



Office for  
Nuclear Regulation

## Office for Nuclear Regulation Annual Report and Accounts 2019/20

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and 25(3) of Schedule 7 to the Energy Act 2013.

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# **Performance Report**

## **Overview**

### **Chair's Foreword**

I was delighted to be appointed Chair of the Office for Nuclear Regulation (ONR) on 1 April 2019 for five years. I could not have joined ONR at a more stimulating time in its journey as it entered the final year of its first five-year strategy since becoming a public corporation in 2014. At the same time, the Board was about to embark on a wider, collaborative approach to setting the organisation's strategic direction for the next five years to 2025. I am relishing the opportunities and challenges that lie ahead.

One of my first priorities on appointment was to get a view of ONR from all perspectives. I have spent a significant part of my first year engaging with as many stakeholders as possible from industry and the wider nuclear community through visiting licensed sites, attending ONR-led industry events, and meeting Ministers, officials, Non-Governmental Organisations and ONR staff at every level. I can only say how impressed and assured I have been by the overwhelmingly high regard in which ONR is held by those I have met.

I am pleased to report that we have again delivered our mission and achieved our 2020 vision. A key area of the Board's attention over the last year has been maintaining momentum towards our 2020 strategic intent while also preparing the Strategy 2020-2025<sup>1</sup> – focussing on our operating environment, our regulatory strategy, a greater focus on regulatory assurance, our people and our organisational effectiveness. We sought assurance, and provided direction, to ensure our readiness to host the International Atomic Energy Agency's (IAEA) Integrated Regulatory Review Service (IRRS) Mission to the UK. The Board has also paid close attention to our progress in delivering the independent UK State System of Accountancy for and Control of Nuclear Material (UK SSAC).

On 31 March, 2020, we said farewell, with thanks, to Penny Boys CB after four years of exemplary service to the Board. I would also like to thank my predecessor, Nick Baldwin CBE, for ensuring a seamless handover last April, and my fellow Board Members for their support throughout my first year. My thanks must particularly go to the dedicated, hard-working and unstintingly loyal staff without whom the organisation could neither flourish nor deliver its purpose to society. This was brought into sharp focus in the latter part of the year through the resilience that was shown at all levels as we responded to the impact of the COVID-19 (Coronavirus) pandemic while ensuring ONR maintained effective regulatory oversight.

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<sup>1</sup> <http://www.onr.org.uk/2025-strategy>

As we look ahead, I have every confidence in ONR's senior leadership team to see through the strategic improvement projects already underway that will enhance the organisation's information and knowledge management system, and successfully deliver the aspirations of our new Strategy.

**Mark McAllister**  
ONR Chair

## Chief Executive's Foreword

With four years at the helm of ONR, it is heartening to close out our 2020 strategy in such a positive position and be looking towards an even stronger 2025.

This is, of course, tempered by the impact of COVID-19 on people around the globe. ONR took steps to work largely at home, and adjusted our annual plan to ensure focus on effective regulation while keeping our people safe and well. We explain more about this in our 2020/21 Corporate Plan<sup>2</sup>.

Our relentless focus on effective regulation has been complemented by our desire to be an exemplar of openness and transparency in how we engage with stakeholders, our commitment to develop the skills of our people and culture of our organisation, and our attention to improving our infrastructure, systems and processes.

I consider myself fortunate to work with colleagues who show unwavering commitment, public service ethos and team spirit. I have asked a great deal of them - to balance significant operational duties with also making changes that have strengthened ONR as an organisation – and they have delivered. So as we close 2019/20, we also close our 2020 strategy having delivered our promises.

Of most importance, our regulation maintained a safe and secure nuclear estate across all of the 36 licensed sites and the hundreds of dutyholders, including transport carriers and hospitals, under our purview.

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<sup>2</sup> <http://www.onr.org.uk/documents/2020/onr-corporate-plan-2020-21.pdf>



We learned from, and influenced, the international nuclear regulatory community by presenting our work, participating in working groups, and contributing our expertise to IRRS peer review missions. We worked more closely with UK regulators, most notably the Environment Agency (EA), producing single, joined-up advice and guidance on topics such as Generic Design Assessment (GDA).

On more than one occasion our approach was highlighted as best practice, including our Security Assessment Principles, Organisational Effectiveness Indicators, Integrated Audit and Assurance model, Strategic Framework for International Engagement, our engagement with interested stakeholder groups, and our ONR Academy. Our new nuclear safeguards and nuclear material accountancy function is being seen as an exemplar.

Finally, we have successfully completed Phase One of our Well Informed Regulatory Decisions (WIReD) project. Having streamlined processes and engaged with industry, we will now build a new system and pilot it in 2021.

In those areas where we did less well, notably in IT delivery and in being perceived as consistently proportionate in our regulatory decisions, we are focused on improvement and I am confident we will succeed.

I'm delighted that ONR is an attractive employer, recruiting and retaining the very best people, who increasingly recognise ONR as a single organisation that thrives on teamwork, offers a supportive environment and places a steely focus on our purpose and outcomes.

All this has come through hard work by our teams, recognising where we needed to do better, genuinely seeking feedback to help us improve and embracing a more outwards-looking, open-minded attitude.

I thank everyone who has helped ONR become the organisation it is today.

**Adrienne Kelbie**

Chief Executive

21 September 2020

## **Chief Nuclear Inspector's Foreword**

I am fortunate to lead a dedicated and professional regulatory team that is focused on effectively delivering our core regulatory purpose. Through the evidence they have gathered, it is my judgement that the majority of GB nuclear dutyholders have continued to meet the requisite high standards of safety and security to protect workers and the public. Where dutyholders have fallen short of such standards I am satisfied that their facilities remain safe and that our regulatory focus has had a positive impact on their performance.

The rapid emergence of COVID-19 prompted significant changes in how we regulate. Inspectors are carrying out as much work as possible remotely, while still travelling to sites when necessary. I am grateful for the commitment shown by our teams in gaining vital assurance that the industry remains safe and secure in such unprecedented times.

Issues associated with the ageing fleet of Advanced Gas Cooled Reactors (AGRs) have again been a major focus for our inspectors. We have dedicated considerable effort assessing the impact of the cracking of the graphite cores at Hunterston B and Hinkley Point B, working with the licensee to ensure the continued safety of the reactors at these power stations. We have permissioned a number of key enabling works at Sellafield in support of major hazard and risk reduction projects.

The site will remain at an increased level of regulatory attention due to the nature of the hazards and risks, but I am pleased that good progress is being made.

The GDA of the UK HPR1000 reactor design completed Step 3 in February 2020. The design has now entered the final step of the GDA process and we anticipate completing the Step 4 assessment during 2021/22. ONR's Civil Nuclear Security and Safeguards team has been busy supporting the transition to outcome-focused security regulation, assessing and approving new site security plans across the industry. We have also been further developing our capability to effectively deliver the UK SSAC.

During the year, ONR hosted the IRRS mission on behalf of the UK. I was pleased the mission team commented that ONR has a mature regulatory framework that could be emulated by other regulatory authorities to improve their understanding and implementation of IAEA safety standards. Areas for improvement were also identified and we are working with government and other UK regulators to address these.

In October 2019, I published the first Chief Nuclear Inspector's Annual Report<sup>3</sup> on the safety, security and safeguards performance of Great Britain's nuclear industry. It provides a detailed insight into industry performance and ONR's associated regulatory interventions and, as such, complements this document. The second such report will be published in Autumn 2020.

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<sup>3</sup> <http://www.onr.org.uk/documents/2019/cni-annual-report-1819.pdf>

As we embark upon our new five-year strategy, I look forward to working with the Board, Chief Executive and all of the people in ONR to deliver it efficiently and effectively, ensuring the continued protection of the public.

**Mark Foy**

Chief Nuclear Inspector

## ONR in numbers – 2019/20

- £92.3m – Total expenditure for year
- 30 permissioning activities and determinations
- 1.2m hours worked
- Over 800 compliance inspections carried out
- 428 Intervention Records published
- 43/56 milestones delivered\*
- \*Of the 13 that have slipped, 4 were impacted by COVID-19
- onr.org.uk – 146,000 unique visitors from 178 countries
- We regulate 36 licensed sites
- 3 Improvement Notices Issued
- 55 transport dutyholders inspections
- 659 members of staff at 31 March 2020
- 21% of our leadership roles are occupied by women
- Stakeholder survey:
  - ONR is independent – 89%
  - ONR is trusted – 85%
  - ONR is professional – 82%

## **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.**

### **About ONR**

We are the UK's independent nuclear regulatory body, with the legal authority to regulate nuclear safety, security and conventional health and safety at 36 licensed nuclear sites<sup>4</sup> in Great Britain. This includes the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites, as well as licensed defence sites, together with the regulation of the design and construction of new nuclear facilities.

We also regulate the transport of nuclear and radioactive materials by road, rail and inland waterways. Our nuclear security regulation covers approval of security arrangements within the civil nuclear industry and provides regulatory oversight for the security of civil nuclear materials transportation.

We will operate the UK SSAC and a domestic safeguards regime from 1 January 2021, at the end of the transition period laid out in the Withdrawal Agreement.

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<sup>4</sup> For security purposes, ONR regulates other organisations that hold sensitive nuclear information.

We are governed by a 10-strong unitary Board, comprising a Chair (Mark McAllister), five independent Non-Executive Directors and four Executive Directors from a range of backgrounds. The Board sets organisational and regulatory strategy and supports the work of our staff who are based in Bootle, Cheltenham and London.

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

The Board has delegated all individual regulatory decisions to our Chief Nuclear Inspector (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 provides assurance to our Board that regulatory decisions are being made appropriately within the legal requirements of the Energy Act 2013.

We disclose information on our regulatory activities, which is available on our website. We will continue to engender public trust and respect by sharing information about our activities and dealing with questions, enquiries and concerns by providing explanations of our decisions. We also routinely engage with local stakeholder groups and local liaison committees at all sites, non-government organisations (NGOs), the public, media and Members of Parliament (MPs).



## **Our Strategic Themes (2015 – 2020)<sup>5</sup>**

*Strategic Theme 1 - Influencing improvements in nuclear safety, security and safeguards (see pages 23 to 43)*

ONR exists for this purpose. We are legally empowered and have a duty to hold industry to account on behalf of the public. Our enabling approach is key to influencing solutions across increasingly complex scenarios, and includes a well-understood, graded approach to recognise particularly challenging sites through increased regulatory attention.

*Strategic Theme 2 - Inspiring a climate of stakeholder respect, trust and confidence (see pages 44 to 57)*

Public confidence in our regulation of nuclear safety, security and safeguards is essential. While we are a trusted and respected regulator in the UK and internationally, we operate in an increasingly high profile environment, with heightened political, media, academic and public interest in the nuclear agenda. Openness and transparency underpin our communications approach, to help build and maintain public confidence.

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<sup>5</sup> Strategic themes as detailed in our Corporate Plan 2019/20. These themes have since been updated in our latest Corporate Plan 2020/21, in line with our 2020-2025 Strategy

*Strategic Theme 3 – Getting the best out of our people (see pages 58 to 63)*

Our people are our most valuable asset. They are highly professional, skilled and motivated to deliver the best outcomes for the organisation. We demand a lot from them and it is incumbent on us to provide them with a good working environment, positive culture, fair work-life balance and optimum standards of health, safety and welfare.

*Strategic Theme 4 – Developing a high-performing, sustainable organisation (see pages 64 to 71)*

Modernising our operating environment is a fundamental requirement to ensure we have the right staff and the right skills for our organisation, to transform the way we work, enhance our IT, manage change effectively and work smarter – supported by systems and processes that optimise delivery and ensure we are fit for the future.

Further detail of our performance can be found within the Performance Analysis section of this report.

Our website explains who we are, what we do, where we regulate and how we work with stakeholders, including government, other regulators, NGOs and international bodies.

## **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 Board.

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 Organisational Effectiveness Indicators (OElS) and delivery milestones. This enables us to ensure appropriate mitigations are in place.

In summary, the strategic risks that we managed during the year, endorsed by the Board and ARAC, 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 and the need to establish our own independent network infrastructure;
- 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;
- ability to respond effectively to the impact of EU Exit;
- commercial oversight and delivery;
- ability to manage an extensive portfolio of change;
- incident management; and
- financial strategy – funding and charging.

During the final quarter, we also focused our attention on mitigating the emerging risk associated with the impact of COVID-19, establishing clear priorities and developing an appropriate response that prioritised both the health and well-being of our people and maintaining the delivery of our core regulatory functions.

## **Going Concern**

We are funded primarily by charges to the nuclear industry through cost recovery from dutyholders and charges to government for specific commissioned activities, together with grant funding from our sponsoring body, the Department for Work and Pensions (DWP), which is around 2% of our budget. The latter covers activities that we are not permitted to recover from industry. The income generated from cost recovery funds the regulation of the industry.

We do 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 2019/20, net assets totalling £11.3 million were recorded at the end of the financial year. We have no outstanding liabilities that threaten our ability to continue.

COVID-19 does not impact our regulatory activities and consequently our ability to recover associated costs is not adversely affected. Similarly, we are still able to recover any costs for work undertaken on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).

Consequently, the going concern basis has been adopted for the preparation of the financial statements at pages 170 to 211.

## Forward Look

Our Corporate Plan for 2020/21 was published in July 2020. The following summarises our top five priorities for delivery and our updated strategic themes in our Strategy 2020-2025. (This publication reports against our strategic themes for 2015-2020 as detailed on page 13).

### **Strategic Theme 1:** *Influencing proportionate improvements*

1 Maintain delivery of our core regulatory functions, holding dutyholders to account on behalf of the public. This will include targeted regulatory oversight of progress at 'Enhanced Attention' sites and assurance on safety and security in light of COVID-19.

2 Deliver an effective UK SSAC and implementation of Security Assessment Principles (SyAPs) across all dutyholders.

### **Strategic Theme 2:** *Inspiring stakeholder confidence*

3 Enhance transparency, through our stakeholder engagement, in line with the aspirations of our Strategy 2020-2025, to enable effective two-way communications, particularly as we respond to COVID-19.

**Strategic Theme 3:** *Creating a culture of inclusion and excellence*

4 Promote the sustained health and wellbeing of our staff through effective and inclusive leadership and management, as we respond to COVID-19.

**Strategic Theme 4:** *Modernising how we work*

5 Deliver our two strategic change projects – separating our IT infrastructure from the Health and Safety Executive (HSE) and commencing a pilot of our Well Informed Regulatory Decisions (WIReD) project.



## Performance Analysis

### Milestones

We delivered 43 out of 56 of our corporate milestones and targets. The majority that were not met were affected by circumstances beyond our control, including COVID-19 or updated scheduling by a dutyholder. We set an ambitious plan at the start of the year and a number of milestones have been deferred until early 2020/21 or have subsequently been met outside the reporting period.

More information is provided in the sections relating to our Strategic Themes (see pages 23 to 71).

<b>Strategic Theme</b>	<b>Milestones met</b>	<b>Milestones not met</b>	<b>Total milestones</b>	<b>% met</b>
Strategic Theme 1	12	2	14	86%
Strategic Theme 2	19	8*	27	70%
Strategic Theme 3	2	0	2	100%
Strategic Theme 4	10	3	13	77%
<b>All Strategic Themes</b>	<b>43</b>	<b>13</b>	<b>56</b>	<b>77%</b>

\* Includes one “partly met” milestone – see further details on page 47.

## **Organisational Effectiveness Indicators (OEI)**

This year we also implemented the pilot phase of our new OEI Framework; a modern framework intended to provide an improved insight into our performance and its effectiveness, which supersedes the largely output-focused and efficiency-based KPIs utilised in previous years.

# Strategic Theme 1 – Influencing improvements in nuclear safety, security and safeguards

## Headlines

In 2019/20, we regulated the nuclear industry effectively and efficiently 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. We continue to evolve, recognising the need to be a responsive organisation that adapts to the changing nuclear landscape and seeks continuous improvement.

During 2019/20, we delivered 12 out of 14 corporate milestones as published within the Corporate Plan.

**Table 1 – Strategic Theme 1 Corporate Milestones**

<b>Strategic Theme 1 (14 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
UK SSAC to be able, if required, to meet UK International Obligations	Met	Completed April 2019
UK SSAC to be able, if required, to commence the ONR nuclear material safeguards inspection regime	Met	Completed June 2019

<b>Strategic Theme 1 (14 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Make decision – permission Sizewell B reactor start-up following statutory outage	Met	Completed July 2019
Issue Action Plan to European Union on European Nuclear Safety Regulators Group (ENSREG) Topical Peer Review on Ageing Management	Met	Completed September 2019
Complete Radiation Emergency Preparedness and Public Information Regulations (REPPIR) 2019 Approved Code of Practice consultation	Met	Completed September 2019
Make Decision – permission commencement of construction of the Sellafield Product and Residue Store Retreatment Plant (SRP) at Sellafield	Met	Completed November 2019
Complete annual Nuclear Security Review	Met	Completed November 2019
Make decision – permission Hartlepool (R2) reactor start-up following statutory outage	Met	Completed November 2019

<b>Strategic Theme 1 (14 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
REPIR Approved Code of Practice ready for publication (HSE to publish)	Met	Completed September 2019
Make Decision – permission the start of waste retrievals from Pile Fuel Cladding Silo (PFCS) at Sellafield	Not met	This ONR milestone was revised to align with updated schedules from the dutyholder
Make Decision – permission commencement of Silo Emptying Plant (SEP) 2 active commissioning in Magnox Swarf Storage Silo (MSSS) at Sellafield	Not met	This ONR milestone was revised to align with updated schedules from the dutyholder
Make decision on completion of Step 3 and the commencement of Step 4 for GDA of the UK HPR1000	Met	Completed February 2020
Make decision on adequacy of Heysham 2 and Torness Periodic Reviews of Safety	Met	Completed February 2020
Confirm fuel free verification status of Wylfa’s reactors	Met	Completed November 2019

The following table shows our top priorities in 2019/20 relating to Strategic Theme 1.

<b>Strategic Theme 1: Influencing improvements in nuclear safety, security and safeguards</b>
1. Maintain delivery of our core regulatory functions, holding industry to account on behalf of the public.
2. 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.
3. 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 (REPPPIR) (2019) and guidance to support amendments to the Carriage of Dangerous Goods Regulations and Use of Transportable Pressure Equipment Regulations (CDG) 2009.

## **Regulatory activity in 2019/20**

Our regulatory activities in the 2019/20 financial year were progressed against our three priorities under Strategic Theme 1, as outlined in our Corporate Plan:

### **1. Maintain delivery of our core regulatory functions, holding industry to account on behalf of the public.**

Against this priority we:

- Regulated an ageing reactor fleet and implemented new strategies to secure improvements at defence sites in enhanced attention to enable them to move to routine regulatory attention in a timely manner;
- Regulated nuclear new build and assessed new reactor designs, including Advanced Nuclear Technologies (ANTs);
- Embedded the new approach to assessing the SyAPs aligned Nuclear Site Security Plans;
- Influenced improvements in cyber security and information assurance and developed our own cyber security regulatory capabilities;
- Addressed challenges faced implementing the Nuclear Sector Deal, with specific focus on the regulation of innovation; and
- Hosted the UK IAEA IRRS mission in October 2019, developing ONR's response to the recommendations.

- 2. 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.**

We have continued to work to establish our safeguards inspection capability in order to deliver a domestic safeguards regime, equivalent in effectiveness and coverage to that currently provided by Euratom by the end of December 2020, as per Government policy.

- 3. Support implementation of the emergency preparedness elements of the Euratom BSSD (2013), including developing a Code of Practice (and associated guidance) in support of the revised REPPIR 2019 and guidance to support amendments to the CDG 2009.**

We supported government to implement emergency preparedness aspects of the EU BSSD and implemented improvements to ONR's emergency response capability and incident management arrangements.



## **What we delivered in 2019/20**

### **Nuclear Safety**

Two distinct elements of our regulatory work are 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. Such action reflects 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 licensed nuclear 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 2019/20, we granted 60 permissions to dutyholders/licensees.

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

Our resourcing and resilience strategy for regulation of conventional health and safety has been pivotal in addressing capability and capacity requirements. We combined this with ONR's internal hazards discipline in order to finalise the full integration of the conventional health and safety discipline into ONR, and formed a new specialism, Nuclear Internal Hazards and Site Safety, under a single Professional Lead. These initiatives are expected to realise further benefits for co-ordinated planning, specialist staff development, and enhancing our assessment capabilities across our core purposes. Another key benefit has been a reduction in our reliance on HSE for front-line support, most notably in the key regulatory functions relating to the Control of Major Accident Hazards (COMAH), which are now delivered and co-ordinated 'in-house' and are fully aligned with our divisional plans for nuclear safety regulation. COVID-19 became a significant public health issue in the latter part of the reporting period and we continue to support national efforts to ensure that the risks arising on our sites are being properly assessed and mitigated. Our regulatory focus included assurance from site licensees that they are applying the public health measures introduced to reduce the spread of coronavirus, where appropriate.

## **Civil Nuclear Security and Safeguards (CNSS)**

We have further implemented outcome-focused civil nuclear security regulation by applying our SyAPs through associated assessment and approval of security plans. This represents a significant cultural shift for both dutyholders and ONR inspectors.

We focused upon strengthening governance and enabling activity through improving both dutyholder and inspector capability through provision of training, advice and guidance. The results of internal assurance activities indicate results; quality and consistency of assessment reports has greatly improved over the year.

CNSS has concluded assessment and subsequent approval of 16 from 37 (43%) security plans across the civil nuclear premises estate, including those with the most significant consequences and complexity: Sellafield, Dounreay and the older plants within the EDF fleet. Where appropriate, we requested that dutyholders provided a strategy to deliver a proportionate programme of submissions, and in response, have used the principles of enabling regulation as appropriate.

## **Nuclear Safeguards**

We have continued to monitor 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.

As part of Phase 1 of the project to set up a UK SSAC, as a result of the UK exiting Euratom, we were ready to meet international obligations by end of March 2019, as required. We are now in Phase 2 of the project and we will continue to establish our safeguards inspection and nuclear material accountancy capability in order to deliver a domestic safeguards regime, equivalent in effectiveness and coverage to that currently provided by Euratom, by the end of December 2020, in line with Government policy.

## **Transport Competent Authority (TCA)**

We are the enforcing authority for the civil transport of radioactive material by road, rail and inland waterway in Great Britain (GB). Regulation is delivered through our TCA function. The TCA is responsible for the regulation of the non-nuclear sector, transport package design assessment approvals, and oversight of all transport inspection and assessment work performed within the divisions. ONR also acts on behalf of the other Competent Authorities with respect to the issuing of transport approvals i.e. the Maritime and Coastguard Agency (MCA) for transport in UK waters; the Civil Aviation Authority (CAA) for air transport; and the Department of Agriculture, Environment and Rural Affairs Northern Ireland for road transport.

During 2019/20, we published guidance for the industry on the amendments to the CDG regulations relating to emergency arrangements. We will be working with the industry during 2020/21 to support compliance with these revised regulations through our inspections and working with stakeholder groups. We will also seek to influence further improvements in dutyholder compliance with the Ionising Radiation Regulations (IRR) 2017 with respect to radiation risk assessment.

## Inspection and Enforcement

During 2019/20, we undertook 808 compliance inspections across all our purposes. Any shortfalls found were dealt with in accordance with our internal due process, embodied in the ONR Enforcement Policy Statement (EPS). During this financial year we:

- Served 3 improvement notices;
- Issued 29 enforcement letters; and
- Issued 1 direction

During 2019/20, ONR instigated the following prosecutions:

**Table 2 – Summary of prosecutions instigated in 2019/20**

<b>Licensee / Dutyholder</b>	<b>Details of Incident and Charges</b>	<b>Plea</b>	<b>Outcome</b>
Devonport Royal Dockyard Ltd	Prosecution for offences under Regulation 8 of the Lifting Operations and Lifting Equipment Regulations 1998, in relation to a dropped test weight event	Pleaded Guilty on 23 July 2019	Devonport Royal Dockyard Ltd fined £666,667 and ordered to pay costs of £27,611.82

## **Performance of our Regulatory Divisions<sup>6</sup>**

### **New Reactor Construction**

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

During 2019/20 we published a modernised GDA process to take account of lessons learned from previous and ongoing GDAs and recent changes in the nuclear industry in the decade since GDA was originally devised. In particular, we considered the Nuclear Sector Deal (NSD) and the potential for Small Modular Reactor (SMR) designs to enter GDA.

The objective for GDA is to provide confidence that the proposed design is capable of being constructed, operated and decommissioned in accordance with the standards of safety, security and environmental protection required in GB. The revised process enhances the efficiency and flexibility of the GDA process, without lowering the high standards of safety and security required. For the requesting parties, this offers a reduction in uncertainty and project risk to be an enabler to future licensing, permitting, construction and regulatory activities.

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<sup>6</sup> A fuller update on regulatory activities will be provided in our CNI's Annual Report on GB's nuclear industry, to be published in autumn 2020

During 2019/20, China General Nuclear Power Corporation and EDF Energy, the requesting parties, through their joint venture company General Nuclear System Ltd, continued to progress the GDA of the UK HPR1000 reactor design. Step 3 (overall design, safety case and security arguments review) began in November 2018, and was completed in February 2020. This step was extended beyond the original proposed completion date of December 2019, at the request of the requesting parties, as a number of administrative matters took longer than expected. This extension did not impact on the adequacy of our assessments.

Our decision on whether to proceed to the final detailed assessment Step for this GDA was made during February 2020. Step 4 is now intended to conclude in January 2022, noting that COVID-19 may affect delivery in the 2020/21 financial year.

## **Advanced Nuclear Technologies (ANT)**

We successfully completed the three-year Phase 1 of the government's ANT project, sponsored by BEIS. Key achievements were:

- Publication of new GDA Guidance to Requesting Parties, reflecting a modernised GDA process with improved flexibility and better suited for less mature advanced technologies. We also published GDA Technical Guidance;
- Provision of advice to BEIS on the potential for seven Generation IV Advanced Modular Reactor (AMR) designs, to align with UK regulatory expectations, as input to BEIS's AMR Feasibility and Development (F&D) project;



- Increased a lasting capability by continuing implementing our ANT training strategies and plans and capturing our knowledge via our well established ANT Knowledge Management process;
- Reviewed the applicability of our regulatory guidance to SMRs and outlined a programme to extend this review to other ANTs; and
- Developed and implemented a programme of research and capture of operational experience (OPEX) to continue increasing our knowledge in key areas of ANT.

ONR has also continued to engage with the ANT industry and overseas regulators, and to actively participate in ANT international fora such as, for example, the SMR Regulators' Forum, IAEA activities on SMR design assessment and licensing, the Western European Nuclear Regulators Association (WENRA) and the Nuclear Energy Agency's (NEA) Working Group on the Safety of Advanced Reactors (WGSAR).

## **Regulation of Operating Facilities**

### **Operating Nuclear Power Stations**

The year presented significant resource challenges due to a range of emergent issues associated with graphite ageing, affecting Hartlepool, Heysham 1, Hinkley Point B and Hunterston B power stations. Each has had the potential to affect continued operation of these sites. We subsequently issued Consent for Hartlepool Reactor 2 to restart following planned periodic shutdowns. We also issued licence instruments to allow Hinkley Point B to operate into early 2020 under Licence Condition 30. Longer-term operations at Hunterston B and Hinkley Point B remain to be determined.

### **Atomic Weapons Establishment (AWE) Sites**

We delivered a balanced regulatory approach this year, providing enabling advice and guidance where required but also holding AWE to account as necessary. By working in a flexible manner with AWE and focussing regulatory attention on the assessment of life-extension safety cases, we have been able to permission fit for purpose safety upgrades that enable continued safe operations in a key ageing facility on the Burghfield site, pending the delivery of a delayed modern standards replacement facility.

## **Propulsion Sites**

Our regulatory focus across the propulsion sites has focused on early engagement, advice and guidance relating to the strategic infrastructure projects required to support the existing and future submarine programme. We have established multi-party, senior-level stakeholder forums to facilitate discussion and help ensure fit for purpose solutions that are available on time. There were some challenges relating to the Astute and Dreadnought enabling programmes, and we worked in a flexible manner to help the licensees responsible for them secure safe, compliant delivery. A significant proportion of our regulatory strategy was focused on improving performance at the Devonport site.

## **Regulation of Sellafield, Decommissioning, Fuel and Waste Sites**

### **Sellafield**

Key regulatory achievements included regulation to enable:

- The overpacking by Sellafield Ltd of legacy Type 1 Packages, contributing to risk reduction at the facility complex;
- The completion by Sellafield Ltd of civil refurbishment work on the Sellafield Special Nuclear Material North Facility;
- The implementation by Sellafield Ltd of a revised safety case for the operation of an internal building crane (the east end crane) at the Magnox Swarf Storage Silo (MSSS), a key enabler for retrievals from the facility;

- The completion of the consolidation of Special Nuclear Materials from Dounreay to Sellafield – a major achievement in which ONR’s contribution was commended by stakeholders; and
- Compliance with an Improvement Notice (IN) issued to Sellafield Ltd in December 2018 following the striking of a 132kv underground cable during construction activities at the Fellside Steam Generation Plant Facility construction site.

A number of deliverables remain a challenge and we continued to focus regulatory attention on these to secure timely hazard and risk reduction. These include:

- The development of safety cases and construction of facilities to receive and store waste from the Pile Fuel Cladding Silo (PFCS) and MSSS; and
- Developing the capabilities for the safe treatment and long-term storage of Special Nuclear Materials at Sellafield.

## **Decommissioning, Fuel and Waste Sites**

Key achievements included regulating to enable:

- The completion of active decommissioning of Pu-containing facilities at the Low Level Waste Repository 4 years early on a 10-year programme;
- The verification of the Wylfa reactors as fuel-free; and
- The delicensing of the GE Healthcare Cardiff Nuclear Licensed Site.

## **Technical Division**

### **Emergency Preparedness and Response (EP&R)**

The EP&R team has delivered all planned inspections of Local Authorities and assessment of all Level 2 off-site emergency exercises. The team also provided technical support to national projects, notably the Joint Agency Modelling (JAM) and the replacement for the Radioactive Incident Monitoring Network (RIMNET), which is a key priority for BEIS. We will continue to support BEIS in the delivery of this project, which is expected to be completed during 2020.

We have also secured significant improvements to our Redgrave Court incident suite, to enhance our capability in support of national emergency arrangements. This has been achieved in parallel to our ongoing IT Separation project. We also fully delivered our work in relation to Land Use Planning by providing timely advice to local authorities in connection with proposed developments within the detailed emergency planning zones (DEPZ) around nuclear sites.

## **Regulatory Oversight (RO)**

The RO function provides assurance to the CNI across all aspects of our regulatory activities. It seeks to ensure quality and consistency in regulatory inspection and enforcement decision-making across ONR functions and challenge inconsistency, or non-compliance, with internal process and procedures. RO activities are considered a mechanism for organisational learning and do not seek to rate individual performance or seek to undermine any element of our regulatory activities. The function performs as a 'critical friend' to the organisation as a mechanism for continuous improvement, and assures the CNI and Board that our purposes under the Energy Act 2013 are being discharged efficiently and effectively and in accordance with the Law. The work of Regulatory Oversight compliments the work undertaken by the Regulatory Assurance function (RA) and the Government Internal Audit Agency.

Over the course of the year, RO reviews have found a number of organisational learning points, which are being taken forward as part of our commitment to continuous improvement across our regulatory activities.

Overall, the RO reviews provided a high degree of assurance to the CNI and Board through the confirmation that we are performing our activities in accordance with our statutory duties and with our mission to provide efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public.

## **Regulatory Research**

We published a significant update to our Regulatory Research Strategy. It now outlines our research objectives, our approach to delivery, governance and engagement with national and international stakeholders, and our plans for measuring the effectiveness of the research we commission. It presents a long-term view of the UK's nuclear landscape and identifies ONR's strategic regulatory research needs over the period 2020 to 2040.

## Strategic Theme 2 – Inspiring a climate of stakeholder respect, trust and confidence

### Headlines

- Publication of the first CNI Report on GB nuclear industry;
- Consultation on our Strategy for 2020-2025;
- Extensive stakeholder engagement associated with Hunterston B safety cases;
- International peer review (IRRS Mission) of regulation of nuclear and radiological safety; and
- Two formal consultations associated with REPPiR 2019.

During 2019/20, we delivered 19 out of 27 corporate milestones as published within the Corporate Plan.

**Table 3 – Strategic Theme 2 Corporate Milestones**

<b>Strategic Theme 2 (27 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Lay and Publish ONR Corporate Plan 2019/20	Met	Completed April 2019
Hold IRRS UK 2019 Preparatory Meeting	Met	Completed April 2019
Hold industry SyAPs regulatory mechanics workshop	Met	Completed April 2019
Host ONR webinar (May)	Met	Completed May 2019



<b>Strategic Theme 2 (27 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Host Heads of the European Radiological Protection Competent Authorities (HERCA) Board Conference	Met	Completed May 2019
Deliver Industry Conference	Met	Completed June 2019
Publish ONR Annual Report and Accounts 2018/19	Met	Completed June 2019
Publish Gender Pay Report	Met	Completed June 2019
Submit 8th UK Convention on Nuclear Safety Report to BEIS	Met	Completed June 2019
Participate in 63rd IAEA General Conference	Met	Completed September 2019
Conduct stakeholder survey	Met	Completed October 2019
Completion of IRRS UK 2019 Mission	Met	Completed October 2019
Host ONR webinar (Oct)	Met	Completed October 2019
Publish Chief Nuclear Inspector's Annual Report 2019	Met	Completed October 2019

<b>Strategic Theme 2 (27 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Host NGO forum (Nov)	Met	Completed November 2019
Hold Autumn CNI Independent Advisory Panel	Met	Completed November 2019
Achieve Disability Employer Level 3 Accreditation	Met	Completed December 2019
Agree IRRS UK 2019 Mission Action Plan	Met	Completed January 2020
Host ONR webinar (Jan)	Met	Completed February 2020
Host NGO forum (Mar)	Not met	Cancelled due to impact of COVID-19. Other liaison opportunities have been put in place instead
Deliver UK presentation & participate in 8th Convention on Nuclear Safety Review Meeting	Not met	Cancelled due to impact of COVID-19
Hold Spring CNI Independent Advisory Panel	Not met	Cancelled due to impact of COVID-19

<b>Strategic Theme 2 (27 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Present paper at US Nuclear Regulatory Commission's Regulatory Information Conference (RIC)	Not met	Cancelled due to impact of COVID-19
Submit 2020/21 Corporate Plan (including Budget) to Ministers for approval	Partly met	Budget submitted in March 2020 (met). Corporate Plan timings re-planned to align with publication of ONR Strategy 2020-2025
Produce interim report into SyAPs benefits realisation	Not met	Contractor cost considered disproportionate. Deferred in order to develop internal capability to support delivery of milestone
Publish ONR Strategic Plan 2020-2025 and consultation response	Not met	Publication re-timed to allow for wider stakeholder engagement and consultation

<b>Strategic Theme 2 (27 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Publish ONR report on approach to the Regulation of Innovation	Not met	Re-timed to allow further consultation with key stakeholders

The following table shows our top priorities in 2019/20 relating to Strategic Theme 2.

<b>Strategic Theme 2: Inspiring a climate of stakeholder respect, trust and confidence</b>
4 Strengthen insight, peer review and effective two-way stakeholder engagement.
5 Lead the UK IAEA IRRS Mission 2019, working with other regulators and government to present a coherent and accurate position of how we regulate in the UK.

## **Openness and transparency**

Public confidence in our regulation of the nuclear industry is essential. We 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. We strived to improve the way we engage with all our stakeholders, inviting comments and feedback through face-to-face engagement, our digital channels and via more formal consultation (see below).

## **Inaugural CNI's report on GB nuclear industry**

In October we published the first of a new style of report, in which the CNI gave his view on the performance of Great Britain's nuclear industry during the previous year. The report also featured details and analysis of safety events reported by dutyholders during the period, as well as ONR's annual research statement.

The CNI reported he was satisfied that overall the industry had continued to meet the high standards of safety and security required to protect workers and the public. The report was launched at an event for senior representatives from the industry, where the CNI set out a number of themes that require continued and collective focus from dutyholders. These were the management of ageing facilities, conventional health and safety performance, and delivering a holistic approach to nuclear security. The report was circulated to our wider stakeholders, including the media, and will become part of our annual reporting cycle.

## **IRRS Mission**

The IRRS visited the UK during October. Coordinated through the IAEA, the 11-day ‘full-scope’ Mission saw a team of 18 independent experts from across the globe scrutinising the regulation of nuclear and radiological safety. The mission was formally requested by the UK government and hosted by ONR. Fifteen regulatory bodies were included within the scope of the review.

The Government published the full Mission Report and the UK response<sup>7</sup> in July 2020. We have already developed an action plan to address the findings from the mission. Some of the findings will take several years to address where solutions require time to develop, or where they relate to multiple regulators. We will provide the Government with technical advice for its co-ordinated response to the IAEA findings.

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<sup>7</sup> <https://www.gov.uk/government/publications/nuclear-and-radiological-safety-review-of-the-uk-framework-2019>

## **Engagement associated with Hunterston B**

We engaged closely with a broad range of stakeholders to ensure understanding of our regulatory considerations with regard to the operation of the two reactors at Hunterston B in Ayrshire, Scotland. Hunterston B is displaying the most advanced symptoms of graphite core degradation in the UK operating fleet, and our decision to allow the restart of Reactor 4 in August 2019, for a period of approximately four months, attracted considerable stakeholder interest.

Throughout this process, we engaged closely with stakeholders, including North Ayrshire Council, UK and Scottish governments, local stakeholder and nuclear-interest groups, media and the public. Similar engagement will continue in the context of future regulatory considerations affecting the operation of the AGR fleet.

### **Formal consultations (REPPiR 2019)**

We conducted two formal public consultations associated with revisions in national legislation for emergency preparedness and response arrangements (REPPiR 2019). The consultations sought comments on our proposed Approved Code of Practice (ACOP) intended to assist dutyholders' compliance with REPPiR 2019, and on updated transport-related guidance related to amendments to the CDG Regulations. The responses to both consultations helped inform the final versions of the ACOP and CDG guidance, which were published in autumn 2019.

## **CNI Independent Advisory Panel**

The CNI's Independent Advisory Panel met to address topics including strategic workforce planning, ONR's response to the IRRS recommendations, delivery of ONR's WIReD project and our approach to regulation of the supply chain. The panel comprises a range of representatives from industry, professional institutions and academia.

Membership was further diversified to include two NGO representatives.

## **Stakeholder survey**

During October and November, we conducted our third annual stakeholder survey. Acting on our behalf, the independent research organisation YouGov invited almost 1,200 stakeholders to participate in this online exercise, which heard from nuclear site licensees, other dutyholders, Government, arms-length bodies, NGOs, academia, local authorities, and others. A small number of qualitative in-depth interviews were also conducted to gather further insight.

The data was a vital source of insight into stakeholder perceptions of ONR and views of our performance, helping ensure we remain responsive and agile to external concerns and needs. Results were generally positive, with ONR performing very well in a number of areas and no significant drops in those areas where feedback had been positive in 2017 and 2018. 'Professional', 'independent' and 'trusted' were the attributes most strongly associated with ONR.



Areas identified as requiring further attention included stakeholder perception of proportionality, consistency and responsiveness to change. We intend to publish the survey results in autumn 2020.

## **NGO engagement**

In November, we held the latest of our bi-annual engagement meetings with our NGO community, comprising of local and national nuclear pressure and campaign groups. Our Chair, Mark McAllister, attended the meeting and ONR representatives addressed more than 50 questions on the day. Our second planned meeting was deferred and subsequently cancelled due to the impact of COVID-19 restrictions.

Throughout the year, we also engaged through ad-hoc topical meetings, by webinar and in person, to discuss issues, including regulation of civil nuclear new build and climate change.

We continued to attend local site-based groups to contribute a regulatory perspective to local community representatives.

## **Wider stakeholder engagement**

During the year, we engaged and consulted extensively on our Strategy 2020-2025.

The Strategy sets the direction and priorities for ONR for the next five years, building on our strengths, continuing to focus on protecting society, and addressing the changing demands we will face as the UK's nuclear regulator.

Our engagement to inform the Strategy 2020-2025 included those we regulate, senior representatives from the nuclear industry, NGOs, other regulators, Government, and our staff. For the first time, we also invited comments from the wider public as we continue to strive for openness and transparency in our regulation and in setting our direction and priorities.

Comments from stakeholders were wide-ranging, and included learning and working with others, welcoming innovation and new ways of working, agility and influence – all reflected in the final strategy and detailed in the associated consultation response.

Our Industry Conference in June, under the theme 'Open for Innovation', was attended by almost 100 external delegates and live-streamed on our YouTube channel. Feedback was positive, describing ONR as progressive, collaborative and engaged.

Throughout 2019/20 we worked positively with national and trade media, responding to almost 90 enquiries during the period. We proactively worked with journalists to promote awareness and understanding of our decision to permission the restart of Reactor 4 at Hunterston B (above), and for significant enforcement action including the prosecution of

Devonport Royal Dockyard Ltd (DRDL) in July, and also the publication of our CNI's report on the GB nuclear industry (above).

We have continued to develop and improve our use of social media, employing new techniques and content styles designed to improve understanding and accessibility of our regulation. This included live tweeting from events, explanatory video content, regular webinars and increased use of graphics. We have also embedded better planning and closer association with relevant national or sector-specific campaigns. The new approach has contributed to increased followers and improved engagement.

Our website remained an important communication channel on which we published 40 project assessment reports, 116 site stakeholder group reports and 428 intervention records describing specific inspection activity. Our site was visited by more than 146,000 unique users from 178 countries with USA, Canada and France being the most frequent non-UK visitors.

## **Working with government**

Against a backdrop of political uncertainty for large periods of the year, we maintained effective working relationships with government, sharing expertise and technical knowledge to inform policy. This year we provided input to work on the regulation of new technologies including ANTs, proposals for a Regulated Asset Base (RAB) model as a possible funding model for new nuclear projects, preparations for exiting the EU, the Nuclear Sector Deal, and operational issues such as graphite degradation.

We established ONR as a leader on better regulation and innovation, working closely to align with the White Paper on Regulation for the Fourth Industrial Revolution and sharing good practice with the Better Regulation Executive.

We worked with BEIS to improve early recognition of ONR's capability, capacity and charging needs for new work. We considered our regulatory planning assumptions with government to effectively manage our resources in a changing operating environment. We strengthened monitoring of progress, issues and charging, reporting via the formal DWP/BEIS/ONR quarterly accountability and review sponsorship meetings.

We also established more regular engagement with the Ministry of Defence (MoD) in order to establish similar regular contact to that which works effectively with BEIS and DWP.

## **International Regulatory Cooperation**

### **Strategic Framework for International Engagement**

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 WENRA and the European Nuclear Security Regulators Association (ESNRA). 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.

In May 2019, we published a new Strategic Framework for International Engagement, which has been praised by the Organisation for Economic Co-operation and Development (OECD) as “a rare example of strategic thinking around International Regulatory Cooperation in a specific sector”. This is a living document, which has been updated to align with our Strategy 2020-2025 and to reflect ONR's international focus following the UK's departure from the European Union.

We also contributed to the NEA's agenda – supporting international collaboration on regulatory matters, and openness and transparency. Our CNI chaired the Committee of Nuclear Regulatory Activities (CNRA), which developed a new strategy for 2020 and beyond to shape the future direction of this NRA working group.

Our Director of Policy and Communications joined the NEA's Working Group for Public Communications, to improve openness and transparency, and took a lead role in the NEA's Stakeholder Workshop on Risk Communication in September 2019.

## **Treaty and convention obligations**

We fulfilled UK obligations to the Convention on Nuclear Safety (CNS), by submitting the 8th report and actively participating in the written peer review process by reviewing other countries' reports and addressing other countries' comments on the UK report. The CNS Review Meeting was due to be held in March 2020, but was postponed at a late stage due to the impact of COVID-19. The preparations for the UK presentation and other aspects of the meeting were substantially complete, and have been continued so that they can be easily finalised when the meeting is rearranged to reflect the position at that time including future developments.

## **Multilateral and Bilateral cooperation**

We:

- Hosted a full scope IRRS mission to the UK (see above);
- Led a peer review of the Armenian National Action Plan (NAcP) in support of the ENSREG Stress Test process;
- Supported IAEA International Physical Protection Advisory Service (IPPAS) missions to Belgium and Finland;
- Supported IRRS missions to Germany and Japan, and preparations for the forthcoming Bangladesh mission in 2020;

- Chaired and hosted International Nuclear Regulatory Association in the UK and in Vienna, addressing matters on innovation and leadership;
- Represented ONR at the 63<sup>rd</sup> General Conference in Vienna;
- Delivered numerous papers and presentations at the IAEA International Conference on Nuclear Security 2020 in Vienna;
- Continued to strengthen bilateral partner relationships (see website<sup>8</sup> for our Strategic Framework for International Engagement);
- Renewed Information Exchange Arrangements with South Africa and China and forged a new partnership with Autoridad Regulatoria Nuclear, the Argentinian nuclear regulator, a key relationship to support our evaluation of the HPR1000 reactor designs;
- Hosted the Heads of the European Radiological Protection Competent Authorities in the UK in May; and
- Played a central role in the Centrifuge Collaboration Security Working Group – an international collaboration which helps ensure the security of uranium enrichment technology.

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<sup>8</sup> <http://www.onr.org.uk/documents/2019/onr-strategic-framework-for-international-engagement.pdf>

## **Strategic Theme 3 – Getting the best out of our people**

### **Headlines**

We have focused on enhancing our management capability, improving staff engagement, and continuing work to ensure consistent behaviours, and have maintained our capacity and capability to meet our regulatory demands over the next 5 years. The successful implementation of our management development programme for all managers and associated bite-size learning has been key to improved levels of engagement, greater alignment across core purposes and sustained high levels of motivation. This has led to exceeding our retention targets, attracting high quality candidates and sustaining levels of engagement in the upper quartile for public organisations.

During 2019/20, we delivered both corporate milestones as published within the Corporate Plan.



**Table 4 – Strategic Theme 3 Corporate Milestones**

<b>Strategic Theme 3 (two milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Conclude Pay & Grading Review	Met	Completed September 2019
Approve New Organisational Values	Met	Completed November 2019

The following table shows our top ten priorities in 2019/20 relating to Strategic Theme 3.

<b>Strategic Theme 3: Getting the best out of our people</b>
6 Enhance ONR’s leadership and management skills.
7 Promote a healthy organisational culture, focussing on organisational values and behaviours.
8 Provide coherent and consistent leadership of, and ensure staff engagement in, our change portfolio.

Delivery highlights included:

- Developing a new set of values for the organisation;
- Development of a new People Strategy that will underpin our Strategy 2020-2025;
- Continued development of the Academy as a Centre of Excellence across all core purposes and for all staff;
- Development of a bespoke new ONR Leadership Development programme;
- A review of our Pay, Reward and Grading structures;

- Agreeing and delivering a new ONR Pay Deal for 2019/20;
- Piloting a new succession planning approach within Regulatory Division;
- Increased focus on our understanding and support for staff well-being including mental health issues and stress – with an increased number of health and well-being events;
- Implementing a revised warranting process that is inclusive for all inspector roles and responsibilities across the core regulatory purposes; and
- Achieving Disability Confident Leader accreditation.

## **Capability**

The Academy has continued to flourish as a centre of excellence providing a modern blended and comprehensive prospectus for learning and development for all staff. This included implementing a revised warranting process that is inclusive for all Inspector roles and responsibilities across the regulatory core purposes and, working in collaboration with strategic learning partners, a refreshed programme for core skills including: influencing and persuading; building and maintaining effective relationships; managing difficult conversations; and communicating effectively. This has enabled us to build greater resilience and confidence in our ability to deliver vital regulatory work and provide the supporting professional skills required to build an effective and efficient organisation.

We have received excellent feedback for the bespoke delivery of our courses, particularly the management training programme, and have built a more diverse and targeted e-learning portfolio, including work in collaboration with IAEA, that is much more accessible and available to staff 24/7. This is an area that we will continue to grow to meet the needs of our staff and to a shorter than expected timeframe given the implications for traditional classroom learning that the COVID-19 response brings.

## **Leadership and Management**

We developed, with an external partner, an ONR bespoke Leadership Development programme. This 18-month programme will be delivered on a cohort basis to support development in leading self, leading others and leading the organisation. It was due to be piloted early in 2020/21 but has been deferred given the impact of COVID-19.

Shaping ONR leadership events were held during the year to provide our leaders with an understanding and execution of our Strategy 2020–2025 and the new organisational Values. Further events planned for the end of the year have been deferred given the challenges from the COVID-19 response.

The management development programme and the supporting bite-size learning events tailored for ONR managers continued to be welcomed with high participation rates and over 90% positive ratings. Although the classroom-based management modules were suspended from March 2020, the additional learning and events have been adapted to be delivered remotely.

## **Culture and Values**

We continued to recognise the importance of having the right culture and consistent behaviours to being truly effective and efficient. This included support to managers in delivering the aims of our behaviour framework and addressing poor behaviours where identified. However, we recognised we needed to go further and, through significant levels of staff engagement, agreed a new set of organisational values to support delivery of our Strategy 2020-2025 and address longstanding behavioural and cultural challenges.

We developed a People Strategy that set out how we planned to lead and develop our staff and create the healthy, inclusive, modern and efficient workplace that will enable the delivery of our 2025 strategic intent. This encompassed what the refreshed mission, vision and organisational values will mean for staff and how our values will be embedded across our people, processes and policies.

## **Health and Well-being**

Staff wellbeing remained a key focus this year. We delivered a number of events that supported more open discussion on issues such as stress in the workplace and mental health. These made clear the need to further address these issues and paved the way for launch of new strategies in the coming year. The importance of supporting mental health was further emphasised by the emergence of COVID-19 and we will continue to provide a range of assistance and support in 2020/21.

### **Inclusion**

Embracing diversity and establishing an inclusive workplace remained a focus. We achieved accreditation to Disability Confident Leader status, providing an objective assurance in our policies, approach and support to existing and prospective staff.

We implemented recommendations for further improvement around our policies and culture that arose from our National Equality Standards accreditation. This included more explicit diversity and inclusion elements to our management development modules, implementation of a Transitioning at Work policy, a buddy scheme for staff returning from maternity, paternity or adoption leave and a review and strengthening of our Confidential Support Network.

## **Pay and Grading**

We commissioned an independent review of our pay and grading which broadly concluded that the pay, grading and wider HR reward policies functioned as intended and in line with strategic intent. It also identified a number of areas for potential improvement and opportunity to maximise the organisational benefits. This included a simplification and rationalisation of the number of pay ranges, a team-focused approach to recognition, improved application of performance management, and reward for those on the top of their pay range. This has informed considerations for future pay and reward strategy discussions.

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

### **Headlines**

We focused on strengthening our infrastructure and modernising our ways of working and systems. We improved our working environment by introducing hot-desking in Bootle and extending our space in Cheltenham.

We have made significant progress with our preparations for IT Separation so we will be in a position to cutover to a new independent network in 2020/21.

We also completed Phase 1 of our WIReD project.

During 2019/20, we delivered 10 out of 13 corporate milestones as published within the Corporate Plan (Table 5).

**Table 5 – Strategic Theme 4 Corporate Milestones**

<b>Strategic Theme 4 (13 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Issue Director and Senior Responsible Officer (SRO) Letters of Delegation 2019/20	Met	Completed April 2019
Publish ONR Scheme of Delegation	Met	Completed April 2019
Complete WIReD Regulatory Process Review	Met	Completed September 2019

<b>Strategic Theme 4 (13 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Commission Corporate and Business Planning Activity for 2020/21 including Budget Commission	Met	Completed September 2019
Commission and Configure New Platform for IT Separation	Met	Completed September 2019
Publish guidance supporting updated CDG Regulations	Met	Completed October 2019
Evaluate Benefits Realisation For ONR Academy (including LCMS Implementation and BAU Processes)	Met	Completed November 2019
Cutover to New Platform (IT Separation)	Not Met	Deferred to 2020/21
Cutover to New Platform (Telephony)	Not Met	Deferred to 2020/21
Board Reviews Proposals for Budget 2020/21	Met	Completed January 2020
ARAC Approves Internal Audit and Assurance Plan 2020/21	Met	Completed January 2020
Complete the Organisational Effectiveness Indicator Framework Implementation	Met	Completed January 2020



<b>Strategic Theme 4 (13 milestones)</b>	<b>Met/Not Met</b>	<b>Comments</b>
Board Approves 2020/21 Corporate Plan, Budget and KPIs	Not Met	Completed April 2020

During 2019/20 we increased focus on modernisation, to become more flexible and efficient, preparing for the future and developing a strong performance and governance framework. We enhanced our working environment, and delivered and progressed several change projects.

The following table shows our top priorities in 2019/20 relating to Strategic Theme 4.

<b>Strategic Theme 4: Developing a high-performing, sustainable organisation</b>
9 Simplify and standardise our regulatory ways of working and processes, and improve our ability to share knowledge and insight, through our WIReD project.
10 Migrate our data from the Health and Safety Executive (HSE) onto new, independent networks through our IT Separation project.

## **Modernisation**

### **WIReD**

WIReD will deliver leaner business processes and a step-change in knowledge management.

Phase 1 was delivered on time and within budget. With strong staff engagement, we simplified and standardised all of our regulatory processes, reducing processes from 18 to eight and ensuring full alignment with IAEA guidance. We engaged with industry stakeholders and sought to capitalise on technological synergies through a user steering group including external stakeholders, which in turn informed our benchmarking of technology options. We established a model office featuring an end-to-end inspection process prototype.

Our plans to progress system build and commence a pilot during 2019/20 were paused to accommodate a review of the delivery approach and value for money of the next phase. Our CNI assumed SRO responsibilities for Phase 2, reflecting the significance of this project to our regulatory operations. Phase 2, including an extensive pilot led by our Operating Facilities Division, is expected to commence in the second half of 2020.

## IT Separation

We made considerable progress towards separation of our IT network from HSE and the establishment of our own independent IT infrastructure and managed service. The project benefits include providing a robust, resilient and independent network infrastructure, delivering enhanced cyber security resilience and information management, and laying the foundations as a key enabler for further IT modernisation work in the future. It will provide the environment whereby we will have control over our infrastructure, systems, security devices, software, applications and IT support. It will enable us to deliver real improvements for our colleagues in terms of resilience and security, with staff being able to discharge their roles more effectively through modern, more secure and accessible platforms.

This year we have strengthened project governance, tendered our 12-month notice to HSE to cease the provision of IT services, and developed a robust delivery plan to separate from HSE in Quarter 1 2020/21. The impact of COVID-19 has necessitated a deferral to our implementation plans and, as a consequence, we have had to continue our service requirements from HSE and extend to Quarter 3 2020/21. Due to the likely protracted nature of COVID-19 restrictions, we are exploring options to deliver remotely to an extended timescale. IT Separation has remained the top change initiative priority with continued focus to ensure we deliver safely, securely and swiftly.

## **Other Modernisation Projects**

### **ONR Time System (OTiS)**

We successfully implemented a new staff time recording system (OTiS) in 2019/20. This provided us with increased resilience, reliability and enhanced functionality and operates to modern security, accessibility and back-up standards. It is a more intuitive and flexible system with improved management information to inform decisions.

### **Integrated Incident Management Framework**

We developed a new Integrated Incident Management Framework during the year and conducted training, testing and validation of our business continuity arrangements. To bolster the effectiveness of our response, we introduced role-specific training and coaching to ensure the Incident Management Team is fit for purpose. This activity has proved particularly beneficial to inform our response to COVID-19.

### **Organisational Effectiveness Indicators (OEI)**

We piloted a new basic OEI Framework to measure organisational performance. This framework has modernised our approach to benchmarking and reporting organisational effectiveness and efficiency; this has evolved from a historical focus on traditional KPIs aligned to individual directorates, towards an integrated framework of quantitative and qualitative evidence-based measures of performance.

The Framework aligns with the OECD NEA guidance on The Characteristics of an Effective Nuclear Regulator. During 2020/21, this will be fundamental to the development of an Integrated Strategic Governance Framework.

## **Compliance Policy Hierarchy**

We remained compliant with all statutory, legal, compliance, conduct and ethical requirements. We introduced a Compliance Policy Hierarchy in 2019/20 to set out our statutory policy requirements and associated governance structure. We continue to work closely with the internal Management Systems Information Project (MSIP) Board to develop our policy suite.

## **Working Environment**

We redesigned our Bootle workspace, introducing hot-desking and break-out areas in August 2019. We expanded and refurbished our Cheltenham workspace to better meet staff needs with more modern, collaborative working areas.

## **Managing change**

### **Commercial Management**

We launched a new Commercial Governance Framework, which sets out the end-to-end procurement and our commercial governance arrangements. This aims to improve commercial management and provide assurance over service delivery, quality and value for money.

### **Procurement**

We enhanced our in-house procurement function to provide greater resilience, rigour, and effectiveness. This will enable us to become self-sufficient in this area in 2020/21, ending our reliance on HSE.

# Our Financial Performance

## Financial Review

For 2019/20, our final budgetary outturn was £92.3m (including capital spend of £5.4m). This was an underspend of £5.8m compared to an initial budget of £98.1m.

Expenditure of £86.9m shown in the accounts on page 169 excludes capital spend. The main reasons for the underspend are:

- A reduction in capital spend of £3m as a result of re-planning exercises for WIReD and IT Separation;
- A reduction in staff-related costs of £1.3m as a result of lower than forecast recruitment to reflect in-year changes in our operating environment;
- A reduction in training and travel and subsistence costs of £1.2m to reflect changes in our operating environment; and
- A reduction in technical support contract costs of £0.8m as a result of re-planning exercises where deliverables have been moved to the 2020/21 financial year.

The net balance of the £5.8m comprises spend above budget in some areas, primarily due to ONR's contribution to the UKSV transformation project, and underspends relating to the UK SSAC project and vetting costs.

We obtained a capital loan facility of £9.8m from DWP during the year, of which we had drawn down £8m by the end of the financial year. The loan is to provide working capital to support the capital expenditure requirements for WIReD, IT Separation and other modernisation activities to develop and enhance ONR's infrastructure (including improvements to IT, furniture and estate upgrades). The loan enables ONR to operate on a self-sufficient basis whilst protecting cash flow. We are due to start repaying the loan from December 2020.

## **Environmental and Sustainability Matters**

ONR is committed to improving our environmental sustainability, despite not meeting the criteria for reporting against Greening Government Commitments and sustainability.

We seek 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.

We support the government's green transport policy by encouraging the use of public transport (note this has been temporarily adjusted in line with COVID-19 health measures) for business travel and by making increasing use of digital communication.



We are not the majority occupier at any of our office locations and so respective building landlords are responsible for collating and monitoring data relating to matters such as energy emissions, carbon footprint, and waste and utilities management. We, therefore, engage with landlords to ensure they have, and maintain, a responsible corporate sustainability policy. We support local office environmental policies and commitments; for example, our Bootle office operates a 'nil to landfill' policy, and we endeavour to recycle as much waste as possible including food, which goes to make biofuels.

When tendering contracts, we seek to engage with suppliers that adopt a positive approach to environmental and sustainability matters; for example our furniture supplier has a very robust recycling policy, which we take active advantage of.

**Adrienne Kelbie**

Chief Executive

Office for Nuclear Regulation

21 September 2020

# **Accountability Report**

## **Corporate Governance Report - Directors' Report Board**

- **Mark McAllister, Chair**
  - **Sarika Patel, Non-Executive**
  - **Bronwyn Hill CBE, Non-Executive**
  - **Penny Boys CB, Non-Executive**
  - **Sir Simon Lister, Non-Executive**
  - **Oona Muirhead, Non-Executive**
  - **Adrienne Kelbie, Chief Executive**
  - **Mark Foy, Chief Nuclear Inspector**
  - **Sarah High, Finance Director**
  - **Dave Caton, HR Director**

## **The Senior Leadership Team**

- **Adrienne Kelbie, Chief Executive**
  - **Mark Foy, Chief Nuclear Inspector**
  - **Sarah High, Finance Director**
  - **Dave Caton, HR Director**
  - **Katie Day, Policy and Communications Director**
  - **Dr Anthony Hart, Technical Director**
  - **Paul Fyfe, Security and Safeguards Director**
  - **Dr Mina Golshan, Sellafield, Decommissioning, Fuel and Waste Director**
  - **Donald Urquhart, Operating Facilities Director**
  - **Mike Finnerty, New Reactors Director**

Further details on ONR's organisational structure can be seen at: [www.onr.org.uk/organisational-structure.htm](http://www.onr.org.uk/organisational-structure.htm)

## Appointment and resignation of Board members during 2019/20

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 6 – Changes to Board membership**

<b>Name</b>	<b>Date</b>	<b>Event</b>	<b>Role</b>
Mark McAllister	1 April 2019	Term of office commenced	ONR Chair
Penny Boys	31 March 2020	Term of office ended	Board member
Janet Wilson	1 April 2020	Term of office commenced	Board member
Bronwyn Hill	31 May 2020	Term of office ended	Board member
Tracey Matthews	1 June 2020	Term of office commenced	Board member

Clifford Shanbury's term of office came to an end on 30 September 2019 and Chris Wood's term of office commenced on 1 October 2019. Both of these appointments were as independent members of ARAC and were not Board appointments

## **Managing Conflicts of Interest**

Details of the management of conflicts of interest can be found within the Governance Statement on page 100.

## **Personal data related incidents**

Details of personal data related incidents can be found within the Governance Statement on page 124.

## **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 2019 and 31 March 2020) 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's *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.

## 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.

Although ONR is not bound by the *Corporate governance in central government departments: code of good practice*, I am satisfied that we have complied with its principles where practical and appropriate.

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, such as ONR, 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. One, appointed by BEIS, must have experience of, or expertise in, matters relevant to civil nuclear security matters. HSE may appoint a Non-Executive Director from its Board (this arrangement was not pursued during 2019/20); and
- 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 the 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 Board takes into account guidance issued by DWP;



- ensuring that the Board receives and reviews regular financial information concerning the management of ONR; that its decisions take into account all relevant financial considerations; that it is informed in a timely manner about any concerns about the activities of ONR; and that it 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 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 (N.B. the Chief Executive sets performance objectives for 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 2019/20, the Board was supported by two standing committees: an Audit and Risk Assurance Committee, and a Remuneration and Nominations Committee (merged 1 April 2019). ONR's Security Committee was placed into hibernation in early 2019/20 whilst an alternative model was tested. The Board, at its meeting of 29 January 2020, took the decision to implement an annual meeting of the Security Committee pending a further review by the Director of Civil Nuclear Safeguards and Security during 2020.

**Table 7 – Board member attendance at meetings 1 April 2019 to 31 March 2020**

<b>Non-Executive Members</b>	<b>Board (8)</b>	<b>ARAC (4)</b>	<b>Remuneration and Nominations (3)</b>
Mark McAllister (ONR Chair)	8	1	3
Oona Muirhead	8	4	1*
Bronwyn Hill	7	N/A	3
Penny Boys	8	4	3
Sarika Patel	7	4	N/A
Simon Lister	5	N/A	N/A
<b>Executive Members</b>			
Adrienne Kelbie	7	4	3
Mark Foy	7	3	N/A
Sarah High	8	4	N/A
David Caton	8	N/A	3

\* Oona Muirhead was invited to attend the first meeting of the merged Remuneration and Nominations Committee having been a member of the former Nominations Committee.

(NB. The annual meeting of the Security Committee originally scheduled for March 2020 was held on 8 April 2020 – attendance figures will be included in 2020/21).

## **Accountability to Parliament**

ONR is directly accountable to DWP as our 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 Document at

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

The ONR/DWP Framework Document sets out the roles and responsibilities of DWP, the ONR Board and the ONR Chair, and the ONR Chief Executive 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.

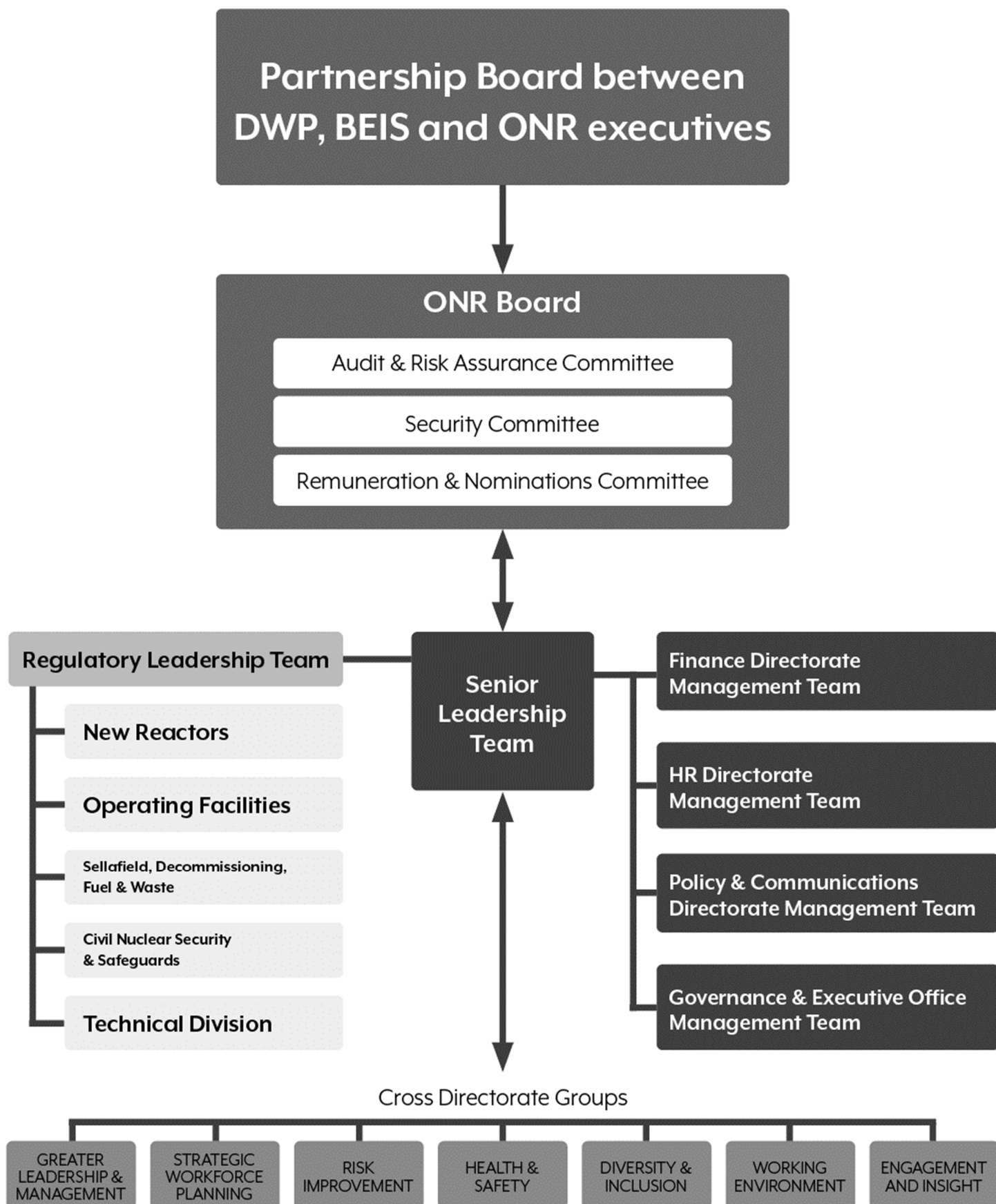
The Secretary of State for Business, Energy and Industrial Strategy is accountable to Parliament for the UK civil nuclear regulatory framework and policies. This covers civil nuclear safety and security, new build and decommissioning programmes, emergency preparedness and response, nuclear safeguards and 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. Whilst ONR works closely with the MoD, ONR acts as a wholly independent regulator within its statutory vires as defined by Parliament in the Energy Act 2013.

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 1 – Corporate Governance Framework 2019/20**



## 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.

The Board receives performance reports from each executive director. These provide assurance that ONR is being properly managed to deliver its strategic intent and mitigate strategic risks. This includes updates on performance against our financial, HR and regulatory activities.

Key areas of focus for the Board in 2019/20 were:

- maintaining momentum towards our 2020 strategic intent, whilst preparing the Strategy 2020-2025, focussing on our operating environment, our regulation, our people and our organisational effectiveness;
- transition from a suite of Key Performance Indicators (KPIs) to an Organisational Effectiveness Indicator (OEI) Framework which demonstrates ONR effectiveness;
- ONR readiness for hosting 2019 IAEA IRRS Mission to the UK, which looked at how the UK regulates radiological and nuclear safety, covering all sectors of the industry, bar defence;



- progress towards delivery of a UK SSAC, and supporting the government to prepare for exiting Euratom;
- progress on key change initiatives including the delivery of a new ONR IT network to improve efficiency and cyber security and the WIReD project;
- providing direct liaison with senior government officials at the Board Strategy session, informal Board meetings and our industry conference;
- monitoring progress with assessment of SyAPs, placing greater accountability and responsibility on dutyholders for security at their own sites;
- road-testing a new governance model following the hibernation of the Security Committee, with greater focus on regulation and regulatory assurance across all purposes from 1 April 2019;
- creation of a combined Remuneration and Nominations Committee to provide greater focus on strategic issues with effect from 1 April 2019;
- approval of the 2020/21 Corporate Plan and Budget; and
- oversight of ONR's response to COVID-19.

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

ARAC comprises three Non-Executive Directors and an independent member, (Clifford Shanbury up to 30 September 2019 and Chris Wood from 1 October 2019), with representatives in attendance from Regulatory Assurance, Government Internal Audit Agency, Mazars, who are sub-contracted by National Audit Office, and National Audit Office. The 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 provides a complete and coherent assurance mechanism for the organisation, setting out clear accountability for our three lines of defence. The Framework is functioning effectively, and ARAC has endorsed an Integrated Audit & Assurance Plan for 2020/21.

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, contracting and single tender actions, (b) IT and cyber security, (c) Health and Safety Regulations, and (d) Whistleblowing/Protected Disclosures.

In September 2019, ARAC members participated in a training session provided by the National Audit Office on their roles and responsibilities.

ARAC is scheduled to complete an external effectiveness review of its performance during 2020/21. The findings will be presented to the Board later in 2020.

## **Remuneration and Nominations Committee**

The Committee oversaw all matters relating to the remuneration and performance of Executive Board Directors and 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 to work to a maximum of six SMART objectives which include demonstration of the ONR Behaviour Framework. Full-year performance pay award decisions for 2018/19, taken in April 2019, 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, at the request of the Committee, reviewed all 2019/20 objectives for ONR Directors to ensure consistency in expectations and levelling.

In setting the baseline salaries for ONR Directors for 2019/20, remuneration decisions were made within the pay flexibilities afforded to ONR and based on evidence of widened responsibilities, or in line with the pay award for colleagues on ONR's main grade system.

In preparing for 2020/21, 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 also received market intelligence via benchmarking, comparisons with the private sector and economic factors.

The Committee has also considered: matters relating to the changes to personal pension tax allowances and possible implications for recruitment and retention for senior roles; a policy for special responsibility allowances in exceptional circumstances to ensure a consistent approach; and succession planning for the Chief Executive, Chief Nuclear Inspector, Directors and Non-Executive Directors to mitigate any potential risks and to ensure plans are in place to improve resilience.

## **Security Committee**

The overall arrangements for assurance on security regulation were subject to an external review of the Security Committee during 2018/19. A new governance model was agreed in principle by the 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 saw the hibernation of the Security Committee with effect from 1 April 2019 while the new arrangements are embedded and tested for effectiveness. The Board, at its meeting of 29 January 2020 took the decision to take the Security Committee out of hibernation by having an annual meeting of the Security Committee to consider the Annual Review of Nuclear Security prior to it being considered at Board, and pending a further review by the Director of Civil Nuclear Safeguards and Security. This annual meeting took place on 8 April 2020.

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

The last external effectiveness reviews of ARAC and the Board were conducted in 2016. External effectiveness reviews of ARAC and the Board are scheduled for 2020/21, the findings of which will be reported to the Board in January 2021.

The 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 completed and confirmation that all appraisals had been completed was sent to DWP as our sponsor department.

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

## **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. Six conflicts of interest were raised by Executive Members, and these were recorded in the minutes of the Remuneration and Nominations Committee. Disclosures were recorded in the minutes and the members concerned did not take part in any deliberation or decision on the relevant matters.

## **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 at: <http://www.onr.org.uk/meetings/>

We received 86 requests under the Freedom of Information Act 2000 (FOIA) and none under the Environment Information Regulations 2004 (EIR). All requests were completed satisfactorily within the required timescale.

Four requests were subject to an internal review upholding the original decision. One request was referred to the Information Commissioner's Office (ICO) with the ICO upholding the original decision.

Four complaints (originating externally in relation to an ONR work activity) and 45 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.

We have responded to three Parliamentary questions and 454 general enquiries.

There were six requests relating to the General Data Protection Regulation (GDPR)/Data Protection (DPA) Act 2018. These were Subject Access Requests asking for details of their own personal data. All were completed satisfactorily within the required timescale. We sought an extension to the deadline for one request due its complexity, which was communicated to the requester within the required timescale.

## **Whistleblowing**

### **Internal**

No internal cases were raised.

### **External**

We received 12 new cases in relation to sites we regulate and other dutyholder activity across our divisions, with none carried forward from 2018/19. We have closed six cases to date and will carry forward the remaining six to 2020/21. Enquiries are ongoing in four of the six cases and we expect the further two to close during Quarter 1 in 2020/21.

Some of the cases have led to actions and recommendations that will be embedded into our routine regulation and have enabled discussions with licensees around best practice. Others provided ONR with regulatory intelligence in specific areas of work.

### **Senior Leadership of ONR**

The Senior Leadership Team (SLT) is 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, SLT members are accountable for providing exemplary leadership and delegating work 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 all our operations. The SLT acts as the Strategic Change Programme Board, reflecting shared accountability to support delivery of our infrastructure and resilience change agenda.

During March 2020, the SLT created an Incident Management Team Framework in response to COVID-19 to ensure the wellbeing of our staff, and the co-ordination of business continuity arrangements to maintain effective delivery of our core purpose.

The Regulatory Leadership Team (RLT) provides Regulatory Directorate operational and business leadership and performance management. 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 the 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 Directorate Management Team to discharge its own operational responsibilities, milestone planning and reporting.

The SLT spent time together in September 2019 and February 2020, the focus being on re-channelling collective leadership, prioritising time for change, the quality of relationships, reputation, commitment, values and capability.

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

Our Corporate Plan 2019/20 sets out our objectives and key performance indicators, agreed by the 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 the Board and quarterly SLT, Performance and Risk Review meetings.

Five 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 the wider scope

of the directorate's activity, including Estates, Procurement, IT, PMO and Regulatory Assurance, to provide assurance to the Board that ONR is being properly managed to deliver our operational plans to budget and effectively mitigating risk;

- 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; and
- Strategic Projects Report – to provide assurance to the Board on IT Separation, WIReD and Estates projects.

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

During 2019/20, we operated a best practice approach to our statement of risk appetite, addressing specific categorised (disaggregated) statements that articulated the amount and type of risk we were 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.

The risk appetite statement for 2019/20 was updated, specifically in respect of innovative solutions, and including reference to all regulatory principles and risk interdependencies. ARAC approved the draft risk appetite statement at its meeting in January 2019 and this was 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 the Risk Improvement Group (RIG) and the SLT at the quarterly Performance and Risk Review meetings. Our management of risk is subject to scrutiny by ARAC and the 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.

The Strategic Risks are set out on page 15.

## Risk Landscape

ONR faces a number of challenges in the areas of the aforementioned strategic risks. They are rated according to pre-determined criteria set out in ONR's 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. This initially included information 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 2019/20. The SLT and ARAC received regular infrastructure and resilience updates in relation to (a) the IT Separation project and IT modernisation activity, and (b) the WIReD project, providing advice, challenge and guidance to support risk mitigation and infrastructure improvement activity.

Improvements have been made in the governance and control of our IT Separation project with enhanced leadership by the Finance Director, who assumed accountability at mid-year to ensure clear oversight and control of delivery, with focus being on establishing and monitoring delivery against an integrated delivery plan in partnership with external parties. This ensures regular status reports are provided to the Board, ARAC and the SLT and, collectively, they will continue to closely monitor progress of this project.

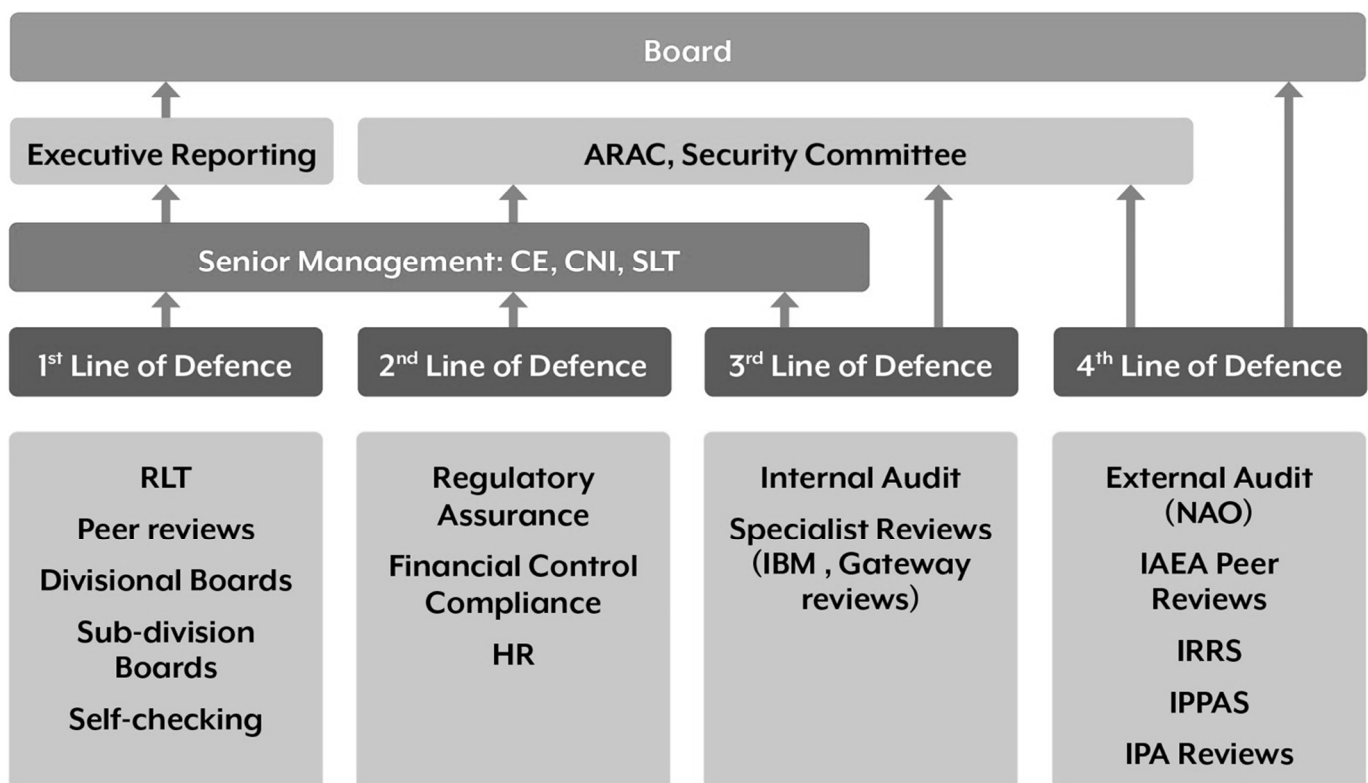
Education, awareness campaigns, training and penetration testing to validate and assure our IT security functions continue to protect and safeguard our data and information. We have continued to engage with HSE on the IT Separation project to establish the current position of operational controls and identified planned actions for change.

To enhance our cyber security expertise and resilience, we recruited a Chief Information Security Officer (CISO) in May 2020. This role will provide organisational oversight and control of security with a focus on developing and implementing key mitigation activities that will complement our IT Separation activity.

## 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.

**Figure 2 – The ONR Integrated Audit and Assurance Framework**



*CNI provides assurance to the Board in respect of the quality and integrity of regulatory decision-making.*

*CE provides assurance to the Board in respect of the quality and integrity of organisational processes and controls.*

*National Audit Office is independent of ONR with a statutory responsibility for certification audit of the financial statements.*

The Integrated Audit and Assurance Plan for 2019/20 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 and is summarised in section (b).

In 2019/20 ARAC received combined Internal Audit and Regulatory Assurance reports, which contained details of 10 Internal Audit reviews to final report and 11 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 that Internal Audit provided assurance on are shown in the following table.



**Table 8 – Internal Audit reviews**

<b>Audit Topic</b>	<b>Assurance Level</b>
Protective marking	Moderate
Financial controls review – policies	Moderate
Sickness absence management	Moderate
Stakeholder engagement	Moderate
Horizon scanning	Moderate
GDPR – compliance review	Moderate
Information Assurance Framework and governance	Moderate
Commercial Governance Framework	Moderate
Financial key process – pensions administration	Substantial
Stress management	Moderate
Operational deployment and forecasting	Work in progress to be reported during 2020/21
PMO and change management	Deferred to 2020/21
Business continuity plan and crisis management	Deferred to 2020/21

PMO and change management – GIAA agreed with management that, due to staff absences and ongoing review of the operating model, this assurance review would be deferred until later in 2020/21.

Business continuity plan and crisis management – after discussion with management, this review was deferred until 2020/21 to allow time for the Integrated Incident Management Framework to embed and allow GIAA to review the design and implementation phases. In response to COVID-19, GIAA have realigned this activity to assess the effectiveness of ONR's COVID-19 Incident Management response and Business Continuity Management arrangements during quarters 1 and 2 of 2020/21.

In addition, GIAA undertook a joint review with ONR's Regulatory Assurance function, three Gated reviews in relation to WIReD and IT Separation and an additional lessons learned review of WIReD.

During 2019/20, nine reviews reported moderate assurance and one substantial. ARAC was assured the actions agreed to address the recommendations made were being progressed. These are part of standard reporting to ensure improvements are being made.

Overall, the GIAA gave a moderate assurance rating based on recent reviews, recent developments and actions against outstanding recommendations. GIAA commented on key themes; particularly the IT Separation project, the objective of which is to address ONR key risk areas.

Internal Audit noted that although strong foundations had been established, implementation has been delayed by COVID-19 and is now scheduled for quarter 3 2020/21.

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

- IRRS mission report of 2019 (page 116), Shared Services Connected Limited (SSCL) assurances (internal audit and IAE3402 – page 118) and the HSE Service Management Agreement (SMA) assurance letter (page 119) are referenced elsewhere in the governance statement and the detail is not repeated here;
- DWP Arms-Length Bodies (ALB) Annual Assurance Assessment 2019 – DWP’s annual process for establishing the level of risk that each ALB’s activities pose to the Department. ONR was rated as a low/medium risk ALB (the rating reflects the progress made in delivering UK SSAC and 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;
- PA Consulting undertook a maturity assessment based on NIST+ (National Institute of Standards and Technology). The review provided a benchmark for ONR to understand the areas of focus to improve its cyber risk capability as well as a comparator against which a subsequent planned post-transition review can be compared. The review noted the degree to which ONR is

reliant on HSE for the provision of its IT and cyber functionality and assessed the organisation as primarily level 1 or 2 (out of a 1 to 4 model, where Tier 1 is partial and Tier 4 is adaptive) against seven categories contained in the model. A total of 21 recommendations were made and are being addressed, responsibility for which will be assumed by the new CISO; and

- an Infrastructure Projects Authority (critical friend) review of UK SSAC was undertaken, which reported an amber/green rating.

## **B) Regulatory Assurance**

In addition to the GIAA's audits of our support directorates, our internal Regulatory Assurance function completed 11 independent reviews to provide assurance on compliance, quality and effectiveness of our core regulatory activities, including decision-making processes. Reviews delivered included:

- IRRS pre-mission;
- emergency preparedness and response – basic safety standards directive;
- nuclear safety directive;
- regulatory guidance, documentation and processes;
- permissioning decisions;
- ONR Academy;
- ONR international strategy and positioning post-exiting the EU;
- regulatory roles, responsibilities, authorities and accountabilities;
- compliance decisions;

- enforcement decisions; and
- effectiveness indicators.

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 8 summarises the assurance ratings from the 11 reviews during the year.

**Table 9 – 2019/20 assurance ratings**

<b>Assurance Rating</b>	<b>Number of reviews</b>
Unsatisfactory	0
Limited	1
Moderate	7
Substantial	3
Position Statement	0
<b>Total Number of Reviews</b>	<b>11</b>

The ‘limited’ rating was assigned to the review of Regulatory Guidance, Documentation and Processes. Although adequate and effective in most areas examined, a weakness in governance and control was identified for the Safety Assessment Principles (SAPs).

This weakness received significant attention and was successfully addressed through the timely implementation of a recommendation.

The findings from all audits and reviews were 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 good practice with other regulators nationally and also with nuclear regulators internationally including Canada and Japan.

ARAC has endorsed the Integrated Audit & Assurance Plan for 2020/21, which has been informed by our strategic and directorate risk registers, strategic themes, the outcomes of previous reviews, and the findings of the IRRS mission in October 2019.

### **Letters of Assurance provided by ONR's Senior Leadership Team and Senior Responsible Owners**

Letters of Assurance 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:

- significant delays with the WIReD project, which have been widely communicated to the SLT, ARAC and the Board, all of whom have been supportive of a pause in the project to enable the work to be re-baselined;
- resilience, capacity and capability gaps in IT, which are being addressed;
- the need for change initiatives to be aligned, resulting in the modification of the approach for separation and modernisation to deliver projects sequentially rather than concurrently;
- an over-estimation of staffing costs;
- some minor data breaches that were investigated and actioned appropriately in-year;
- a delay to the formal implementation of the Integrated Incident Management Framework; and
- the absence of an assessment of the consequential impact of redeploying staff to a major piece of indirect work and the impact this had on licensee charging, which was quickly identified and addressed.

A further area has been identified relating to remuneration governance that enables ONR to act within applicable rules and frameworks as a public corporation. This will be an area of particular focus during 2020/21.

## **Assurance provided in respect of financial, HR and procurement transactional services provided by 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 Executive Director of Government Shared Services (GSS), in respect of SSCL's performance has been received and considered.

The information is based on the report prepared by PricewaterhouseCoopers LLP (PwC) as the Independent Service Auditor (ISA). As a result of the impact of COVID-19, PwC was not able to perform all elements of required testing in March 2020. Therefore, the detail contained within the IAE3402 report only covers the work performed for the 11 month period 1 April 2019 to 29 February 2020. GSS deems this to be sufficient.

PwC as internal auditor was able to give the opinion of 'generally satisfactory with some improvement required' on the adequacy and effectiveness of governance, risk management and control. Two reports were classified as 'needs improvement'; expenses and risk management/information security.



## **Assurance provided in respect of services provided through an SMA**

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.

HSE's Finance and Corporate Services Director has considered the areas covered by the SMA, and having reviewed the controls that have been put in place, 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.

The SMA has been managed by the HSE Service Manager, who has provided monthly reports that describe the level of service ONR has received together with HSE's performance against agreed targets. Further assurances have been sought from independent sources, notably a GIAA review of HSE's IT Security Management Arrangements and a Security Health Check, which did not identify any significant issues.

There were two IT security issues relating to ONR on the HSE IT estate in 2019/20. HSE supported ONR in the mitigation and control of these issues and both incidents were successfully managed.

Additionally, HSE received its Certificate of Assurance for successfully completing the National Cyber Security Centre (NCSC) sponsored Cyber Essential Scheme, and it is in the process of applying for the Cyber Essential Plus assessment, which includes an IT Health Check.

### **Other sources of assurance**

Our compliance with IS4 – Handling of cryptographic items – was audited by the National Cyber Security Centre in 2019/20. The two areas that handle cryptographic items (CNSS and Information Management Team) were both deemed as compliant with the standard for IS4 with only two minor non-compliances each, which have been fully addressed.

A Computer Security Operations Centre has been live throughout the year, which provides assurance relating to activity at external boundaries (i.e. firewalls) and any unusual internal activity. ONR has not been alerted to any adverse reports during 2019/20.

We introduced a new time recording system, OTiS, in September of 2019, which has reduced our reliance on the HSE COIN system (a Windows 2003 system). COIN is still utilised for case management of our conventional health and safety function.

COIN is not Public Service Network (PSN) compliant, as it is hosted on a Windows 2003 server. However, COIN is only internally facing and it is firewalled from external threats to reduce any vulnerabilities being exploited.

The 2018/19 Departmental Security Health Check (DSHC) was completed and returned to DWP and Cabinet Office during 2019/20. A number of areas for future work were identified and these are in the process of being implemented. Examples include our IT Separation and Incident Management Framework processes.

An Information Governance Framework (IGF) has been designed for ONR, which consists of the governance bodies for effective information governance, and the supporting structures such as information asset registers that enable effective understanding of the information we hold. Notable features of the IGF include:

- day-to-day management of security and information governance is delivered by the Security and Information Governance Group, which meets on a monthly basis;
- the IGF has reinvigorated the Information Asset Owners (IAO) Forum, with all IAOs having received bespoke training in 2019/20; and
- the establishment of a new operational group to manage asset registers on a day-to-day basis; the Information Asset Register Managers group (ARM). The ARMs are closer to the information and provide assurance to the IAO that their information is being effectively managed.

We have also introduced a mandatory e-learning module for security awareness. We have monitored return rates and are able to confirm that 100% of available staff have completed the course.

All information related policies and procedures have been reviewed and re-issued during 2019/20. We are in discussion with BEIS on the provision of Cyber Security training for the Senior Leadership Team during 2020/21.

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

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

There have been no cyber security incidents in 2019/20 that we have classed as medium or high.

We dealt with three incidents relating to incorrect document classification by a third party. None of these incidents led to a data breach and we carried out appropriate mitigations and remedial action in each case.

We maintained momentum to achieve GDPR compliance, ensuring that new systems and processes were embedded.

Letters of Assurance were enhanced to ensure Information Asset Owner responsibility for the processing of personal data against GDPR requirements. IAOs have accepted a small number of residual risks associated with the outstanding actions to achieve GDPR compliance and all are being managed at Director Level, overseen by the Data Protection Officer.

We were the subject of a review of GDPR compliance by the GIAA and received a moderate level of assurance, recognising the significant progress to improve the controlling environment and planned actions to address residual tasks.

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 communicates regularly across ONR to raise awareness regarding data protection and information security. Relevant policies, procedures and guidance have been implemented.

## **Data Security Breaches relating to Personal Data**

Following the relocation of over 30,000 files to a secure warehouse (Iron Mountain) in May 2018, an analysis carried out in 2019/20 of a small number of files that were unaccounted for concluded that this does not present an information security risk.

Of the small number of personal data security breaches experienced (either directly or via a data processor) during 2019/20, none met the threshold to self-report to the ICO.

## **Data Security Breaches relating to non-Personal Data**

There have been a small number of breaches of our security policy, which have all been resolved, and none warranted specific reporting as they were low level.

## **Gifts and Hospitality**

A gifts and hospitality register has been maintained during the financial year for review by our Finance Director. The register records any gifts or hospitality offered to staff and confirms whether any offers were accepted. It also records any offers that ONR staff make to external stakeholders or contacts and similarly records whether these offers were accepted. Compliance 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, Anti-Bribery and Corruption**

We have established policies relating to fraud, anti-bribery and corruption. Staff were required to comply with these policies, which are included in the Compliance Policy Framework and the ONR Staff Handbook. To support the policy, a fraud section was added to the ONR intranet to provide further advice on compliance.

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

## **Health and Safety**

Our Health and Safety Group promotes the health, safety and wellbeing 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 to our Chief Executive for the previous year (2018/19) in May 2019, prior to publication to ONR staff in June 2019. This provided assurance that internal health and safety was managed in a sensible and proportionate way. A review of health and safety management arrangements has been commissioned and will report in 2020/21.

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

While the Board considers the overall control environment to be adequate, improvements to change management, leadership capability, and performance management will continue and we will focus heavily on our information risks and the mitigation thereof.

Significant work has been undertaken by the 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 (see Risk Landscape, page 105). Work will continue to progress to ensure we secure effective delivery outcomes and demonstrable risk mitigation during 2020/21.

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

The more recent challenges posed by COVID-19 are being managed effectively by the Incident Management Team with clear oversight from the SLT and the Board. A Recovery Working Group has also been established to focus on ONR's recovery plan and lessons learned to inform new ways of working in how we operate and regulate.



Priority activities were identified at an early stage and have been subject to regular review and adjustment to reflect the evolving status of the pandemic.

We have taken a flexible and open approach to ensure resilience whilst also protecting our staff. Our staff responded well to new ways of working, with all staff working from home ahead of the government announcement to stay at home. Our COVID-19 sickness rate has remained very low throughout the pandemic.

I am satisfied that our interim regulatory approach has maintained nuclear safety and security, with dutyholders considered to be operating effectively. Throughout the pandemic we remained in close contact with industry remotely, and as government advice has adjusted, we have made steady progress to begin on-site regulation with clear guidance issued to staff.

We have continued to engage with government, providing daily briefings to BEIS for inclusion in its subsequent update on the Critical National Infrastructure provided to COBR (the Civil Contingencies Committee).

# **Remuneration and Staff Report**

## **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.

## **Remuneration Policy**

Recommendations on Senior Civil Service (SCS) pay are provided by the Senior Salaries Review Body in an annual report to the Prime Minister to inform policy and guidance on senior staff pay in the public sector.

In line with Cabinet Office guidance, pay and non-consolidated awards for the Board and other senior staff (SCS equivalent) are then decided by the Remuneration and Nominations Committee.

## Table 10 – Remuneration (including salary) and pension entitlements (subject to audit)

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

	Salary (£'000)		Bonus payments (£'000) [a]		Benefits in Kind (to nearest £100) [b]		Pension Benefits (£'000) [c]		Total (£'000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
<b>Non-Executives</b>										
Mark McAllister	50-55	-	-	-	100	-	-	-	50-55	-
Penny Boys	10-15	15-20	-	-	1,000	200	-	-	15-20	15-20
Bronwyn Hill	10-15	15-20	-	-	-	-	-	-	10-15	15-20
Oona Muirhead	10-15	15-20	-	-	-	-	-	-	10-15	15-20
Sarika Patel	10-15	10-15	-	-	1,000	400	-	-	15-20	15-20
Simon Lister [d]	-	-	-	-	-	-	-	-	-	-
<b>Executives</b>										
<i>Chief Executive</i> Adrienne Kelbie [e]	155-160	155-160	10-15	35-40	-	-	61	61	230-235	250-255
<i>Finance Director</i> Sarah High [f]	115-120	105-110	5-10	10-15	-	-	70	70	195-200	185-190
<i>Chief Nuclear Inspector</i> Mark Foy [g]	155-160	140-145	10-15	10-15	-	-	9	181	175-180	330-335
<i>HR Director</i> David Caton [h]	90-95	90-95	5-10	-	-	-	38	32	135-140	120-125

## Notes:

- (a) SCS Bonus payments will be made in 2020/21 and relate to performance during 2019/20.
- (b) From 6 April 2019, the PAYE Settlement Agreement (PSA) was withdrawn by HMRC. Any payments to part-time office holders (Board Members) are now made through payroll to account for any tax and National Insurance due. Consequently, this year's figures have been grossed up for tax purposes whereas last year's figures are shown net of tax.
- (c) 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.
- (d) Appointed as a Non-Executive of the Board on 5 March 2018, and was remunerated by BAE Systems Plc during 2019/20.
- (e) £155–£160k salary comprises £155–£160k annual salary and £0–£5k payment in lieu of annual leave.
- (f) £115–£120k salary comprises £110–£115k annual salary, £0–£5k payment in lieu of annual leave and £5–£10k payment of additional responsibility allowance, agreed by ONR's Remuneration and Nominations Committee, upon appointment as SRO for ONR's IT Separation Programme.

- (g) £155–£160k salary comprises £145–£150k annual salary and £10–£15k payment of additional responsibility allowance, agreed by ONR's Remuneration and Nominations Committee, upon appointment as SRO for ONR's WIRed Programme. The pension benefits for 2018/19 were calculated using a significant increase in pensionable earnings during the reporting year.
- (h) £90–£95k salary comprises £90–£95k annual salary and £0–£5k responsibility allowance.

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 and Nominations Committee. For other senior officers, this is subject to moderation by the ONR Senior Staff Pay Committee and endorsed by the Remuneration and Nominations 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 2019/20 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.

NOTE: The fair pay disclosure figures for 2018/19 have been recalculated to include all staff bonuses paid for performance in the 2018/19 year. In addition, payments for the selling of annual leave applications, which staff voluntarily applied for as part of their terms and conditions, made in 2018/19 have also been included in the calculations. The figures therefore presented in the table above for 2018/19 differ to the figures published for this reporting year in ONR's Annual Report and Accounts for 2018/19.

The banded remuneration of the highest paid Director in ONR in the financial year 2019/20 was £170,000–£175,000 (2018/19: £190,000–£195,000). This was 2.41 (2018/19: 2.71) times the median remuneration of the workforce, which was £71,515 (2018/19: £71,050).

In 2019/20, no employees received remuneration in excess of the highest paid Director (the same as in 2018/19). Remuneration ranged from £19,856 to £179,885 (2018/19: £19,356 to £192,519).

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. SCS bonus payments awarded have been included, however, as at the reporting date, the value of bonus payments for eligible Band 1 to Band 6 staff is not known due to ongoing pay negotiations to inform the ONR pay award 2020. The fair pay disclosure for 2019/20 will be re-calculated to include Band 1 to Band 6 bonus payments and the revised information will be disclosed in the Annual Report and Accounts for 2020/21.

**Table 11 – Pension Benefits (subject to audit)**

	<b>Accrued pension at pension age as at 31/03/20 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/03/20</b>	<b>CETV at 31/03/19</b>	<b>Real increase in CETV</b>	<b>Employer contribution to partnership pension account (nearest £100)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Adrienne Kelbie	20–25	2.5–5	324	269	31	-
Mark Foy	60–65 plus a lump sum of 185–190	0–2.5 plus a lump sum of 2.5–5	1,418	1,343	9	-
Sarah High	30–35	2.5–5	474	407	42	-
David Caton	45–50 plus a lump sum of 110–115	0–2.5 plus a lump sum of 0–2.5	931	865	24	-

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 [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 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 Members**

Fees and expenses amounting to £3,817 (£3,122 for 2018/19) were paid to independent members of ARAC, as shown below.

**Table 12 – Fees and expenses for Independent members of ARAC**

	Salary £'000		Benefits in kind (to the nearest £100)		Total £'000	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Clifford Shanbury	0-5	0-5	100	100	0-5	0-5
Chris Wood	0-5	-	-	-	0-5	-

## Staff Information

### *Senior Civil Service (equivalent)*

There were 10 Senior Civil Service (equivalent) posts as at 31 March 2020. This was the same number of SCS posts as reported in the previous year.

**Table 13 – SCS posts as at 31 March 2020**

Full-time equivalents by pay band	Pay range	31 March 2020	31 March 2019
SCS 2 Equivalent	£82,900 to £162,500	2	2
SCS 1 Equivalent	£58,200 to £118,425	8	8
Total		10	10

## ***Staff numbers (subject to audit)***

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

**Table 14 – Average FTE**

	<b>Permanent staff (1)</b>	<b>Other staff (2)</b>	<b>Total</b>
<b>2018/19</b>	588	5	593
<b>2019/20</b>	617	4	621

### *Notes:*

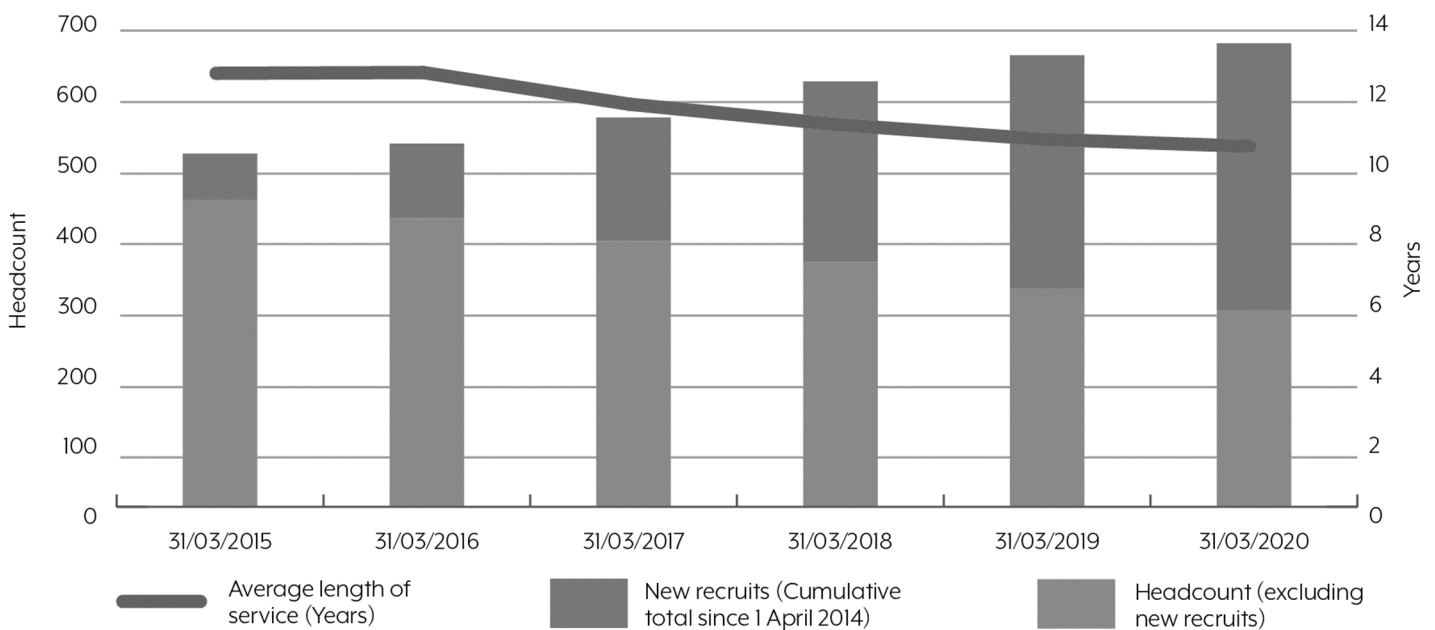
1. Permanent staff includes those on permanent or fixed term contracts. This includes staff on secondment out of ONR, for whom the organisation remains responsible. The calculation excludes Non-Executive members of the ONR Board.

2. Other staff includes those engaged on the objectives of ONR (for example short-term contract staff, agency/temporary staff, or inward secondments where ONR is paying for the whole or the majority of their costs).

## Headcount, new recruits and length of service – 1 April 2014 to 31 March 2020

The demographic challenges and initial period of growth for ONR post-vesting has led to a significant reduction in the average length of service and resulted in a majority of the workforce having now been with ONR for less than 5 years (shown in Figure 3). The excellent work of the ONR Academy has enabled us to mitigate the impact of this on our capability, particularly within regulatory specialisms. We now anticipate a period of consolidation.

**Figure 3 – Headcount, new recruits and length of service – 1 April 2014 to 31 March 2020**



## Diversity and Inclusion

We are committed to equality of opportunity for all our people and want to develop a healthy, inclusive, positive culture where all can achieve their potential, contribute to delivering ONR’s strategic aims and help make ONR a great place to work.



To make equality a reality is a priority, and we have been working hard to create a culture of inclusiveness, where everyone is treated with respect and people are valued for their differences.

To help us achieve our vision for a diverse and inclusive culture, we have established a roadmap so that we can focus on the actions that will make a real difference, supported by the gathering of meaningful diversity data that will help us clearly track progress in achieving the diverse workforce and culture that is so important. We have enhanced and updated our internal dashboards so that there is transparency in our progress against our diversity and inclusion objectives.

Creating a workplace that is inclusive of diverse employees is highly dependent upon leaders' behaviours. Inclusive leaders must 'role model' inclusive behaviours and recognise the pivotal role they play in promoting equality and creating a culture of inclusion. This requires clear accountability. To support this, we developed an inclusive leadership programme, which emphasises the importance of self-awareness, integrity and open and genuine communication. This complements our mandatory management development programme that builds the understanding and competence of our managers in developing and bringing out the best in our diverse workforce.

Building on the success of our 2018/19 diversity data declaration campaign, we continued to encourage the completion of diversity data so that we are able to understand our workforce better and consider any potential impact of our policies and processes on particular groups. While we have seen declaration rates rising across ethnicity, disability, sexual orientation and religious belief, the increased reporting on disability still remains relatively low compared with other areas. The average declaration rate across all of these areas has increased from 55% to 80%, which allows us to have a more accurate assessment of our workforce profile.

Through achieving Disability Confident Leader (Level 3) accreditation, we have demonstrated a clear and visible undertaking to disability inclusion by ensuring all our policies and processes are accessible and inclusive. To further promote a disability-inclusive culture, we have sponsored events such as International Day for Disabled People and World Mental Health Day. We have sought to raise awareness of the importance of good mental health and wellbeing and challenge the stigma often associated with mental health through our membership of fora including ‘This is Me’ North West Steering Group’. To further signal our commitment to making ONR an inclusive workplace, where everyone feels valued for their contribution, we have developed a Mental Health strategy and recognised the importance of providing our managers with the confidence to spot the signs of poor mental health, while equipping them with the skills to have sensitive conversations.

We have carried out thorough communication campaigns such as 'Being in your colleague's corner' and targeted mental health awareness sessions.

## **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:

- recruitment and selection – we continued to invite candidates to notify us of any special requirements and to make adjustments at all stages of our selection processes and arrangements for individuals as appropriate;
- we have become members of Business Disability Forum to help us access a host of multiple resources and help us focus on disability-smart best practice; and
- to support and enable disabled staff or those who have long-term health conditions, we have in place a number of mechanisms, including DSE assessments, Occupational Health services and an Employee Assistance Programme. A key supportive process is the Workplace Adjustment Passport, to help record and manage adjustments that have been implemented to help remove barriers for disabled staff at work.

## Gender Diversity

ONR's gender split of female to male staff as at 31 March 2020 has increased by 1% since 31 March 2019 (35% compared to 34%); the percentage of females occupying senior roles<sup>9</sup> within ONR remains unchanged from 31 March 2019 at 21%.

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

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

**Table 15 – Headcount by gender**

Number of staff by gender (headcount)	31 March 2020		31 March 2019	
	Male	Female	Male	Female
Directors (Non-executive)	2	4	2	4
Senior Civil Service equivalents	6	4	6	4
Permanently appointed staff (Bands 1 – 6)	425	224	420	212
<b>Total</b>	<b>433</b>	<b>232</b>	<b>428</b>	<b>220</b>

We remain committed to addressing the gender disparity in the nuclear sector by reaching out to attract a more diverse field of candidates to ONR by, using “name/gender-anonymous” selection and gender neutral wording throughout our recruitment process. We review our recruitment and selection processes annually to ensure that any equality issues are identified.

We published our third Gender Pay Gap Report for 2018/19 and this is available to view at:

<http://www.onr.org.uk/documents/2019/onr-gender-pay-report-2019.pdf>

Following a positive improvement in 2019, ONR's mean gender pay gap has increased marginally by 0.6% to 27.6%, though our median gap has reduced by 14% to 41%. While the pay gap overall remains 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. In common with much of the nuclear industry, it continues as a result of ONR's workforce profile. We remain committed to improving our diversity at all levels and, as an inclusive employer, to address the issues highlighted through our gender pay analysis.

We will continue to seek ways of improving the representation of females in our higher paid roles and in September 2019, we launched our first degree-level apprenticeships in Nuclear Engineering and Science. This is a change to our traditional practice of recruiting nuclear specialists with a minimum of a first degree. We are looking to develop a new talent pipeline that will allow people to combine both the academic study from a traditional university degree and the practical experience and wider employment skills from working in a nuclear environment. Two of our three degree-level apprentices are female.

## **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 continued to maintain a positive relationship with TUs and have in place a framework agreement that promotes an open, transparent and collaborative approach to engagement. This includes regular and early sharing of proposed policy changes and improvements, early sharing of plans for key projects and strategic changes 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.

We will continue to meet formally, six to eight times a year, and maintain an open and constructive dialogue including a number of 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. The Chief Executive and Chair have also met with the TUs as part of maintaining senior dialogue on the strategic direction of travel for ONR.

**Table 16 – Staff costs (subject to audit)**

	2019/20			2018/19
	Permanently employed staff £'000	Others £'000	Total £'000	Total £'000
Wages & salaries	40,378	564	40,942	38,737
Social security costs	4,927	-	4,927	4,662
Other pension costs	11,406	-	11,406	8,512
<b>Total per Statement of Comprehensive Net income</b>	<b>56,711</b>	<b>564</b>	<b>57,275</b>	<b>51,911</b>
Less recoveries in respect of outward secondments	-	-	-	(38)
<b>Net Total</b>	<b>56,711</b>	<b>564</b>	<b>57,275</b>	<b>51,873</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 ONR is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.<sup>10</sup>

For 2019/20, employers’ contributions of £11.3m were payable to the PCSPS (2018/19 £8.4 million) at one of four rates in the range 26.6% to 30.3% 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 2019/20 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 £127,655 were paid to an appointed stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75%.

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<sup>10</sup> <https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,842, 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 £16,742. Contributions prepaid at that date were nil.

### **Ill-health retirement**

In 2019/20, one individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to nil. Any liabilities resulting from a successful ill-health retirement application are not the responsibility of ONR and are paid by the Civil Service Pension Scheme.

### **Sickness absence information**

The average number of working days lost due to sickness in 2019/20 was 5.86. Although sickness absence levels within ONR have risen in comparison to 2018/19, it should be noted that this year we changed our method of calculating sickness absence to ensure a more accurate and encompassing approach. This has led to an expected slight increase in the declared average but this is based on the improved recording rather than any increase in actual absence; the Health and safety Group has endorsed this position. Such levels remain relatively low when benchmarked against the public and energy sectors.

**Table 17 – Sickness absence**

	<b>2019/20</b>	<b>2018/19</b>
Average number of working days lost due to sickness absence per person	5.86	4.38

**Table 18 – Exit packages – Civil Service and other compensation schemes (subject to audit)**

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<£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	-(-)	-(-)	-(-)
Total number of exit packages	-(-)	-(4)	-(4)
Total cost /£	-(-)	- (£182,096)	- (£182,096)

Note: 2018/19 figures are shown in brackets.

Redundancy and other departure costs are 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

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

### **High paid off-payroll appointments**

All off-payroll engagements as of 31 March 2020, for more than £245 per day and that have lasted longer than six months are shown in the following table.

**Table 19 – Number of existing engagements as of 31 March 2020**

<b>Number of existing engagements as of 31 March 2020</b>	<b>9</b>
Of which the number that have existed at the time of reporting for:	
Less than one year	3
Between one and two years	6
Between two and three years	0
Between three and four years	0
Four or more years	0

One of the individuals above is seconded from a licensee and is 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 2019 and 31 March 2020, for more than £245 per day and that have lasted for longer than six months are shown below.

**Table 20 – Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020**

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	4
Of which...	
Number assessed as caught by IR35	1
Number assessed as not caught by IR35	3
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 individual who IR35 legislation applies to is employed by an agency. 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 21 – Off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020**

Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year (1)	0
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)	10

### **Nuclear Graduates Scheme**

In relation to other off-payroll appointments, ONR has sponsored six cohorts, totalling 37 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).

Returning graduates who were offered permanent positions have joined the organisation as Associates working towards becoming nuclear safety or nuclear security inspectors. This year also sees our first non-technical graduate in programme management.

ONR has obtained assurance from Energus that tax and national insurance obligations are being met for individuals on the scheme.

## **Consultancy**

ONR expenditure on consultancy was £0.2m (£0.2m 2018/19). In addition, £0.3m was capitalised in relation to the IT Separation project. This amount is included within the total of £1,751k as an addition to assets under construction within note 6 to the accounts (£0.3m was capitalised during 2018/19 in relation to the IT Separation project).

## Contingent labour

ONR expenditure on contingent labour was £2.2m (£1.4m 2018/19). In addition:

- £1.9m was capitalised in relation to the WIReD project. This amount is included within the total of £2,082k as an addition to assets under construction within note 6 to the accounts; and
- £0.8m was capitalised in relation to the IT Separation project. This amount is included within the total of £1,751k as an addition to assets under construction within note 6 to the accounts.

£0.6m was capitalised during 2018/19, £0.4m in relation to WIReD and £0.2m in relation to the Safeguards Information Management and Reporting System (SIMRS).

## **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 recovers the full cost of certain chargeable services and receives grant funding from DWP for non-chargeable activities such as Safeguards and Transport Inspection.

**Table 22 – Breakdown of fees and charges**

	2019/20			2018/19		
	Income	Cost	Surplus / (deficit)	Income	Cost	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	51,744	51,744	-	48,817	48,817	-
Civil Nuclear Security	13,036	13,036	-	10,642	10,642	-
Generic Design Assessment	10,385	10,385	-	5,094	5,094	-
Radioactive Materials Transport	871	871	-	1,201	1,201	-
Advanced Nuclear Technologies **	1,410	1,410	-	2,944	2,944	-
<b>Sub Total</b>	<b>77,446</b>	<b>77,446</b>	<b>-</b>	<b>68,698</b>	<b>68,698</b>	<b>-</b>
Other Fees and Charges	212	212	-	248	248	-
<b>Total fees and charges</b>	<b>77,658</b>	<b>77,658</b>	<b>-</b>	<b>68,946</b>	<b>68,946</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.

**Adrienne Kelbie**

Chief Executive  
Office for Nuclear Regulation

21 September 2020

# **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 2020 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 2020 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**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Office for Nuclear Regulation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Office for Nuclear Regulation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Office for Nuclear Regulation's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

As explained more fully in the Statement of 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;
- 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; and

- conclude on the appropriateness of the Office for Nuclear Regulation'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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause Office for Nuclear Regulation to cease to continue as a going concern.

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, but does not include 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

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SW1W 9SP

23 September 2020

## Financial Statements

### Statement of Comprehensive Net Income for the year ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
<b>Expenditure</b>			
Staff costs	2	57,275	51,911
Other expenditure	3	29,643	24,236
<b>Operating costs</b>		<b>86,918</b>	<b>76,147</b>
Revenue from contracts with customers	4	(77,658)	(68,946)
Other operating income		(9,260)	(7,203)
<b>Total operating income</b>		<b>(86,918)</b>	<b>(76,149)</b>
<b>Net operating cost/(income) for the year</b>		<b>-</b>	<b>(2)</b>
<b>Total comprehensive net income for the year</b>		<b>-</b>	<b>(2)</b>

All income and expenditure is derived from continuing operations.

The notes on pages 174 to 210 form part of these accounts.

## Statement of Financial Position as at 31 March 2020

	Note	£'000	£'000
<b>Total non-current assets</b>		<b>7,377</b>	<b>2,373</b>
Trade and other receivables	7	15,762	13,644
<b>Total current assets</b>		<b>24,645</b>	<b>19,227</b>
<b>Total assets</b>		<b>32,022</b>	<b>21,600</b>
<b>Current liabilities</b>			
<b>Total current liabilities</b>		<b>(10,658)</b>	<b>(7,630)</b>
<b>Non-current liabilities</b>			
Trade and other payables	9	(10,083)	(2,689)
<b>Total non-current liabilities</b>		<b>(10,083)</b>	<b>(2,689)</b>
<b>Assets less liabilities</b>		<b>11,281</b>	<b>11,281</b>
<b>Total equity</b>		<b>11,281</b>	<b>11,281</b>

The notes on pages 174 to 210 form part of these accounts

**Adrienne Kelbie**

Chief Executive  
Office for Nuclear Regulation

21 September 2020



## Statement of Cash Flows for the year ended 31 March 2020

		2019/20	2018/19
Net operating (cost) / income		-	2
Increase in trade and other receivables	7	(2,118)	(1,730)
<b>Net cash outflow from operating activities</b>		<b>(83)</b>	<b>(61)</b>
<b>Cash flows from investing activities</b>			
<b>Net cash outflow from investing activities</b>		<b>(4,617)</b>	<b>(1,581)</b>
<b>Cash flows from financing activities</b>			
<b>Net financing</b>		<b>8,000</b>	<b>2,000</b>
<b>Net increase in cash and cash equivalents in the year</b>		<b>3,300</b>	<b>358</b>
<b>Cash and cash equivalents at the beginning of the year</b>	8	<b>5,583</b>	<b>5,225</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>8,883</b>	<b>5,583</b>

The notes on pages 174 to 210 form part of these accounts.

**Statement of changes in Taxpayers' Equity for the year ended  
31 March 2020**

	<b>General Fund £'000</b>
<b>Balance at 1 April 2018</b>	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>
Comprehensive net income for the year	-
Payments to Consolidated Fund	-
<b>Balance at 31 March 2020</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 174 to 210 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 2019/20 Government Financial Reporting Manual (FReM)<sup>11</sup> 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 that 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 2020, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

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<sup>11</sup> <https://www.gov.uk/government/publications/government-financial-reporting-manual-2019-20>

The following standards relevant to ONR have been issued but are not yet effective:

- IFRS 16 Leases (effective from 1 April 2021 for Public Sector entities); and
- IFRS 17 Insurance contracts (effective from 1 April 2022 for Public Sector entities), anticipated to have no material impact on the Financial Statements.

ONR has carried out a full assessment of IFRS 16 during 2019/20 to assess the impact upon the financial statements. We have quantified the 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 2021. As at 1 April 2021, the impact is estimated to be as follows:

	<b>£'000</b>
Non-current Assets	14,265
Current liabilities	(4,264)
Non-current Liabilities	(10,085)
Opening Taxpayers' Equity	(84)

### **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. The grant is recognised as income due to ONR's status as a public corporation.

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.

(See also Prosecutions, note 1.10a below)

## **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; and
- 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; and
- *Advanced Nuclear Technologies: costs are being recovered from BEIS 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 the Safeguards Information Management and Reporting System (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.

### **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, the regulations do not extend to recovering the costs associated with undertaking a prosecution.

Costs associated with a prosecution are funded by a ring-fenced grant from DWP. This grant includes 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 (e.g. furniture) are purchased.

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

Intangible assets are measured at cost.

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.

<b>Asset category</b>	<b>Capitalisation threshold</b>	<b>Depreciation/amortisation useful life</b>
Leasehold improvements	£100,000	Up to 20 years (over the period remaining on lease)
IT assets including software	£5,000	2 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-current 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. An impairment loss is recognised for the amount by which the asset's 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 to be immaterial.

As required by IFRS 9, 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 are 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 two loans with DWP:

- an interest-bearing working capital loan. 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 (see note 15); and
- an interest-bearing capital loan. The loan is to support the capital expenditure requirements during 2019/20 and 2020/21 for WIRed, IT Separation and other modernisation activities to develop and enhance ONR's infrastructure. Repayments are over

the five-year asset life once the assets have been capitalised (see note 15).

## **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 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 2020.

## 2 Staff costs

	2019/20			2018/ 19
	Permanently employed staff £'000	Others £'000	Total £'000	Total £'000
Wages & salaries	40,378	564	40,942	38,737
Social security costs	4,927	-	4,927	4,662
Other pension costs	11,406	-	11,406	8,512
<b>Total per Statement of Comprehensive Net income</b>	<b>56,711</b>	<b>564</b>	<b>57,275</b>	<b>51,911</b>
Less recoveries in respect of outward secondments	-	-	-	(38)
<b>Net Total</b>	<b>56,711</b>	<b>564</b>	<b>57,275</b>	<b>51,873</b>

Further details of staff costs and related expenditure can be found on page 148 in the Accountability Report.

## Staff cost recoveries by income stream

Staff costs are recovered from all income streams where there has been regulatory activity.

<b>Staff Costs by Income Stream</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Revenue from contracts with customers	51,829	47,435
Grant from DWP	995	1,330
Grant from DWP - Prosecutions	1	21
Prosecution Costs Awarded	19	19
UK SSAC	4,431	3,068
Other sales/income*	-	38
<b>Total income</b>	<b>57,275</b>	<b>51,911</b>

\* Includes recoveries from outward secondments

### 3 Other expenditure

	2019/20 £'000	2018/19 £'000
	3,876	
	2,606	
	500	
Technical support	3,772	2,198
Contractors	1,712	878
Interest on capital	480	472
	414	
	15	
	-	
	(16)	
<b>Total</b>	<b>29,643</b>	<b>24,236</b>

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

(Accommodation) and continues with the IT service arrangements that existed pre-vesting.

\*\* Other expenditure mainly comprises Training and Development, Professional Services, Shared Services Outsourcing, Buildings Operating Leases and other IT costs.

## 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.

<b>Income</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
Revenue from contracts with customers (see page 194)	77,658	68,946
Grant from DWP	1,374	1,873
Grant from DWP – prosecutions	(84)	85
Prosecution costs awarded	124	63
UK SSAC*	7,771	5,063
Grant from Apprenticeship Fund	61	68
Other sales/income	14	51
<b>Total income</b>	<b>86,918</b>	<b>76,149</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 contracts with customers	2019/20			2018/19		
	Income	Cost	Surplus / (deficit)	Income	Cost	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	51,744	51,744	-	48,817	48,817	-
Civil Nuclear Security	13,036	13,036	-	10,642	10,642	-
Generic Design Assessment	10,385	10,385	-	5,094	5,094	-
Radioactive Materials Transport	871	871	-	1,201	1,201	-
Advanced Nuclear Technologies*	1,410	1,410	-	2,944	2,944	-
<b>Sub Total</b>	<b>77,446</b>	<b>77,446</b>	<b>-</b>	<b>68,698</b>	<b>68,698</b>	<b>-</b>
Other fees and charges	212	212	-	248	248	-
<b>Total fees and charges</b>	<b>77,658</b>	<b>77,658</b>	<b>-</b>	<b>68,946</b>	<b>68,946</b>	<b>-</b>

\*\* Charged to BEIS

Apart from “other fees and charges”, all revenue from contracts with customers relates to work carried out for dutyholders and government.

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

<b>Revenue</b>	<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
Customer 1	24,740	22,339
Customer 2	18,389	15,451
Customer 3 <sup>***</sup>	10,385	5,145

<sup>\*\*\*</sup> The revenue for Customer 3 in 2018/19 was not >10% of total revenue.

Customers are not named for reasons of commercial confidentiality.



## 5 Property, plant and equipment

2019/20	Leasehold Improvements £'000	Information Technology £'000	Motor Vehicles £'000	Furniture and Fittings £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2019	542	103	47	329	-	1,021
Additions	287	290	-	375	340	1,292
Impairments	-	-	-	-	-	-
Disposals	(266)	-	(47)	(63)	-	(376)
<b>At 31 March 2020</b>	<b>563</b>	<b>393</b>	<b>-</b>	<b>641</b>	<b>340</b>	<b>1,937</b>
<b>Depreciation</b>						
At 1 April 2019	284	30	28	95	-	437
Charged in year	67	43	1	51	-	162
Disposals during year	(266)	-	(29)	(50)	-	(345)
<b>At 31 March 2020</b>	<b>85</b>	<b>73</b>	<b>-</b>	<b>96</b>	<b>-</b>	<b>254</b>
<b>Carrying amount at 31 March 2019</b>	<b>258</b>	<b>73</b>	<b>19</b>	<b>234</b>	<b>-</b>	<b>584</b>
<b>Carrying amount at 31 March 2020</b>	<b>478</b>	<b>320</b>	<b>-</b>	<b>545</b>	<b>340</b>	<b>1,683</b>
<b>Asset financing</b>						
Owned	478	320	-	545	340	1,683

## Assets under construction additions

### *IT Separation – IT infrastructure*

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. In year additions: **£340k**

2018/19	Leasehold Improvements £'000	Information Technology £'000	Motor Vehicles £'000	Furniture and Fittings £'000	Total £'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 2019</b>	<b>258</b>	<b>73</b>	<b>19</b>	<b>234</b>	<b>584</b>
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<b>Asset financing</b>					
Owned	258	73	19	234	584

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 were held by operational staff across ONR under the Private User Scheme (PUS). The PUS was an arrangement where ONR provided officers with a lease vehicle for a period of 3-5 years. Access to the scheme ended on 30 September 2014 for new applications and no new scheme is planned. The remaining vehicles were sold in 2019/20.

## 5a Reconciliation of capital additions to the Statement of Cash Flows

	<b>Note</b>	<b>2019/20 £'000</b>
<b>Capital payables and accruals at 1 April</b>		277
Capital Additions		1,292
Capital payables and accruals at 31 March 2020	9	(248)
<b>Purchase of property, plant and equipment as per Statement of Cash Flows</b>		1,321

## 6 Intangible assets

2019/20	Internally developed software £'000	Purchased Software Licences £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2019	995	-	824	1,819
Additions	156	137	3,864	4,157
Impairments	-	-	-	-
Reclassifications	-	-	-	-
Disposals	-	-	-	-
<b>At 31 March 2020</b>	<b>1,151</b>	<b>137</b>	<b>4,688</b>	<b>5,976</b>

<b>Amortisation</b>				
At 1 April 2019	30	-	-	30
Charged in year	218	34	-	252
Disposals during year	-	-	-	-
<b>At 31 March 2020</b>	<b>248</b>	<b>34</b>	<b>-</b>	<b>282</b>

<b>Carrying amount at 31 March 2019</b>	<b>965</b>	<b>-</b>	<b>824</b>	<b>1,789</b>
<b>Carrying amount at 31 March 2020</b>	<b>903</b>	<b>103</b>	<b>4,688</b>	<b>5,694</b>

<b>Asset financing</b>				
Owned	<b>903</b>	<b>103</b>	<b>4,688</b>	<b>5,694</b>

<b>2018/19</b>	<b>Internally developed software £'000</b>	<b>Assets under construction £'000</b>	<b>Total £'000</b>
<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 2019</b>	<b>965</b>	<b>824</b>	<b>1,789</b>
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<b>Asset financing</b>			
Owned	<b>965</b>	<b>824</b>	<b>1,789</b>

## **Intangible Assets additions**

### *Internally Developed Software*

Safeguards Information Management and Reporting System (SIMRS). 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. In-year additions (enhancements to the original asset): **£83k**

ONR Academy Online is a learning management system, providing users with access to all of ONR's learning and development offering including course booking, course content and assessment. In-year additions (enhancements to the original asset): **£16k**

OTiS is a bespoke time recording system. In-year additions: **£57k**

### *Purchased Software Licences*

Perpetual software licences for ONR's Content Manager Document Storage System. In-year additions: **£137k**

### *Assets under construction*

WIReD: the modernisation of ONR processes and systems to support the efficient undertaking of ONR's regulatory activities. In-year additions: **£2,082k**

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. In-year additions: **£1,751k**

PRISM: a Performance and Risk Information System for Management. In-year additions: **£31k**

## 6a Reconciliation of capital additions to the Statement of Cash Flows

	<b>Note</b>	<b>2019/20 £'000</b>
<b>Capital payables and accruals at 1 April</b>		280
Capital Additions		4,157
Capital payables and accruals at 31 March 2020	9	(1,125)
<b>Purchase of intangible assets as per Statement of Cash Flows</b>		3,312



## 7 Trade and other receivables

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	6,051	6,420
Deposits and advances	50	31
Prepayments and accrued income	9,640	7,193
Other receivables	21	-
<b>Net Receivables</b>	<b>15,762</b>	<b>13,644</b>

## 8 Cash and cash equivalents

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Balance at 1 April	5,583	5,225
Net change in cash and cash equivalent balances	3,300	358
<b>Balance at 31 March</b>	<b>8,883</b>	<b>5,583</b>
<b>Represented by:</b>		
Government Banking Service	8,883	5,583
<b>Balance at 31 March</b>	<b>8,883</b>	<b>5,583</b>

## 9 Trade and other payables

	<b>31 March 2020</b>	<b>31 March 2019</b>
Accruals and deferred income	5,424	4,234
Loan with DWP	533	-
<b>Total current payables</b>	<b>10,658</b>	<b>7,630</b>
<b>Amounts falling due after more than one year</b>		
Loan with DWP	9,467	2,000
Accruals and deferred income	616	689
<b>Total non-current payables</b>	<b>10,083</b>	<b>2,689</b>
<b>Total trade and other payables</b>	<b>20,741</b>	<b>10,319</b>

## 10 Loan from DWP

<b>Loan</b>	<b>Note</b>	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Opening balance - 1 April		2,000	-
Additions in year	15	8,000	2,000
Accrued interest*	15	49	-
<b>Closing balance at period end</b>		<b>10,049</b>	<b>2,000</b>

\*Interest has been accrued on the loan of £8 million on a daily basis on amounts drawn down and is repayable in monthly instalments from December 2020. There was no interest outstanding on the loan of £2 million.

## 11 Capital commitments

<b>Contracted commitments not otherwise included in the financial statements:</b>	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Property, plant and equipment	130	-
<b>Total commitments</b>	<b>130</b>	<b>-</b>

## 12 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, as well as any other operating leases, for each of the following periods:

<b>Obligations under operating leases</b>	<b>31 March 2020</b>		<b>31 March 2019</b>	
	<b>Buildings £'000</b>	<b>Other</b>	<b>Buildings</b>	<b>Other £'000</b>
Not later than 1 year	3,862	507	3,835	-
Later than 1 year and not later than 5 years	11,922	549	15,271	-
Later than 5 years	-	-	-	-
<b>Total committed</b>	<b>15,784</b>	<b>1,056</b>	<b>19,106</b>	<b>-</b>

### 13 Other financial commitments

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

<b>The total payments to which ONR is committed are as follows:</b>	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Not later than 1 year	4,148	4,323
Later than 1 year and not later than 5 years	1,023	1,751
Later than 5 years	-	-
<b>Total committed</b>	<b>5,171</b>	<b>6,074</b>

These commitments relate to the Service Management Agreement with HSE, shared services costs and other costs relating to accommodation leases.

## **14 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 2019/20, 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 2019/20 are set out in Note 3.

In addition, ONR had a number of significant transactions with MoD, and BEIS.

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.

## **15 Financial instruments**

The cash requirements of ONR are met through grant funding provided by DWP and two loans:

- a working capital loan of £2 million. This loan from DWP is interest bearing at a rate of 3.5% pa and there is currently no requirement for repayment; and
- a capital loan facility of £9.8 million, £8 million of which has been advanced to ONR in 2019/20. This loan from DWP is interest bearing at a rate of 1.43% pa and repayment will be over five years from December 2020.

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

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.

## **16 Events after the reporting period**

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











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