IT Separation  |
| Board review budget proposals for 2019/20  | Met     | Completed January 2019   |
| ARAC approve internal audit & assurance plan 2019/20   | Met     | Completed February 2019  |
| Complete first build of new portal to assist regulation of CS&IA in the supply chain                                   | Deleted | Deleted October 2018, now part of WIReD  |
| Board approve 2019/20 Corporate Plan, Budget and KPIs  | Met     | Completed March 2019   |
| Consider Business Case for Phase 2 of Regulatory Knowledge Management Business Process Review Project - Gateway Review | Delayed | Deferred to 2019/20 due to timing of the project   |

TABLE 21 - HOW WE PERFORMED AGAINST OUR KEY PERFORMANCE INDICATORS

| KPI Ref | Description   | Reporting frequency | Target  | Actual  |
|---------|---|---------------------|---|---|
| B13     | Effective forecasting disciplines: ONR financial outturns are all within tolerance                                    | Quarterly           | < / + 2%  | 7.51%   |
| B14     | PMO: review 50% of live projects in year to ensure compliance with the PMO standard project management process is met | Annually            | 90% compliance with the PMO standard project management process | PMO performance indicators will be developed in 2019/20 as projects are still in delivery and data is not available |
| B15     | PMO: number of projects delivering in year against plan (to time, cost quality)                                       | Annually            | 75%   |   |

Over the past 12 months, we have increased our focus on our modernisation programme to become more flexible and efficient. To prepare for the future, we have been focused on developing strong organisational capability, establishing a robust governance framework, preparing the groundwork to become more self-sufficient and embedding sustainable capability and capacity to drive value.

TABLE 22 - SUMMARY OF DELIVERY AGAINST OUR TOP TEN PRIORITIES IN 2018/19

#### Strategic Theme 4: Developing a high-performing, sustainable organisation

- 8 We have taken significant steps to enhance our cyber security and information governance as set out in the Governance Statement.
- 9 We have delivered tangible improvements in our working environment in London and have commenced activity to introduce smarter working practices in Bootle. Significant progress has also been made to drive forward the IT Separation project and deliver improvements to our operating environment.
- 10 Our plans to deliver a step-change improvement in our regulatory processes together with the standardisation and automation thereof are progressing well as the WIReD project starts to deliver specific outcomes.

---

## MODERNISATION

### Well Informed Regulatory Decisions (WIReD)

During 2018/19 we commenced a programme (to 2020) to simplify and standardise our processes, prioritising knowledge management and business process review to improve our efficiency and effectiveness.

Through the delivery of WIReD, our processes will be more efficient and easier to follow and our information far more integrated and accessible, leading to greater consistency in our regulation. It will also increase our productivity and modernise how we work with those we regulate. It aims to increase knowledge, productivity, connectivity and mobility of every inspector in ONR, improve the interfaces and transparency of our regulation for our dutyholders and stakeholders and mitigate risks around our regulatory memory and knowledge management.

As the WIReD scope has matured, plans for the first build of a new portal to assist regulation of cyber security and information assurance in the supply chain has been subsumed within the project so the original milestone was removed in October 2018. The Gateway Review of the business case for Phase 2 of WIReD has moved into 2019/20 to align with revised project delivery plans.

### IT

We have made progress towards building our own IT network to separate our systems from HSE and enable subsequent data migration. Our IT Separation project will deliver multiple benefits that include providing a robust, resilient and independent network infrastructure, delivering enhanced resilience and information management and laying the foundations for further IT modernisation work within ONR. We have identified a supplier to provide our IT platform with the support of DWP commercial advice and support.

Our tender activity for a new supplier did not complete by the end of the year, resulting in the milestone to agree an integrated IT Separation plan not being met. Following supplier selection, an implementation plan will be developed in early 2019/20 and we will tender our notice to HSE and establish a formal IT Separation Exit Plan.

During the year we completed a successful rollout of approximately 200 new laptops to staff to increase productivity and performance. We intended to extend this rollout across ONR but this will now be implemented following separation from HSE as part of a longer-term modernisation strategy.

### Sustainability

We have increased our use of Skype, video and telephone conferencing, using IT solutions to reduce travel requirements and encouraging the use of public transport. This is part of our commitment to drive improvement of environmental performance and prevent pollution from our activities.



---

## Performance and Risk Information System for Management (PRISM)

The overall aim of the PRISM system is to provide automated and integrated strategic oversight through real-time access to risk, audit, assurance and organisational performance information that will inform decision-making and promote ownership, accountability and transparency within the appropriate management levels. During 2018/19 we undertook soft market testing and issued a tender for a new system that we plan to pilot and implement in 2019/20.

### Time recording system

We also undertook soft market testing and issued a tender for a new time recording system which is required to inform our charging activity. The new system will provide us with increased resilience, reliability and enhanced functionality and will operate to modern security and back up standards.

It will provide the opportunity to introduce a more intuitive, flexible system with a full suite of management information that will effectively inform business decisions.

### Information governance and cyber security

We ensured our compliance with GDPR by establishing the mandatory role of Data Protection Officer and the role of Security and Information Assurance Manager with responsibility for protective security and information assurance in ONR. We have also taken steps to improve our cyber security which is being addressed as a strategic risk. This is covered in more detail in the Governance Statement on page 107.

### Working environment

#### Bootle office

Staff welcomed our engagement on proposed plans for a modernised workspace in our head office, asking them to share their thoughts and express their requirements. We will commence a phased approach to the redesign of our workspace in 2019/20, maximising equity in allocation of space and minimising cost.

#### London office

We relocated our London Office from Rose Court to Windsor House in June 2018 as there was no option to extend the previous lease. We decided to retain a limited presence in London with benefits including retention of valued expertise and proximity to key stakeholders. The relocation, within the public government estate, presented the opportunity to design a working environment that inspires productivity, wellbeing and suits flexible, modern ways of working in a central London location. This move has been well received by staff in London with the new office providing a convenient and flexible base for existing locally-based staff, colleagues working remotely, and for hosting meetings in a central location.

---

## Cheltenham office

The lease for St James House in Cheltenham was renewed in May 2018, which included increased occupation of office space from 2019/20. This increased space will provide a modern and effective working environment for our staff in Cheltenham, which has grown in inspector capacity over recent years.

## Managing change

Our Programme Management Office has matured this year, providing advice and support to the organisation and managing the delivery of key change projects, such as the ONR Academy. The application of consistent and accredited processes, tools and templates has driven delivery of efficient and effective change across ONR. It is also ensuring that the Senior Leadership Team is in a position to make informed decisions about the timing and feasibility of future change initiatives.

## Commercial management

We have enhanced our commercial management capability and capacity to provide effective commercial management, oversight and control of our contractual arrangements, particularly in respect of our new major change initiatives to ensure they are delivered to time, cost, quality and scope.

Our activity is underpinned by the development, during the year, of a new Commercial Governance Framework to be implemented in early 2019/20 which will explain the end-to-end procurement and contract management process and how we will govern our commercial arrangements to provide assurance over service delivery, quality and value for money.

## Governance: polices, processes and frameworks

### Framework Document

We revised our Framework Document with DWP to provide increased clarity of our respective roles, responsibilities and ways of working. The new version takes account of changes from HM Treasury, including the removal of the 'Accounting Officer' terminology in respect of Chief Executive accountabilities and responsibilities, and recognises our status as a public corporation.

### Working capital

During the year we established independent banking arrangements separate to DWP. Aligned with this, the overdraft facility that DWP had provided was replaced with a working capital loan and a short-term loan facility to provide adequate working capital to discharge our statutory obligations.

### Prosecutions

We established formal arrangements with DWP setting out the principles, processes and accounting treatment for dealing with prosecutions. DWP agreed to ensure we are adequately resourced to pursue formal prosecutions and committed to underwrite our financial capability to lay prosecution cases before the courts in accordance with our statutory purposes.

---

### Expenses policy

We launched a new expenses policy, developed in close engagement with our staff, to provide a trusted manual for staff to refer to when claiming expenses and planning business commitments consistent with the principles of Managing Public Money.

### Scheme of Delegation

We revised and published our Scheme of Delegation, which sets out who has the authority to make decisions within ONR. This reflects the latest HM Treasury advice in relation to public corporations sponsored by DWP, including the removal of the 'Accounting Officer' terminology, as noted above.

### Corporate planning

We have made significant improvements to the business planning process for 2019/20. The process included extensive guidance and consultation with business planning leads at the commissioning phase, with continued engagement throughout the process. We provided greater clarity of roles and requirements and published our 2019/20 Corporate Plan in April 2019.

### Risk management

We have continued to drive improvements to risk management through RIG. An effectiveness review indicated that the group has raised the profile of risk in ONR and driven enhanced compliance in terms of risk management through the Risk Management Framework. The RIG has introduced rigour, oversight and challenge to our risk management activity and is driving tangible improvements to risk management throughout the organisation. This has included the introduction of deep dive reviews of divisional and directorate risk registers to ensure and embed consistency in approach and promulgate good practice.

### Organisational Effectiveness Indicator Framework

We have worked to develop a new Organisational Effectiveness Indicator Framework for 2019/20 that will provide a consistent overview of our performance and demonstrate our organisational effectiveness against Organisation for Economic Co-operation and Development (OECD) / NEA Characteristics of an Effective Nuclear Regulator. This will benchmark ONR against those characteristics. Phase I was implemented in April 2019 with the first reports due in July 2019; the full suite of metrics is due to be in place from 1 April 2020.

### Integrated Incident Management Framework

We have made progress with our activity to enhance our business continuity arrangements and formalise our integrated incident management arrangements. This has included business continuity and crisis management test exercises to inform our planning supplemented by workshops to develop scenarios to inform our incident management arrangements. The final draft of the Integrated Incident Management Framework, which will consolidate all lower-level plans, was completed in May 2019. It will be validated, tested and we will raise awareness to support implementation during Summer 2019.

---

### **Integrated Audit and Assurance Framework**

The Framework has been implemented effectively and we have established an open and effective working relationship across the three tiers of assurance. The approach has been shared with other regulatory bodies nationally as an example of good practice and was also selected as the basis of a dedicated appendix to a new IAEA Technical Document that will be published in 2019, raising global awareness of our approach to integrated assurance.

### **Technical Support Framework**

We established a new Technical Support Framework to provide a renewed and modernised approach for procuring technical support. The Framework focuses on securing the continued supply of expert supply chain resources at competitive rates, with greater flexibility and efficiency in the call-off of supplier work.

The benefits we expect to accrue during 2019/20 include securing appropriate technical support in an increasingly competitive market, the ability to initiate lower-value work (<£100k) much quicker, reducing the risk of resource not being available when required and providing us with the ability to source capability from across the whole nuclear supply chain through the primary framework suppliers. This is particularly beneficial in the context of industry uncertainty by mitigating the impact of a reduction in demand for our regulation and minimising redeployment challenges.

## **PRIORITIES FOR 2019/20**

- Simplify and standardise our regulatory ways of working and processes, and improve our ability to share knowledge and insight, through our WIReD project.
- Migrate and separate our data from HSE onto new, independent networks through our IT Separation project.

## Anti-bribery and corruption

We implemented our Compliance Policy Framework in April 2018 which outlines the policies and procedures in place to enhance awareness and control, optimise policy compliance, mitigate associated risks and provide assurance in respect of:

- bribery and corruption;
- fraud;
- whistleblowing and protected disclosures under the Public Interest Disclosure Act 2013<sup>8</sup>;
- gifts and hospitality; and
- conflicts of interest.

We report compliance against the Framework to ARAC each quarter and have extended the scope to include a number of our policies which are outside of the Framework. This allows us to assure ARAC that we meet all of our statutory obligations. During 2019/20 we will be enhancing this activity with the development of a Compliance Policy Hierarchy. For 2018/19 there were:

- No notifications of incidents of fraud or bribery; and
- Six disclosures made under the Protected Interest Disclosure Act 2013 – two have been resolved to the satisfaction of both parties; four continue to be investigated.

## Environmental and Sustainability Matters

ONR satisfies the criteria for not reporting requirements against Greening Government Commitments and sustainability. We are not the major occupier at any of our office locations. Responsibility for collating and monitoring data relating to matters such as energy emissions, carbon footprint, and waste and utilities management rests with the respective building landlords. We engage with our landlords to ensure they have, and maintain, a responsible corporate sustainability policy.

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 wherever possible. We also support local office environmental policies and commitments. For example, our head office at Redgrave Court in Bootle operates a 'nil to landfill' policy. We endeavour to recycle as much waste as possible, including food which goes to make biofuels.

ONR seeks to comply with all applicable legislation and other relevant requirements that relate to our environmental aspects, official codes of practice and, as far as possible, accepted best practice in environmental management.

### Adrienne Kelbie

Chief Executive  
Office for Nuclear Regulation

6 June 2019

<sup>8</sup> The Public Interest Disclosure Act 2013 is an Act of the Parliament of the United Kingdom that protects workers from detrimental treatment or victimisation from their employer if, in the public interest, they blow the whistle on wrongdoing.

# 3

## ACCOUNTABILITY REPORT



## ACCOUNTABILITY REPORT

### CORPORATE GOVERNANCE REPORT

### DIRECTORS' REPORT - COMPOSITION OF ONR'S BOARD

#### Non-Executive Board Members



**Nick Baldwin CBE**

#### **Nick Baldwin CBE - ONR Chair until 31 March 2019**

Nick was appointed as the Chair of the ONR Board on 1 April 2014, having been its Interim Chair from 1 April 2011 and represented ONR on the HSE Board until 13 March 2019. 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 Chair of the Board of Dimensions UK, a Vice Chair of the Worcestershire Local Enterprise Partnership Board and a Non-Executive member of the Worcestershire Digital Board. He was appointed CBE in the Queen's Birthday Honours List 2017 for services to nuclear safety and security and to the charitable sector. Nick stepped down as ONR Chair on 31 March 2019 when his term of office ended.

### Jonathan Baume

Jonathan was appointed, by the HSE 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) and he has recently been appointed to the Advisory Committee on Business Appointments. 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. Jonathan's tenure ended on 13 March 2019 when the reciprocal arrangement with HSE ended.



Jonathan Baume

### Penny Boys CB

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.



Penny Boys CB

### Bronwyn Hill CBE

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 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.



Bronwyn Hill CBE





**Sir Simon Lister**  
KCB OBE

### **Sir Simon Lister KCB OBE**

Simon was appointed to the Board on 5 March 2018. Predominantly experienced in the Defence nuclear sector, Simon brings to the Board major programme management experience in heavy engineering in nuclear power. Simon is a graduate of the Sloan Fellowship, a Fellow of the Royal Academy of Engineering, and a graduate of the Major Projects Leadership Academy. He was appointed Managing Director of the Aircraft Carrier Alliance in September 2017 overseeing the building of the Queen Elizabeth class aircraft carriers.



**Oona Muirhead**  
CBE

### **Oona Muirhead CBE**

Oona was appointed as a member of the Board on 1 October 2014. She is the Chair of ONR's Security Committee. She is also a Non-Executive Director for MSS Global, a small ethical auditing company and provides strategic business advice to Policy Connect (a cross party think tank). 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.



**Sarika Patel**

### **Sarika Patel**

Sarika joined the Board on 1 October 2017. She is the Chair of the Audit and Risk Assurance Committee (since January 2018). A Chartered Accountant, Chartered Marketer and graduate in law she is a business leader with nearly 30 years of public, private and organisational experience. At Non-Executive Board Member level, Sarika holds a number of positions, including chair of Action for Children, Commissioner at the Gambling Commission, where she chairs the Audit, Risk and Assurance Committee; and is a Trustee of the Royal Institution where she chairs the Audit Committee. Her previous non-exec roles include, Klopman Group of companies, vice chair of Centrepont, and member of the Court, University of Greenwich.

## Executive Board Members

### Adrienne Kelbie – Chief Executive

Adrienne became ONR's Chief Executive and an Executive Board member on 18 January 2016. She has worked in the private, voluntary and public sectors, with twenty years at Board level, where she has driven improved customer focus, transparency, organisational development, and both staff and stakeholder engagement.

She is known as a transformational leader who is focussed on developing her people and learning from them. She believes that the best teams are diverse teams, and her commitment is broadened beyond ONR, as Patron of Women in Nuclear UK. In recognition of her promotion of public safety through diversity, she was awarded the rare distinction of Honorary Fellow of the Nuclear Institute in 2017 and is Northern Power Women's Transformational Leader 2019.

Adrienne is also 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, reflecting her interest in developing leadership by example.

### Mark Foy – Chief Nuclear Inspector

Mark was appointed as Chief Nuclear Inspector and Executive Board member on 30 October 2017. His 30-year career includes working across the civil and defence nuclear industry, half of it as a nuclear regulator. Prior to his appointment as Chief Nuclear Inspector, Mark was a Deputy Chief Nuclear Inspector working on some of ONR's most significant programmes including Sellafield, decommissioning, defence and civil reactors. He was recently appointed as Vice Chair of ENSREG, and was awarded an Honorary Fellowship of the Nuclear Institute in 2018, in recognition of his significant contribution to the nuclear sector.



Adrienne Kelbie



Mark Foy

**Sarah High**

### **Sarah High – Finance Director**

Sarah was appointed as Finance Director on 1 June 2016 and Executive Board member on 1 January 2017. She qualified as a Chartered Accountant with PwC in 1998 and worked in the PwC Greater London Public Sector Audit and Advisory Division. She had a number of roles in the private sector; including in BAE Systems as an Internal Audit Manager and business advisor to the operations business before moving to EDS in January 2002 to a senior management accounting finance role supporting the DWP account. She joined DWP in 2004 where she held a variety of senior positions including Head of Commercial Support, Deputy Director of Finance, Head of DWP Business Intelligence and Head of Finance Profession Capability. Sarah is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England & Wales.

**Dave Caton**

### **David Caton – Human Resources Director**

David was appointed as HR Director on 1 April 2014 and Executive Board member on 1 April 2017. He is a HR professional with over 30 years experience in the public sector having undertaken a range of roles in the Home Office, Department for Education, Government Office and Connexions. David was a participant on the Civil Service Fast Track Development Programme and, following roles as a senior policy adviser at Home Office and Department for Education, he focused on a career in HR. He is a Chartered Fellow of the Chartered Institute for Personnel and Development.

## Appointment and resignation of Board members during 2018/19

During the reporting period, the Board comprised a Non-Executive Chair, up to six Non-Executive Directors and four Executive Directors. The changes to Board membership are shown in the following table:

**TABLE 23 – CHANGES TO BOARD MEMBERSHIP**

| Date          | Name           | Event                                  | Role                                      |
|---------------|----------------|--|---|
| 13 March 2019 | Jonathan Baume | End of reciprocal arrangement with HSE | Non-Executive Director (HSE Board Member) |
| 31 March 2019 | Nick Baldwin   | Term of office ended                   | ONR Chair                                 |

Nick Baldwin's tenure as Chair of the Board came to an end on 31 March 2019. Mark McAllister was appointed as Chair from 1 April 2019.

## Managing Conflicts of Interest

Details of the management of conflicts of interest can be found within the Governance Statement on page 97.

## Pension Liabilities

Details of pension costs are contained in Note 1.14 and Note 2 to the ONR Accounts and in the Remuneration and Staff Report on pages 111 to 131.

## 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 66 to 69.

## Engagement with trade unions

Our relationship and engagement with trade unions is an important element in how we communicate with staff and a factor in providing reassurance and positivity around the changes we are introducing.

We established a new framework agreement in 2018 that we will utilise to ensure that we have an open, transparent and positive approach to engagement in 2019/20. This will include sharing plans and agreeing an engagement plan that is clear about our proposals and the manner and timeframes in which we will negotiate, consult or inform as appropriate to our framework agreement.

We will continue to meet formally, six to eight times a year, and continue to have an open and constructive dialogue including informal, off-line and specific discussions to ensure early engagement. This will include face-to-face meetings with the HR Director to build on the current relationship.

---

## Staff numbers

More information is contained in the Remuneration and Staff Report on pages 111 to 131.

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 128 in the Remuneration and Staff Report.

## Diversity

Information and detailed analysis is provided in the Remuneration and Staff Report on pages 111 to 131

## Public Sector Equality Duty

Information to demonstrate ONR's compliance with the public sector equality duty and the requirements of the Equality Act 2010 can be found in the Remuneration and Staff Report on pages 111 to 131.

## Gender Pay

The Equalities Act 2010 (Specific Duties and Public Authorities) Regulations came into force on 6 April 2017 and introduced the requirement for public sector organisations to publish on their websites an annual gender pay report. Further details can be found in the Remuneration and Staff Report on page 124.

## Sickness Absence

The average number of working days lost due to sickness in 2018/19 was 4.38. Further information, including comparison to 2017/18 can be found in the Remuneration and Staff Report on page 127.

## Data/Information Security

There was one confirmed loss of personal data that needed to be recorded in 2018/19, which was subsequently recovered. See Governance Statement on page 108.

## External Auditors

ONR's financial statements have been audited by the Comptroller and Auditor General, whose certificate appears on pages 134 to 137. The cost of audit work was £59,000, which related solely to audit services.

## Director's Statement

So far as the Chief Executive is aware, there is no relevant audit information of which ONR's auditors are unaware. The Chief Executive 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. The annual report and accounts as a whole is fair, balanced and understandable. The Chief Executive takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

### **Adrienne Kelbie**

Chief Executive  
Office for Nuclear Regulation

6 June 2019

---

## 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 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 to the requirements of both propriety and good financial management;
- the Chief Executive's responsibilities designated by the Principal Accounting Officer for ONR's management and expenditure in accordance with the principles set out in HM Treasury's Managing Public Money; and
- the Board, created by the Energy Act 2013 when establishing ONR as an independent Public Corporation. The Board has 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 Corporate governance in central government departments: code of good practice, and reflects the particular requirements for effective independent nuclear regulation.

The 2013 Act prescribed the composition of the Board as:

- up to seven Non-Executive Directors, including the Chair. The Chair and four Non-Executive Directors are appointed by DWP. HSE may appoint a Non-Executive Director from its Board. One must have experience of, or expertise in, matters relevant to civil nuclear security matters and is appointed by BEIS;
- up to four Executive members, to include the Chief Executive and the Chief Nuclear Inspector.

---

## What the Board does

The Board is specifically responsible for:

- establishing and delivering ONR's strategic aims and objectives consistent with its overall strategic direction and within the agreed government policy;
- ONR's regulatory strategy and regulatory assurance. The Board has delegated all individual regulatory decisions to our CNI, Mark Foy, who is accountable for ensuring that our regulatory activities are targeted effectively, properly discharged and that our regulatory decisions are proportionate and consistent. He assures our Board that regulatory decisions are being made appropriately within the legal requirements of the Energy Act 2013;
- scrutiny of regulatory strategy and key regulatory change programmes/major work streams;
- ensuring that the responsible Minister is kept informed of any changes which are likely to impact on ONR's strategic direction or on the attainability 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 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; and that, in reaching decisions, the ONR Board takes into account guidance issued by DWP;
- ensuring that the Board receives and reviews regular financial information concerning the management of ONR and that its decisions take into account all relevant financial considerations; 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 and ensuring high standards of corporate governance and probity at all times, including using the ARAC to help the Board address key financial and other risks; ensuring that effective arrangements are in place to provide assurance that ONR is providing efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public;
- appointing the Chief Executive and the Chief Nuclear Inspector, subject to Ministerial approval and setting performance objectives for the Chief Executive. (NB. the Chief Executive sets the performance objectives of the Chief Nuclear Inspector); and
- proposing the Chief Executive's and Chief Nuclear Inspector's remuneration, which must be agreed by the responsible Minister, after consulting the Chief Secretary to the Treasury where required.

During 2018/19, the Board was supported by four standing committees: an Audit and Risk Assurance Committee, a Remuneration Committee, a Nominations Committee and a Security Committee.



**TABLE 24 - BOARD MEMBER ATTENDANCE AT MEETINGS 1 APRIL 2018 TO 31 MARCH 2019**

| <b>Non-Executive Members</b>   | <b>Board (8)</b> | <b>ARAC (4)</b> | <b>Security (4)</b> | <b>Remuneration (2)</b> | <b>Nominations (1)</b> |
|--------------------------------|------------------|-----------------|---------------------|-------------------------|------------------------|
| Nick Baldwin (ONR Board Chair) | 8                | 1*              | 4                   | 2                       | 1                      |
| Jonathan Baume                 | 4 (7)            | -               | -                   | -                       | -                      |
| Oona Muirhead                  | 8                | 4               | 4                   | -                       | 1                      |
| Bronwyn Hill                   | 8                | -               | 4                   | 2                       | -                      |
| Penny Boys                     | 8                | 4               | -                   | 2                       | 1                      |
| Sarika Patel                   | 7                | 4               | -                   | -                       | -                      |
| Simon Lister                   | 7                | -               | -                   | -                       | -                      |
| <b>Executive Members</b>       |                  |                 |                     |                         |                        |
| Adrienne Kelbie                | 8                | -               | -                   | -                       | -                      |
| Mark Foy                       | 7                | -               | -                   | -                       | -                      |
| Sarah High                     | 8                | -               | -                   | -                       | -                      |
| David Caton                    | 7                | -               | -                   | -                       | -                      |

\* 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 <http://www.onr.org.uk/documents/2018/onr-dwp-framework-document-oct18.pdf>. This Framework has been reviewed and updated and the revised document was submitted to Board, by correspondence, in March 2018.

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 and her personal responsibilities for running ONR in accordance with the principles set out in HM Treasury's Managing Public Money. As DWP does not have government responsibility for civil or defence nuclear policy, the Framework outlines our relationship to BEIS and MoD.

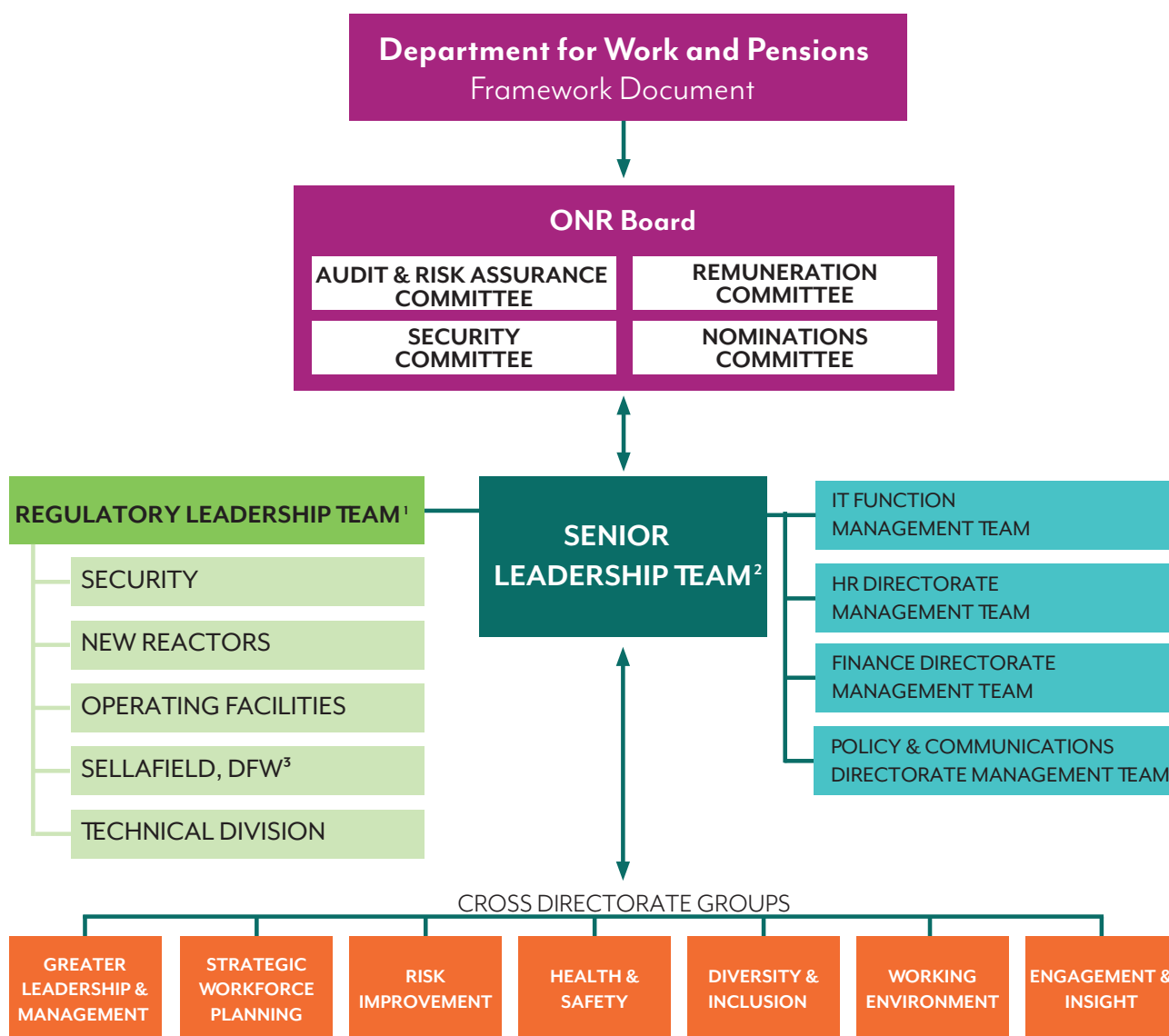
The Secretary of State for Business, Energy and Industrial Strategy is accountable to Parliament for the UK civil nuclear regulatory framework and policies. This covers civil nuclear safety and security, new-build and decommissioning programmes, emergency preparedness and response, nuclear safeguards, the transport of radioactive material by road, rail and inland waterways.

The Secretary of State for Defence is accountable to Parliament 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 the ONR Partnership Board Quarterly Accountability Review meetings, attended by senior officials from DWP, ONR and BEIS. The ONR Partnership 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 Division.

FIGURE 5 - CORPORATE GOVERNANCE FRAMEWORK 2018/19



<sup>1</sup> Regulatory Management Team until October 2018

<sup>2</sup> Executive Management Team and Regulatory Management Team merged in October 2018

<sup>3</sup> Decommissioning, fuel and waste

---

## 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 Corporate governance in central government departments: code of good practice (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 2018/19 were:

- Progressing towards our 2020 strategic intent, focussing on our operating environment, our regulation, our people and our organisational effectiveness;
- Progress towards delivery of a UK SSAC, and supporting the government to prepare for exiting Euratom;
- Progress on the delivery of a new ONR IT network to improve efficiency and cyber security and approval of the IT Separation business case;
- Approval of the WIReD business case. This project combined the two strategic improvement projects, Business Process Review and Knowledge Management, to deliver against success measures set out in ONR's Strategic Plan 2016-2020;
- Providing direct liaison with senior government officials at the Board Strategy session, informal Board meetings and our industry conference;
- Through the Security Committee, progress towards the implementation of SyAPs placing greater accountability and responsibility on dutyholders for security at their own sites;
- External effectiveness review of the Security Committee, which included exploring other models of assurance. The Board agreed to road-test a new governance model, with greater focus on regulation and regulatory assurance across all purposes from 1 April 2019;
- External effectiveness review of the Remuneration and Nominations Committees, which recognised both committees operated efficiently and effectively as separate entities but there are benefits from combining and agreeing both committees should be combined, with effect from 1 April 2019, to address synergies and potential overlap and provide greater focus on strategic issues; and
- Approval of the 2019/20 Corporate Plan and Budget.

---

## Audit and Risk Assurance Committee (ARAC)

The ARAC comprises three Non-Executive Directors and an independent member, Clifford Shanbury, with representatives from Regulatory Assurance, Government Internal Audit Agency 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 planned work programme, providing assurance to the Board. An Annual Report was considered by the Chief Executive 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 quarterly reviews of the Strategic Risk Register, and risk mitigation activities and the implementation of Government Internal Audit Agency and Regulatory Assurance recommendations. Our Integrated Audit and Assurance Framework (approved 1 April 2017) provides a complete, coherent and integrated for the organisation, setting out clear accountability for our three lines of defence. The Framework is working effectively, and ARAC has endorsed an Integrated Audit & Assurance Plan for 2019/20.

ARAC receives a quarterly summary of the level of compliance with key ONR policies including those covered by ONR's Compliance Policy Framework, relating to our obligations in respect of (a) financial duties, procurement and contracting, (b) IT and cyber security, and (c) Health and Safety Regulations.

The most significant risk on the ONR Risk Register continues to relate to concerns about cyber security, information governance and data compromise to information systems. The Committee received regular updates on the IT Separation project, acknowledging and supporting the amount of work to deliver a new ONR IT network to enhance efficiency and cyber security.

ARAC completed an annual self-review of effectiveness, the results of which were reported to the January 2019 meeting. The findings highlighted ARAC is an effective committee, demonstrating strength and depth in capability, scope and breadth of attention. There is scope for some improvement in specific areas, notably training and succession planning and these will be addressed through an improvement plan during 2019/20.

## Nominations Committee

The Committee met on one occasion to discuss ONR's succession planning arrangements for senior leadership positions. The Committee considered the plans for a more comprehensive talent management approach which aligns with the management and leadership development programmes planned for 2019/20.

The Committee recognised that ONR needs a robust but fair process to ensure the organisation can deliver its business priorities, identify and mitigate any long-term people related risks and build organisational resilience. They agreed a number of actions to deliver populated succession plans which will be completed in 2019/20 by the Remuneration and Nominations Committee.

---

## Remuneration Committee

The Remuneration Committee oversaw all matters relating to the remuneration and performance of Executive Board Directors and assurance in relation to the framework for remuneration and performance of ONR Directors (SCS equivalent staff), in keeping with HM Treasury's Corporate Governance Code.

The Committee has approved a performance framework which requires ONR Directors (SCS equivalent staff) to work to a maximum of six SMART objectives which include demonstration of the ONR Behaviour Framework. Full year performance bonus payment decisions for 2017/18, taken in April 2018, were considered in this context. Assurance was also taken at the mid-year point to ensure that the process applied was robust and consistent. The Chief Executive was asked to review all 2019/20 objectives for ONR Directors (SCS equivalent staff) to ensure consistency in expectations and levelling.

In setting the baseline salaries for ONR Directors (SCS equivalents) for 2018/19, remuneration decisions were made within the pay flexibilities afforded to ONR and based on evidence or widened responsibilities, or in line with the pay award for colleagues on ONR's grade system. In preparing for 2019/20, the Committee has reviewed the information available to support discussions on setting baseline salaries including Cabinet Office guidance, existing remuneration and the wider ONR pay deal. The Committee welcomed the intention to gather additional market intelligence via informal benchmarking and requested that 360° feedback is factored in to support discussions should it be available.

The Committee has also considered matters relating to the lifetime pension allowance and its possible implications for recruitment and retention for senior roles.

## Security Committee

The Security Committee provides assurance to the Board on ONR's regulation of civil nuclear security sites and dutyholders. The Committee comprises three Non-Executive Directors and is attended by the Chief Nuclear Inspector and CNSS Divisional Director. Representatives from the Civil Nuclear Constabulary, BEIS, MoD, Centre for the Protection of National Infrastructure and National Cyber Security Centre are also in attendance.

The Committee judged that significant and maturing assurance can be drawn from its meetings in 2018/19 and that ONR is providing efficient and effective regulation of the nuclear industry with respect to risk, malicious intent, and all other aspects of industry's business.

SyAPs continued to be a key focus and revised proposals for implementation were considered, with the Committee supporting a project end date of December 2020 as achievable. Following the change to timescales, the Committee gained assurance on the management of project risks through streamlined reporting. As a further assurance, the Committee requested industry feedback was added to the scope of the latest Regulatory Assurance review. The feedback was positive and led to a substantial rating.

As part of its reporting cycle, the Committee considers the report from the CNSS Division's Annual Review of Security and implications for regulatory priorities and attention levels. The Committee again concluded that it had received excellent assurance on the state of the industry and ONR's regulation.

---

The annual review of security is supported by reporting against delivery of the agreed priorities at each meeting. This has been strengthened by the development of reporting to track ongoing performance across dutyholders and greater clarity in the definition of attention levels.

The overall arrangements for assurance on security regulation were subject to an external review of the Security Committee. The two options presented were (a) keep the Committee in its current form or (b) to provide an alternative, streamlined assurance model to; improve reporting of security matters to the Board, provide greater Board scrutiny of regulatory change programmes and changes to the role of ARAC in relation to risk management related to security. A new governance model was agreed, in principle, by Board (March 2019) to provide robust and consistent assurance across all ONR purposes, to the same standard currently provided for our regulation of civil nuclear security. The new model will see the hibernation of the Security Committee with effect from 1 April 2019 while the new arrangements are embedded and tested for effectiveness.

## 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.

The ONR Non-Executive Directors completed a self-assessment skills declaration the results of which will be used to inform future recruitment and allocation to Board Committees, and to aid discussion on individual development needs.

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

## Senior Leadership of ONR

In October 2018, the Executive Management Team (EMT) and the Regulatory Management Team (RMT) merged to form a single Senior Leadership Team (SLT).

The EMT, established April 2016, was the primary executive decision-making body, supporting the Board in ensuring effective governance and internal control at ONR. The RMT, established at the same time, was the primary regulatory decision making body that provided leadership to ensure our regulatory strategy is delivered and that we regulating the nuclear industry effectively and efficiently.

The teams came together in September 2018 to focus on leading strategic change to 2020 and beyond. They agreed proposals to strengthen and improve the coherency of our top line executive governance arrangements by bringing together existing executive and regulatory Directors into a new Senior Leadership Team, to provide collective leadership of ONR.

---

SLT members are responsible for delivery of ONR's strategy and corporate plan. It is the strategic executive decision-making body, supporting the Board to carry out the legislative, policy, operational and administrative functions and requirements. As role models, members are accountable for providing exemplary leadership and delegating work so as to engage and develop sustainable improvements, staff development, and a positive culture.

These executive governance arrangements ensure that there is accountability, openness and transparency in our decision-making processes, and support delivery of our operations (support functions and regulatory).

In addition to our core regulatory activity, we have continued to focus on developing an independent UK SSAC. We have continued to enhance our corporate planning and supported the development and progression of strategic improvement projects, including ONR Academy and WIReD. We have established effective oversight arrangements for programme management reporting which helps us to provide continued support to our strategic projects, focusing on IT Separation and modernisation.

Our SLT acts as the Strategic Change Programme Board, reflecting shared accountability to support delivery of our infrastructure and resilience change agenda. We have responded to the findings of the staff survey, successfully completed the London office move and continued to progress the Bootle workspace project which will introduce flexible working practices.

As part of the new executive governance arrangements, a Regulatory Leadership Team (RLT) has been established to provide Regulatory Directorate operational and business leadership and performance management and governance of regulation. This ensures that the CNI statutory role and related delegated regulatory authorities retain visibility and independence.

Regulatory case decisions are delegated by the Board to our suitably skilled, qualified and experienced CNI in accordance with the Energy Act 2013. He is personally and directly accountable for ensuring that regulatory decisions are proportionate, balanced and consistent. The RLT 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.

Each Director has a constituted Directorate Management Team to discharge their own operational responsibilities, milestone planning and reporting.

An effectiveness review of the executive governance arrangements was undertaken, the outcome of which was reported in December 2018. Findings were positive, with no fundamental concerns.

The SLT spent time together in February 2019 to further develop the group dynamic to enable more robust dialogue and decision making and to agree the critical content for our strategy for 2020-25.



---

## 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>. Our Code of Corporate Governance sets 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. Seven potential conflicts of interest were raised, and these were recorded in the minutes of the Remuneration 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 our website <http://www.onr.org.uk/meetings/>.

We received 63 requests under the Freedom of Information Act 2000 (FOI) and three under the Environment Information Regulations 2004 (EIR). 64 requests were completed satisfactorily within the required 20 working days. Two requests were issued shortly after 20 working days due to the voluminous and complex nature of the requests. Seven requests were subject to an internal review upholding the original decision. Two requests were referred to the Information Commissioner's Office for a decision.

Six complaints (originating externally in relation to an ONR work activity) and 26 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 concerns were completed to the third parties' satisfaction.

There were three requests relating to the GDPR / Data Protection (DPA) Act 2018. These were Subject Access Requests asking for details of their own personal data. These were completed satisfactorily within the required timescale.

## Whistleblowing

### Internal

No internal cases were raised.

### External

We received 12 new cases in relation to sites we regulate, with two carried forward from 2017/18. In three cases, we were content with the action taken, which included the production of a Regulatory Issue; two further cases were found to have been previously considered and no issues found; three issues were considered and ONR was content that there was no substantive issue of concern. A further case was found to have been considered previously and an improvement notice issued. We have contacted the whistleblower to inform them of the action taken and the matter is now closed. The remaining three are still currently under investigation.

---

There were two cases raised in 2017/18, which were closed in 2018/19. We were satisfied that a previous Regulatory Issue fully encompassed the concerns identified and we were content with the action taken in relation to the other issue raised. The whistleblowers have been advised of the details and no further issues were raised.

The cases raised have provided supporting and corroborating evidence alongside the regulatory intelligence gathered through our inspections and have reinforced the rationale for production of two Regulatory Issues to dutyholders. In other cases, they enabled wider discussions on improving and communicating safety and security culture across the regulated sites.

At the request of the ARAC, the Whistleblowing and Protected Disclosures Policy has been updated and published on our website. This shows the difference between the categories, with amended interactive forms to simplify and provide clarity to the process.

### **Setting objectives and operational performance management**

Our Corporate Plan 2018/19 sets out our objectives and key performance indicators, agreed by our Board and approved by the Secretary of State for Work and Pensions.

The Plan included our corporate milestones and key performance indicators. Performance against these has been closely monitored by our Board and quarterly EMT, and subsequently SLT, Performance and Risk Review meetings.

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 the organisation is being properly managed to deliver our strategic intent and to consider corporate risk mitigation;
- Chief Nuclear Inspector Report - to provide assurance to the Board that we are meeting our statutory regulatory obligations;
- 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 our operational plans to budget and effectively mitigating risk; and
- Human Resources Director Report – to provide assurance to the Board that people matters are being managed appropriately and that we are getting the best out of our people.

### **Risk management, compliance and internal control**

During 2018/19, we adopted a best practice approach to our statement of risk appetite, addressing specific categorised (disaggregated) statements that articulate the amount and type of risk we are willing to take and / or accept in pursuit of our strategic objectives. This informed our priorities, business and assurance plans and risk mitigation, and we provided transparency to external stakeholders through publication.

---

Following the Board Strategy Event in October 2018, members suggested further clarification to our disaggregated risk appetite statement would be beneficial. The risk appetite statement for 2019/20 has been updated, specifically in respect of innovation. ARAC approved the draft risk appetite statement at its meeting in January 2019 and this is included in our Corporate Plan 2019/20.

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. 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 RIG and SLT at the quarterly Performance and Risk Review meetings. Our management of risk is subject to scrutiny by the ARAC and Board.

The RIG, which is chaired by the Finance Director, provided challenge to risk owners on the effective management of our corporate and directorate risks. It considered and made recommendations on the escalation and de-escalation of risks and the effectiveness of mitigations.

We have carried out a risk maturity self-assessment exercise using the NDA risk management maturity model. This resulted in a strong overall rating of level 4 (1: Initiating risk management; 2: Developing; 3: Advancing; 4: Embedding; 5: Leading). The Risk Maturity Model is recognised as good practice and has been subject to self-assessment by risk professional leads across the licensed sites as part of the work programme for Nuclear Industry Risk Management Association.

The Strategic Risks are set out on page 19.

## Risk Landscape

ONR faces significant challenges in the areas of the aforementioned strategic risks. They are rated according to pre-determined criteria set out in the Risk Management Framework which gauges the potential impact and probability to determine the overall rating and priority of the risk.

Our most significant risks relate to information security, cyber security and resilience, to ensure we have adequate and appropriate levels of security and control. In 2017/18, this also included management and governance. However, significant improvements have been made to the corporate infrastructure, governance and control over the past two years, addressing the majority of the drivers for this risk and enhancing ONR's organisational effectiveness. Progress in mitigating our IT risks continued during 2018/19. Improvements have been made in the governance and control of our IT Separation project to ensure there is clear oversight of the milestones. Regular status reports are provided to the Board, ARAC and SLT and, collectively, they will continue to closely monitor progress of this project.

Education, awareness campaigns, training and penetration testing to validate and assure our IT security functions continues to protect and safeguard our data and information. During 2018/19 we have engaged with HSE to establish the current position of operational controls and identified planned actions for change. This will prove to be an on-going challenge for us to ensure we maintain a robust and resilient IT environment.

---

Changes have been made to ONR's information risk accountabilities, including: the introduction of new Data Protection Officer accountabilities and specific accountability for information risk delegated to Directors. The drivers for this change include:

- a. our response to Government changes in relation to protective security; notably a rebadging of the Departmental Security Officer role into a new role of Security and Information Assurance Manager with responsibility for protective security and Information Assurance in ONR;
- b. our response to the new GDPR which came into force on 25 May 2018;
- c. strengthening our information governance capability by creating structural independence for the new Security and Information Assurance Manager role; and
- d. mainstreaming corporate governance accountabilities.

A significant risk resulting from Brexit related to establishing a UK SSAC in short timescales, with a requirement to have a UK SSAC that enabled the UK to meet international safeguards obligations from 29 March 2019, and a domestic regime equivalent in effectiveness and coverage to that provided by Euratom by the end of December 2020. We are on track and were ready for 29 March 2019 as planned. We have sought assurance throughout the last 12 months of our progress and approach. This included two reviews by the Cabinet Office Infrastructure Projects Authority (IPA) in 2018/19. The findings of the IPA reviews assisted both in providing assurance of delivery confidence and identifying opportunities for improvement. A post implementation review by the IPA of phase one of the project has been commissioned for July 2019.

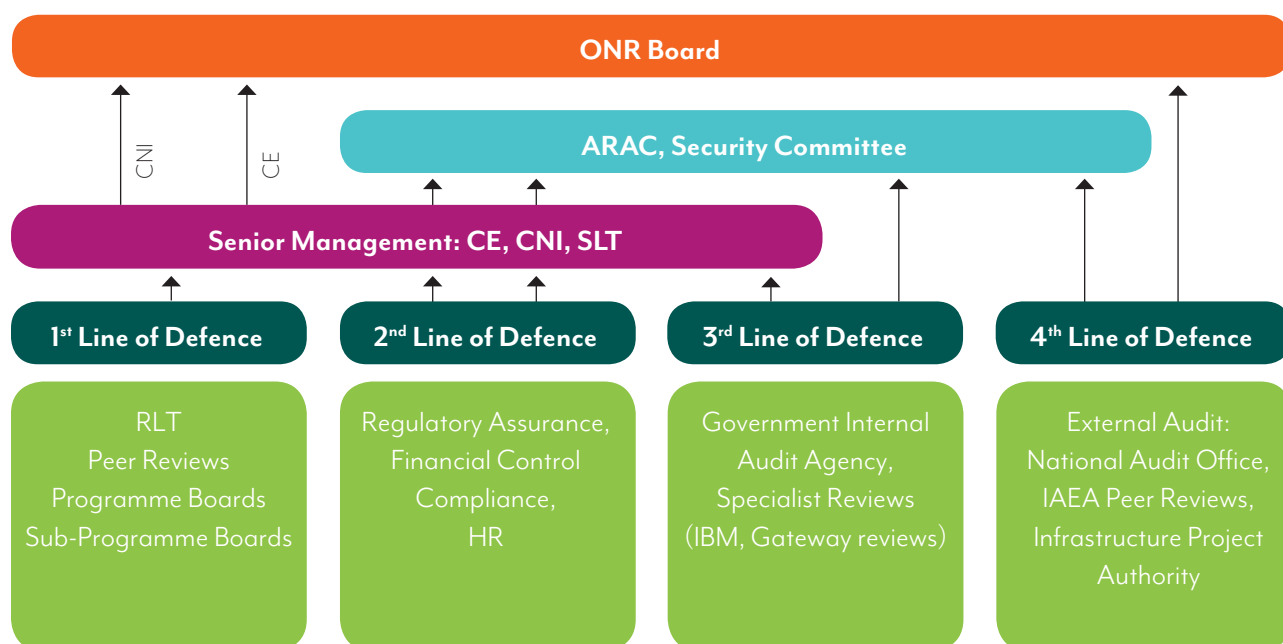
Since becoming a public corporation in 2014, we have relied upon various aspects of legislation for our charging powers. The current charging model enables us to recover the full cost of providing nuclear regulation on a 100% cost recovery basis. Ensuring we generate adequate funding, manage our cash flow and our resources efficiently and effectively to deliver our strategic objectives are key challenges for us, exacerbated by growing capital investment requirements as part of our modernisation and risk mitigation agenda. In the absence any working capital, our Board has supported the organisation approaching DWP and our commercial bank to secure additional working capital funding to alleviate future pressures that may arise.

Additional mitigations to address potential funding risks include establishing formal charging agreements with BEIS, for example, for UK SSAC and ANTs and other third parties for commissioned activity. We are also working more closely with Regulatory Directorate colleagues to enhance data quality and transparency so that costed planning forecasts with assumptions and variances can be provided to industry to optimise payment terms.

## Integrated Audit and Assurance Framework

Our integrated Audit and Assurance Framework is based on 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. Reporting within our audit and assurance framework is fully linked with the corporate and executive governance arrangements (see Figure 6).

**FIGURE 6 – THE ONR INTEGRATED AUDIT AND ASSURANCE FRAMEWORK**



CNI provides assurance to Board in respect of the quality and integrity of regulatory decision making.  
 CE provides assurance to Board in respect of the quality and integrity of organisational processes and controls.

The Integrated Audit and Assurance Plan for 2018/19 was agreed by ARAC at the start of the year. Internal Audit focus on our support directorates and their activities over the year are summarised in section (a) below. Regulatory Assurance focus on our operational regulatory activities is summarised in section (b).

In 2018/19 ARAC received a combined Internal Audit and Regulatory Assurance report which contained details of 14 reviews carried out by Internal Audit and 12 reviews undertaken by Regulatory Assurance.

## A) Government Internal Audit Agency

The Board engaged the Government Internal Audit Agency (GIAA) to provide internal audit services directly to ONR. The topics which Internal Audit provided assurance on are shown in the following table.

**TABLE 25 – INTERNAL AUDIT ASSURANCE LEVELS**

| Audit Topic  | Assurance Level  |
|--|--|
| Corporate Planning and the Corporate Calendar                | Position statement   |
| Compliance with the IR35 Accounting Standard                 | Moderate   |
| ONR Estates  | Substantial  |
| ONR Behaviours Framework                                     | Substantial  |
| Implementation of the General Data Protection Requirements   | Moderate   |
| ONR Programme Management Office                              | Moderate   |
| Development of an IT Target Operating Model                  | Limited  |
| Handling of Freedom of Information Requests                  | Substantial  |
| Implementation of Government Procurement Cards               | Moderate   |
| ONR Invoicing Process  | Substantial  |
| Project to replace the existing time recording system (COIN) | Moderate   |
| Achieving the 2020 Vision for ONR                            | Moderate   |
| Development of Effectiveness Indicators                      | Moderate   |
| End of Year Information Security Reporting                   | Fieldwork in progress – return to Cabinet Office delayed until August 2019 |

During 2018/19 all reviews were rated Moderate or Substantial, with the exception of the IT Separation Target Operating Model (TOM) review, which received limited assurance due to the IT Strategy still being in development which could not allow an evaluation of the completeness/effectiveness of the TOM. ARAC was assured the actions agreed to address the recommendations made were being progressed. These are part of standard reporting to ensure improvements are made.

Overall the GIAA gave a moderate assurance rating based on recent reviews, recent developments and actions against outstanding recommendations.

In addition to the GIAA audit programme, additional external sources of assurance have been utilised strategically throughout the year:

- PricewaterhouseCoopers LLP completed nine reports (seven reviews plus two follow-up reports) on ONR's Shared Services platform. This is different to the Letter of Assurance relating to SSCL's performance on financial, HR and procurement transactional services;
- ONR was independently assessed against the National Equality Standard and received accreditation;

- 
- DWP ALB Annual Assurance Assessment 2018 - DWP's annual process for establishing the level of risk that each ALB's activities pose to the Department. We were rated as a medium risk ALB (the medium rating reflects the challenges for us relating to strategic change initiatives, including IT Separation). The Assessment Panel noted the considerable efforts we have made to mitigate these risks, and were further assured that partner relations between DWP and ONR are cited as excellent by both parties and that arrangements overall, including engagement with BEIS, are working well;
  - ARAC requested Gate 0 reviews of the WIReD project and of the IT Separation project, which were carried out by GIAA. A subsequent gated review of the WIReD project resulted in an amber / green rating;
  - The Infrastructure Projects Authority conducted reviews of ONR's readiness to deliver a UK SSAC; and
  - NAO undertook the external audit and reported observations and findings to the ARAC.

## B) Regulatory Assurance

In addition to the GIAA's audits of our support directorates, our internal Regulatory Assurance function completed 12 independent reviews to provide assurance on compliance, quality and effectiveness of our core regulatory activities, including decision-making processes. Reviews delivered included:

- a. Regulatory risk management;
- b. Regulation of cyber security and novel technologies;
- c. Periodic safety review and annual reviews of safety;
- d. SyAPs implementation;
- e. Emergency preparedness & response;
- f. Regulatory investigations;
- g. Euratom withdrawal – Safeguards (UK SSAC);
- h. Preparations for IRRS 2019;
- i. ONR Academy;
- j. System-based inspections;
- k. Enforcement decisions and EMM implementation; and
- l. ONR management system.

The Regulatory Assurance reviews and oversight of ONR's regulatory activities identified no significant matters to challenge confidence that we are regulating the nuclear industry in accordance with our purposes set out in the Energy Act 2013.

The overall assurance rating of our operational regulatory activity was moderate. Table 26 summarises the assurance ratings from the 12 reviews during the year.

**TABLE 26 – 2018/19 ASSURANCE RATINGS**

| Assurance Rating               | Number of reviews |
|--------------------------------|-------------------|
| Unsatisfactory                 | 0                 |
| Limited                        | 0                 |
| Moderate                       | 7                 |
| Substantial                    | 4                 |
| Position Statement             | 1                 |
| <b>Total Number of Reviews</b> | <b>12</b>         |

The findings from all audits and reviews are used to improve processes and share good practice across the organisation, demonstrating our commitment to drive continuous improvement and raise standards.

Our Integrated Audit and Assurance Framework is working effectively and the approach has continued to be shared as a good practice with other regulators nationally (the Pensions Regulator and Civil Aviation Authority) and also with nuclear regulators internationally including Canada and Japan.

ARAC has endorsed the Integrated Audit & Assurance Plan for 2019/20 which has been informed by our strategic and directorate risk registers and strategic themes.

### Letters of Assurance provided by ONR's Senior Leadership Team

Letters of Assurance from all directors, and two Senior Responsible Owners (SROs), set out the details on how each has discharged their accountabilities detailed in their letter of delegation during the year. They have provided: their key business developments, how they have discharged their governance and control arrangements within their directorate or project, key achievements within the year, details of any significant control challenges and any emerging control issues.

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 recorded that they were, on the whole, fully compliant with no exceptions (scoring 5) or broadly compliant with minor exceptions/ minor impact (scoring 4). The areas of exception included: some milestones missed / delayed on IT Separation and the need for all IT projects to be aligned (this has resulted in the modification of the approach for separation and modernisation); an over-estimation of staffing costs; some minor data breaches that were investigated and actioned appropriately in year and the delay in the full implementation of the Business Continuity Plan which will be completed in 2019.

### 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. The letter of assurance from the Director of Shared Services for Government – Cabinet Office, in respect of SSCL's performance has been received and considered.



---

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. However, it was noted that demonstrable improvements had been made by SSCL. Order to cash (debtors) was the only area that related to ONR. We are assured that there is no impact on the financial statements or on our day-to-day transactions as a result of these findings.

SSCL will continue to monitor risks, processes and controls to build on the improvements identified in the report.

### **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 Finance 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 assurance taken from independent reviews, notably, an independent review following a major IT incident in August 2018. The review conducted by IBM included the following:

- how HSE handled the major incident;
- the steps HSE proposed because of it; and
- the appropriateness of HSE's IT strategy and how HSE is changing the IT estate to support the organisation over the next 3-5 years.

HSE handled the incident correctly and although there are actions related to the appropriateness of the IT strategy, these are unlikely to impact as ONR as we separate our IT provision.

Additionally, whilst HSE, in common with other government departments, has been unable to comply with Public Service Network (PSN) accreditation (see below), it has remediated the critical issues identified in the 2017 IT Health Check. HSE has achieved Cyber Essentials accreditation which helps reassure us that HSE is guarded against the most common cyber threats and it demonstrates HSE's commitment to cyber security. HSE is now working towards Cyber Essential Plus accreditation.

---

## Other sources of assurance

Our compliance with IS4 – Handling of cryptographic items - was self-audited in 2018/19. The two areas who handle cryptographic items (CNSS and Information Management Team) audited each other, the results being:

- A Computer Security Operations Centre went live in January 2019; it provides assurance over activity at external boundaries (i.e. firewalls) and any unusual internal activity. ONR has not been alerted to any adverse reports since it went live;
  - We continue to operate a legacy system (COIN – a time recording and case management system) which is not Public Service Network (PSN) compliant, as it is hosted on a Windows 2003 server. It should be noted that the COIN system is only internally facing and has no internet links. It is firewalled from external threats to reduce its vulnerabilities being exploited. There is an active programme to source a tactical replacement for the time recording aspect of COIN which will be implemented during 2019/20. The case management module will be addressed through IT Separation and WIReD;
  - The 2017/18 Departmental Security Health Check (DSHC) was completed and returned to DWP in June 2018. A number of actions were identified and all of these have now been implemented. The process was audited by GIAA who gave a moderate assurance rating with three recommendations raised, all of which have been cleared. The 2018/19 DSHC is delayed by Cabinet Office so we have made a decision to re-run the 2017/18 version as a proxy to provide end-of-year assurance and will complete the official return when it is issued;
  - A Security and Information Assurance Manager has been recruited and one of their first activities was to establish a project to formalise governance structures that allow and encourage information to be managed effectively. This will help to mitigate our structural weaknesses in which governance framework for information management place in 2019/20. The case management module will mitigate strategic risk which relates to inconsistent information management practices and ineffective protective security systems;
  - During the year we made progress with information asset registers that have been developed and delivered to Information Asset Owners (IAOs). This means that IAOs have a better understanding of the information they hold and how it is protected. This will strengthen the Letters of Assurance process in 2019/20;
  - As part of the Information Governance Framework project a review of all information security policies and procedures is in train to ensure the policies are accurate, understandable and easily followed;
  - The last aspect of the project is delivering bespoke training and awareness to ONR staff which complies with the Cabinet Office guidance. This is a key enabler in strengthening our security culture and replaces the current “responsible for information” course. It will be mandatory for all staff to complete the course in early 2019/20. The e-learning request has been issued and is currently being completed; and
  - The Information Governance Project will move into business as usual during June 2019. One of the first deliverables will be to produce the first draft of an assurance map of the protective security environment for IAOs in July 2019.
-

---

## Data/information and cyber security

We have adhered to the requirements of the government's Security Policy Framework. We continued to monitor information security extensively. We have appointed a Data Protection Officer in accordance with the General Data Protection Regulations (GDPR), and also a Security and Information Assurance Manager. Work is progressing on IT Separation which will enable us to have greater controls in place for our IT infrastructure and security.

Cyber security – there have been two incidents in 2018/19, both with a medium security rating. These relate to:

- a. the news section of our website, which is hosted separately to the main website, was targeted with three ONR news articles amended. The impact of changes was minimal and HSE led an investigation and implemented remedial action immediately; and
- b. a suspicious email received by all ONR staff. The incident was identified promptly and reported to HSE and Steria. Firewalls were immediately updated to prevent any potential further access. The risk was mitigated due to the vigilance of staff and the impact was minimal. We followed this up through a lessons learned exercise with HSE and Steria.

We progressed our GDPR project to business as usual status in September 2018. The purpose of the project was to respond to enhanced requirements for processing personal data, ensuring that systems and processes were embedded across the organisation. The work streams identified have been closed, and the majority of actions are complete.

A small number of residual activities remain 'in progress'. IAOs have accepted the risks associated with the outstanding actions and all are being managed at Director level with target dates, overseen by the Data Protection Officer.

We have recently been the subject of a review of GDPR compliance by the GIAA and received a moderate level of assurance, indicating a small number of recommendations to strengthen ONR's position. The review concluded that ONR can demonstrate it is making good progress towards compliance, and the small number of recommendations that were identified have been embedded within the detailed work plan for completion, with all but one completed by 31 March 2019, in line with agreed timescales. The remaining recommendation, relating to Letters of Assurance, was completed in April 2019.

We have a Personal Data Asset Register in place, satisfying Article 30 of GDPR. We can respond to individuals wishing to exercise their rights under Articles 12-23 inclusive and have embedded Data Protection Impact Assessment guidance across the organisation in line with a privacy-by-design approach. The Data Protection Officer has embarked upon a communications campaign to raise awareness regarding data protection and information security. Relevant policies, procedures and guidance have been implemented.

---

## Data Security Breaches relating to Personal Data

May 2018 – Registered files. Around 30,000 registered files were relocated to a new secure warehouse (Iron Mountain). As part of the exercise, it became apparent that less than 30 of our files are unaccounted for, the expert view is that this does not present an information security risk. Ownership of historic, nuclear regulation files will be transferred from HSE to ONR after a full reconciliation of the files relocated to Iron Mountain is completed in Quarter 2 of 2019/20.

ONR self-reported two personal data security breaches to the ICO. Subsequent investigations revealed that neither triggered the definition of a significant breach and were quickly mitigated. The ICO have confirmed that no further action necessary in relation to one of these breaches. We await further communication from the ICO in response to the remaining breach but it is anticipated that no further action will be required.

## Data Security Breaches relating to non-Personal Data

November 2018 – Sellafeld IT Portal. Two user accounts (login/password) provided by Sellafeld to named ONR staff were used by six ONR staff members. All ONR accounts on this platform have been suspended and alternative communication arrangements have been put in place. All staff have been reminded of the sensitivities around personal login details.

March 2019 - A security incident was reported pertaining to a member of staff operating outside of ONR protocols in relation to the use of an ONR telephone in an unauthorised location. A full investigation is taking place and lessons learned are enabling the Data Protection Officer to address practice and protocols.

## Hospitality

A register of offers and receipts of gifts and hospitality made to staff each financial year, whether accepted or not, was maintained for review by our Finance Director. An update report (as part of the ONR Compliance Policy Performance Report) is provided at each 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 and the need to report such instances promptly and in full.

## Fraud and Bribery

Staff were required to comply with the Fraud and Bribery Policy which is included in the Compliance Policy Framework and the ONR 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

Our Health and Safety Group promotes 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 etc. Act 1974. The Group comprised ONR management and trade union representatives and was chaired by our HR Director.

The group met four times and provided an annual report for the previous year (2017/18) to our Chief Executive in November 2018 giving assurance that internal health and safety was managed in a sensible and proportionate way, in line with health and safety legislation.

## Significant control challenges faced by ONR

Significant work has been undertaken by the EMT and then SLT over the last financial year, reflecting many improvements to the control environment and, where necessary, actions continue to be progressed. The most significant control challenges relate to addressing the risks posed by our IT infrastructure and the enhanced focus to secure the required outcomes is recognised. Capability, governance and collaboration with our delivery partner HSE has been strengthened during 2018/19, along with more robust project management and contract management disciplines. Work will continue to progress to ensure we secure effective delivery outcomes and demonstrable risk mitigation during 2019/20.

The steps being taken by the SLT to ensure improvements are progressed are acknowledged and supported by our Board, and it is noted that until these improvements are implemented, the associated risk will not substantially reduce.

While the Board considers the overall control environment to be adequate, we intend to continue to improve change management, leadership capability, and performance management, and – like many organisations - to focus heavily on our information risks and the mitigation thereof.

### **Adrienne Kelbie**

Chief Executive  
Office for Nuclear Regulation

6 June 2019

---

## STATEMENT OF CHIEF EXECUTIVE'S 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, Statement of Financial Position 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; and
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that ONR will continue in operation.

The Chief Executive (between 1 April 2018 and 31 March 2019) of ONR has 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.

### Chief Executive's statement

As the Chief Executive for ONR, I am responsible for maintaining a sound system of internal control while 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 Annual Report and Accounts 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.

---

## REMUNERATION AND STAFF REPORT (INCLUDING GENDER PAY REPORT)

### Board changes

The appointment of the ONR Chair, Nick Baldwin CBE, ended on 31 March 2019. Nick 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. Mark McAllister was appointed as the successor to Nick as ONR Chair by the Secretary of State for Work and Pensions. Mark took up this position with effect from 1 April 2019 for a period of five years.

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

Adrienne's appointment was extended, by agreement of the ONR Board in June 2018, for a further three years, taking her term as ONR Chief Executive up to January 2022.

The appointment of Jonathan Baume ended on 13 March 2019 after serving as a Non-Executive member of the ONR Board since 1 April 2014.

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 in table 27.

TABLE 27 – BOARD MEMBERS' CONTRACTS

| Name  | Start date of contract | End date of contract | Notes   |
|---|------------------------|----------------------|---|
| <b>Non-Executives</b>                                   |                        |                      |   |
| Nick Baldwin  | 1 April 2014           | 31 March 2019        | Chair – appointment ended as per contractual terms                                    |
| Jonathan Baume  | 1 April 2014           | 13 March 2019        | Appointed by HSE. Re-appointed 1 October 2016. End of reciprocal arrangement with HSE |
| Penny Boys  | 1 March 2016           | 31 January 2020      |   |
| Bronwyn Hill  | 18 January 2016        | 31 January 2020      |   |
| Oona Muirhead   | 1 October 2014         | 30 September 2020    | Reappointed for a second three-year term starting 1 October 2017                      |
| Sarika Patel  | 1 October 2017         | 30 September 2022    | Chair of Audit and Risk Assurance Committee from 1 January 2018                       |
| Simon Lister  | 5 March 2018           | 4 March 2022         |   |
| <b>Executives</b>                                       |                        |                      |   |
| Adrienne Kelbie   | 18 January 2016        | 17 January 2022      | Chief Executive   |
| Mark Foy  | 30 October 2017        | 29 October 2022      | Chief Nuclear Inspector   |
| David Caton   | 1 April 2017           | n/a                  | HR Director   |
| Sarah High  | 1 January 2017         | n/a                  | Finance Director  |
| <b>Audit and Risk Assurance Committee (ARAC) Member</b> |                        |                      |   |
| Clifford Shanbury                                       | 19 March 2012          | 30 September 2019    |   |

## 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.



**TABLE 28 - REMUNERATION (INCLUDING SALARY) AND PENSION ENTITLEMENTS (SUBJECT TO AUDIT)**

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

| Full year<br>Equivalent shown<br>in brackets where<br>applicable | Salary<br>(£'000)     |                    | Bonus<br>payments<br>(£'000) <sup>3</sup> |         | Benefits in<br>Kind (to<br>nearest £100) <sup>1</sup> |         | Pension<br>Benefits<br>(£'000) <sup>2</sup> |         | Total<br>(£'000) |         |
|--|-----------------------|--------------------|---|---------|---|---------|---|---------|------------------|---------|
|  | 2018/19               | 2017/18            | 2018/19                                   | 2017/18 | 2018/19   | 2017/18 | 2018/19                                     | 2017/18 | 2018/19          | 2017/18 |
|  | <b>Non-Executives</b> |                    |   |         |   |         |   |         |                  |         |
| <b>Board Chair<br/>Nick Baldwin<br/>(a)</b>                      | 35-40                 | 35-40              | -   | -       | 1,900   | 3,900   | -   | -       | 40-45            | 40-45   |
| <b>Penny Boys<br/>(b)</b>  | 15-20                 | 10-15              | -   | -       | 200   | 100     | -   | -       | 15-20            | 15-20   |
| <b>Bronwyn Hill<br/>(b)</b>                                      | 15-20                 | 10-15              | -   | -       | -   | -       | -   | -       | 15-20            | 10-15   |
| <b>Oona<br/>Muirhead (b)</b>                                     | 15-20                 | 10-15              | -   | -       | -   | -       | -   | -       | 15-20            | 10-15   |
| <b>Jonathan<br/>Baume (c)</b>                                    | -                     | -                  | -   | -       | -   | -       | -   | -       | -                | -       |
| <b>Sarika Patel</b>  | 10-15                 | 5-10<br>(10-15)    | -   | -       | 400   | -       | -   | -       | 15-20            | 5-10    |
| <b>Simon Lister<br/>(d)</b>                                      | -                     | -                  | -   | -       | -   | -       | -   | -       | -                | -       |
| <b>Executives</b>  |                       |                    |   |         |   |         |   |         |                  |         |
| <b>Chief<br/>Executive<br/>Adrienne<br/>Kelbie (e)</b>           | 155-160               | 145-150            | 35-40                                     | 10-15   | -   | -       | 61  | 58      | 250-255          | 215-220 |
| <b>Finance<br/>Director<br/>Sarah High</b>                       | 105-110               | 100-105            | 10-15                                     | 5-10    | -   | -       | 70  | 59      | 185-190          | 170-175 |
| <b>Chief Nuclear<br/>Inspector<br/>Mark Foy</b>                  | 140-145               | 55-60<br>(140-145) | 10-15                                     | 5-10    | -   | -       | 181   | 111     | 330-335          | 175-180 |
| <b>HR Director<br/>David Caton<br/>(f)</b>                       | 90-95                 | 90-95              | -   | 5-10    | -   | -       | 32  | 58      | 120-125          | 155-160 |

---

<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> 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>3</sup> SCS Bonus payments will be made in 2019/20 and relate to performance during 2018/19.

## Notes

- (a) Appointment with ONR ended on 31 March 2019 as per contractual terms.
- (b) £15k - £20k salary consists of £10k - £15k annual salary and £0 - £5k payment of salary arrears made in 2018/19 due to an underpayment of salary in 2017/18.
- (c) Appointment with ONR ended on 13 March 2019 and was not remunerated by ONR during term as a Non-Executive of the ONR Board.
- (d) Appointed as a Non-Executive of the ONR Board on 5 March 2018 and is not remunerated by ONR.
- (e) £155k - £160k salary consists of £150k - £155k annual salary and £0 - £5k payment in lieu of untaken annual leave.  
The £35k - £40k bonus payment is made up of; £15k - £20K bonus payment in relation to performance in 2018/19 and £20k - £25k paid in relation to an HM Government-agreed pivotal role allowance.
- (f) £90k - £95k salary consists of £85k - £90k annual salary and £0 - £5k Responsibility Allowance paid in 2018/19.

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 2018/19 relate to performance in 2018/19.

No bonuses are paid to Non-Executive Directors.

## Fair pay disclosures (subject to audit)

Reporting bodies are 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.

**TABLE 29 – HIGHEST PAID DIRECTOR**

|  | 2018/19   | 2017/18   |
|--|-----------|-----------|
| Band of highest paid Director's total remuneration £'000 | 155 - 160 | 155 - 160 |
| Median total remuneration £                              | 70,303    | 71,200    |
| Ratio  | 2.24      | 2.21      |

The banded remuneration of the highest paid Director in ONR in the financial year 2018/19 was £155,000 to £160,000 (2017/18: £155,000 - £160,000). This was 2.24 (2017/18: 2.21) times the median remuneration of the workforce, which was £70,303 (2017/18: £71,200).

In 2018/19, no employees received remuneration in excess of the highest paid Director (the same as in 2017/18). Remuneration ranged from £19,356 to £157,094 (2017/18: £19,069 to £159,444).

Total remuneration includes salary and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Normally, this calculation includes non-consolidated performance-related pay bonuses. As at the reporting date, the value of such bonus payments to be made to eligible staff is not known due to ongoing pay negotiations to inform the ONR pay award 2019. The fair pay disclosure for 2018/19 will be re-calculated to include these bonus payments when such details are known and the revised information will be disclosed in the Annual Report and Accounts for 2019/20. The omission of bonus payments also explains why the median rate for 2018/19 is lower compared to 2017/18.

**Note** - The annual salary for the highest paid Director has not reduced from 2017/18; the total remuneration payable in 2018/19 has omitted any bonus payments made as per the note above. Such payments will be included in the recalculation of the fair pay disclosure for 2018/19 due to be published in ONR's Annual Report and Accounts for 2019/20.

TABLE 30 - PENSION BENEFITS (SUBJECT TO AUDIT)

|                 | Accrued pension at pension age as at 31/03/19 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31/03/19 | CETV at 31/03/18 | Real increase in CETV | Employer contribution to partnership pension account |
|-----------------|--|--|------------------|------------------|-----------------------|--|
|                 | £'000  | £'000  | £'000            | £'000            | £'000                 | (nearest £100)                                       |
| Adrienne Kelbie | 20 - 25  | 2.5 - 5  | 269              | 199              | 31                    | -  |
| Mark Foy        | 60 - 65 plus a lump sum of 180 - 185                               | 7.5 - 10 plus a lump sum of 22.5 - 25                        | 1,343            | 1,058            | 175                   | -  |
| Sarah High      | 25 - 30  | 2.5 - 5  | 407              | 313              | 42                    | -  |
| David Caton     | 40 - 45 plus a lump sum of 110 - 115                               | 0 - 2.5  | 865              | 761              | 17                    | -  |

### Notes

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

### Civil Service Pensions (CSP)

Pension benefits are provided through the Civil Service pension 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: three 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 cost 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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th 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 1/60th 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 his 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 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)

## Cash Equivalent Transfer Values (CETV)

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)

No compensation payments for loss of office were made by ONR during the period of this report.

### Independent Non-Executive Audit and Risk Assurance Committee (ARAC) Member

For 2018/19, fees and expenses amounting to £3,122 (compared to £3,110 for 2017/18) were paid to the independent member of the Audit and Risk Assurance Committee, as shown in table 31.

**TABLE 31 – FEES AND EXPENSES FOR INDEPENDENT MEMBER OF ARAC**

|                          | 2018/19                 | 2017/18                 |
|--------------------------|-------------------------|-------------------------|
|                          | Total fees and expenses | Total fees and expenses |
|                          | £'000                   | £'000                   |
| <b>Clifford Shanbury</b> | 0 - 5                   | 0 - 5                   |

## Staff Information

### Senior Civil Service (equivalent)

There were 10 Senior Civil Service (equivalent) posts as at 31 March 2019. This was the same number of SCS posts as reported in the previous year.

**TABLE 32 – SCS POSTS AS AT 31 MARCH 2019**

| Full-time equivalents by pay band | Pay range           | 31 March 2019 | 31 March 2018 |
|-----------------------------------|---------------------|---------------|---------------|
| SCS 2 Equivalent (1)              | £82,900 to £162,500 | 2             | 2             |
| SCS 1 Equivalent (2)              | £58,200 to £117,800 | 8             | 8             |
| <b>Total</b>                      |                     | <b>10</b>     | <b>10</b>     |

### Recruitment into leadership positions

ONR has secured the following individual to a key leadership role during 2018/19:

- ONR Chair. Mark McAllister was appointed by the Secretary of State for Work and Pensions to this position, for a period of five years, following an open external competition to appoint a successor to this role following Nick Baldwin's departure from ONR on 31 March 2019. Mark took up his appointment with effect from 1 April 2019.

### Staff numbers (subject to audit)

The average number of full-time equivalent posts is shown in the following table.

**TABLE 33 – AVERAGE FTE**

|         | Permanent staff (1) | Other staff (2) | Total |
|---------|---------------------|-----------------|-------|
| 2017/18 | 561                 | 3               | 564   |
| 2018/19 | 588                 | 5               | 593   |

### 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. The calculation excludes Non-Executive members of the ONR Board.
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.

ONR achieved accreditation to the National Equality Standard (NES) this year, providing national recognition of our commitment to continually strengthen an organisational culture of diversity and inclusion. This has built on our accreditation as Disability Confident Employer – Level 2 and has helped us identify what we are doing well, but also, through a number of recommendations that we will build into our action plan, how we can improve further.

This is a highly recognised achievement and we are listed on the NES website alongside organisations such as HSBC, BT, Microsoft and EDF. NES have identified a number of recommendations that will help us continue to improve and we will be re-assessed against the NES standards within two years.

Furthermore, we completed a successful diversity data declaration campaign for all staff in ONR during 2018/19, which resulted in ONR surpassing the upper quartile (65%) for declaration compliance, with an average declaration rate of 77%. Now that we have improved overall declaration rates, we can now benchmark ONR against the nuclear industry and see how representative we are of the sector, which will help us to plan positive action campaigns and ways to engage with more potential members from under-represented groups.

## Gender Diversity

ONR's gender split of female to male staff as at 31 March 2019 has decreased by 0.5% since 31 March 2018 (34% compared to 34.5%). However, there also been an increase of 1% in the number of females occupying senior roles<sup>9</sup> within ONR; as at 31 March 2019, 21% of senior roles in ONR were occupied by females, compared to 20% at 31 March 2018.

The breakdown in headcount of our female and male cadre of staff is detailed in the following table.

**TABLE 34 – HEADCOUNT BY GENDER**

| Number of staff by gender (headcount)     | 31 March 2019 |            | 31 March 2018 |            |
|---|---------------|------------|---------------|------------|
|   | Male          | Female     | Male          | Female     |
| Directors (Non-executive)                 | 2             | 4          | 3             | 4          |
| Senior Civil Service equivalents          | 6             | 4          | 7             | 3          |
| Permanently appointed staff (Bands 1 – 6) | 420           | 212        | 394           | 202        |
| <b>Total</b>                              | <b>428</b>    | <b>220</b> | <b>404</b>    | <b>209</b> |

<sup>9</sup> Senior roles refer to Band 2, Band 1 and SCS.



---

We are committed to addressing the gender disparity in the nuclear sector through continuing to support recruitment pipelines and develop improved talent pipelines, encouraging greater diversity.

We have continued to drive wider diversity and inclusion through external engagement with others in the nuclear sector that face the same challenges. Through our membership of the Nuclear Skills Strategy Group and Equality, Diversity & Inclusion Group, we are already progressing well in addressing the challenges of meeting the government's Nuclear Sector Deal target of increasing the number of females in nuclear from 22% to 40% by 2030.

We completed our gender pay report for 2018/19 and this is available to view via our website ([www.onr.gov.uk](http://www.onr.gov.uk)). The executive summary, along with resultant actions identified to address the gender pay gap, and disparity in ONR, are included on pages 124 to 125.

### **Diversity Declaration Rates**

During 2018/19, we have seen a high increase in the declaration rates across the areas of ethnicity, disability, sexual orientation and religious belief following the successful launch of a diversity data declaration campaign. The average declaration rate across all of these areas has increased from 55% to 77%; this has helped us understand the diversity of our workforce, and work to reduce any inequalities that staff may face and better support them.

However, we recognise that the declaration rate of disability status remains relatively low compared to other areas. In 2019/20, we will be focussing our efforts on encouraging staff to declare their disability status so that we can effectively baseline against our performance in this area of diversity and ensure that we have provisions in place to adequately support staff who have a disability.

**TABLE 35 - SELF-DECLARATIONS RECORDED AGAINST DIVERSITY CHARACTERISTICS AT 31 MARCH 2019**

|                           | Percentage (31 March 2019) | Percentage (31 March 2018) |
|---------------------------|----------------------------|----------------------------|
| <b>Ethnicity</b>          |                            |                            |
| White                     | 68%                        | 43%                        |
| Minority ethnic           | 4%                         | 2%                         |
| Prefer not to say         | 5%                         | 1%                         |
| Not declared              | 23%                        | 54%                        |
| <b>Disability</b>         |                            |                            |
| Do not have a disability  | 47%                        | 35%                        |
| Have a disability         | 6%                         | 2%                         |
| Prefer not to say         | 4%                         | 3%                         |
| Unknown                   | 43%                        | 60%                        |
| <b>Sexual orientation</b> |                            |                            |
| Heterosexual              | 70%                        | 51%                        |
| LGBT                      | 2%                         | 1%                         |
| Prefer not to say         | 15%                        | 15%                        |
| Unknown                   | 13%                        | 33%                        |
| <b>Religious belief</b>   |                            |                            |
| Christian                 | 48%                        | 39%                        |
| Other religious belief    | 4%                         | 3%                         |
| None                      | 23%                        | 16%                        |
| Prefer not to say         | 12%                        | 9%                         |
| Not known                 | 13%                        | 33%                        |
| <b>Age</b>                |                            |                            |
| Less than 30 years        | 12.10%                     | 8.60%                      |
| 30 to 39 years            | 15.10%                     | 17.50%                     |
| 40 to 49 years            | 27.90%                     | 27.90%                     |
| 50 to 59 years            | 34%                        | 34.40%                     |
| 60 to 69 years            | 10.60%                     | 11.40%                     |
| 70 and over               | 0.30%                      | 0.20%                      |

---

### Staff policies relating to disability

We are committed to developing and supporting an inclusive culture that values diversity of skills, abilities and, by taking a disability confident approach, maximising the impact of disability competence across every area of our organisation.

We have a number of policies relating to employees (and potential employees) with disabilities:

- We have successfully achieved Disability Confident Employer - Level 2 status in 2018/19, which is supported by government and is a significant step in signposting ONR as an employer who has identified and addressed any barriers that may prevent or deter disabled people from applying for jobs with us.
- Building upon our achievement of Disability Confident Employer - Level 2, we are now seeking to attain Level 3. This will require an independent assessment and validation that we are delivering against all of the core actions as a Disability Confident Employer by December 2019.
- Recruitment and selection – we continued to invite candidates to notify us 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 proactively obtaining occupational health advice and applying suitable workplace adjustments for both new recruits and existing staff and provided ONR staff with access to a workplace disability network, as well as other minority groups.
- We continued with our programme of training in relation to diversity and inclusion, including bespoke training on recruitment and selection (which includes unconscious bias training), that is required for all panel members to support the selection of people with disabilities (and other minority groups) to join the organisation and on promotion.

---

## 2019 GENDER PAY REPORT

### Executive summary

As a public body that is committed to inclusion and transparency in all our areas of work, we welcome this opportunity to publish our third gender pay report. This is why we also include our gender pay results in our Annual Report and Accounts.

Promoting and maintaining an inclusive working environment remains core to our approach. We recognise that being acknowledged as an inclusive employer will help us attract talented people from a wider range of communities and backgrounds and, alongside investing in diversity and inclusion of our staff, will support our strategic theme to be a sustainable and high performing organisation. We are pleased to report positive shifts in the gender pay gap indicators, where our mean gap of 27% has reduced by 8.2% since our report in 2018.

While still significant, we are confident that our gender pay gap does not reflect an equal pay issue nor that it is related to paying men and women differently. We believe it is a result of well-established structural factors that can only be fully addressed in the longer term.

Our workforce profile, which is consistent with the pattern seen across the UK nuclear industry, is an uneven distribution of men in higher paid, technical specialist and more highly graded roles. More women work in our corporate and support functions which are generally lower paid roles, irrespective of gender. Adopting new recruitment pipelines is stimulating a shift in our demographics. Although we expect this will take some years to show significant improvement, it is pleasing to see the positive trend in the ratio of female staff in the higher grades.

We are committed to improve our diversity at all levels, addressing concerns highlighted in our gender pay analysis. Some of our work is outlined below:

1. achieving certification to the National Equality Standard (NES), a nationally recognised award, which acknowledges good practice in all areas of diversity, equality and inclusion;
2. introducing new pipelines, such as a degree level nuclear apprenticeship, to widen our talent pool with the express aim of improving diversity;
3. committing to meeting the government's target for 40% of nuclear industry employees to be female by 2030;
4. developing a Science, Technology, Engineering and Mathematics (STEM) strategy supporting national and regional work in local schools and in collaboration across the industry;
5. marketing our NES certification and Disability Confident Employer status on our website to demonstrate our commitment to equality, diversity and inclusion and highlighting our family friendly policies to encourage women to consider a career with ONR;
6. improving our support for those with caring responsibilities to retain skilled and experienced staff and to encourage potential new recruits to consider us as an employer of choice.

We believe we are on the right path to creating a more inclusive organisation and although it may take some time we are committed to doing so.

The full ONR 2019 Gender Pay Report will be available on the ONR website.

**TABLE 36 - 2019 GENDER PAY GAP DATA (2017/18 FIGURES SHOWN IN BRACKETS)**

|                          |  |  |
|--------------------------|--|--|
| <b>Mean gap</b>          | The difference between the mean* hourly rate of pay of men and women       | 27.00% (35.2%)   |
|                          | *average pay for all men and average for all women employees               | Difference in hourly rate of men £39.28 (£26.29) and women £28.66 (£17.50)               |
| <b>Median gap</b>        | The difference between the median* hourly rate of pay of men and women     | 41.13% (55.4%)   |
|                          | * middle value of pay for all men and middle value for all women employees | Difference in hourly rate of men £40.30 (£27.96) and women £23.73 (£12.57)               |
| <b>Mean bonus gap</b>    | The difference between the mean* bonus paid to men and women               | -9.5% (27.6%)  |
|                          | *average bonus for all men and average for all women employees             | Difference in bonus pay of men £1,595.84 (£869.26) and women £1,746.81 (£629.19)         |
| <b>Median bonus gap</b>  | The difference between the median bonus pay paid to men and women          | 0.00% (32.2%)  |
|                          | *middle values of bonuses paid to all men compared to all women employees  | Difference in bonus payment of men £1,400.00 (£1,650.00) and women £1,400.00 (£1,118.05) |
| <b>Bonus proportions</b> | The proportions of men who were paid a bonus and women paid a bonus        | 25.4% (49.5%) of men and 28.6% (52.4%) of women received a bonus payment                 |

## Quartile pay bands

The proportions of men and women in the lower; lower middle; upper; and upper quartile pay bands.

**TABLE 37 – QUARTILE PAY BANDS (2018 FIGURES SHOWN IN BRACKETS)**

|                | Men          |                | Women        |                |
|----------------|--------------|----------------|--------------|----------------|
|                | 2019         | (2018)         | 2019         | (2018)         |
| Q1 Lower       | 35.2%        | (29.6%)        | 64.8%        | (70.4%)        |
| Q2             | 65.0%        | (65.8%)        | 35.0%        | (34.2%)        |
| Q3             | 79.9%        | (84.2%)        | 20.1%        | (15.8%)        |
| Q4 Upper       | 83.0%        | (84.9%)        | 17.0%        | (15.1%)        |
| <b>Overall</b> | <b>65.8%</b> | <b>(66.1%)</b> | <b>34.2%</b> | <b>(33.9%)</b> |

**TABLE 38 - STAFF COSTS (SUBJECT TO AUDIT)**

|  | 2018/19                       |            |               | 2017/18       |
|--|-------------------------------|------------|---------------|---------------|
|  | Permanently<br>employed staff | Others     | Total         | Total         |
|  | £000                          | £000       | £000          | £000          |
| Wages & salaries   | 38,122                        | 615        | 38,737        | 35,706        |
| Social security costs                                      | 4,662                         | -          | 4,662         | 4,351         |
| Other pension costs  | 8,512                         | -          | 8,512         | 7,926         |
| <b>Total per Statement of<br/>Comprehensive Net income</b> | <b>51,296</b>                 | <b>615</b> | <b>51,911</b> | <b>47,983</b> |
| Less recoveries in respect of<br>outward secondments       | (38)                          | -          | (38)          | (65)          |
| <b>Net Total</b>   | <b>51,258</b>                 | <b>615</b> | <b>51,873</b> | <b>47,918</b> |

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 (insert employer’s name) 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 2018-19, employers' contributions of £8.4million were payable to the PCSPS (2017-18 £7.8 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 2018-19 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 £129,344 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 £3,969, 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 £160,277. Contributions prepaid at that date were nil.

### Ill-health retirement

No-one retired early on ill-health grounds during the period of this report. There were therefore no additional pension liabilities accrued in the reporting period (which would have been paid by the Civil Service Pension Scheme).

### Sickness absence information

Although sickness absence levels within ONR have risen slightly in comparison with 2017/18, they have remained relatively low when benchmarked against the public and wider energy sectors.

**TABLE 39 – SICKNESS ABSENCE**

|  | 2018/19 | 2017/18 |
|--|---------|---------|
| Average number of working days lost due to sickness absence per person | 4.38    | 3.91    |

**TABLE 40 - 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                             | -(-)                              | 1(-)                              | 1(-)                                       |
| £10,000 - £25,000                    | -(-)                              | -(-)                              | -(-)                                       |
| £25,000 - £50,000                    | -(-)                              | 1(-)                              | 1(-)                                       |
| £50,000 - £100,000                   | -(-)                              | 2(-)                              | 2(-)                                       |
| £100,000 - £150,000                  | -(-)                              | -(-)                              | -(-)                                       |
| £150,000 - £200,000                  | -(-)                              | -(-)                              | -(-)                                       |
| <b>Total number of exit packages</b> | <b>-(-)</b>                       | <b>4 (-)</b>                      | <b>4 (-)</b>                               |
| <b>Total cost /£</b>                 | <b>-(-)</b>                       | <b>£182,096.01 (-)</b>            | <b>£182,096.01 (-)</b>                     |

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 full in the year of departure. Where ONR has agreed early retirements, the additional costs are met by ONR and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table (no one in ONR retired early on ill-health grounds in 2018/19).

A Special Payment of less than £10,000 was not paid in accordance with the Civil Service Compensation Scheme; this payment was an ex-gratia payment and required approval from HM Treasury. Retrospective approval was sought from HM Treasury and approval has been provided.

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

#### High paid off-payroll appointments

All off-payroll engagements as of 31 March 2019, for more than £245 per day and that have lasted longer than six months are shown in the following table.



TABLE 41 - NUMBER OF EXISTING ENGAGEMENTS AS OF 31 MARCH 2019

|  |           |
|--|-----------|
| <b>Number of existing engagements as of 31 March 2019</b>                  | <b>11</b> |
| <b>Of which the number that have existed at the time of reporting for:</b> |           |
| Less than one year   | 8         |
| Between one and two years  | 3         |
| Between two and three years  | 0         |
| Between three and four years   | 0         |
| Four or more years   | 0         |

Two of the individuals above work for a licensee and are paid directly through their organisation's payroll; therefore, they are deemed to be at low risk of failing to meet their personal tax liabilities and no further assurance has been sought in relation to this engagement.

New off-payroll engagements or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that have lasted for longer than six months are shown in table 42.

TABLE 42 - NUMBER OF NEW ENGAGEMENTS, OR THOSE THAT REACHED SIX MONTHS IN DURATION, BETWEEN 1 APRIL 2018 AND 31 MARCH 2019

|  |           |
|--|-----------|
| <b>Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019</b> | <b>10</b> |
| <b>Of which.....</b>   |           |
| Number assessed as caught by IR35.   | 4         |
| Number assessed as not caught by IR35.   | 6         |
| Number engaged directly (via PSC contracted to ONR) and are on the ONR payroll.  | 0         |
| Number of engagements reassessed for consistency/assurance purposes during the year.                                   | 0         |
| Number of engagements that saw a change to IR35 status following the consistency review.                               | 0         |

The four individuals who IR35 legislation applied to were workers employed by agencies. In such cases, it is the responsibility of the agency to make the relevant tax and National Insurance deductions. The agencies are sourced via the Crown Commercial Services (CCS) Framework, which includes transparent rates that show charges for both PAYE and limited company temporary workers. CCS is committed to working with suppliers to ensure they have adequate controls in place. This includes suppliers complying with all applicable Laws, therefore, such off payroll workers are deemed low risk of failing to meet their tax liabilities and therefore no further assurance has been sought in relation to these engagements.

**TABLE 43 - OFF-PAYROLL ENGAGEMENTS OF BOARD MEMBERS AND/OR SENIOR OFFICIALS WITH SIGNIFICANT FINANCIAL RESPONSIBILITY, BETWEEN 1 APRIL 2018 AND 31 MARCH 2019**

|   |           |
|---|-----------|
| <b>Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year. (1)</b>  | <b>0</b>  |
| <b>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. (2)</b> | <b>11</b> |

(1) There should only be a very small number of off-payroll engagements of board members and / or senior officials with significant financial responsibility, permitted only in exceptional circumstances and for no more than six months. In 2018/19, ONR had no engagements that satisfied this criteria.

(2) This figure includes both on-payroll and off-payroll engagements. As both on-payroll and off-payroll engagements are included in the total figure, this entry should not be zero. In 2018/19, ONR had 11 engagements that satisfied this criteria (all on payroll individuals).

## Nuclear Graduates Scheme

In relation to other off-payroll appointments, ONR has sponsored five cohorts, totalling 34 participants, on or previously 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 with ONR (subject to successfully meeting the standards set by both the scheme and ONR).

100% of the returning graduates (23 individuals) who were offered permanent positions have returned to the organisation as Associates working towards becoming nuclear safety or nuclear security inspectors.

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 £233,518 and was paid to 8 suppliers.

Three of these suppliers were used for the provision of advice and support on a range of HR matters including:

- Tax advice in relation to international secondments (2 suppliers);
- Conducting an ONR Cultural Assessment.

The remaining five suppliers were used for:

- Provision of technical expertise to support the UK SSAC Workstream 1;
- The effectiveness Review of ONR's Security Committee and Remuneration Committee 2018/19;
- Supporting ONR's Information Governance Framework;
- Business Delivery Lead for ONR's IT Separation project; and
- Technical Architect for IT solutions to identify required solutions to enable effective outcomes of the IT Separation project.

The level of consultancy expenditure increased in 2018/19 because of the unprecedented level of investment and diverse transformational activity carried out for which ONR did not have the relevant in-house expertise. The unique projects for which specialist external advice was required included UK SSAC, WIReD and IT Separation.

## 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 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 DWP for non-chargeable activities such as Safeguards and Transport Inspection.

Income is recognised over time. This is because the work has no alternative use for ONR and ONR would have an enforceable right to payment. The only exception is in ONR's failure to perform its obligations under the contract. This represents the amount that ONR would be entitled to for performance to date.

Income is calculated using time recording information based on resources consumed by each primary revenue stream together with direct and indirect costs.

TABLE 44 - BREAKDOWN OF FEES AND CHARGES

|                                    | 2018/19       |               |                       | 2017/18       |               |                        |
|------------------------------------|---------------|---------------|-----------------------|---------------|---------------|------------------------|
|                                    | Income        | Cost          | Surplus/<br>(deficit) | Income        | Cost          | Surplus /<br>(deficit) |
|                                    | £'000         | £'000         | £'000                 | £'000         | £'000         | £'000                  |
| Licensing of nuclear installations | 48,817        | 48,817        | -                     | 45,754        | 45,754        | -                      |
| Civil Nuclear Security             | 10,642        | 10,642        | -                     | 9,353         | 9,353         | -                      |
| Generic Design Assessment          | 5,094         | 5,094         | -                     | 9,305         | 9,305         | -                      |
| Radioactive Materials Transport    | 1,201         | 1,201         | -                     | 1,233         | 1,233         | -                      |
| Advanced Nuclear Technologies **   | 2,944         | 2,944         | -                     | 936           | 936           | -                      |
| <b>Sub Total</b>                   | <b>68,698</b> | <b>68,698</b> | <b>-</b>              | <b>66,581</b> | <b>66,581</b> | <b>-</b>               |
| Other Fees and Charges             | 248           | 248           | -                     | 209           | 209           | -                      |
| <b>Total fees and charges</b>      | <b>68,946</b> | <b>68,946</b> | <b>-</b>              | <b>66,790</b> | <b>66,790</b> | <b>-</b>               |

\*\*Charged to BEIS

---

## Statement of Losses and Special Payments (subject to audit)

There have been no losses or special payments which exceed the £300,000 reporting threshold.

## Remote Contingent Liabilities (subject to audit)

ONR does not have any remote contingent liabilities.

## Long Term Expenditure Trends

The increase in the budget for 2019/20 (£98.1m for 2019/20 compared to £84.6m for 2018/19) reflects the following key themes:

- price increases of £4.5m, including a material increase in statutory pension contributions which has been set by Cabinet Office and moderate pay rises. New Cabinet Office rules means that pension contributions, tiered according to salary, have increased from 22% to 29%;
- material growth in activity to support the introduction of the UK SSAC, funded by BEIS. The delivery of UK SSAC is a pass-through cost funded by BEIS for safeguards activity of £10.2m during 2019/20; and
- infrastructure and resilience cost increases to support risk mitigation and modernisation activity through the delivery of two major strategic improvement projects: IT Separation, to provide greater resilience and security capability, and WIReD, to deliver leaner automated business processes and enhanced knowledge management. Due to the capital investment required, the operational cost impact to industry will be recovered over future years aligned with the respective depreciation charge.

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 2019/20.

### **Adrienne Kelbie**

Chief Executive  
Office for Nuclear Regulation

6 June 2019

---

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

### Opinion on financial statements

I certify that I have audited the financial statements of the Office for Nuclear Regulation for the year ended 31 March 2019 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2019 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 regularity

In my opinion, in all material respects the income and expenditure 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.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office for Nuclear Regulation in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

We are required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office for Nuclear Regulation's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

---

My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Board and Accounting Officer for the financial statements**

As explained more fully in the Chief Executive's Responsibilities, the Board and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Energy Act 2013.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office for Nuclear Regulation's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

---

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

## Other Information

The Board and the Chief Executive are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Energy Act 2013;
- in the light of the knowledge and understanding of the Office for Nuclear Regulation and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; 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 Accountability Report 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.

### **Gareth Davies**

Comptroller and Auditor General

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

17 June 2019

# 4

## FINANCIAL STATEMENTS



## FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE NET INCOME FOR THE PERIOD ENDED 31 MARCH 2019

| Expenditure   | Note | 2018/19         | 2017/18         |
|---|------|-----------------|-----------------|
|   |      | £'000           | £'000           |
| Staff costs   | 2    | 51,911          | 47,983          |
| Other expenditure   | 3    | 24,236          | 22,318          |
| <b>Operating costs</b>  |      | <b>76,147</b>   | <b>70,301</b>   |
| Revenue from contracts with customers                             | 4    | (68,946)        | (66,790)        |
| Other operating income  |      | (7,203)         | (3,511)         |
| <b>Total Operating Income</b>                                     |      | <b>(76,149)</b> | <b>(70,301)</b> |
| <b>Net operating cost / (income) for the year</b>                 |      | <b>(2)</b>      | <b>-</b>        |
| <b>Total Comprehensive Net Income for the year ended 31 March</b> |      | <b>(2)</b>      | <b>-</b>        |

All income and expenditure is derived from continuing operations.

The notes on pages 143 to 163 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

|                                      |      | 31 March 2019  | 31 March 2018  |
|--------------------------------------|------|----------------|----------------|
|                                      | Note | £'000          | £'000          |
| <b>Non-Current Assets</b>            |      |                |                |
| Property, plant and equipment        | 5    | 584            | 396            |
| Intangible assets                    | 6    | 1,789          | 2              |
| <b>Total non-current assets</b>      |      | <b>2,373</b>   | <b>398</b>     |
| <b>Current assets</b>                |      |                |                |
| Trade and other receivables          | 7    | 13,644         | 11,914         |
| Cash and cash equivalents            | 8    | 5,583          | 5,225          |
| <b>Total current assets</b>          |      | <b>19,227</b>  | <b>17,139</b>  |
| <b>Total assets</b>                  |      | <b>21,600</b>  | <b>17,537</b>  |
| <b>Current Liabilities</b>           |      |                |                |
| Trade and other payables             | 9    | (7,630)        | (6,256)        |
| <b>Total current liabilities</b>     |      | <b>(7,630)</b> | <b>(6,256)</b> |
| <b>Non-Current Liabilities</b>       |      |                |                |
| Trade and other payables             | 9    | (2,689)        | -              |
| <b>Total non-current liabilities</b> |      | <b>(2,689)</b> | <b>-</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 143 to 163 form part of these accounts

**Adrienne Kelbie**

Chief Executive  
Office for Nuclear Regulation

6 June 2019

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

|   | Note     | 2018/19<br>£'000 | 2017/18<br>£'000 |
|---|----------|------------------|------------------|
| <b>Cash flows from operating activities</b>   |          |                  |                  |
| Net operating (cost) / income   |          | 2                | -                |
| Adjustments for non-cash transactions   | 3        | 185              | 166              |
| Decrease/(increase) in trade and other receivables  | 7        | (1,730)          | 3,262            |
| Less movements in receivables relating to items not passing through the Statement Of Comprehensive Net Income | 3        | (22)             | (2)              |
| Increase/(decrease) in trade payables   | 9        | 2,063            | (481)            |
| Less movements in payables relating to items not passing through the Statement Of Comprehensive Net Income    | 5a & 6a  | (559)            | 1                |
| <b>Net cash inflow/(outflow) from operating activities</b>  |          | <b>(61)</b>      | <b>2,946</b>     |
| <b>Cash flows from investing activities</b>   |          |                  |                  |
| Purchase of property, plant and equipment   | 5a       | (110)            | (119)            |
| Purchase of intangible assets   | 6a       | (1,527)          | -                |
| Proceeds of disposal of property, plant and equipment   |          | 56               | 114              |
| <b>Net cash outflow from investing activities</b>   |          | <b>(1,581)</b>   | <b>(5)</b>       |
| <b>Cash flows from financing operations</b>   |          |                  |                  |
| Loan drawn down from DWP  | 9        | 2,000            | -                |
| Loan repayments in year   |          | -                | -                |
| <b>Net financing</b>  |          | <b>2,000</b>     | <b>-</b>         |
| <b>Net increase/(decrease) in cash and cash equivalents in the period</b>                                     |          | <b>358</b>       | <b>2,941</b>     |
| <b>Cash and cash equivalents at the beginning of the period</b>   | <b>8</b> | <b>5,225</b>     | <b>2,284</b>     |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>8</b> | <b>5,583</b>     | <b>5,225</b>     |

The Notes on pages 143 to 163 form part of these accounts.

---

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**

|                                       | <b>General Fund<br/>£'000</b> |
|---------------------------------------|-------------------------------|
| Balance at 1 April 2017               | 11,281                        |
| Comprehensive net income for the year | -                             |
| Balance at 31 March 2018              | 11,281                        |
| Comprehensive net income for the year | 2                             |
| Payments to Consolidated Fund         | (2)                           |
| <b>Balance at 31 March 2019</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 143 to 163 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 2018/19 Government Financial Reporting Manual (FReM) ([www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019](http://www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019)) 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 2019, 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 16 Leases (effective from 1 April 2020 for Public Sector entities)

ONR will carry out a full assessment of IFRS 16 during 2019/20 to assess the impact upon the financial statements. We have provisionally quantified the potential impact to be material due to the value of operating leases for buildings occupied by ONR. The impact will be recognised in the ONR Statement of Financial Position from 1 April 2020.

#### 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 (cash) from the sponsoring body (DWP). The charge is shown as interest on capital and the gross grant recorded as income. Interest on capital is charged at 3.5% of net assets.

---

## 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.

During the year DWP advance additional grants to ONR to fund the working capital requirements of three prosecutions. Prosecutions fall outside the Health and Safety and Nuclear (Fees) Regulations 2016/Nuclear Installations Act '65 so costs are claimed back from the defendant through the court. The grant is reimbursed to DWP if the prosecution is successful and the costs are awarded by the court. The grant would be retained by ONR if the prosecution was unsuccessful or there was a shortfall in the costs awarded.

Payments to the Apprenticeship Levy have been recorded against staff costs as social security costs. Drawdowns from the Apprenticeship Fund for training have been recorded as notional income and expenditure in accordance with IAS 20 – Accounting for Government Grants.

## 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.

IAS 19 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 and other support services. The cost of this service is included in "other expenditure". Consequently, as HSE retains 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 Income recognition

In line with step one of the five-step model in IFRS 15, ONR has identified the following significant contracts with customers (Note 4 refers):

- Licensing of nuclear installations: the Nuclear Installations Act 1964, Section 24A gives ONR the power to recover expenses for carrying into effect any of the activities under the Act, or for nuclear research;
- Civil Nuclear Security: the Nuclear Industries Security (Fees) Regulations 2005 give ONR the power to recover fees for security activities;
- Generic Design Assessment: the Health and Safety and Nuclear Fees Regulations 2016, Regulation 16 and 17 empower ONR to charge for activities like Generic Design Assessment and pre-licensing advice, as well as all 'generic' health and safety activities on nuclear licensed sites;
- Radioactive Materials Transport: the Carriage of Dangerous Goods Regulations 2009, Regulation 27 gives ONR (and other bodies) the power to charge for packaging approvals work;
- Advanced Nuclear Technologies: costs are being recovered from the Department for Business, Energy and Industrial Strategy to support development work in support of the government's clean growth strategy.

Income from Government grants is covered in Section 1.5 above.

Income in respect of capital investment projects, notably SIMRS, will be recognised as an amortisation charge over the expected life of the asset.

For all contracts with customers, ONR's performance obligations are satisfied at the end of the contract when the service has been fully delivered. For example, this will include the issue of a licence or the issue of an inspection or investigation report.

Income is recognised over time. This is because the work has no alternative use for ONR and ONR would have an enforceable right to payment. The only exception is in ONR's failure to perform its obligations under the contract. This method is considered appropriate as this represents the amount that ONR would be entitled to for performance to date.

---

Income is calculated using time recording information based on resources consumed by each primary revenue stream together with direct and indirect costs.

We analyse income and include the required disclosures if more than 10% of total revenue is received from a single customer during the financial year.

The way we calculate income under IFRS 15 has not changed from the method used under previous standards. We consider, therefore, that the impact of calculating income under the new standard, IFRS 15, is immaterial.

### **1.10(a) Prosecutions**

The fees regulations that underpin ONR's charging methodology allow ONR to recover the full cost of providing nuclear regulation, however, this does not extend to the costs associated with undertaking a prosecution.

Costs associated with a prosecution are funded by a ring-fenced grant from DWP. This includes prosecution costs such as legal advice and representation as well as staff costs incurred once a decision has been made to prosecute a dutyholder.

Pre-prosecution costs such as legal advice, investigation costs and staff costs are recovered from dutyholders via the usual regulatory charges.

The grant is initially recognised as deferred income and released to prosecution grant income as the associated costs are incurred.

In the event of a successful prosecution, any award of costs from the court is recognised as 'prosecution costs awarded'.

Costs awarded to ONR are used to reimburse the grant funding from DWP. If the amount awarded is less than the costs incurred the element of grant funding not reimbursed will be borne by DWP. If the amount awarded exceeds the costs incurred the excess will show as a surplus on the statement of comprehensive net income and will be transferred to HM Treasury as a Consolidated Extra Funds Receipt (CFER).

In the event of an unsuccessful prosecution where no costs are awarded all ONR costs associated with the prosecution that were funded by the grant will be borne by DWP.

### **1.10(b) Deferred Income**

Deferred income is money received by ONR for goods or services which have not yet been delivered. ONR records deferred income as a liability until delivery is made, at which time it is converted into income.

The main items of deferred income in ONR are the grants provided by DWP and the funding advanced by BEIS for the development of the SIMRS asset.

---

The grants are provided in advance of need for specific activities, for example a prosecution. The deferred amounts are released to income as costs are incurred in carrying out the specific activities for which the grant was awarded. Typically, grants are provided on a quarterly basis so the amount deferred usually covers one to two months activity.

The costs of developing the SIMRS asset were paid to ONR as the costs were incurred. The payments are initially recognised as deferred income and will be released to income over the five year life of the asset through amortisation. The deferred income is split between current and non-current liabilities.

### **1.11 Operating segments**

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to segments of ONR and also to assess their performance. The Board has identified ONR's Chief Executive as the Chief Operating Decision Maker.

The Chief Executive reviews ONR's operational and financial performance at an aggregated level and these accounts, therefore, do not include a statement of operating costs by operating segment.

### **1.12 Non-current and intangible assets**

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 (eg. furniture) are purchased.

#### **1.12(a) Intangible assets**

Intangible assets are initially measured at cost, with subsequent measurement at valuation.

Internally developed software is initially measured at cost. Specifically, attributable costs are recognised as 'assets under construction' and accumulate over the period of time the asset is being developed.

Costs are monitored to ensure only specific development costs and direct purchases are recorded. Once the asset is available for use it is transferred to the relevant 'non-current asset' register immediately. Amortisation is charged from this point over a period of five years, or over the licence period whichever is shorter.

#### **1.12(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.

### 1.12(b)(i) Capitalisation and depreciation

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.

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

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

ONR does not revalue its non-property assets and therefore does not have a revaluation reserve as this is not considered to be material.

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.

## 1.13 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 not subject to significant changes in value. ONR does not currently hold any petty cash balances.

ONR has assessed that there is a low risk of credit losses relating to receivables and consequently we estimate that the impact of IFRS 9 will be immaterial.

As required by IFRS9, where material ONR will report the value of credit impaired invoices that are more than 90 days past due unless they are expected to be recovered in full.

As the material elements of ONR's income is recovered from the Nuclear Industry under legislation or from other government departments, ONR does not ordinarily recognise any credit losses.

### **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.

ONR has an interest-bearing working capital loan from DWP. The loan is not repayable in current circumstances but would be reviewed if circumstances change, such as: ONR changing legal status; change of Government sponsoring department; legislative changes; or if ONR ceases to exist.

### **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.

## **1.14 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and Alpha, 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/Alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS/Alpha. 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.

---

### 1.15 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.

### 1.16 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.

### 1.17 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 has no material contingent liabilities at 31 March 2019.

## 2. STAFF COSTS

|  | 2018/19                       |            |               | 2017/18       |
|--|-------------------------------|------------|---------------|---------------|
|  | Permanently<br>employed staff | Others     | Total         | Total         |
|  | £000                          | £000       | £000          | £000          |
| Wages & salaries   | 38,122                        | 615        | 38,737        | 35,706        |
| Social security costs                                      | 4,662                         | -          | 4,662         | 4,351         |
| Other pension costs  | 8,512                         | -          | 8,512         | 7,926         |
| <b>Total per Statement of Comprehensive<br/>Net income</b> | <b>51,296</b>                 | <b>615</b> | <b>51,911</b> | <b>47,983</b> |
| Less recoveries in respect of outward<br>secondments       | (38)                          | -          | (38)          | (65)          |
| <b>Net Total</b>   | <b>51,258</b>                 | <b>615</b> | <b>51,873</b> | <b>47,918</b> |

Further details of staff costs and related expenditure can be found on page 126 in the Accountability Report.

### 3. OTHER EXPENDITURE

|   | 2018/19 |               | 2017/18 |               |
|---|---------|---------------|---------|---------------|
|   | £'000   |               | £'000   |               |
| Services provided by Health & Safety Executive* |         |               |         |               |
| Accommodation                                   | 3,668   |               | 3,687   |               |
| IT / Telecommunications                         | 2,551   |               | 2,479   |               |
| Other corporate services                        | 725     |               | 803     |               |
|   |         | 6,944         |         | 6,969         |
| Travel and subsistence                          |         | 4,021         |         | 3,412         |
| Technical support                               |         | 2,198         |         | 3,874         |
| Research  |         | 2,030         |         | 992           |
| Industry security vetting                       |         | 1,476         |         | 1,418         |
| Personnel related costs                         |         | 1,332         |         | 1,176         |
| Interest on capital                             |         | 472           |         | 466           |
| Interest on loan from DWP                       |         | 17            |         | -             |
| Auditors' remuneration                          |         | 59            |         | 50            |
| Other expenditure                               |         | 5,502         |         | 3,795         |
| <b>Non-cash items</b>                           |         |               |         |               |
| Depreciation and amortisation                   | 154     |               | 124     |               |
| Loss on disposal                                | 9       |               | 30      |               |
| Impairment of PPE                               | -       |               | 10      |               |
| Other non-cash                                  | 22      |               | 2       |               |
|   |         | 185           |         | 166           |
| <b>Total</b>                                    |         | <b>24,236</b> |         | <b>22,318</b> |

\* Services are provided by the Health & Safety Executive because ONR occupies part of its Bootle site.



## 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.

|  | 2018/19<br>£'000 | 2017/18<br>£'000 |
|--|------------------|------------------|
| Revenue from contacts with customers (see below)                     | 68,946           | 66,790           |
| Grant from DWP   | 1,873            | 2,208            |
| Grant from DWP - Prosecutions  | 85               | -                |
| Prosecution Costs Awarded  | 63               | -                |
| UK State System of Accountancy for and Control of nuclear materials* | 5,063            | 1,203            |
| Grant from Apprenticeship Fund                                       | 68               | 13               |
| Other sales/income   | 51               | 87               |
| <b>Total income</b>  | <b>76,149</b>    | <b>70,301</b>    |

\*Funded by BEIS

In September 2017, the Government confirmed that it intended to establish a domestic safeguards regime seeking to deliver to existing Euratom standards.

BEIS confirmed that they would fund work required to meet this obligation.

## BREAKDOWN OF REVENUE FROM CONTACTS WITH CUSTOMERS

|                                    | 2018/19         |               |                             | 2017/18         |               |                             |
|------------------------------------|-----------------|---------------|-----------------------------|-----------------|---------------|-----------------------------|
|                                    | Income<br>£'000 | Cost<br>£'000 | Surplus/ (deficit)<br>£'000 | Income<br>£'000 | Cost<br>£'000 | Surplus/ (deficit)<br>£'000 |
| Licensing of nuclear installations | 48,817          | 48,817        | -                           | 45,754          | 45,754        | -                           |
| Civil Nuclear Security             | 10,642          | 10,642        | -                           | 9,353           | 9,353         | -                           |
| Generic Design Assessment          | 5,094           | 5,094         | -                           | 9,305           | 9,305         | -                           |
| Radioactive Materials Transport    | 1,201           | 1,201         | -                           | 1,233           | 1,233         | -                           |
| Advanced Nuclear Technologies **   | 2,944           | 2,944         | -                           | 936             | 936           | -                           |
| Sub Total                          | 68,698          | 68,698        | -                           | 66,581          | 66,581        | -                           |
| Other Fees and Charges             | 248             | 248           | -                           | 209             | 209           | -                           |
| <b>Total fees and charges</b>      | <b>68,946</b>   | <b>68,946</b> | <b>-</b>                    | <b>66,790</b>   | <b>66,790</b> | <b>-</b>                    |

\*\*Charged to BEIS

## ANALYSIS OF REVENUE BY MAJOR CUSTOMER (&gt;10% OF REVENUE)

|            | 2018/19<br>£'000 | 2017/18<br>£'000 |
|------------|------------------|------------------|
| Customer 1 | 22,339           | 21,196           |
| Customer 2 | 15,451           | 14,225           |

Customers are not named for reasons of commercial confidentiality.

## 5. PROPERTY, PLANT AND EQUIPMENT

2018/19

|   | Leasehold<br>Improvements<br>£'000 | Information<br>Technology<br>£'000 | Motor<br>Vehicles<br>£'000 | Furniture<br>and Fittings<br>£'000 | Total<br>£'000 |
|---|------------------------------------|------------------------------------|----------------------------|------------------------------------|----------------|
| <b>Cost or valuation</b>                |                                    |                                    |                            |                                    |                |
| At 1 April 2018                         | 266                                | 103                                | 186                        | 233                                | 788            |
| Additions                               | 276                                | -                                  | -                          | 111                                | 387            |
| Impairments                             | -                                  | -                                  | -                          | -                                  | -              |
| Disposals                               | -                                  | -                                  | (139)                      | (15)                               | (154)          |
| <b>At 31 March 2019</b>                 | <b>542</b>                         | <b>103</b>                         | <b>47</b>                  | <b>329</b>                         | <b>1,021</b>   |
| <b>Depreciation</b>                     |                                    |                                    |                            |                                    |                |
| At 1 April 2018                         | 206                                | 10                                 | 105                        | 71                                 | 392            |
| Charged in year                         | 78                                 | 20                                 | 5                          | 31                                 | 134            |
| Disposals during year                   | -                                  | -                                  | (82)                       | (7)                                | (89)           |
| <b>At 31 March 2019</b>                 | <b>284</b>                         | <b>30</b>                          | <b>28</b>                  | <b>95</b>                          | <b>437</b>     |
| <b>Carrying amount at 31 March 2018</b> | <b>60</b>                          | <b>93</b>                          | <b>81</b>                  | <b>162</b>                         | <b>396</b>     |
| <b>Carrying amount at 31 March 2019</b> | <b>258</b>                         | <b>73</b>                          | <b>19</b>                  | <b>234</b>                         | <b>584</b>     |
| <b>Asset financing</b>                  |                                    |                                    |                            |                                    |                |
| <b>Owned</b>                            | <b>258</b>                         | <b>73</b>                          | <b>19</b>                  | <b>234</b>                         | <b>584</b>     |

## 2017/18

|   | Leasehold<br>Improvements<br>£'000 | Information<br>Technology<br>£'000 | Motor<br>Vehicles<br>£'000 | Furniture<br>and Fittings<br>£'000 | Total<br>£'000 |
|---|------------------------------------|------------------------------------|----------------------------|------------------------------------|----------------|
| <b>Cost or valuation</b>                |                                    |                                    |                            |                                    |                |
| At 1 April 2017                         | 266                                | 9                                  | 467                        | 208                                | 950            |
| Additions                               | -                                  | 94                                 | -                          | 25                                 | 119            |
| Impairments                             | -                                  | -                                  | (10)                       | -                                  | (10)           |
| Disposals                               | -                                  | -                                  | (271)                      | -                                  | (271)          |
| <b>At 31 March 2018</b>                 | <b>266</b>                         | <b>103</b>                         | <b>186</b>                 | <b>233</b>                         | <b>788</b>     |
| <b>Depreciation</b>                     |                                    |                                    |                            |                                    |                |
| At 1 April 2017                         | 155                                | 1                                  | 196                        | 45                                 | 397            |
| Charged in year                         | 51                                 | 9                                  | 36                         | 26                                 | 122            |
| Disposals during year                   | -                                  | -                                  | (127)                      | -                                  | (127)          |
| <b>At 31 March 2018</b>                 | <b>206</b>                         | <b>10</b>                          | <b>105</b>                 | <b>71</b>                          | <b>392</b>     |
| <b>Carrying amount at 31 March 2018</b> | <b>60</b>                          | <b>93</b>                          | <b>81</b>                  | <b>162</b>                         | <b>396</b>     |
| <b>Asset financing</b>                  |                                    |                                    |                            |                                    |                |
| <b>Owned</b>                            | <b>60</b>                          | <b>93</b>                          | <b>81</b>                  | <b>162</b>                         | <b>396</b>     |

In the year, ONR occupied three buildings in Bootle, 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 and London offices.

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. The remaining vehicles are due to be sold in 2019.

## 5A. RECONCILIATION OF CAPITAL ADDITIONS TO THE STATEMENT OF CASH FLOWS

|   | Note | 2018/19<br>£'000 |
|---|------|------------------|
| <b>Capital payables and accruals at 1 April</b>                                 |      | -                |
| Capital Additions   |      | 387              |
| Capital payables and accruals at 31 March 2019                                  | 9    | (277)            |
| <b>Purchase of Property, Plant and Equipment as per Statement of Cash Flows</b> |      | 110              |

## 6. INTANGIBLE ASSETS

2018/19

|   | Internally<br>developed software<br>£'000 | Payments on account and<br>assets under construction<br>£'000 | Total<br>£'000 |
|---|---|---|----------------|
| <b>Cost or valuation</b>                |   |   |                |
| At 1 April 2018                         | 12  | -   | 12             |
| Additions                               | -   | 1,807   | 1,807          |
| Impairments                             | -   | -   | -              |
| Reclassifications                       | 983                                       | (983)   | -              |
| Disposals                               | -   | -   | -              |
| <b>At 31 March 2019</b>                 | <b>995</b>                                | <b>824</b>  | <b>1,819</b>   |
| <b>Amortisation</b>                     |   |   |                |
| At 1 April 2018                         | 10  | -   | 10             |
| Charged in year                         | 20  | -   | 20             |
| Disposals during year                   | -   | -   | -              |
| <b>At 31 March 2019</b>                 | <b>30</b>                                 | <b>-</b>  | <b>30</b>      |
| <b>Carrying amount at 31 March 2018</b> | <b>2</b>                                  | <b>-</b>  | <b>2</b>       |
| <b>Carrying amount at 31 March 2019</b> | <b>965</b>                                | <b>824</b>  | <b>1,789</b>   |
| <b>Asset financing</b>                  |   |   |                |
| <b>Owned</b>                            | <b>965</b>                                | <b>824</b>  | <b>1,789</b>   |

## 2017/18

|   | Internally<br>developed software | Payments on account<br>and assets under<br>construction | Total     |
|---|----------------------------------|---|-----------|
|   | £'000                            | £'000   | £'000     |
| <b>Cost or valuation</b>                |                                  |   |           |
| At 1 April 2017                         | 12                               | -   | 12        |
| Additions                               | -                                | -   | -         |
| Impairments                             | -                                | -   | -         |
| Reclassifications                       | -                                | -   | -         |
| Disposals                               | -                                | -   | -         |
| <b>At 31 March 2018</b>                 | <b>12</b>                        | <b>-</b>  | <b>12</b> |
| <b>Amortisation</b>                     |                                  |   |           |
| At 1 April 2017                         | 7                                | -   | 7         |
| Charged in year                         | 3                                | -   | 3         |
| Disposals during year                   | -                                | -   | -         |
| <b>At 31 March 2018</b>                 | <b>10</b>                        | <b>-</b>  | <b>10</b> |
| <b>Carrying amount at 31 March 2018</b> | <b>2</b>                         | <b>-</b>  | <b>2</b>  |
| <b>Asset financing</b>                  |                                  |   |           |
| <b>Owned</b>                            | <b>2</b>                         | <b>-</b>  | <b>2</b>  |

## Intangible Assets

### Internally Developed Software

SIMRS 'Safeguards Information Management and Reporting System'. This is an IT system that enables ONR to receive and process nuclear material accountancy declarations from operators and produce and submit reports to the International Atomic Energy Agency (IAEA), as required under the terms of our safeguards agreements with the IAEA. **£880k.**

ONR Academy Online is a learning management system operating on the Totara Learn 11 platform. It provides users with access to all of ONR's learning and development offering including course booking, course content and assessment. It is a secure platform which has been developed and implemented by Synergy Learning following a competitive tender process. **£103k**

### Assets under construction

WIReD – 'Well Informed Regulatory Decisions'; is the modernisation of ONR processes and systems to support the efficient undertaking of ONR's regulatory activities. **£486k.**

IT Separation; ONR is separating its IT capability, including data, IT infrastructure and where necessary IT services from HSE to create an independent IT estate that will allow the migration of ONR data away from HSE's IT systems to a secure hosting environment. The project involves activity to build, migrate and separate. Costs to date: **£338k**

## 6A. RECONCILIATION OF CAPITAL ADDITIONS TO THE STATEMENT OF CASH FLOWS

|   | Note | 2018/19<br>£'000 |
|---|------|------------------|
| <b>Capital payables and accruals at 1 April</b>                     |      | -                |
| Capital Additions   |      | 1,807            |
| Capital payables and accruals at 31 March 2019                      | 9    | (280)            |
| <b>Purchase of Intangible Assets as per Statement of Cash Flows</b> |      | <b>1,527</b>     |

## 7. TRADE AND OTHER RECEIVABLES

|  | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Amounts falling due within one year</b> |               |               |
| Trade receivables                          | 6,420         | 4,683         |
| Deposits and advances                      | 31            | 57            |
| Prepayments and accrued income             | 7,193         | 7,174         |
| Other receivables                          | -             | -             |
| <b>Net Receivables</b>                     | <b>13,644</b> | <b>11,914</b> |

## 8. CASH AND CASH EQUIVALENTS

|   | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Balance at 1 April                              | 5,225         | 2,284         |
| Net change in cash and cash equivalent balances | 358           | 2,941         |
| <b>Balance at 31 March</b>                      | <b>5,583</b>  | <b>5,225</b>  |
| <b>Represented by:</b>                          |               |               |
| Government Banking Service                      | 5,583         | 5,225         |
| Balance at 31 March                             | 5,583         | 5,225         |



## 9. TRADE AND OTHER PAYABLES

|   | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| <b>Amounts falling due within one year</b>          |               |               |
| Taxation and social security                        | 1,271         | 1,222         |
| Superannuation                                      | 960           | 887           |
| VAT   | 6             | 26            |
| Trade payables: non-capital                         | 507           | 593           |
| Capital payables and accruals – PPE                 | 277           | -             |
| Capital payables and accruals - intangible          | 280           | -             |
| Other payables                                      | 95            | 3             |
| Accruals and deferred income                        | 4,234         | 3,525         |
| <b>Total Current Payables</b>                       | <b>7,630</b>  | <b>6,256</b>  |
| <b>Amounts falling due after more than one year</b> |               |               |
| Loan with DWP                                       | 2,000         | -             |
| Accruals and deferred income                        | 689           | -             |
| <b>Total</b>  | <b>10,319</b> | <b>6,256</b>  |

## 10. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2019.

## 11. COMMITMENTS UNDER NON-PFI OPERATING LEASES

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

### OBLIGATIONS UNDER OPERATING LEASES

|  | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
|  | Buildings     | Buildings     |
|  | £'000         | £'000         |
| Not later than 1 year                        | 3,835         | 3,637         |
| Later than 1 year and not later than 5 years | 15,271        | 1,679         |
| Later than 5 years                           | -             | -             |
| <b>Total Committed</b>                       | <b>19,106</b> | <b>5,316</b>  |

The large increase in lease commitments is principally due to the passing of the Redgrave Court, Bootle lease break date meaning that ONR is committed to staying in Redgrave Court until August 2024. In addition, a new lease has been entered into for increased space in ONR's Cheltenham office.

## 12. OTHER FINANCIAL COMMITMENTS

|  | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Not later than 1 year                        | 4,323         | 4,421         |
| Later than 1 year and not later than 5 years | 1,751         | 831           |
| Later than 5 years                           | -             | -             |
| <b>Total Committed</b>                       | <b>6,074</b>  | <b>5,252</b>  |

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.

---

### 13. 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 2018/19, 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 2018/19 are set out in Note 3.

In addition, ONR had a number of significant transactions with Ministry of Defence, and Department for Business, Energy and Industrial Strategy.

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.

### 14. FINANCIAL INSTRUMENTS

The cash requirements of ONR are met through grant funding provided by DWP and a working capital loan of £2 million.

The grant is for activities that are not statutorily recoverable from industry.

The working capital loan from DWP is interest bearing and there is currently no requirement for repayment.

Financial instruments play 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.

### 15. EVENTS AFTER THE REPORTING PERIOD

IAS10 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.

CCS1118984353  
978-1-5286-0879-4