



Office for  
Nuclear Regulation

# Annual Report and Accounts 2021/22

HC 588





Office for  
Nuclear Regulation

# Annual Report and Accounts 2021/22

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**HC 588**

## **OGL**

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# Performance report

# Foreword

We are pleased to publish our Annual Report and Accounts, demonstrating how in 2021/22 we delivered our mission to protect society by securing safe nuclear operations, and made significant progress in our vision to be a modern, transparent regulator delivering trusted outcomes and value. We delivered against all five priorities that were laid out in our Corporate Plan 2021/22 and made good progress towards delivering our **Strategy 2020-25**.

As the COVID-19 pandemic continued to impact society, our focus remained on the wellbeing of our staff, maintaining our resilience and upholding our unwavering commitment to achieving our mission. We are thankful for their continued commitment and professionalism that has enabled us to regulate effectively during the year.

The start of this financial year saw changes to our leadership structure, which staff and stakeholders welcomed. The new combined Chief Executive and Chief Nuclear Inspector (CE/CNI) role brings us in line with other global nuclear regulators. We also created new Deputy Chief Executive and Executive Director of Operations posts. This new structure has already enhanced collaborative working across our regulatory functions and corporate services, strengthened our technical leadership and helped drive our modernisation agenda so that we stand ready to respond to the government's Energy Security Strategy and ambitions for new nuclear.

Our top priority remained the delivery of our core regulatory work, with an extensive programme across our functions and particular emphasis on sites in enhanced and significantly enhanced attention. During the reporting period, the industry performed well and the required standards of safety and security were maintained, and safeguards compliance, marking the successful end of our first year as the UK's domestic safeguards regulator. We were pleased to grant permission for Sellafield Limited to conduct active commissioning of an early retrieval plant for the Pile Fuel Cladding Silo. Meanwhile, progress at Dungeness B power station and the Atomic Weapons Establishment (AWE) Burghfield site resulted in the regulatory attention level for both sites moving from 'enhanced' to 'routine' in March 2022.

Early 2022 also saw us issue a Design Acceptance Confirmation for the UK Hualong Pressurised Water Reactor (UK HPR1000). This followed a highly detailed and rigorous assessment, which confirmed that we are satisfied that the design meets regulatory expectations for safety and security at this stage of the regulatory process.

Each year we seek to enhance how we listen to, learn from and collaborate with a wide range of stakeholders, both here in the UK and internationally. At the start of the pandemic, we had to quickly adapt to remote ways of engaging. So, as restrictions started to ease throughout 2021/22, we were pleased to be able to meet the needs of our different stakeholders by offering a blend of in-person and virtual engagement. We were once again proud that stakeholder feedback shows we remain highly regarded as a professional, trusted and independent regulator.

We learnt from our response to the pandemic and are seeking to retain the benefits of how we adapted, to shape our future ways of working and continue to develop as an effective and efficient regulator. As set out in our Strategy 2020-25, we continued to modernise our organisation, using information technology and automation to drive efficiency in how we work. This included making good progress to deliver our Well-Informed Regulatory Decisions (WIReD) project, which will digitise and automate manually-intensive activities to allow us to manage knowledge better and navigate more easily through our regulatory processes.

During the year, the government carried out an independent Post Implementation Review (PIR) of Part Three of the Energy Act 2013. We are pleased the findings confirm that ONR is effective in its regulation of Great Britain's nuclear industry and delivering its five regulatory purposes. The review also concluded that ONR's form as a public corporation is appropriate to build and maintain our capability and capacity, and therefore carry out our intended functions. Recommendations support our ongoing focus on enabling innovation and driving greater proportionality, consistency and efficiency in our regulation. Full details of the report are available on our [website](#).

As the year drew to a close, Russia invaded Ukraine. We were proud that our teams were able to respond quickly and effectively, working closely with government and international partners, to assess potential nuclear safety risks, such as a radiological release at Ukrainian nuclear facilities.

As always, we must thank our diverse range of stakeholders, as well as our staff, for their support and collaboration that enable us to achieve our mission, keeping workers and the public safe.



**Mark McAllister**  
Chair



**Mark Foy**  
Chief Executive and  
Chief Nuclear Inspector

# Performance overview

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





# ONR in numbers – 2021/22

**£87.1m**

total  
expenditure



security  
intervention  
activities

**724**

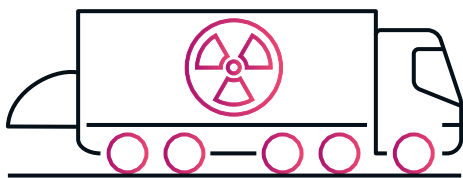
licence condition  
or radiation  
protection  
intervention  
activities\*  
(nuclear safety)



**1.2m**  
hours worked

**69**

transport  
intervention  
activities

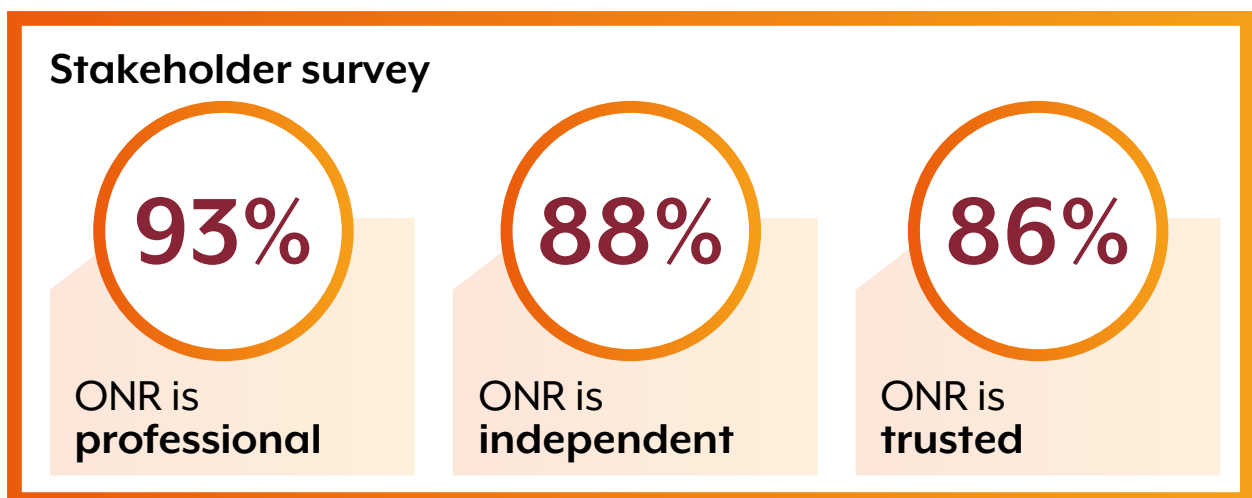
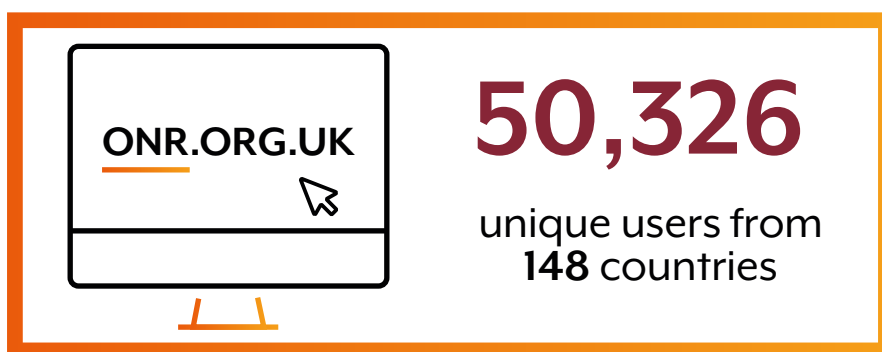
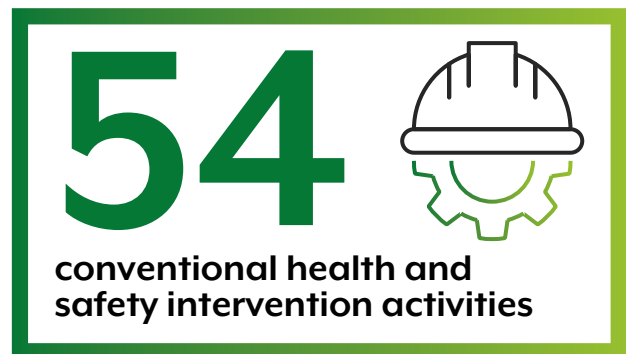


**43**

  
System-  
based  
inspections

**4**

  
Improvement  
Notices issued



\* An intervention activity represents each regulatory requirement that ONR inspected during an inspection. Some inspections contain multiple intervention activities.

\*\* As at 31 March 2022.

# About ONR

We are the UK's independent nuclear regulator, with the legal authority to regulate nuclear safety, civil nuclear security and safeguards, and conventional health and safety at the 35 licensed nuclear sites in Great Britain. This includes the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites, as well as other licensed and, in part, authorised defence sites, together with the regulation of the design and construction of new nuclear facilities. We also regulate the transport of civil nuclear and radioactive materials by road, rail and inland waterways.

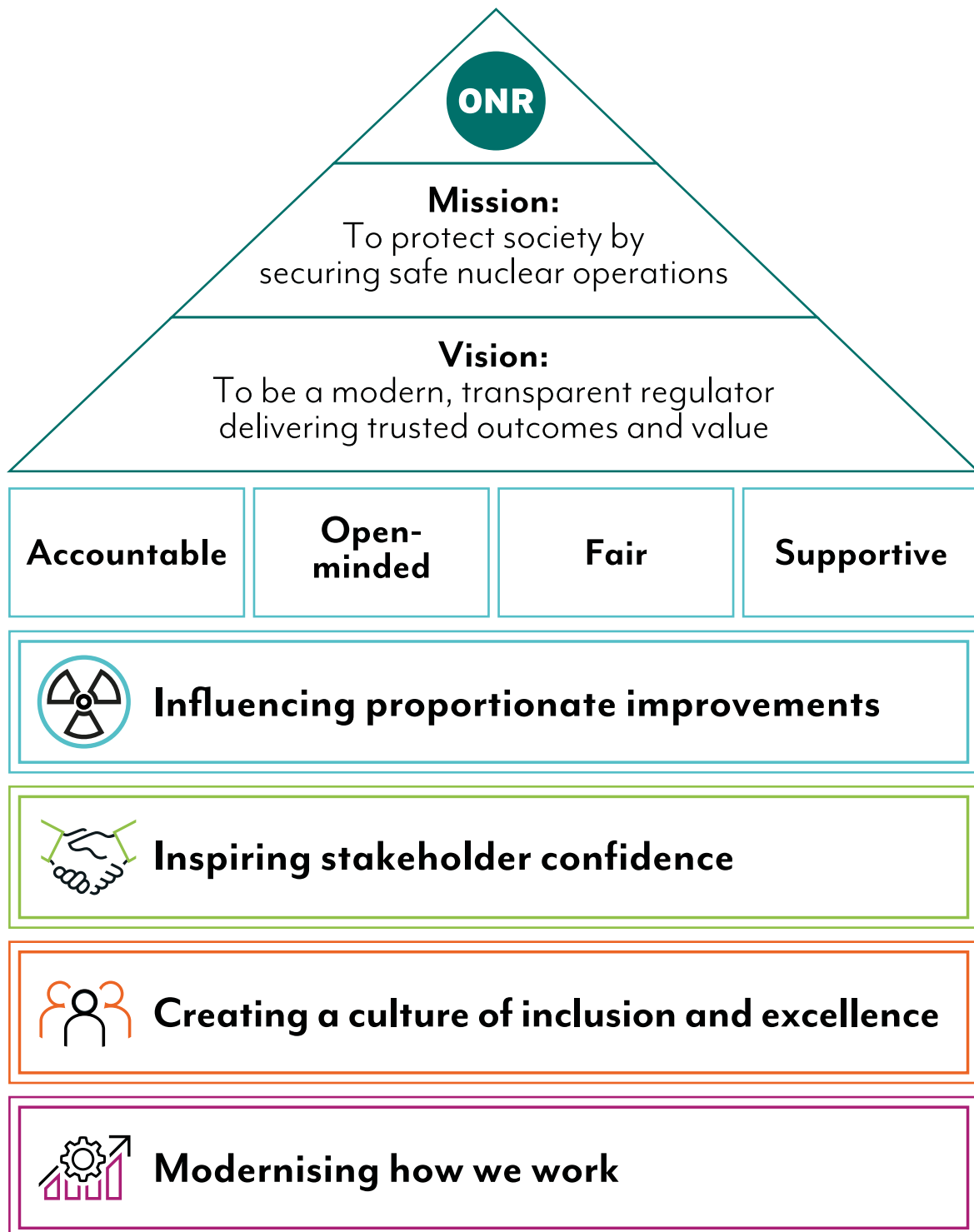
Our nuclear security regulation covers approval of security arrangements within the civil nuclear industry and provides regulatory oversight for the security of transportation of civil nuclear materials and the management of effective arrangements for sensitive nuclear information. Our safeguards regulation serves to guarantee that civil nuclear material remains accounted for and controlled to make sure the UK maintains its safeguards obligations as set out under international treaties and agreements.

We are governed by a ten-strong unitary board, comprising a Chair, five independent non-executive directors from a range of backgrounds, and four executive directors. The Board is responsible for our strategy, provides strategic leadership and monitors resources and performance. It also ensures that effective arrangements are in place within our organisation to provide assurance on governance, risk management and internal control. You can find out more about [our Board, its sub-committees and how we are governed](#) on our website.

Our Chief Executive and Chief Nuclear Inspector (CE/CNI), Mark Foy, leads our organisation and is accountable for ensuring that all ONR funds are spent in accordance with HM Treasury's [Managing Public Money](#), and other relevant governing guidance and instructions. He is also accountable for ensuring that our regulatory activities are targeted effectively and discharged properly, and that regulatory decisions are proportionate, consistent and are made within the legal requirements of the Energy Act 2013 and other appropriate legislation.

The [Senior Leadership Team \(SLT\)](#) is responsible for leading ONR to deliver our mission, vision and strategic outcomes. It supports the Board to carry out legislative, policy, operational and administrative functions and requirements, in line with individual director accountabilities and collective responsibilities for strategic leadership.

You can find out more about [our regulation](#) and how we work [with our stakeholders](#) on our website.



# Performance analysis

The section provides a summary of how we performed against our **Corporate Plan 2021/22** and made progress towards our **Strategy 2020-25**, including achievement of our priorities and objectives and how we managed our strategic risks.

We made good progress across the four strategic themes in our strategy, and against our 2021/22 top five priorities. We continued to support our staff and protect our organisational resilience to deliver our mission effectively as the COVID-19 pandemic persisted. Parallel to this, we began moving to hybrid working, enabling us to blend home/remote, office and site working as necessary. Most recently, we also collaborated with the UK government and international partners to respond to the situation in Ukraine.

To measure the impact, effectiveness and value of our work, we assessed our progress through our Organisational Effectiveness Indicator (OEI) framework, which is based on the Organisation for Economic Co-operation and Development's Nuclear Energy Agency's (NEA's) **'The Characteristics of an Effective Nuclear Regulator'**.

Our 10 OEIs are aligned to our four strategic themes and provide a broad evidence base for us to assure our Board, the government and the public of the effectiveness and efficiency of our regulation and progress against our strategy and annual corporate plans. The OEIs are underpinned by sub-indicators, each with outputs and outcome-based measures, and other key performance indicators to tell us how well we are performing across our operations, which when aggregated show our progress.

Our assessment at the end of 2021/22 is that we are on track to achieve our 2025 strategic intent and outcomes, and we have made significant progress against all 10 OEIs (shown below), which is reflected in the performance analysis that follows.

# Our ten organisational effectiveness indicators



## Strategic theme 1: Influencing proportionate improvements

- 1 Our regulatory activity drives demonstrable improvements and compliance across our purposes.
- 2 Our regulatory decisions are proportionate, balanced and unbiased.
- 3 We have a continuous self-improvement and learning culture.
- 4 Innovators are confident to test and deploy technology in a UK regulatory framework that embraces innovation.



## Strategic theme 2: Inspiring stakeholder confidence

- 5 We engage with UK and international stakeholders to improve the effectiveness of our regulation and to inform UK policy.
- 6 We are transparent and accessible to our stakeholders and the public.



## Strategic theme 3: Creating a culture of inclusion and excellence

- 7 We have technical competence at our core.
- 8 We exhibit strong leadership and an inclusive culture that promotes performance management and embraces change.



## Strategic theme 4: Modernising how we work

- 9 We develop a strong organisational capability, knowledge management, tools, business continuity and emergency preparedness.
- 10 Delivery of our mission is efficient and sustainable.



## Strategic Theme 1 – Influencing proportionate improvements

**Priority 1:** Maintain delivery of our core regulatory functions, holding dutyholders to account on behalf of the public.

Delivery of our core regulatory purposes is our top priority, so we can protect society by securing safe nuclear operations. During 2021/22, we ensured nuclear-licensed sites and other dutyholders conducted their operations safely and securely throughout the second year of the global COVID-19 pandemic. Furthermore, as the UK's domestic safeguards regulator, we ensured that dutyholders accounted for and controlled relevant nuclear material.

Our **Chief Nuclear Inspector's annual report on Great Britain's nuclear industry** provides a comprehensive overview of performance and regulatory priorities. We expect to publish the 2021/22 report in the autumn.

During the last 12 months, we delivered an extensive regulatory programme across our purposes, taking account of COVID-19 restrictions where necessary, and placing particular emphasis through support and targeted interventions on those sites in enhanced and significantly enhanced attention. Our engagement with industry and regulatory oversight included on-site compliance inspections as well as assessment work, assurance of plans, other interventions and additional site visits. We enabled proportionate improvements in several areas, and where standards fell short, we took action in line with our **Enforcement Policy Statement**.

### New Reactors

In January 2022, we completed the Generic Design Assessment (GDA) of the UK Hualong Pressurised Water Reactor (UK HPR1000). Following a rigorous assessment, we issued a Design Acceptance Confirmation to the requesting party.

In November 2021, we granted permission for the start of bulk mechanical, electrical, heating, ventilation and air conditioning component installation work at Hinkley Point C. This was a major milestone for the project as it marked the start of the transition from predominately civil engineering to installation.

We continued our assessment of the Sizewell C (SZC) nuclear site licence application, submitted in June 2020 by NNB Generation Company (SZC) Limited. We remain on target to decide whether to grant a nuclear site licence later this year.

We began scoping how we will deliver our **Approach to regulating innovation** and expect to set out our plans for regulating innovative technologies and solutions, including using expert panels, offering advice, and providing a testing ground for new business models and innovative ideas during 2022/23. As an initial step, we successfully piloted an expert panel on the regulation of Artificial Intelligence (AI) in March 2022. The panel met to establish a roadmap for effective and enabling regulation of AI in the nuclear sector. The first meeting delivered clear outcomes, including licensees providing AI examples for testing within a safe environment.

With funding from the Department for Business, Energy and Industrial Strategy (BEIS), we continued to develop our internal capability to regulate Advanced Nuclear Technologies (ANTs) and provided advice to government on associated regulatory matters. We engaged with multiple vendors to better understand their plans and provided them with advice on technical and licensing matters. We were active in several international arenas, notably the International Atomic Energy Agency's Small Modular Reactor (SMR) Regulators' Forum, enabling us to learn from others and share knowledge.

We received a request from BEIS to begin a Generic Design Assessment (GDA) of an SMR design from Rolls-Royce Small Modular Reactors (SMR) Limited. We are using our modernised three-step process for the GDA, which commenced in April.

## Operating Facilities

In line with the priorities set out in the Chief Nuclear Inspector's annual report, much of our attention was on the regulation of management of ageing facilities.

Dungeness B and Hunterston B ceased generation following many decades of service and will now move to defuelling as the first stage of decommissioning. Other Advanced Gas-cooled Reactors (AGR) are approaching the later stages of generating life, and we continued to carefully assess the condition of the fleet, with particular focus on graphite and boiler integrity.

In response to an ONR periodic safety review finding relating to Heysham 2 and Torness, the licensee identified a potential improvement to the protection of water ingress from the boilers. EDF Energy identified a Leak Termination System as the preferred solution, which we expect to deliver safety benefits.

EDF Energy conducted a self-assessment of their arrangements for management of ageing facilities. We undertook an inspection at Sizewell B to observe the licensee's arrangements in practice and were able to conclude that they had been adequately implemented in line with our expectations.

The regulatory attention level for both Dungeness B power station and the Atomic Weapons Establishment (AWE) Burghfield site were moved from 'enhanced' to 'routine' in March 2022. Evidence of improved corrosion management, reduced risk profile, and improved safety culture enabled us to adjust attention levels at Dungeness B. AWE Burghfield made substantial progress towards timely completion of the new assembly and disassembly facility, and with sustained performance and delivery of improvements (including safety case submissions), it was also returned to routine attention.

AWE Aldermaston site and Devonport Royal Dockyard Limited remain in enhanced attention. We saw some progress over the last 12 months on key areas such as organisational capability and accountability and expect to see further improvements over 2022/23.



## Sellafield, Decommissioning, Fuel and Waste

We granted permission for Sellafield Limited to conduct active commissioning of the early retrieval plant for the Pile Fuel Cladding Silo, and our assessment of the case for active commissioning and retrievals from the Magnox Swarf Storage Silo progressed. We subsequently granted permission for the latter to commence.

We were pleased to complete the final stages of the de-licensing process for the Imperial College Consort Reactor Site and have now formally revoked this nuclear site licence. We continued to work with GE Healthcare Amersham and Magnox Limited at Harwell as they progress towards de-licensing their nuclear sites and we oversaw the preparations for the decommissioning of the Steam Generating Heavy Water Reactor at Winfrith. In October 2021, we also granted permission to Dounreay Site Restoration Limited for pre-construction of civil structures for the legacy shaft and silo, which is a key hazard and risk reduction project for the site.

Towards the end of 2021, we published a revised position statement on the interpretation of 'bulk quantities' in relation to the storage and disposal of radioactive matter, based on the radionuclide specific values set out in the Radiation (Emergency Preparedness and Public Information) Regulations 2019 (REPPiR 19). This will enable more efficient and effective regulatory decisions regarding storage and disposal, including those pertaining to the proposed Geological Disposal Facility (GDF).

We have no role in the decision on GDF site selection. However, we have agreed to support the siting process by providing regulatory input at community engagement events, to explain the role of the regulator and regulatory processes. To date, we have supported community engagement activities in Cumbria and Lincolnshire.

## Civil Nuclear Security and Safeguards

Work continued to assess dutyholder security plans aligned to our Security Assessment Principles (SyAPs). These are now in place for all licensed sites except for Magnox sites; we will focus on completing these over 2022/23. More widely, our security regulation work focused on the delivery of improvement schedules and the effectiveness of security leadership and management, especially in relation to cyber security matters. We worked jointly with government and industry to deliver the **Civil Nuclear Cyber Security Strategy** setting out how the UK's civil nuclear sector aims to manage and mitigate cyber security risks over the next five years. The strategy was subsequently published in May 2022.

We worked with government to ensure that the legislative framework remains fit-for-purpose to support outcome-focused nuclear security. We made a significant contribution to BEIS' review of Nuclear Industries Security Regulations (NISR) 2003 to ensure the regulations remain effective, proportionate and align with international standards. We also prepared, on behalf of BEIS, the UK's Ninth National Report on Compliance with the Convention on Nuclear Safety, due to be published in July 2022. In addition, we developed a new NISR guidance document, which provides more detailed advice to our inspectors on the interpretation and implementation of the regulations.

In our first full year as the UK's regulator for safeguards, we were delighted to enable the UK to meet all of its international safeguards obligations and deliver the required safeguards reporting on time. We also delivered our planned assessment and inspection activities, despite the challenges posed by the COVID-19 pandemic. We engaged closely with operators throughout, providing advice and guidance to assist them in adjusting to the new regulatory regime. We provided our annual review of the implementation of the Nuclear Safeguards (EU Exit) Regulations 2019 to the BEIS Secretary of State, as required, in December 2021.

We were proud to win the Project Management Institute 'Project of the Year' award for the successful delivery of the UK State System of Accountancy for and Control of nuclear material (SSAC) project. We also received positive feedback from the International Atomic Energy Agency's (IAEA) first annual review of our safeguards implementation.

## Technical Division

Following the submission by all local authorities of Off-Site Emergency Plans under REPP19, we completed our assessment to ensure their content was aligned with the legislation.

In terms of the Transport Competent Authority, the easing of COVID-19 restrictions allowed us to increase our on-site presence with transport dutyholders throughout the financial year. We worked with transport package designers and manufacturers to influence improvements, for example, on clearer instructions for maintenance and operation. We published revised guidance for transport radiation risk assessments under the Ionising Radiations Regulations 2017, including our expectations for the estimation of accident doses for emergency planning.

We developed the 'consideration of economic impact' process for our assessment activities and started a pilot study to test implementation. We also modified our regulatory training programme for inspectors, to include greater consideration of costs.

**Priority 2:** Begin to enhance collaboration and integration across our purposes through better co-ordination of inspections and regulatory guidance across safety and security.

Our long-term ambition is to enhance co-ordination, collaboration and integration across our five regulatory purposes, bringing greater efficiency and synergy. This year's CNI themed inspection on the management of ageing facilities (the outcomes of which are likely to be published later this year) led the way in co-ordinating joint safety and security interventions. Joint inspections can reduce the regulatory burden on dutyholders, while providing us with a more holistic view of their safety and security arrangements. In the case of the ageing management intervention, our joint intervention approach enabled comparison between safety and security arrangements, allowing cross-cutting lessons to be learnt.

More widely, we began development of a new Nuclear Integrated Management Maturity Model. In future, we expect this to provide a framework that enables our inspectors to examine the maturity of attributes by which dutyholders deliver their safety and security responsibilities. We intend to make further progress (as outlined in our [Corporate Plan 2022/23](#)) during the coming year.



## Strategic Theme 2 – Inspiring stakeholder confidence

We are proud of our mature stakeholder engagement approach, and year-on-year we seek to enhance how we work with those we regulate, interested stakeholders and the public to inspire confidence in our regulation and build trust. As COVID-19 restrictions eased during the year, we were able to blend in-person and virtual engagements, giving us the flexibility to meet the needs of different stakeholders.

We undertook our annual stakeholder survey in early 2022. The results show we remain highly regarded as a professional, trusted and independent regulator. We were pleased to see a more positive response in how far we engage on plans and priorities too, moving from 60% in 2021, to 67% this year. The full results will be published on our website later this year.

In line with the ambitions in our **Stakeholder Engagement Strategy 2020-25**, we were pleased to meet new stakeholders and begin extending our networks to build an understanding of our work. This included: communities that may, in future, host a GDF, to help them understand our regulatory role and functions; and within government, through the Better Regulation Executive, to enable us to learn from others and share our knowledge with other regulators on topics such as international regulatory co-operation and enabling innovation.

We were pleased our CE/CNI again chaired the UK Health and Safety Regulators' Network. This group is comprised primarily of chief regulators representing health and safety regulatory bodies and provides an opportunity to discuss common regulatory challenges, which included enabling innovation, the cost of regulation and COVID-19 response. The group uses its collective insight, influence and learning to inform UK policy and regulatory activities.

Our international engagement remains a cornerstone of our work, as we operate in a world of international laws, obligations and standards for nuclear regulation. Governed by our **Strategic Framework for International Engagement to 2025**, we continued to carry out targeted and strategic international arrangements, both virtually and in person, as travel restrictions lifted, working with global partners to ensure high standards were maintained and good practice was shared. Most recently, this included close working with the IAEA, the Western European Nuclear Regulators Association (WENRA), Heads of Radiological Protection Competent Authorities (HERCA) and the European Nuclear Safety Regulators Group (ENSREG) to offer support and advice in response to the situation in Ukraine.

More widely, we continued to inform and shape international regulatory standards, guidance and relevant good practice through our work with the IAEA, the Nuclear Energy Agency and other key international bodies. We also collaborated with international bilateral regulatory partners to consider how to harmonise international approaches to regulatory standards and emerging technological innovation.

Furthermore, we participated in the IAEA's Global Nuclear Safety and Security Network Communications Steering Group, as part of our efforts to work with other countries to enhance stakeholder communications. Our work with the Organisation for Economic Co-operation and Development's (OECD) Nuclear Energy Agency (NEA) to develop guidance on the characteristics of a trusted regulator, which will inform public engagement approaches across nuclear regulators, continued with significant international interest. The guidance is expected to be finalised during 2022/23.

Working with BEIS and other stakeholders, we made good progress with the actions placed on us by the 2019 International Regulatory Review Service (IRRS) mission, as well as actions we identified through our pre-mission self-assessment. The majority are now addressed, and we have high confidence we will deliver the remaining actions before the planned follow-up IRRS mission in 2024. We also prepared, on behalf of government, the UK's Ninth National Report on Compliance with the Convention on Nuclear Safety.

Work continued through the **Safety Directors' Forum** and its associated sub-groups that bring together senior representatives for licensed sites, requesting parties and supply chain on key safety and security topics for the nuclear industry. This group provides leadership and direction on cross-cutting matters across the industry, including consistency of regulation. We have closely followed their work to establish a good practice guide for site stakeholder groups and local liaison committees, offering advice from our perspective as observers at those routine meetings, in how they can effectively build trust through proactive sharing of information with those communities and interested stakeholders across Great Britain's nuclear sites. We look forward to building any learning from the guide, once published, into our future engagement approach with these groups, as appropriate.

Our engagement and communications with Non-Governmental Organisation (NGO) representatives continued throughout the year. We held three regular ONR-NGO forums meetings, where topics included SMRs, effective public engagement around nuclear sites, as well as our regulatory activities. The terms of reference for the forum were updated, and we were pleased to introduce forum members to our new leadership team throughout the year. We also attended many other local stakeholder meetings, alongside other regulators such as the Environment Agency, to share information and field questions about our work.

We continued to seek out and value independent advice and feedback to inform our regulation. This included our CNI's Advisory Panel, academia, and professional bodies – all of whom we engage with for advice, knowledge and guidance, to inform our capability, research and decisions, as well as to gather feedback. We included more details on our website on how we work with such bodies and are now sharing case studies through our social media channels. For example, our independent Expert Panel on External Hazards recently provided several documents summarising the emergent scientific research relating to climate science. These are being used to update our regulatory guidance.

We enhanced the quality and consistency of our corporate publications to ensure they are more accessible for our stakeholders this year, including introducing a new-look newsletter in response to feedback for more regular information about our work. We also launched our CNI annual report on Great Britain's nuclear industry in October 2021, now in its third year. It confirmed that the industry had performed well during 2020/21 and that the required standards of safety and security had been maintained.

To fulfil the requirements of the Regulators' Code, we published our **Service Standards** in March 2022, to give transparency about our approach to regulatory activities and explain what members of the public, licensees and dutyholders can expect from ONR.

**Priority 3:** Publish our framework to enhance transparency with our stakeholders.

We expect to publish our draft Openness and Transparency Framework for consultation later in 2022, following extensive engagement with various domestic and international stakeholders over the last 12 months to shape its content. We invested significant time in that engagement, which alongside responding to emerging work during the year, means our publication of the framework will follow a little later than originally intended. The framework will set out our policy on public disclosure and our future intentions to deliver on the commitment in our Strategy 2020-25 to be an exemplar for openness and transparency.





## Strategic Theme 3 – Creating a culture of inclusion and excellence

**Priority 4:** Continue to build a positive and inclusive organisational culture, embedding our values into our policies and performance management, and ensuring the sustained health and wellbeing of our staff.

As the COVID-19 pandemic entered its second year, our priority for 2021/22 continued to be ensuring our staff's health, safety and wellbeing, and supporting them to manage different ways of working. We encouraged and empowered staff to share and discuss mental health matters through a programme of learning, support seminars and coaching events that reflected the impact the pandemic had on wellbeing and enhanced the role of our mental health ambassadors. Our approach was well received by our staff, as evidenced in our regular 'pulse' surveys, as well as our routine survey of staff health and wellbeing.

We used pulse and wellbeing surveys to obtain staff feedback, with results scoring favourably against public sector benchmarks. Staff reported valuing the increased flexibility in how we work and appreciated support from their managers. Areas identified for focus included workload demands, working beyond contracted hours and the pace and intensity of our work. We are incredibly proud of the resilience, professionalism and commitment ONR staff maintained throughout the challenges of repeated lockdowns and COVID-19 restrictions.

Staff welcomed our new leadership structure. In June 2021 Mark Foy took up the new combined Chief Executive and Chief Nuclear Inspector (CE/CNI) role, bringing us in line with other global nuclear regulators.

Our focus throughout the year was on equipping leaders and managers to support our people to adapt to a more flexible working environment. This included ONR Academy training which supported remote working and inclusivity as we started to adopt hybrid working. We also introduced additional support to enhance wellbeing and resilience, reduce stressors and foster a culture of inclusion and excellence.

We successfully embedded an Initial Professional Development Programme (IPDP), providing a development framework for new inspectors. We developed tools to evidence and monitor capability and capacity risks and evaluate the impact of formal learning. These combined measures enabled us to maintain an appropriate level of regulatory capability, including over 80% of our inspectors being fully warranted, to ensure the effective delivery of our core purposes.

Continuing to improve our organisational culture was also a key priority this year, with a commitment to create an inclusive environment that fully embraces diversity. We made progress in embedding our organisational values into all our processes and everyday language and started to enhance systems that will help us to further protect the health, safety and wellbeing of our people. Our diversity and inclusion programme included mandatory training, drop-in sessions, taster events and access to a wide range of resources to improve awareness and support managers to value diversity and improve inclusivity. We ran a series of campaigns covering race, menopause, religious and cultural festivals, and bullying and harassment.

Our ambition to attract a more diverse pool of candidates to our recruitment and apprenticeship pipelines remains challenging. Historically, nuclear and engineering industries have low diversity rates, so this will remain a key focus in 2022/23 as we continue to work with our external networks to consider how to overcome this. Despite these challenges, we made significant progress in our diversity and inclusion agenda. We participated in the UK Government Kickstart programme, offering five placements throughout the organisation to young, local unemployed people aged 18-25, providing training and the development of transferable skills to obtain future employment.

We also piloted a reverse mentoring programme with all directors, enabling individuals from across the organisation to share knowledge and understanding of lived experiences, creating awareness to ensure we are equipped to provide inclusive, effective and strong leadership. Feedback from mentors and mentees showed the pilot had a hugely positive impact, and it will now be expanded in 2022/23.

We launched our Gender Equality Network (GEN), led by ONR staff and sponsored and supported by Prospect. Working alongside our Diversity and Inclusion Group, GEN is open to all staff, championing gender equality through interactive awareness events, support, training, advice and external engagement with networks such as Women in Nuclear. We also signed up to the BBC's 50:50 campaign, striving to improve equality of gender representation in our communications and publications. We expect to report our progress on this in 2022/23.

We were proud to be re-accredited as a DWP Disability Confident Leader champion and we developed an intranet Accessibility Hub, following engagement with other public bodies, to improve staff awareness and identify where we can improve accessibility across the organisation. We also worked towards the National Equality Standard and achieved re-accreditation early in 2022/23. Furthermore, we became accredited members of the Merseyside Domestic Abuse Workplace scheme (co-ordinated by the Police and Crime Commissioner's Office), professionally training workplace champions.



## Strategic Theme 4 – Modernising how we work

**Priority 5:** Commence organisational effectiveness improvements utilising our new, modern IT system infrastructure, including delivery of our Well-Informed Regulatory Decisions (WIReD) project and putting in place the capability to enable new ways of working.

In our Strategy 2020-2025 we set out our ambition to modernise how we work and to continue to evolve as an effective and efficient organisation. Our New Ways of Working project (undertaken in 2020) provided extensive insight and learning from our response to COVID-19, with recommendations that are shaping our modernisation agenda. Remote working throughout the pandemic challenged us to reconsider how we use our office spaces, ensuring we retain the greater inclusivity and parity that colleagues based in our London and Cheltenham offices have benefitted from. We launched our Estates Strategy 2025, setting out our commitment to provide cost-effective environments that support flexible and collaborative working.

The lessons learned from our pandemic response also shaped updates to our integrated incident management framework, which will be launched in 2022/23 as part of our business continuity management system.

Recruitment of a permanent Chief Information Officer (CIO) and a Head of Corporate Security & Chief Information Security Officer (CISO) this year ensured we had the necessary expertise to embed professional functional leadership and management, drive IT service management enhancements, develop our digital and security strategies and deliver our cyber resilience portfolio. We developed new apps and reporting tools to improve information management and integrate processes. We also improved our information security through more effective data classification and increased email protection.

We made good progress with WIReD, integrating a data processing tool to create live intelligence dashboards, providing data and analytics and informing regulatory interventions.

Meanwhile, in our efficiency drive we reconsidered levels of project governance across the organisation and scoped our requirements for outsourcing transactional services for finance, procurement and human resources (as part of a wider cluster of public bodies).

The government's independent Post Implementation Review (PIR) of Part Three of the Energy Act 2013 concluded that we are meeting all of our legal obligations and operating effectively as an arm's length body. The report recognised our strengths, especially our effective regulation of Great Britain's nuclear industry. It identified recommendations to enhance and build upon existing practices and processes to focus on charging, risk management, innovation and proportionality, and consistency of our regulation. The findings helped shape our Corporate Plan 2022/23.

In line with our Strategy 2020-25 ambition to review our capabilities and capacity requirements, we also scoped out an organisational review. This will be undertaken in 2022/23, taking into account the benefits of modernisation as well as future regulatory demands and the skills that we will require to meet them.



## Our strategic risks

Each year, our corporate plan is informed by the strategic risks we are seeking to mitigate and manage. We continue to evolve and improve our approach to risk management and welcomed the findings from the PIR about how we can further grow and mature our approach in the future.

Our Risk Management Framework and risk appetite statement (which is reviewed annually and available on our website – **Risk management**) are structured around the key principles stated in the government's **Orange Book**. During the last year, we continued to streamline our processes, focused on improved reporting, and strengthened the internal controls in place to ensure we can manage additional risks that may emerge in the future. This approach supported oversight bodies such as the Audit and Risk Assurance Committee (ARAC), and our SLT, in meeting their responsibilities and is reflected in our current Risk Management Framework, which was finalised in summer 2021.







Our strategic risks evolved throughout the year, with controls and actions helping us to mitigate in some areas, while simultaneously responding to changes in our operating environment, such as the ongoing response to the COVID-19 pandemic. The Government Internal Audit Agency (GIAA) reviewed risk management across ONR in September 2021. It was recognised that risk reporting is well managed, however, more work is required to drive a change in the culture on how risks are managed operationally within our directorates and divisions. Through ongoing improvement activity, we are confident that the audit recommendations are being addressed. We made good progress in actively managing our strategic risks, and gaining a greater awareness and understanding of our risk appetite has enabled us to be responsive to external factors.

During 2022/23, we will continue to improve our understanding of risk appetite and tolerance to improve decision-making at the point that investment and prioritisation choices are made, in line with the recommendations from the PIR.

In summary, the full suite of strategic risks we managed during 2021/22, overseen by our ARAC and Board, is set out below. This includes the trajectory towards the target risk rating, as reported on 31 March 2022, and a summary of the key controls and mitigations taken during the previous 12 months.

## Strategic risk summary

Risk description	Trajectory to target risk rating	Summary of controls and mitigations
Delivering effective and efficient regulation		Our regulation enabled the required standards of safety, security and safeguards compliance to be maintained during the reporting period, with action taken as necessary if there were shortfalls. We continue to develop our effectiveness and efficiency, learning from the response to COVID-19 as necessary to inform our regulation.
Responding to, and recovering from, COVID-19		As set out in the section below, our response to COVID-19 ensured we delivered our mission effectively, and we are using the learning to inform our future ways of working.
Change and/or uncertainty in policies and the environment in which we operate, ensuring we are flexible, adaptable and able to respond to changing contexts		Robust governance and working arrangements with government has ensured effective policy horizon scanning and planning, based on our regulatory planning assumptions, as set out in our annual corporate plan.
Modernising of IT infrastructure and systems		Our permanent Chief Information Officer has strengthened the necessary expertise to embed professional functional leadership and management. Together with our investment in technology, and complemented by a refreshed digital strategy, this focus is driving significant enhancements in IT security and service management.
Effective systems to protect the health, safety and wellbeing of our staff		We have refreshed our organisational Health, Safety and Wellbeing Strategy to continue improving our arrangements to protect and support staff, through effective leadership and management, creating an inclusive culture, further building capability, and additional training, underpinned by increasing staff engagement.
Effective corporate security controls and associated infrastructure		Our permanent Head of Corporate Security & Chief Information Security Officer has enabled enhancements of our digital and security strategies and deliver our cyber resilience portfolio.

Risk description	Trajectory to target risk rating	Summary of controls and mitigations
Organisational capability		In line with strategic theme three priorities in our Strategy 2020-25, we focused on enhancing management and leadership capability, creating a healthy organisational culture and embedding organisational values. We have maintained effective regulatory capability and used diverse recruitment pipelines to source specialist skills where necessary.
Commercial oversight and contract delivery		We have strengthened our commercial capability, with additional resources to support contract managers; and we have adopted a more proportionate, risk-based approach to level of contract oversight and control, ensuring resources are deployed more effectively.
Incident management		The lessons learned from our pandemic response have informed an updated organisational Integrated Incident Management Framework (to be launched in 2022/23), and this has been augmented by additional capacity and capability in our Business Continuity Team.
Financial strategy – funding and charging		We have continued to operate under the auspices of HM Treasury’s Managing Public Money framework, and Cabinet Office Spending Controls to ensure that expenditure is managed appropriately so that we can continue to operate on a 100% cost recovery basis to industry and government.
Responding to environmental and social governance requirements		As set out in the section below, we have published our Environmental Policy Statement of Intent, continue to monitor environmental performance where appropriate for estates, procurement and travel, and report compliance via the Greening Government Commitments.
Managing a portfolio of change		We reviewed our Strategic Change Portfolio to ensure it accurately reflected our priorities and re-considered project governance to ensure it was more proportionate to the size, complexity, risk, cost and impact of each project. We continue to implement guidance to help us better measure and monitor project benefits.
Administration of government’s export control requirements	Target risk rating met	We have introduced new governance, guidance and training, assured appropriately through our internal audit, to support organisational administration compliance with UK export control requirements.

# Our response to and learning from COVID-19

As reported in the performance analysis, while COVID-19 continued to impact society the professionalism and commitment of our staff meant we were able to maintain our organisational resilience, continue to deliver our mission and make good progress against our Strategy 2020-25.

Throughout the pandemic, our Incident Management Team and Recovery Working Group ensured we protected staff health and wellbeing and continued to deliver our core functions.

Learning from the COVID-19 pandemic has been a catalyst for change. Staff feedback is helping to shape new ways of working and our push for simplification and efficiency in how we work. Staff predominantly worked from home for most of the year, but as restrictions lifted, we saw a steady increase in staff returning to the office as part of our transition to hybrid working, which will be part of our new ways of working in future.

This reflects the feedback from our New Ways of Working project. We agreed, as part of the decision-making arising from New Ways of Working feedback, that we would move towards a 'more flexible' approach to working locations, that meets individual, team, operational and organisational needs. We recognise the benefits working at home can bring for some, but also that time in the office is essential to enable effective collaboration, creativity, connection and learning.

Across our licensees and dutyholders, we continued to obtain assurances that they were adequately resourced to deliver their activities safely, securely and in accordance with safeguards requirements. We were satisfied with industry's response throughout 2021/22. All licensed sites continue to be required to determine minimum staffing levels necessary to ensure safe and secure operations, and to have contingency arrangements in the event that these levels are compromised. Industry provided us with regular COVID-19 situation reports that, alongside our site inspections, enabled us to consider adequacy of arrangements.

Throughout the year we assessed our on-site presence in line with prevailing government guidelines and our business needs, ensuring we had a balanced portfolio of on-site inspections and interventions to support effective regulation across our purposes. We adjusted our arrangements as necessary to keep our staff and those we work with safe. We held virtual meetings where possible and considered dutyholders' own site attendance policies when making decisions to attend a site. This was to ensure we balanced protecting staff safety and wellbeing, and that of our dutyholders and surrounding site communities, with maintaining an effective regulatory footprint and gaining suitable assurance on the continued arrangements of the sites we regulate.

As we continue to learn from the pandemic response, during the coming year, we will develop our regulatory standards for nuclear industry preparedness for pandemics and other potential societal disruptions, and benchmark industry's preparedness. We will work collaboratively with government and continue to engage with international partners to share knowledge and good practice.

## The UK's exit from the EU

The UK's exit from the EU did not adversely impact on the delivery of our priorities during 2021/22. Other than expenditure relating to UK SSAC (Note 4 to the financial statements), no specific EU-related expenditure was incurred during 2021/22.

## 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 for 2022/23. The grant covers activities we are not permitted to recover from industry, such as fire safety and aspects of transport regulation. The income generated from cost recovery funds our regulation of the industry.

The grant is agreed for the current Spending Review period and our funding allocation for 2022/23 has been agreed with the DWP. For 2021/22, net assets totalling £11.4 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 on our capacity to undertake regulatory activities and consequently our ability to recover associated costs is not adversely affected. From 1 April 2022, BEIS no longer funds the majority of UKSSAC activities as new fees regulations (**The Nuclear Safeguards (Fees) Regulations 2021**) were introduced allowing us to recover relevant costs.

Consequently, the Board has adopted the going concern basis for the preparation of the financial statements in this Annual Report and Accounts.

# Our financial performance

## Financial review

For 2021/22, our final outturn was £87.1 million (2020/21: £96.5 million), including capital spend of £1.0 million (2020/21: £3.2 million). This was an underspend of £7.9 million (2020/21: overspend of £4.6 million) compared to an initial budget of £95 million (2020/21: £91.9 million). Expenditure of £86.1 million (2020/21: £93.3 million) shown in the accounts (page 75) excludes capital spend.

The net deficit of £151,000 shown in the Financial Statements comprises the following:

- £773,000 surplus relating to the release of all remaining deferred income, as we are at the end of the agreement with BEIS for the provision of a domestic safeguards regime. This will be off-set in future years by amortisation of the Safeguards Information Management and Reporting System asset until the end of its useful life (expected to be December 2025). As BEIS funded the asset, dutyholders will not be charged for this amortisation. This is offset by:
- a £924,000 deficit relating to a new provision for our estimated liability resulting from our review of relevant fees regulations covering the period from 1 April 2014 to 31 March 2021. Discussions with government are underway to establish the appropriate funding mechanism for the identified provision

The Board received regular updates on financial developments during the year to understand the impact of key issues on outcomes and costs. The main reasons for the underspend include:

- a reduction in vetting-related costs from Cabinet Office
- a reduction in staff costs resulting from slippages in recruitment plans
- demand savings on IT, research and technical support contracts
- reduced learning and development
- travel and subsistence costs, due to the travel restrictions which prevailed through most of the year

We drew down a new £2 million capital loan from DWP during the year. This was in addition to the £9.8 million capital loan fully drawn down during 2020/21. The new loan provides working capital financing to support the capital expenditure requirements for WIRed and other modernisation activities to develop and enhance our infrastructure (including IT, furniture and estate upgrades). The loan enables us to operate on a self-sufficient basis whilst protecting cash flow. We started repaying the £9.8 million loan in December 2020 and repayment of the £2 million loan is due to start in November 2022.

# Looking forward

Our Corporate Plan 2022/23 was published in June 2022, which sets out the following top five ambitions:

- 1** Influence timely and enduring improvements across the nuclear industry.
- 2** Promote innovation through our regulation and our organisation, sustainability in our operations, and collaboration across our regulatory functions and corporate services.
- 3** Increase openness and transparency across our work.
- 4** Live all our values all the time, advocating equality, diversity and inclusion.
- 5** Drive simplification and efficiency in our systems, practices and processes.

# Environmental and sustainability matters

We acknowledge and accept our responsibility to manage and reduce the impact that our activities as a public corporation and as a regulator have on the environment. By reducing our consumption of resources, using those we must consume more efficiently and where possible balancing unavoidable emissions, we aim to minimise the environmental impacts of our operations. We will also bear in mind the need to seek fit for purpose sustainable solutions as we undertake our regulatory activities.

Our Strategy 2020-25 specifically references the need to consider how we can reduce our environmental and carbon impact in line with broader government objectives for net zero. In November 2021 we published our **Statement of intent for an environmental policy**,\* which sets out our intent to develop an ONR environmental policy, and the steps we will take in the meantime to reduce our environmental impact, in line with our Strategy 2020-25 ambition and broader government objectives for net zero. Our staff are helping to ensure these aims and objectives are met, and we will continue to engage with our external stakeholders regarding our aspirations. We will focus on our environmental agenda, continuing our effort to identify initiatives that will enable us to deliver on our statement of intent and environmental sustainability.

We are committed to meeting our obligations under the Greening Government Commitments as a minimum and commenced reporting against government targets during 2021/22. We submitted a quarterly return covering transport, utilities usage and waste via our sponsor department, DWP. Greening Government disclosures are made in full by DWP in their Annual Report and Accounts.

Recognising that travel has increased as COVID-19 restrictions have eased, we continued to encourage the use of public transport where possible for business travel (with appropriate adjustments in line with COVID-19 health measures) and made advanced salary provision (on an interest free loan basis) for staff to travel from home to work, as part of government's Cycle to Work scheme. We also made increased use of digital communication methods and enhanced video conferencing capability, reducing the need for travel to meetings and thereby lowering the level of the associated emissions.

We were not the majority occupier at any of our office locations but continued to work with our respective landlords in the collation and reporting of data relating to matters such as energy emissions, carbon footprint, and waste and utilities management. We also proactively engaged with landlords to ensure they have, and maintain, a responsible corporate sustainability policy.

We supported local office environmental policies and commitments and have already introduced a number of initiatives to promote and deliver our longer-term sustainability agenda. These include the 'nil to landfill' policy operated at our Bootle office, and recycling waste such as plastic, glass, metal, paper, electrical and fluorescent bulbs, and food which goes to make biofuels. We have installed LED lights and set them to automatically go out when not in use and replaced free-flowing taps with auto-cut off versions to reduce energy consumption.

We support a sustainable procurement programme; when tendering contracts, we seek to engage with suppliers that adopt a positive approach to environmental and sustainability matters, such as our furniture supplier which has a robust recycling policy, which we take active advantage of when possible.

\* <https://www.onr.org.uk/documents/onr-statement-of-intent.pdf>

## Mark Foy

Chief Executive and Chief Nuclear Inspector, Office for Nuclear Regulation

6 October 2022





# Accountability report

# Corporate governance report

This report provides information on our governance structures and how they support the achievement of our objectives. It includes the ‘Directors’ report’, the ‘Statement of Chief Executive’s responsibilities’ and the ‘Governance statement’.

## Directors’ report

Board at 31 March 2022



**Mark McAllister**  
Chair



**Jean Llewellyn OBE**  
Non-Executive



**Dr Janet Wilson**  
Non-Executive



**Sir Simon Lister**  
Non-Executive



**Sarika Patel**  
Non-Executive



**Tracey Matthews**  
Non-Executive



**Mark Foy**  
Chief Executive  
& Chief Nuclear  
Inspector



**Sarah High**  
Deputy Chief  
Executive



**Donald Urquhart**  
Executive Director  
of Operations  
& DCNI

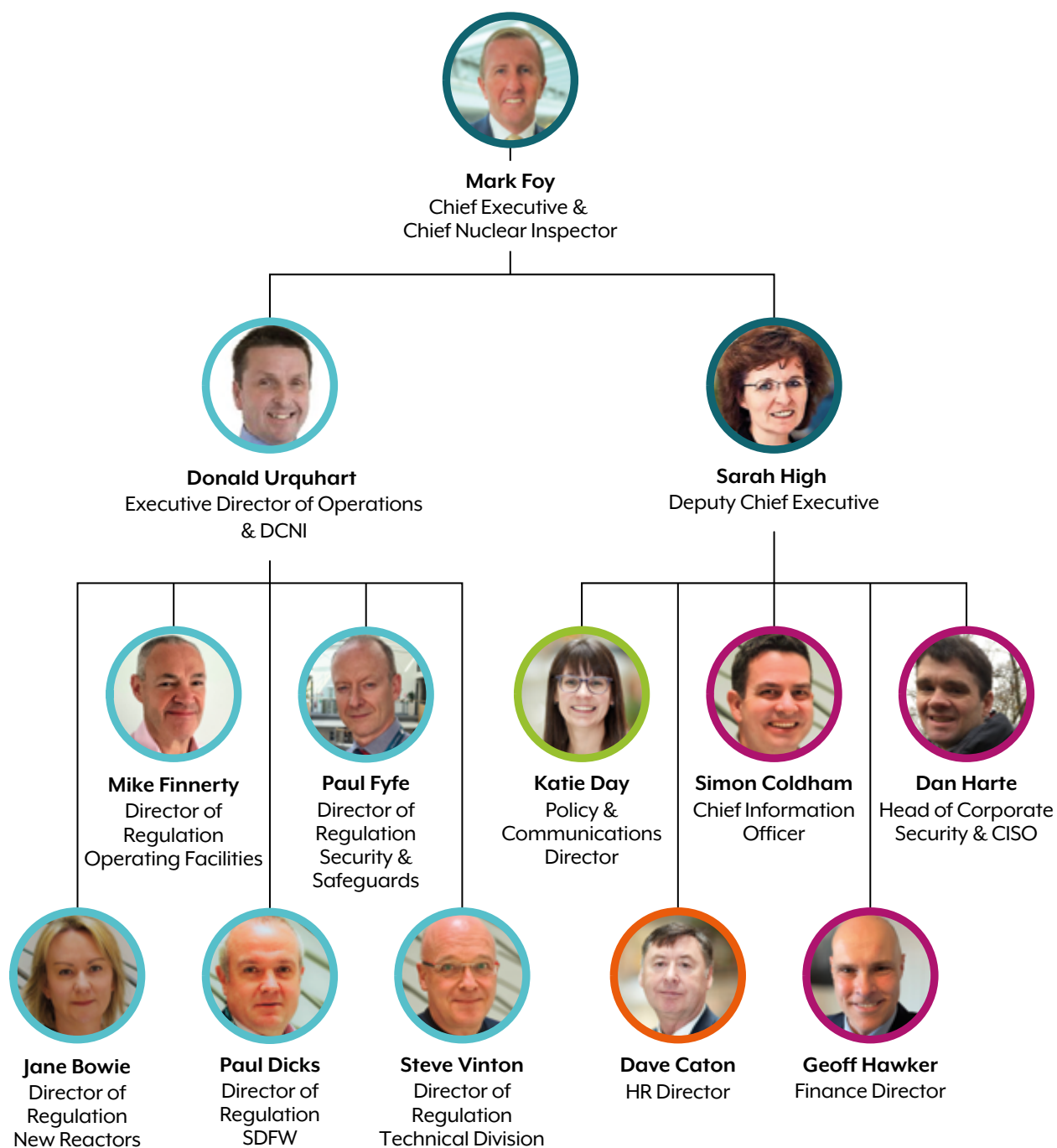


**Geoff Hawker**  
Finance Director

### Key

DCNI – Deputy Chief Nuclear Inspector

## Organisation structure at 31 March 2022



**Key**

DCNI – Deputy Chief Nuclear Inspector  
 SDFW – Sellafeld, Decommissioning, Fuel & Waste  
 CISO – Chief Information Security Officer

The current ONR Board and Executive structure can be found at: [Office for Nuclear Regulation – ONR Board & Executive structure](#).

For information about changes to our executive governance arrangements since 31 March 2022, see page 44.

### Changes to Board membership

Name	Date	Event	Role
Donald Urquhart	1 April 2021	Appointment as Executive Director of Operations	Executive Director/ Board member
Dave Caton	1 April 2021	Role changed from Executive Director to attendee	HR Director
Adrienne Kelbie	1 June 2021	Contract ended 31 May 2021	Former Board member
Geoff Hawker	6 July 2021	Appointment as Finance Director	Executive Director/ Board member

### Managing conflicts of interest

Details of the management of conflicts of interest can be found within the governance statement.

### Personal data related incidents

Details of personal data related incidents can be found within the governance statement.

## 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, and in particular to:

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

The Chief Executive of ONR has responsibilities for the propriety and regularity of the public finances for which the Chief Executive 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 have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that ONR's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

## Governance statement

This statement sets out our system of governance, internal control and risk management designed to manage rather than eliminate the risk of failure to achieve policy aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. It applies to the financial year 1 April 2021 to 31 March 2022 and up to the approval of the Annual Report and Accounts. I took over the role of CE/CNI from 1 June 2021 and received written assurance from Adrienne Kelbie (Chief Executive until 31 May 2021) to inform my approval of this governance statement.

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

We are 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 (ALB), such as ONR, conform to the requirements of both propriety and good financial management
- the Board, created by the Energy Act 2013 when establishing ONR as an independent public corporation
- the CE/CNI'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'.

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.

## Accountability to Parliament

We are directly accountable to DWP as our sponsor department. The Secretary of State for Work and Pensions has the principal responsibility to Parliament for our governance, finance and performance in relation to conventional health and safety.

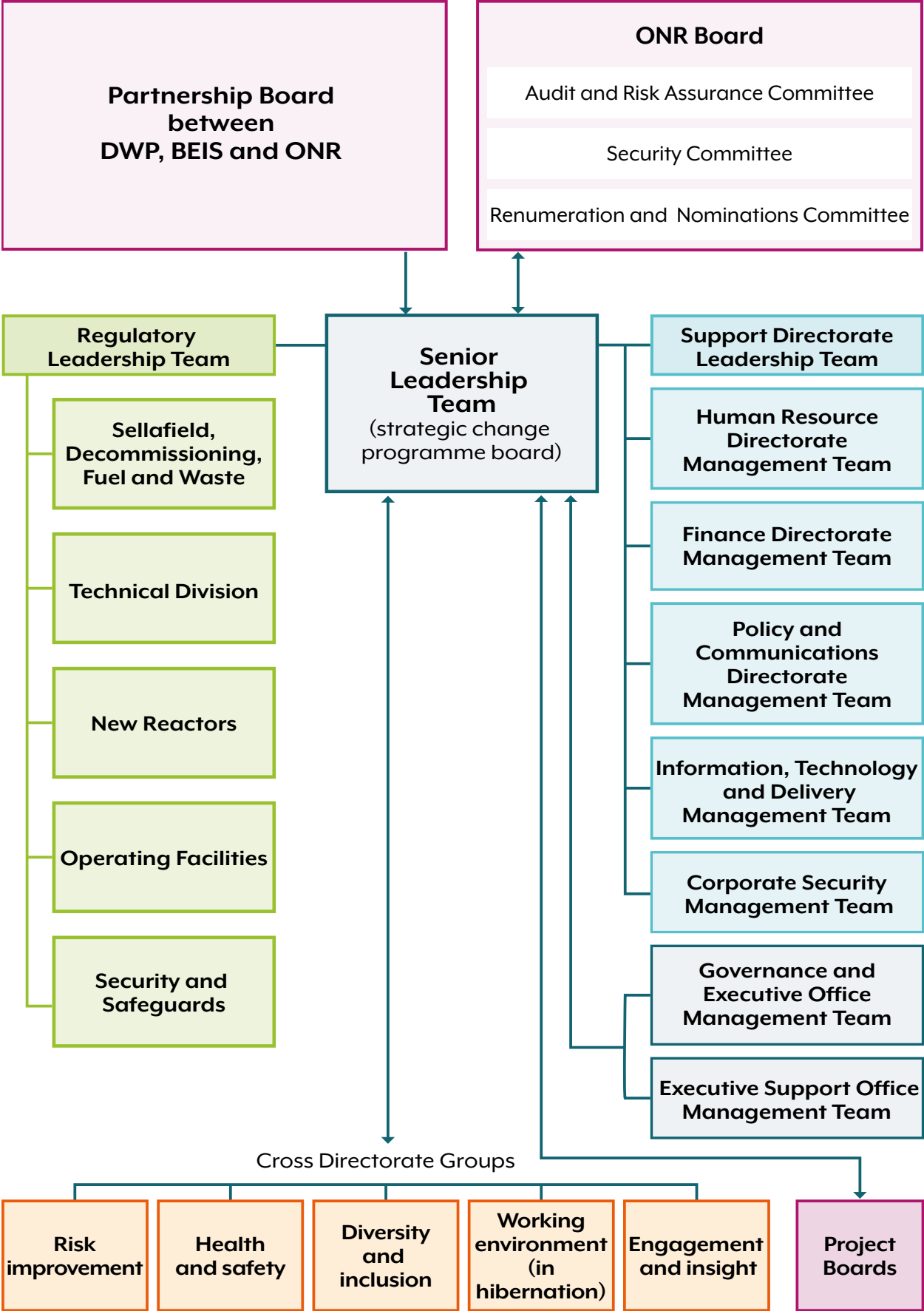
These responsibilities are delegated to the responsible minister, who will account for these matters in Parliament.

Details of our governance arrangements are provided in **the ONR/DWP framework document**. This sets out the roles and responsibilities of DWP, our Board and Chair, and our Chief Executive/Chief Nuclear Inspector and their 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 the Ministry of Defence (MoD).

We provided assurance to ministers on our regulatory effectiveness and performance in nuclear safety, security and safeguards 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, BEIS, and ONR (with MoD now also a standing attendee from the March 2022 meeting). The ONR Partnership Board reviewed our operational and financial performance, policy requirements from BEIS, key risks and emerging issues. We provided reports to DWP on financial forecasts and use of resources and quarterly reporting on operational performance. The day-to-day sponsorship role continued to be discharged by the Head of DWP's ALB Partnership Division.

Corporate and Executive Governance Framework as at 31 March 2022





## The Board

The Board is specifically responsible for:

- establishing and delivering our strategic aims and objectives consistent with our overall strategic direction and within the agreed government policy and the resources framework approved by the Secretary of State
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on our strategic direction or on the attainability of our targets, and determining the steps needed to deal with such changes
- ensuring we comply with any statutory or administrative requirements for the use of public funds
- setting up an ARAC, in accordance with the Code of Good Practice for Corporate Governance and Audit Committee Handbook and chaired by a non-executive member, to provide independent advice
- 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 CE and the CNI, subject to ministerial approval and setting performance objectives for the CE (this is currently a combined role)
- proposing the CE/CNI's remuneration, which must be agreed by the responsible minister, after consulting the Chief Secretary to the Treasury where required

## Work of the Board

Board agendas were balanced between corporate and regulatory business and the Board Forward Plan was periodically reviewed to ensure it continued to support delivery of our strategic intent. Executive Board members sponsor agenda items and ensure the paperwork meets agreed standards. This ensures paperwork is of a similar quality and supports focused discussions on key issues.

Board oversight and challenge focused on high-risk matters, in particular:

- implementing and embedding our restructuring from 1 June 2021 as we merged the CE and CNI roles into a combined CE/CNI
- contributing to the PIR, ensuring that the lead reviewer and their team had full and open access to Board, staff and material/information
- embedding the new safeguards regime to account for nuclear materials with effect from 1 January 2021
- seeking assurance of our treatment of stakeholder management and public interest issues
- continuing to exercise significant scrutiny and challenge of our modernisation project WIReD
- approving our Corporate Cyber Security Strategy
- providing a robust challenge of the budget for 2022/23 reflecting the overall focus of driving a more efficient organisation supported by improved organisational effectiveness, resilience and enhanced leadership capability
- ensuring we continued to influence improvements in nuclear safety and security
- supporting the Senior Leadership Team in ensuring:
  - staff health, safety and wellbeing
  - business continuity and resilience
  - assurance reporting to government on civil nuclear site safety/security compliance
  - essential regulatory oversight was maintained
- taking an enhanced interest in regulatory assurance, risk and risk appetite and responding effectively and collaboratively with government and across the international community to support the evolving developments in Ukraine
- implementing the agreed recommendations from an external effectiveness review of the Board and ARAC which reported in February 2021, including approval of our Corporate Governance Framework and an updated Scheme of Delegation

An in-person Board strategy session took place in October 2021 following the appropriate government pandemic guidance, providing the first opportunity for newly appointed non-executive directors to meet colleagues face-to-face. Senior officials from DWP, BEIS and MoD also attended. The rich conversations provided insights into a range of perspectives around collaboration, simplification, innovation, culture, efficiency, succession planning and driving value, to inform planning for 2022/23 and beyond.

The Board also realised its ambition of greater board-to-board engagement with licensees by initiating the first ever ONR/Sellafield Limited joint Board meeting and by attending licensee board meetings. Board members also took part in a multi-agency site visit to Sizewell B/C, with the chairs of the Environment Agency (EA) and the Health and Safety Executive (HSE) and their officials.

During 2021/22, the Board was supported by its three committees: ARAC, the Remuneration and Nominations Committee (RNC) and the Security Committee (SC). The Terms of Reference for each are detailed in the [Corporate Governance Framework](#).

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

ARAC is responsible for providing assurance to the Board on the maintenance of appropriate and adequate audit processes, and for the governance of the internal and external audit programmes and has oversight of ONR's risk management processes.

Throughout the year, areas of focus included:

- quarterly reviews of the strategic risk register in order to gain assurance that risks were being managed and effective mitigations were in place
- a series of deep dives into areas of greatest risk and/or where other sources of assurance were requested to gain an understanding of the underlying causes, the latest position and how we intended to mitigate the risk
- assessing reports from our Internal Audit and Regulatory Assurance function to gain independent assurance on our control environment in line with our Audit and Assurance Framework, including approval of audit plans and review of progress to implement recommendations
- regular updates on strategic projects (such as WIReD) to give assurance to the committee on progress against delivery milestones and risks identified
- the Annual Report and Accounts including the Annual Governance Statement
- the Policy Compliance Report, which details the levels of compliance in respect of organisational obligations
- the Corporate Security Dashboard detailing the level of and response to security incidents
- regular updates on the impact of the continuing COVID-19 pandemic to ensure our proportionate and pragmatic response

### **Remuneration and Nominations Committee (RNC)**

The committee has oversight of all matters relating to the remuneration and performance of executive board members and the framework for director level (Senior Civil Service (SCS) equivalent) staff. It is responsible for making recommendations to the Board and the DWP Sponsorship Team, for ministerial decision on the appointment of the CE/CNI. It takes a strategic approach to succession planning for the Board and has oversight of the approach for the wider organisation.

Throughout the year, areas of focus included:

- senior staff performance against strategic objectives
- consideration of senior team remuneration (consistent with UK government expectations)
- consideration of senior staff pay proposals for 2022/23
- progress on addressing issues identified in the external Pay and Grading Review (which was concluded in October 2019)
- SLT succession planning and development and the performance objectives structure for directors
- updates on non-executive director recruitment and the non-executive directors' skills self-assessment

To support its remuneration considerations, the Committee commissioned and reviewed a broad range of information, including: Cabinet Office guidance; existing levels of remuneration; market intelligence on pay levels via benchmarking; comparators across the public and private sector; and economic factors.

### **Security Committee (SC)**

The SC is responsible for examining our Annual Review of Security Report to provide assurance to the Board that we are providing efficient and effective security regulation of the nuclear industry, holding it to account on behalf of the public.

The Executive Director of Operations (EDO) and Deputy Chief Inspector for Civil Nuclear Security and Safeguards (CNSS) attended, along with senior officials from BEIS, Civil Nuclear Constabulary, National Cyber Security Centre, MoD, and Centre for the Protection of National Infrastructure, providing challenge and bringing different perspectives.

Throughout the year, areas of focus included:

- transparency of security regulation
- cyber security threat to the civil nuclear industry
- draft Annual Review of Security 2021/22
- draft CNSS regulatory plan 2022/23

From June 2021, it was agreed that going forward it will meet at least three times a year to review standing items (such as the Annual Review of Security and Annual Threat Assessment) and other key topics identified by members/attendees.

**Board member attendance at meetings 1 April 2021 to 31 March 2022**

	<b>Board (8)</b>	<b>ARAC (4)</b>	<b>RNC (4)</b>	<b>SC (1)</b>
<b>Non-executive members</b>				
Mark McAllister (Chair)	8 (of 8)	1 (of 1)*	4 (of 4)	1 (of 1)
Sarika Patel	8 (of 8)	4 (of 4)	N/A	N/A
Simon Lister	7 (of 8)	N/A	N/A	0 (of 1)
Janet Wilson	8 (of 8)	4 (of 4)	4 (of 4)	1 (of 1)
Tracey Matthews	8 (of 8)	N/A	4 (of 4)	N/A
Jean Llewellyn	8 (of 8)	4 (of 4)	N/A	1 (of 1)
Chris Wood (ARAC Independent Member)	N/A	4 (of 4)	N/A	N/A
<b>Executive members</b>				
Adrienne Kelbie (Chief Executive contract ended 31 May 2021)	1 (of 1)	1 (of 1)	1 (of 1)	N/A
Mark Foy (Joined RNC June 2021)	8 (of 8)	4 (of 4)	3 (of 3)	N/A
Sarah High (Joined RNC June 2021)	8 (of 8)	4 (of 4)	3 (of 3)	N/A
Donald Urquhart	8 (of 8)	N/A	N/A	1 (of 1)
Geoff Hawker (Joined ONR from 1 July 2021)	6 (of 6)	2 (of 2)	N/A	N/A

\* The Chair of the Board attended one meeting in line with the ARAC terms of reference.

## Monitoring performance of the Board and its committees

The Board routinely received written updates from committee chairs and formal minutes where appropriate.

ARAC, the RNC and the SC provided annual reports to the Board, providing assurance that each had acted in accordance with its delegated powers.

An independent, external effectiveness review of the Board and its committees was undertaken during 2020/21 and all agreed recommendations completed.

A light-touch internal effectiveness review was conducted during quarter 4, with a small number of recommendations endorsed to embrace continual improvement.

The Chair completed a self-assessment of his own performance, as well as his priorities for the next reporting year, to inform his annual performance review with our sponsor minister at DWP. The Chair also carried out mid- and end-year appraisals with each NED and the CE/CNI 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 taken place was sent to DWP as our sponsor department. The CE/CNI addressed executive director appraisals in consultation with the Chair.

## Managing conflicts of interest

All Board members were required to record outside interests and maintain an up-to-date [register of interests](#).

Our [Corporate Governance Framework](#) sets out the process to be followed should a Board member identify a potential conflict of interest. All members were asked to declare potential conflicts of interests at each Board and committee meeting. Five conflicts of interest were raised by executive members (in relation to their own performance or remuneration) during which time they did not take part in the meeting, as recorded in the minutes of the Remuneration and Nominations Committee.

## Transparency

The Board's strategy promotes openness and transparency about our regulation and work, based on a presumption of disclosure. In line with our Publication Scheme, we publish [Board minutes](#) on our website.

We received 63 requests under the Freedom of Information Act 2000 and three under the Environment Information Regulations 2004. Further information about how we handle requests, and our responses are [publicly available](#).

We received two Subject Rights Requests under the General Data Protection Regulations (GDPR)/Data Protection (DPA) Act 2018, for access to personal data. Both were resolved within the required timescales.

Two complaints (originating externally in relation to part of our work) and 20 concerns (from members of the public or employees relating to a wrongdoing in a workplace in relation to a matter that we regulate) were received. All complaints and concerns were completed to the third parties' satisfaction.

## Whistleblowing

### Internal

No internal cases were raised.

### External

During 2021/22, we handled 13 protected disclosures across all our regulatory divisions, in accordance with our whistleblowing procedure. Of the 13 reports, three were carried forward from 2020/21 and closed in-year and one that was carried forward from 2019/20 was also closed in-year. Nine new protected disclosures were received. Of these, one was closed in-year and eight were carried forward into 2022/23 as our enquiries continue. Enquiries into seven of the eight cases carried forward are well advanced, and we expect them to close during Quarter 1 of 2022/23. The remaining case is awaiting preliminary enquiries.

Whistleblowers continue to provide valuable regulatory intelligence in specific areas of work within our regulatory remit, in some cases confirmatory. Where we found evidence that the matters reported might affect safety, we took appropriate action to ensure this was addressed. Of the five cases closed in-year, three led to actions and recommendations that will be embedded into our routine regulation and also enabled ongoing engagements with licensees around good practice. Two of the reports required no regulatory action. Whether or not reports led to formal action, all were used as an important source of regulatory intelligence.

## Senior Leadership Team (SLT)

During 2021/22, the SLT was responsible for the delivery of our strategy and corporate plan. It was the strategic executive decision-making body, supporting the Board to carry out the legislative, policy, operational and administrative functions and requirements.

The SLT acted as the Strategic Change Programme Board, reflecting shared accountability to support delivery of our infrastructure and resilience change agenda.

The SLT met virtually in August 2021 and February 2022, focusing on team building, developing effective strategic and inclusive leadership, promoting culture change, and ensuring effective succession planning. This was supported with individual executive coaching.

The Regulatory Leadership Team (RLT) provides regulatory directorate operational and business leadership and performance management, to ensure the CNI's statutory role and related delegated regulatory authorities retain visibility and independence.

The Support Directorate Leadership Team (SDLT) provides all support directorates with operational and business leadership and performance management. It ensures collective responsibility for organisational stewardship and cross-cutting strategic matters to enable support directorates to deliver high-quality outcomes in support of our mission.

In March 2022, SLT agreed changes (implemented from 1 May 2022) to our executive governance arrangements, aligning governance with accountability and increasing the agility of decision making. A new ONR executive team was established, comprising the CE/CNI, Deputy Chief Executive (DCE) and Executive Director of Regulation (EDR) (formally called the EDO), to replace the existing SLT for strategic direction and decision making purposes. Diversity of thought is preserved through attendance from relevant subject matter experts, functional leads and wider representation as required. Two other SLT members also attend each meeting, on a rotation basis, to act as a critical friend.

SLT now meet quarterly, with delegated responsibility for the leadership and delivery of strategic work across ONR. RLT and SDLT (now renamed Corporate Services Leadership Team) remain the operational decision-making bodies, with transactional, operational and tactical business performance delegated to them.

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

The Board is responsible for our systems of risk management and internal control. It considers the key risks and reviews risk appetite annually. Our updated 'Risk appetite statement' is published annually as part of our corporate plan.

Risk management is delegated through clear lines of executive accountability. Regular review and challenge of strategic risks is undertaken by the Risk Improvement Group (RIG), chaired by the Finance Director. The group considers and makes recommendations to ARAC on the escalation and de-escalation of risks and the effectiveness of mitigations. ARAC reviews the Strategic Risk Register on a quarterly basis to provide assurance to the Board. Additionally, the Board undertakes an annual review of the register and has committed to conduct an annual deep dive of a strategic risk.

Through individual letters of assurance, Directors describe the governance and control arrangements that they have put in place for their directorate or project demonstrating delivery and how they have discharged their role against their annual letters of delegation. Internal audits are also used to test elements of the control environment. Both activities are detailed in the Accountability Report.

It is important to note that internal control systems are designed to manage the risk of failure to business objectives but cannot be expected to wholly eliminate them. Along the same lines, the most that an internal audit service can provide is reasonable assurance that there are no major weaknesses in those systems/processes audited.

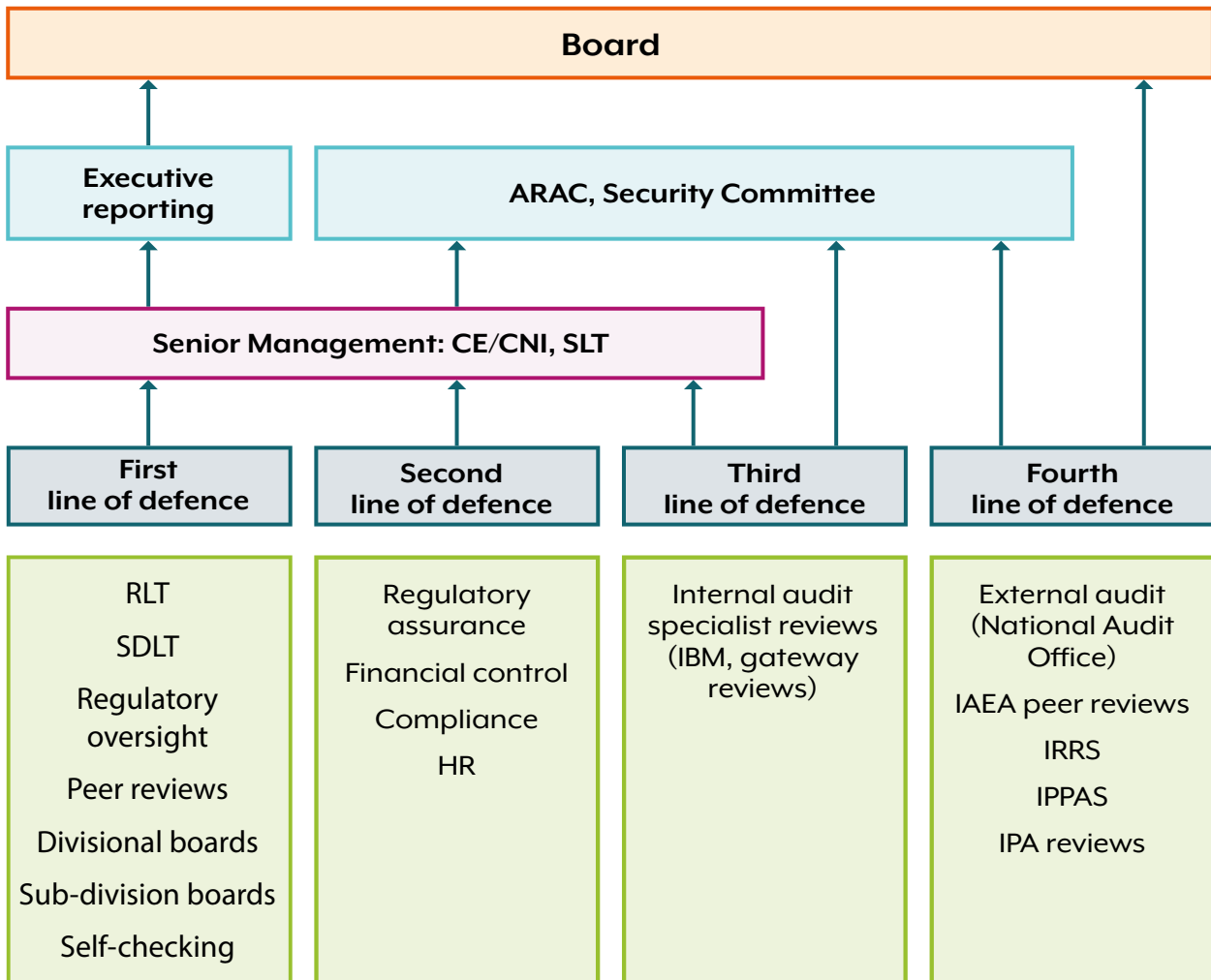
Strategic risks are set out and described on page 22.

### **Chief Executive/Chief Nuclear Inspector's (CE/CNI) review of effectiveness**

As CE/CNI, I have reviewed the sources of assurance available to me, in line with the integrated audit and assurance framework. This 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 this framework is aligned with corporate and executive governance arrangements.



**ONR integrated audit and assurance framework 2021/22**



The annual integrated audit and assurance plan was agreed by ARAC with the flexibility in-year to respond to changes in priorities.

**Government Internal Audit Agency (GIAA)**

Our internal audit function is provided by GIAA. Based on the audits undertaken, the Head of Internal Audit provided an overall ‘moderate’ assurance in respect of the adequacy and effectiveness of the framework for governance, risk management and control.

Of the audits undertaken during 2021/22, the risk management review found some areas of good practice, specifically regarding risk identification and discussion, and risk reporting. However, the audit also found some weaknesses in the framework of control at an operational level, which need to be addressed. Since this audit was completed a risk management transformation plan has been in development, and once fully implemented by the end of March 2023, will provide a clear roadmap to strengthened processes. Early focus of this plan has been on the procurement and implementation of a new Risk Management IT system which will provide a sound foundation from which further improvements can be driven.

## Regulatory assurance

Our internal Regulatory Assurance function provided the CE/CNI and ARAC with assurance on compliance, quality and effectiveness of our core regulatory activities, including decision-making processes and assurance that front line regulatory activities were compliant with our processes.

The Head of Regulatory Assurance provided an overall ‘moderate’ assurance rating for 2021/22, concluding that the reviews did not identify any significant matters that challenge confidence in the robustness of our regulatory decision making, providing assurance that we are regulating the industry in accordance with our purposes, as required by the Energy Act 2013.

The ‘moderate’ ratings from both GIAA and Regulatory Assurance acknowledge that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

## Letters of assurance

Letters of assurance were provided by members of our SLT, outlining the effectiveness of systems of governance, risk management and internal control within their areas of responsibility (including any Senior Responsible Owners responsibility). Letters place accountability on SLT members, as information asset owners, for ensuring the appropriate processing of personal data within their areas of responsibility and compliance with our data protection policy, procedures and guidance.

The responses to all letters of assurance, including the reported areas of exception, have been considered to inform this governance statement. There were no issues identified that required separate disclosure to those already identified with this statement or elsewhere within the Annual Report.

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

SSCL continues to operate our employee-related HR, payroll and expenses administration, financial accounting, procurement and relevant IT processes as part of a wider service to government.

The letter of assurance from the Delivery Director of Government Business Services in respect of SSCL’s performance was received and considered. The letter outlined that PWC’s opinion was, “...generally satisfactory with some improvements required” and that GIAA’s opinion was “moderate” with some improvements required. However, having considered the compensating controls within ONR, I am satisfied that there is no material impact on our financial statements. I am assured that Government Business Services will continue to review with SSCL on a monthly basis, through to resolution, all recommendations. I will monitor progress, seeking assurances as appropriate.

## Other sources of assurance and cyber security

Assurance was provided to ARAC via quarterly reporting of the Policy Compliance Report, which detailed the level of compliance, instances of non-compliance, and any mitigating action to reduce and prevent repetition of non-compliance. The quarterly Policy Compliance Report included:

### Cyber Security

Following our successful separation of our IT systems from HSE in 2020/21 and in line with our Corporate Security Strategy, we successfully implemented Microsoft Information Classification tooling, supported by guidance and e-learning, which ensures consistent marking in line with Government Security Classification of all documents created. This allows us to better understand and protect our information. We were independently assessed as ‘Green’ against Regulation 22 of Nuclear Industries Security

Regulations 2003 demonstrating we adhere to the standards expected of the Civil Nuclear Industry in handling information.

### **Data protection/GDPR compliance**

We continued to strengthen our compliance with data protection legislation by updating our Data Protection Policy and supporting procedures. We introduced mandatory data protection e-learning to ensure staff understand their responsibilities and hosted drop-in sessions for further information.

Data protection compliance is reported annually to the Board. Self-assessment against the 'DWP Data Protection Health Check' indicated we are at the higher end of moderate compliance. A small number of areas for improvement were identified in relation to compliance monitoring activity. In 2022/23, we will roll out a Compliance Monitoring Framework, enabling us to regularly review data protection risks and identify any areas for mitigation.

### **Data security breaches relating to personal data**

14 data breaches occurred during 2021/22, all of which were investigated and assessed as minimal risk/non-reportable to the supervisory authority. We used the learning from the incidents to deliver process enhancements, training, and awareness activity.

### **Gifts and hospitality**

A register was maintained during the financial year (for review by the Finance Director), recording any gifts or hospitality offered to or by staff and confirming whether any were accepted. Compliance was within policy with staff regularly completing and submitting the appropriate returns with evidence of approval by their managers.

### **Fraud, anti-bribery and corruption**

Staff were required to comply with established policies relating to fraud, anti-bribery and corruption; none (actual or suspected) were reported.

## **Conclusion**

Taking into account the assurances I have received, together with other evidence available to me, I conclude that ONR has a satisfactory system of governance, risk management (taking into account the risk management transformation activity that will continue throughout 2022/23) and internal control with effective plans to ensure continuous improvement.

While the Board considers the overall control environment to be adequate, with no significant issues reported, some minor exceptions required appropriate consideration, control and response. These are reflected in our strategic risks, as set out above on page 22, and will continue to be managed in line with planned mitigations.

Significant work has been undertaken by SLT over the last financial year, reflecting many improvements to the control environment and, where necessary, actions continue to be progressed.

# Remuneration and staff report

This report sets out our remuneration policy for directors how it was implemented, the amounts awarded to Board members, and additional information on remuneration and staff.

## Service contracts

Our principle is 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 that 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.

Further information about the work of the Civil Service Commission can be found at

[www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

## Remuneration policy

Recommendations on 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 ONR Remuneration and Nominations Committee.

## Remuneration and pension entitlements for Board members

Board members' pay (this information is subject to audit)

	Salary (£'000)		Bonus payments (£'000)	
	2021/22	2020/21	2021/22	2020/21
<b>Non-executives</b>				
Mark McAllister	50-55	50-55	–	–
Sarika Patel	10-15	10-15	–	–
Simon Lister (b)	–	–	–	–
Janet Wilson (c)	10-15	10-15	–	–
Tracey Matthews (d)	10-15	10-15	–	–
Jean Llewellyn (e)	10-15	5-10	–	–
Oona Muirhead (f)	–	5-10	–	–
Bronwyn Hill (g)	–	0-5	–	–
<b>Executives</b>				
Chief Executive and Chief Nuclear Inspector Mark Foy (h)	175-180	170-175	15-20	10-15
Chief Executive Adrienne Kelbie (i)	95-100	160-165	–	35-40
Deputy Chief Executive Sarah High (j)	130-135	120-125	10-15	10-15
Executive Director of Operations Donald Urquhart (k)	125-130	–	5-10	–
Finance Director Geoff Hawker (l)	70-75	–	5-10	–
HR Director David Caton (m)	–	95-100	–	5-10

Benefits in kind (to nearest £100)		Pension benefits (£'000) (a)		Total (£'000)	
2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
–	100	–	–	50-55	50-55
100	–	–	–	15-20	10-15
–	–	–	–	–	–
–	–	–	–	10-15	10-15
–	–	–	–	10-15	10-15
–	–	–	–	10-15	5-10
–	–	–	–	–	5-10
–	–	–	–	–	0-5
–	–	249	54	440-445	235-240
–	–	10	64	105-110	260-265
–	–	67	64	205-210	195-200
–	–	24	–	155-160	–
–	–	28	–	105-110	–
–	–	–	51	–	150-155

**Notes:**

- (a) 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 increases or decreases due to a transfer of pension rights.
- (b) Simon Lister was re-appointed for a period of four years from 5 March 2022. Simon was remunerated by BAE Systems plc during 2021/22.
- (c) The term of office for Janet Wilson commenced on 1 April 2020.
- (d) The term of office for Tracey Matthews commenced on 1 June 2020. Full-year equivalent salary for 2020/21 was £10-15k.
- (e) The term of office for Jean Llewellyn commenced on 1 October 2020. Full-year equivalent salary for 2020/21 was £10-15k.
- (f) The term of office for Oona Muirhead ended on 30 September 2020. Full-year equivalent salary was £10-15k.
- (g) The term of office for Bronwyn Hill ended on 31 May 2020. Full-year equivalent salary was £10-15k.
- (h) The salary for Mark Foy comprises: £170-175k annual salary and £0-5K additional responsibility allowance, agreed by our Remuneration and Nominations Committee, as Senior Responsible Owner for the WIReD programme up to 31 May 2022.
- (i) Adrienne Kelbie's appointment as Chief Executive ended on 31 May 2021. However, Adrienne remained in post for a further month to assist with transitional arrangements. Salary comprises: £40-45k annual salary, £50-55k payment in lieu of notice and £5-10k payment for untaken annual leave. Full-year equivalent salary for 2021/22 was £160-165k.
- (j) The salary for Sarah High comprises: £125-130k annual salary and £0-5k payment for untaken annual leave.
- (k) The salary for Donald Urquhart comprises: £110-115k annual salary and £10-15k additional responsibility allowance, agreed by our Remuneration and Nominations Committee, for the role of Executive Director of Operations.
- (l) Geoff Hawker was appointed as member of the Board on 6 July 2021. Full-year equivalent salary was £95-100k.
- (m) David Caton ceased to be a Board member on 31 March 2021.

Remuneration shown is for periods of Board appointment only.

**Salary**

For executives, 'salary' includes gross salary, which may include allowances, 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 behaviours demonstrated 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 2021/22 relate to performance in 2021/22 and comparative bonuses for 2020/21 are based on 2020/21 performance.

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 their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in ONR in the financial year 2021/22 was £195,000-£200,000 (2020/21: £195,000-£200,000). This was 2.74 (2020/21: 2.70 – restated) times the median remuneration of the workforce, which was £72,008 (2020/21: £73,282 – restated).

In 2021/22 and 2020/21 no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £20,656-£197,500 (2020/21: £20,356 to £198,732).



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

**Percentage change from 2020/21**

	Salary and allowance	Performance pay and bonuses payable
Highest paid director	+12.31%	-53.33%
All employees	+0.35%	+11.67%

Highest paid director – a pivotal role allowance (classed as a performance bonus) was payable to the Chief Executive in 2020/21. A higher salary (without a pivotal role allowance) was payable in 2021/22 on creation of the new combined Chief Executive and Chief Nuclear Inspector role.

Average bonuses payable in relation to 2021/22 performance rose by 11.67%.

The calculation for salary and allowances and performance pay and bonuses payable for the highest paid director is based on the mid-point of the band (in bands of £5,000).

The calculation for salary and allowances for all employees is the total annualised amount, excluding the highest paid director.

The total for performance pay and bonuses payable for all employees excludes the highest paid director.

2021/22	Pay ratio	Total pay and benefits	Salary component of total pay and benefits
25th percentile	4.98:1	£39,692	£39,392
Median	2.74:1	£72,008	£71,708
75th percentile	2.19:1	£90,225	£89,925

2020/21	Pay ratio	Total pay and benefits	Salary component of total pay and benefits
25th percentile	4.99:1	£39,605	£39,255
Median	2.70:1	£73,282	£72,982
75th percentile	2.19:1	£90,175	£89,925

Pay ratios are calculated by dividing the mid-point of the banded remuneration (in bands of £5,000) of the highest paid director (excluding pension benefits) by the pay and benefits figure of the employee on the 25th, 50th or 75th percentile respectively.

The median pay ratio for 2021/22 has increased slightly from 2020/21 and is consistent with our pay, reward and progression policies for our employees taken as a whole. We continue to offer competency pay progression for eligible staff, in addition to targeted retention schemes for niche skillsets.

### Pension benefits (subject to audit)

	<b>Accrued pension at pension age as at 31/03/22 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/03/22</b>	<b>CETV at 31/03/21</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Mark Foy	80-85 plus a lump sum of 235-240	10-12.5 plus a lump sum of 30-32.5	1,907	1,556	251
Adrienne Kelbie	25-30	0-2.5	428	381	49
Sarah High	40-45	2.5-5	610	536	40
Donald Urquhart	30-35 plus a lump sum of 85-90	0-2.5 plus a lump sum of 0	742	687	9
Geoff Hawker	20-25	0-2.5	303	274	15

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. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 their 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 their former scheme. The pension figures shown relate to the benefits that the individual has 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 Civil Service pension 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 worked 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 £3,000 (£3,000 for 2020/21) were paid to independent members of ARAC, as shown below.

#### Fees and expenses for independent members of ARAC

	Salary £'000		Benefits in kind (to the nearest £100)		Total £'000	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Chris Wood	0-5	0-5	–	–	0-5	0-5

### Staff information

#### Senior Civil Service (equivalent)

There were 12 Senior Civil Service (equivalent) posts as at 31 March 2022 (ten at 31 March 2021).

#### SCS posts as at 31 March 2022

Full-time equivalents by pay band	31 March 2022	31 March 2021
SCS 2 Equivalent	2	2
SCS 1 Equivalent	10	8
<b>Total</b>	<b>12</b>	<b>10</b>

#### Staff numbers (subject to audit)

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

#### Average FTE

	Permanent staff <sup>1</sup>	Other staff <sup>2</sup>	Total
2021/22	628	6	634
2020/21	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).

## Diversity and inclusion

We are committed to the three aims of the Public Sector Equality Duty, by valuing diversity and inclusion. To support these aims, we continue to:

- encourage new ideas and different perspectives, recognising the individuality of each of us and realising our strengths from the diversity of ideas, opinions and cultures
- have a workplace that is open and supportive at every level, and free from bullying, harassment and discrimination
- ensure that all forms of inappropriate behaviour and language and bias are eliminated and confidently and appropriately challenged
- treat everyone with dignity and respect, providing equal access to opportunities for all and challenging unacceptable behaviours so that nobody's talent goes to waste

More detail on diversity and inclusion can be found under strategic theme three of the performance analysis.

## Staff policies relating to disability

We continually review and develop our policies and practices to support staff with disabilities. Those already in place include:

- positively encouraging diversity of candidates in our advertising literature, inviting candidates to notify us of any special requirements and to make adjustments at all stages of our selection processes and making arrangements for individuals as appropriate
- continually review our policies to ensure they meet employment guidance and relevant legislation
- continually align our policies with the Advisory, Conciliation and Arbitration Service and the Chartered Institute of Personnel and Development
- membership of Business Disability Forum and PurpleSpace, providing access to a host of multiple resources that focus on disability-smart best practice and help us to be informed of 'hidden' disabilities
- as a Disability Confident Level 3 leader, acting as a champion to encourage and support others across the nuclear sector, by sharing our best practice, and building greater trust from our commitment to diversity and achieving sector diversity targets
- re-accreditation to National Equality Standards – we need to meet standards around diversity and disability to receive this accreditation
- improving the accessibility of our publications, people processes, digital services and offices, where needed, to ensure we comply with accessibility requirements
- providing display screen equipment assessments, Occupational Health services and an employee assistance programme that give expert and confidential support to staff
- utilising workplace adjustment passports to help record and manage adjustments that have been implemented and help remove barriers for disabled staff at work
- using an inclusive language guide to provide support on using the right words and language around disability to promote greater inclusivity and break down barriers that discourage open dialogue
- delivering our mental health strategy and stress management policies, which are helping to breakdown the stigma of mental health in the workplace and provide practical tools and aids to enable managers to support staff better and more proactively

## Gender diversity

We published our annual **Gender Pay Report** in November 2021.

It was based on a ‘snapshot’ of the pay of all our employees as of 31 March 2021, as well as annual payments and bonuses which were paid between 1 April 2020 and 31 March 2021.

We were pleased to see a small yet positive shift in our gender pay gap decreasing from 27.6% to 25.3%. This was an overall decrease of 7.64% since we first reported in 2017. Although the gap remains significant, it is not unexpected given our workforce profile and that of the industry from which we draw, where a pay premium is required for these roles to attract and retain niche skilled staff in a competitive global market. We believe that while there remains much still to do, the gap is heading in the right direction.

We must go right to the heart of the issue to ensure we create an environment that empowers and supports women over the long-term. This calls for cultural change, across our organisation and the nuclear industry more widely, which is why we introduced mandatory diversity and inclusion training for all staff. We want everyone in ONR to feel they belong and to develop a truly inclusive culture by making our staff feel valued, respected, and supported. We made a significant change this year by integrating our core values into our performance management process, reflecting a cultural change where everyone feels able to openly be themselves and feel that they have a voice. We have traditionally struggled to recruit as many women as men into our technical roles, which attract a higher premium rate of pay. Many of our female employees are employed in largely administrative and support roles within the corporate and operational functions. This gender split is largely historical as for many years we have recruited our technical specialists from a nuclear industry where men predominated in the science, technology, engineering, and mathematics (STEM) subjects.

While we have made improvements in our diversity of recruitment, with positive results, we also acknowledge that we need to support work to promote diversity across STEM subjects. As part of our strategic approach, we have extended our outreach and targeted our activity to ensure we promote adequate opportunities for female students to explore maths and science throughout primary and secondary school and encourage them to pursue career paths in STEM.

The breakdown of our staff, by gender, is detailed in the following table.

### Headcount by gender

Number of staff by gender (headcount)	31 March 2022		31 March 2021	
	Male (% of total)	Female (% of total)	Male (% of total)	Female (% of total)
Directors (Non-executive)	2 (0.3)	4 (0.6)	2 (0.3%)	4 (0.6%)
Senior Civil Service equivalents	9 (1.3)	3 (0.4)	6 (0.9%)	4 (0.6%)
Permanently appointed staff (Bands 1-6)	426 (63.5)	227 (33.9)	418 (64.3%)	217 (33.3%)
<b>Total</b>	<b>437 (65.1)</b>	<b>234 (34.9)</b>	<b>426 (65.5%)</b>	<b>225 (34.5%)</b>

### Staff turnover

Our turnover rate for 2021/22 was 5.8%, significantly below our target of less than 9%.

Retirements made up the majority of the reasons for staff leaving during the year, which were anticipated and planned for accordingly.

Leavers from the organisation during the year caused no concern from a capacity perspective and were backfilled as appropriate.

### Engagement with trade unions

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

We continued to maintain a positive relationship with trade unions and finalised a new 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 several 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 CE/ CNI and members of our SLT will attend meetings with the trade unions periodically as part of maintaining senior dialogue on the strategic direction for ONR.

### Staff costs (subject to audit)

	2021/22			2020/21
	Permanently employed staff	Others	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	42,096	1,032	43,128	43,977
Social security costs	5,246	–	5,246	5,114
Other pension costs	12,157	–	12,157	11,830
<b>Total per Statement of Comprehensive Net Expenditure</b>	<b>59,499</b>	<b>1,032</b>	<b>60,531</b>	<b>60,921</b>
Less recoveries in respect of:				
Outward secondments	(211)	–	(211)	(199)
Grant from HMRC – Coronavirus Job Retention Scheme (CJRS)	–	–	–	(25)
Grant from DWP – Kickstart	(15)	–	(15)	–
<b>Net total</b>	<b>59,273</b>	<b>1,032</b>	<b>60,305</b>	<b>60,697</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 we are unable to identify our share of the underlying assets and liabilities.

The scheme Actuary valued the PCSPS as at 31 March 2016. Details can be found in the resource accounts of the [Cabinet Office: Civil Superannuation](#).

For 2021/22, employers' contributions of £12 million were payable to the PCSPS (2020/21 £11.7 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 2021/22 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 £123,700 were paid to an appointed stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,715, 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 31 March 2022 were £10,282. Contributions prepaid at that date were nil.

In 2021/22, no-one retired early on ill-health grounds (2020/21: one person). The total additional accrued pension liabilities in the year amounted to £nil (2020/21: £28,620).

### **Sickness absence information**

The average number of working days lost due to sickness in 2021/22 was 5.49 per person – an increase of 73% compared to 2020/21 (3.18). This was attributable to an increase in staff being absent with COVID-19 during the past 12 months. We reviewed our Sickness Policy during the year to include extra support for staff who were absent from work with COVID-19. We continue to build an inclusive work environment and maintain our commitment to promote and support positive mental health and wellbeing in our workplace, including more awareness sessions for staff around mental health, stress, self-care, and wellbeing. The introduction of hybrid working had a mainly positive impact on the health and wellbeing of staff, however, we focused additional support on those for whom it brought particular challenges.

## Health, safety and wellbeing

We continued to work closely with our trade unions (Prospect and PCS) colleagues through our Health and Safety Group to promote the health, safety and wellbeing of staff while continuing to adopt a proportionate approach.

Our Incident Management Team led our approach to the pandemic. It provided direction to our Recovery Working Group and Business Continuity Team to develop and implement temporary risk assessments and guidance to ensure our staff continued to work healthily and safely from their homes, at sites, or our offices, in line with government guidance to reduce the transmission of COVID-19.

We continued to promote the importance of mental health and wellbeing to create a culture focused on prevention, awareness, and support. Our Wellbeing at Work survey demonstrated year-on-year improvement and provided favourable results across the management standards in comparison with the HSE national benchmark.

We refreshed our approach to internal health, safety and wellbeing, launching our Achieving Cultural Excellence programme which will enable us to better balance building a positive safety culture, underpinned by robust management system arrangements.

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	(–)	–(–)	–(–)
£10,000-£25,000	(–)	–(–)	–(–)
£25,000-£50,000	(–)	–(–)	–(–)
£50,000-£100,000	(–)	1(1)	1(1)
£100,000-£150,000	(–)	–(–)	–(–)
£150,000-£200,000	(–)	–(–)	–(–)
Total number of exit packages	(–)	1(1)	1(1)
<b>Total cost /£</b>	(–)	<b>56,675 (78,606)</b>	<b>56,675 (78,606)</b>

**Note:** 2020/21 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 we agreed early retirements, the additional costs were met by ONR and not by the Civil Service Pension Scheme. Ill-health retirement costs were met by the pension scheme and are not included in the table.

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

**Highly paid off-payroll engagements as at 31 March 2022, earning £245 per day or greater**

<b>Number of existing engagements as of 31 March 2022</b>	<b>17</b>
Of which, the number that existed at the time of reporting for:	
Less than 1 year	14
Between 1 and 2 years	2
Between 2 and 3 years	0
Between 3 and 4 years	1
For 4 or more years	0

**All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater**

<b>Number of off-payroll workers engaged during the year ended 31 March 2022</b>	<b>31</b>
Of which:	
Number not subject to off-payroll legislation	19
Number subject to off-payroll legislation and determined as in-scope of IR35	6
Number subject to off-payroll legislation and determined as out-of-scope of IR35	6
Number of engagements reassessed for compliance or assurance purposes during the year	0
Of which:	
Number of engagements that saw a change to IR35 status following review	0

**For any off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022**

<b>Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the financial year</b>	<b>0</b>
Total number of individuals on-payroll and off-payroll that have been deemed “Board members, and/or, senior officials with significant financial responsibility” during the financial year. This figure includes both on-payroll and off-payroll engagements	13

**Nuclear Graduates Scheme**

We sponsored seven cohorts, totalling 37 participants, on or previously on the Nuclear Graduates Scheme, to support our future talent pipeline. This is a nuclear industry-wide scheme that is run by Energus.

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, we offer our sponsored participants permanent employment (subject to successfully meeting the standards set by both the scheme and ourselves).

Returning graduates who were offered permanent positions have joined ONR as ‘Associates’, working towards becoming nuclear safety or nuclear security inspectors or corporate roles within their area of the business. To date, we have had 100% acceptance of offers made. We have also finished recruitment for the 2022 cohort of four graduates who are scheduled to join us in October 2022.

We obtained assurance from Energus that tax and National Insurance obligations are being met for individuals on the scheme.

**Consultancy**

Our expenditure on consultancy was £0.3 million (£0.1 million 2020/21).

**Contingent labour**

Our operating expenditure on contingent labour was £2.1 million (£3.2 million in 2020/21). In addition:

- £0.3 million was capitalised in relation to the WIReD project. This amount is shown as an addition to assets under construction within Note 6 to the accounts

£2.6 million was capitalised during 2020/21, £2.0 million in relation to the IT Separation project, £0.4 million in relation to WIReD and £0.2 million in relation to Strategic Workforce Planning.

# Parliamentary accountability and audit report

This report brings together the key Parliamentary accountability documents; regularity of expenditure and the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

## **Regularity of expenditure (subject to audit)**

The Accounting Officer for DWP has designated the CE/CNI of ONR with responsibilities for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding assets as set out in HM Treasury's Managing Public Money.

## **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 fire safety and some transport inspection.

We continue to review our financial arrangements in the context of prevailing fees regulations.

**Breakdown of fees and charges**

	2021/22			2020/21		
	Income	Cost	Surplus/ (deficit)	Income	Cost	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations*	53,263	53,263	–	50,840	50,872	(32)
Civil nuclear security	12,342	12,342	–	14,483	14,483	–
Generic design assessment	8,150	8,150	–	15,467	15,467	–
Radioactive materials transport	745	745	–	737	737	–
Advanced nuclear technologies**	1,375	1,375	–	1,719	1,719	–
<b>Sub total</b>	<b>75,875</b>	<b>75,875</b>	<b>–</b>	<b>83,246</b>	<b>83,278</b>	<b>(32)</b>
Other fees and charges	321	321	–	189	189	–
<b>Total fees and charges</b>	<b>76,196</b>	<b>76,196</b>	<b>–</b>	<b>83,435</b>	<b>83,467</b>	<b>(32)</b>

\* ONR provided on-the-job training to another international regulatory authority. The work concluded in 2020/21 and the costs ONR incurred to provide the training exceeded the amount recovered by £32,000.

\*\* Charged to BEIS.

**Statement of losses and special payments (subject to audit)**

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

**Remote contingent liabilities (subject to audit)**

ONR does not have any remote contingent liabilities.

**Mark Foy**

Chief Executive and Chief Nuclear Inspector  
Office for Nuclear Regulation

6 October 2022

# 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 2022 under the Energy Act 2013.

The financial statements comprise the Office for Nuclear Regulation's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

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 2022 and its net operating cost for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office for Nuclear Regulation in accordance with the ethical requirements that are relevant to my audit of 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**

In auditing the financial statements, I have concluded that the Office for Nuclear Regulation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Nuclear Regulation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Executive with respect to going concern are described in the relevant sections of this certificate.

**Other information**

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Chief Executive is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Energy Act 2013.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Energy Act 2013; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.



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

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 material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office for Nuclear Regulation 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Responsibilities of the Board and Chief Executive for the financial statements**

As explained more fully in the Statement of Chief Executive's Responsibilities, the board and Chief Executive are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Chief Executive determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Office for Nuclear Regulation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office for Nuclear Regulation's accounting policies and key performance indicators
- enquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office for Nuclear Regulation's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Nuclear Regulation's controls relating to the Office for Nuclear Regulation's compliance with the Energy Act 2013 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office for Nuclear Regulation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Office for Nuclear Regulation's framework of authority as well as other legal and regulatory frameworks in which the Office for Nuclear Regulation operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office for Nuclear Regulation. The key laws and regulations I considered in this context included the Energy Act 2013; Managing Public Money; employment law, tax legislation and relevant legislation relating to fees charged by the Office for Nuclear Regulation.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### **Other auditor's responsibilities**

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.

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.

### **Report**

I have no observations to make on these financial statements.

### **Gareth Davies Comptroller and Auditor General**

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

10 October 2022





# Financial statements

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
<b>Expenditure</b>			
Staff costs	2	60,531	60,921
Other expenditure	3	25,567	32,405
<b>Operating costs</b>		<b>86,098</b>	<b>93,326</b>
Revenue from contracts with customers	4	(76,196)	(83,435)
Other operating income		(9,751)	(9,860)
<b>Total operating income</b>		<b>(85,947)</b>	<b>(93,295)</b>
<b>Net operating cost/(income) for the year</b>		<b>151</b>	<b>31</b>
<b>Other comprehensive net income</b>			
Items which will not be reclassified to net operating costs:			
Net gain on revaluation of intangible assets		(121)	(157)
<b>Comprehensive net expenditure for the year</b>		<b>30</b>	<b>(126)</b>

All income and expenditure is derived from continuing operations.

The notes on pages 79 to 104 form part of these accounts.

## Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	1,269	1,469
Intangible assets	6	7,501	8,027
Trade and other receivables	7	7	–
<b>Total non-current assets</b>		<b>8,777</b>	<b>9,496</b>
<b>Current assets</b>			
Trade and other receivables	7	19,256	21,855
Cash and cash equivalents	8	7,133	7,598
<b>Total current assets</b>		<b>26,389</b>	<b>29,453</b>
<b>Total assets</b>		<b>35,166</b>	<b>38,949</b>
<b>Current liabilities</b>			
Trade and other payables	9	(13,690)	(17,634)
Provisions	13	(924)	–
<b>Total current liabilities</b>		<b>(14,614)</b>	<b>(17,634)</b>
<b>Non-current liabilities</b>			
Trade and other payables	9	(9,176)	(9,909)
<b>Total non-current liabilities</b>		<b>(9,176)</b>	<b>(9,909)</b>
<b>Assets less liabilities</b>		<b>11,376</b>	<b>11,406</b>
<b>Equity</b>			
General fund		11,200	11,277
Revaluation reserve		176	129
<b>Total equity</b>		<b>11,376</b>	<b>11,406</b>

The notes on pages 79 to 104 form part of these accounts.

### Mark Foy

Chief Executive and Chief Nuclear Inspector  
Office for Nuclear Regulation

6 October 2022

## Statement of Cash Flows for the period ended 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
<b>Cash flows from operating activities</b>			
Net operating (cost)/income		(151)	(31)
Adjustments for non-cash transactions	3	2,802	1,248
Increase in trade and other receivables	7	2,592	(6,093)
(Less)/add movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	3	11	(32)
Increase in trade payables	9	(4,710)	5,622
Add/(less) movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	5a & 6a	(162)	1,263
<b>Net cash inflow/(outflow) from operating activities</b>		<b>382</b>	<b>1,977</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5a	(19)	(299)
Purchase of intangible assets	6a	(861)	(4,143)
<b>Net cash outflow from investing activities</b>		<b>(880)</b>	<b>(4,442)</b>
<b>Cash flows from financing activities</b>			
Loans drawn down from DWP	10	2,000	1,836
Loan capital repayments to DWP	10	(1,967)	(656)
<b>Net financing</b>		<b>33</b>	<b>1,180</b>
<b>Net increase in cash and cash equivalents in the year</b>		<b>(465)</b>	<b>(1,285)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>8</b>	<b>7,598</b>	<b>8,883</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>7,133</b>	<b>7,598</b>

The notes on pages 79 to 104 form part of these accounts.



## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

	General Fund £'000	Revaluation Reserve £'000	Total Equity £'000
<b>Balance at 1 April 2020</b>	<b>11,281</b>	–	<b>11,281</b>
Comprehensive net income for the year	126	–	126
Payments to Consolidated Fund	(1)	–	(1)
Revaluation gains	–	157	157
Recognised in Statement of Comprehensive Net Income	(157)	–	(157)
Transfer between reserves	28	(28)	–
<b>Balance at 31 March 2021</b>	<b>11,277</b>	<b>129</b>	<b>11,406</b>
Comprehensive net expenditure for the year	(30)	–	(30)
Revaluation gains	–	121	121
Recognised in Statement of Comprehensive Net Expenditure	(121)	–	(121)
Transfers between reserves	74	(74)	–
<b>Balance at 31 March 2022</b>	<b>11,200</b>	<b>176</b>	<b>11,376</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 79 to 104 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 2021/22 government Financial Reporting Manual (FReM) 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 our particular circumstances for the purposes of giving a true and fair view has been selected. The particular accounting policies adopted by us are set out below. They have been applied consistently in dealing with the items that are considered material in relation to the accounts.

These accounts have been prepared under a direction issued by DWP in accordance with the Energy Act 2013.

#### 1.2 Accounting standards, interpretations and amendments

All IFRS, interpretations and amendments to published standards, effective at 31 March 2022, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

#### IFRS 16 (Leases) effective from 1 April 2022

We will adopt IFRS 16 'Leases' (which supersedes IAS 17 'Leases') from 1 April 2022.

IFRS 16 changes the accounting for lessees by removing the distinction between operating leases and finance leases. IFRS 16 requires all leases to be recognised as finance leases, except for low value leases and short-term leases (for less than 12 months). This will result in the recognition of a right to use asset, measured at the present value of future lease payments and a matching liability in the Statement of Financial Position.

We are adopting IFRS 16 on the cumulative catch-up basis, as mandated by the FReM, recognising any cumulative impact on previous years within equity at the beginning of the period. As a result of this approach, prior year comparatives will not be restated.

On initial transition to IFRS 16, under the 'grandfathering' rules mandated in the FReM, a right of use asset will be recognised for all relevant leases previously classified as operating leases. Right of use assets will be measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments.

For contracts prior to 1 April 2022, we assessed contracts to determine whether they were a lease or contained a lease as defined within IFRS 16. A contract is defined as "a contract, or a part of a contract that conveys the right to use an asset for a period of time in exchange for consideration".

We elected to adopt the following practical expedients on transition:

- not to reassess whether contracts contain a lease or not
- not to make any adjustments for low value leases
- recognise all short-term leases through the Statement of Comprehensive Net Expenditure (SoCNE)

- use hindsight to determine the lease terms in contracts containing options to extend or terminate the lease

At 1 April 2022, we identified three accommodation leases (for our Bootle, Cheltenham and London offices) that satisfy the criteria for recognition of a lease under IFRS 16.

IFRS16 is not expected to result in any significant increase to our expenditure. The value of leased assets is expected to increase by approximately £10.8 million, with an associated increase in lease liabilities of the same amount.

### **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 IFRS.

### **1.4 Interest on capital**

Under Managing Public Money, we are required to charge interest on capital (cost of capital) as a percentage of net assets. The amounts generated by this charge are retained by us 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 and included in our calculation of fees and charges.

### **1.5 Government grants**

We are partly financed by a grant from the DWP, which covers costs that are not statutorily recoverable from industry. The grant is credited to the SoCNE in the year in which it is receivable from DWP. The grant is recognised as income due to our 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.

In 2021/22 we received Kickstart funding from DWP to support the costs of a number of new apprentices. The associated staff costs have been recorded as expenditure within the SoCNE.

(See also Prosecutions, 1.10 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 us to recognise a short-term employee benefit liability when an employee has provided service in exchange for those benefits. Included in the accounts is an accrual for the outstanding employee annual leave and flexi entitlement calculated at the period end date.

### 1.7 Value added tax

Most of our 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 HSE

We received a fully managed accommodation service (and related support services) from HSE. The cost of this service is included in 'other expenditure'. Consequently, as HSE retains the risks and rewards of the relevant assets, we do not recognise any assets available under this agreement.

### 1.9 Insurance

Under the Energy Act 2013, we are 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 hire car users
- cyber insurance
- overseas travel insurance

Insurance costs are included in 'other expenditure'.

### 1.10 Income recognition

In line with IFRS 15, our significant contracts with customers relate to statutory work (Note 4 provides further detail).

Income is recognised over time as this work has no alternative use for us and there would be an enforceable right to payment for work done to date. Income is calculated using time recording information to calculate recoverable 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.

### Prosecutions

The fees regulations that underpin our charging methodology allow us 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.

If a prosecution is unsuccessful, we retain the DWP grant to cover our costs. If a prosecution is successful, any costs awarded will be re-imbursed to DWP and accounted for as income in our accounts.

Where costs awarded are lower than costs incurred, we will retain the element of the grant that exceeds costs awarded.

## **Deferred income**

Deferred income is money received by us for goods or services that 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 our deferred income are the grants provided by DWP.

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 Safeguards Information Management System asset were paid to us as the costs were incurred. These payments were initially recognised as deferred income over the period that the UK SSAC activities were funded by BEIS. As this agreement came to an end on 31 March 2022, the deferred income balance was released to income in 2021/22.

### **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. For 2021/22, the Board has identified our CE/CNI as the chief operating decision maker.

The CE/CNI reviews our 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 (for example furniture) are purchased. Pooled items must be purchased in the same financial year to allow for capitalisation.

#### **Intangible assets**

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

As, in general, no active market exists for our intangible assets, we revalue intangible assets using appropriate indices to indicate depreciated replacement cost. Revaluations are carried out annually, close to the end of the reporting period, so that the carrying amount of the asset does not differ materially from its fair value.

When non-current assets are being built over time, they are treated as assets under construction; they are not capitalised until completion. While costs are being accumulated no depreciation is applied. Once the asset is available for use, all costs associated with the asset are capitalised and depreciation commences.

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.

### Capitalisation and amortisation

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

Asset category	Capitalisation threshold	Amortisation/useful life
Internally developed software	£5,000	5 to 10 years (or predominant limiting factor inherent in the intangible asset)
Purchased software licences	£5,000	Shorter of the licence period and 5 years

### Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, we have 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 us and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the SoCNE during the financial period in which it is incurred.

### Capitalisation and depreciation

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

Asset category	Capitalisation threshold	Depreciation/useful life
Leasehold improvements	£100,000	Up to 20 years (over the period remaining on lease)
IT assets	£5,000	3 to 7 years
Furniture and fittings	£5,000	5 to 15 years
Motor vehicles	£5,000	3 to 5 years

### **Impairment of non-current assets**

All non-current assets are reviewed annually 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 SoCNE.

### **1.13 Financial assets and liabilities**

Financial assets and liabilities are recognised when we become party to the contracts that give rise to them. It is our 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 SoCNE.

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. We do not currently hold any petty cash balances.

We have 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.

We consider invoices more than 90 days past due to have increased risk, unless individual assessment indicates they are expected to be recovered in full. We will report the value of these invoices and the associated expected credit losses where material.

As the material elements of our income are recovered from the nuclear industry under legislation or from other government departments, we do not ordinarily recognise any credit losses.

#### **Financial liabilities**

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans.

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

We assess at each reporting date whether there is evidence that the carrying amounts of financial assets may not be recoverable.

### 1.14 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and alpha, which are unfunded, defined benefit, contributory, public service occupational pension schemes made under the Superannuation Act 1972. We recognise 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, we recognise 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.

We hold 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, we disclose 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 that 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.

### 1.17 Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive) that can be reliably measured and which results from a past event. Where the time value of money is material, the provision is measured at present value using discount rates prescribed by HM Treasury.



## 2 Staff costs

	2021/22			2020/21
	Permanently employed staff	Others	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	42,096	1,032	43,128	43,977
Social security costs	5,246	–	5,246	5,114
Other pension costs	12,157	–	12,157	11,830
<b>Total per Statement of Comprehensive Net Expenditure</b>	<b>59,499</b>	<b>1,032</b>	<b>60,531</b>	<b>60,921</b>
Less recoveries in respect of outward secondments	(211)	–	(211)	(199)
Grant from HMRC – CJRS	–	–	–	(25)
Grant from DWP – Kickstart	(15)	–	(15)	–
<b>Net total</b>	<b>59,273</b>	<b>1,032</b>	<b>60,305</b>	<b>60,697</b>

Further details of staff costs and related expenditure can be found on page 61 in the Remuneration and Staff Report.

**Staff cost recoveries by income stream**

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

	<b>2021/22</b>	<b>2020/21</b>
<b>Staff costs by income stream</b>	<b>£'000</b>	<b>£'000</b>
Revenue from contracts with customers	54,672	54,909
Grant from DWP	1,431	1,182
Prosecution costs awarded	–	3
UK SSAC/Safeguards	4,199	4,603
Grant from HMRC – CJRS	–	25
Grant from DWP – Kickstart	15	–
Other sales/income*	214	199
<b>Total income</b>	<b>60,531</b>	<b>60,921</b>

\* Includes recoveries from outward secondments.

### 3 Other expenditure

	2021/22	2020/21
Other expenditure	£'000	£'000
<b>Services provided by HSE*</b>		
Accommodation	4,013	3,963
IT/telecommunications	–	1,364
Other corporate services	75	486
	4,088	5,813
Travel and subsistence	1,139	257
Technical support	2,902	7,176
Research	2,489	2,401
Industry security vetting	1,703	3,966
Contractors	1,050	2,306
IT outsourcing	3,204	2,848
Personnel related costs	611	780
Interest on capital	397	486
Interest on loan from DWP	189	229
Auditors' remuneration	67	65
Other expenditure**	4,926	4,830
<b>Non-cash items</b>		
Depreciation and amortisation	1,889	1,216
Provision provided for in year	924	–
Other non-cash	(11)	32
	2,802	1,248
<b>Total</b>	<b>25,567</b>	<b>32,405</b>

\* Services are provided by HSE because we occupy part of its Bootle site (accommodation) and continued with the IT service arrangements that existed pre-vesting up to October 2020 when we separated the IT service from HSE.

\*\* Other expenditure mainly comprises training and development, professional services, shared services outsourcing, buildings operating leases and other IT costs.

Auditors' remuneration of £67,000 related solely to audit services provided by the National Audit Office.



## 4 Income

ONR's activities include certain chargeable services, each of which is subject to a financial objective of full cost recovery. Charges for these activities include provision for the recovery of the cost of capital.

<b>Income</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Revenue from contracts with customers (see page 91)	76,196	83,435
Grant from DWP	2,067	1,849
UK SSAC/Safeguards*	6,625	7,689
UK SSAC/Safeguards capital	773	–
Grant from DWP – prosecutions	–	1
Grant from DWP – Kickstart	15	–
Prosecution costs awarded	–	22
Grant from Apprenticeship Fund	50	48
Grant from HMRC – CJRS	–	25
Other sales/income	221	226
<b>Total income</b>	<b>85,947</b>	<b>93,295</b>

\* Funded by BEIS (via the DWP grant for 2021/22).

In September 2017, the government confirmed that it intended to establish a domestic safeguards regime seeking to deliver to existing Euratom standards. Up to 31 March 2021, we received income directly from BEIS for the cost of setting up this regime to operate the UK SSAC.

We assumed our responsibilities on 31 December 2020 and are now the UK's nuclear safeguards regulator, in charge of the domestic safeguards regime and operating the UK SSAC.

BEIS continued to fund this work via the DWP grant up to 31 March 2022. The capital funding includes the release of deferred income of £569,000 and in-yr capital funding of £204,000 (see Financial Performance on page 27).

## Breakdown of revenue from contracts with customers

Breakdown of revenue from contracts with customers	2021/22			2020/21		
	Income	Cost	Surplus/(deficit)	Income	Cost	Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	53,263	53,263	–	50,840	50,872	(32)
Civil nuclear security	12,342	12,342	–	14,483	14,483	–
Generic design assessment	8,150	8,150	–	15,467	15,467	–
Radioactive materials transport	745	745	–	737	737	–
Advanced nuclear technologies**	1,375	1,375	–	1,719	1,719	–
<b>Sub total</b>	<b>75,875</b>	<b>75,875</b>	<b>–</b>	<b>83,246</b>	<b>83,246</b>	<b>(32)</b>
Other fees and charges	321	321	–	189	189	–
<b>Total fees and charges</b>	<b>76,196</b>	<b>76,196</b>	<b>–</b>	<b>83,435</b>	<b>83,467</b>	<b>(32)</b>

\*\* Charged to BEIS.

## Analysis of revenue by major customer (&gt;10% of revenue)

Revenue	2021/22	2020/21
	£'000	£'000
Customer 1	26,475	23,961
Customer 2	16,715	16,801
Customer 3	8,150	15,467

Customers are not named for reasons of commercial confidentiality.

## 5 Property, plant and equipment

	Leasehold improvements	Information technology	Furniture and fittings	Total
2021/22	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2021	565	782	636	1,983
Additions	–	–	109	109
Impairments	–	–	–	–
Disposals	–	–	–	–
Reclassifications	–	–	–	–
<b>At 31 March 2022</b>	<b>565</b>	<b>782</b>	<b>745</b>	<b>2,092</b>
<b>Depreciation</b>				
At 1 April 2021	161	205	148	514
Charged in year	77	173	59	309
Disposals	–	–	–	–
<b>At 31 March 2022</b>	<b>238</b>	<b>378</b>	<b>207</b>	<b>823</b>
<b>Carrying amount at 31 March 2021</b>	<b>404</b>	<b>577</b>	<b>488</b>	<b>1,469</b>
<b>Carrying amount at 31 March 2022</b>	<b>327</b>	<b>404</b>	<b>538</b>	<b>1,269</b>
<b>Asset financing</b>				
<b>Owned</b>	<b>327</b>	<b>404</b>	<b>538</b>	<b>1,269</b>

### Furniture additions

Pooled furniture to facilitate new ways of working. In-year additions: **£109,000**.

2020/21	Leasehold Improvements £'000	Information technology £'000	Furniture and fittings £'000	Assets under construction £,000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2020	563	393	641	340	1,937
Additions	2	47	–	2	51
Impairments	–	–	–	–	–
Disposals	–	–	(5)	–	(5)
Reclassifications	–	342	–	(342)	–
<b>At 31 March 2021</b>	<b>565</b>	<b>782</b>	<b>636</b>	<b>–</b>	<b>1,983</b>
<b>Depreciation</b>					
At 1 April 2020	85	73	96	–	254
Charged in year	76	132	57	–	265
Disposals	–	–	(5)	–	(5)
<b>At 31 March 2021</b>	<b>161</b>	<b>205</b>	<b>148</b>	<b>–</b>	<b>514</b>
<b>Carrying amount at 31 March 2020</b>	<b>478</b>	<b>320</b>	<b>545</b>	<b>340</b>	<b>1,683</b>
<b>Carrying amount at 31 March 2021</b>	<b>404</b>	<b>577</b>	<b>488</b>	<b>–</b>	<b>1,469</b>
<b>Asset financing</b>					
<b>Owned</b>	<b>404</b>	<b>577</b>	<b>488</b>	<b>–</b>	<b>1,469</b>



In the year, we occupied three buildings: Bootle, Cheltenham and London under operating leases. We have use of furniture as part of the SMA with HSE and therefore hold few furniture assets.

Leasehold improvements relate to the capitalisation of property refurbishment at the Cheltenham and London offices.

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

	Note	2021/22 £'000
<b>Capital payables and accruals at 1 April</b>		–
Capital additions		109
Capital payables and accruals at 31 March 2022	9	(90)
<b>Purchase of property, plant and equipment as per Statement of Cash Flows</b>		19

## 6 Intangible assets

2021/22	Internally developed software £'000	Purchased software licences £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2021	6,123	144	3,007	9,274
Additions	216	25	692	933
Impairments	–	–	–	–
Reclassifications	–	–	–	–
Disposals	(13)	–	–	(13)
Revaluations	145	4	–	149
<b>At 31 March 2022</b>	<b>6,471</b>	<b>173</b>	<b>3,699</b>	<b>10,343</b>
<b>Amortisation</b>				
At 1 April 2021	1,152	95	–	1,247
Charged in year	1,540	40	–	1,580
Disposals	(13)	–	–	(13)
Revaluations	26	2	–	28
<b>At 31 March 2022</b>	<b>2,705</b>	<b>137</b>	<b>–</b>	<b>2,842</b>
<b>Carrying amount at 31 March 2021</b>	<b>4,971</b>	<b>49</b>	<b>3,007</b>	<b>8,027</b>
<b>Carrying amount at 31 March 2022</b>	<b>3,766</b>	<b>36</b>	<b>3,699</b>	<b>7,501</b>
<b>Asset financing</b>				
<b>Owned</b>	<b>3,766</b>	<b>36</b>	<b>3,699</b>	<b>7,501</b>

2020/21	Internally developed software £'000	Purchased software licences £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2020	1,151	137	4,688	5,976
Additions	194	–	2,933	3,127
Impairments	–	–	–	–
Reclassifications	4,614	–	(4,614)	–
Disposals	–	–	–	–
Revaluations	164	7	–	171
<b>At 31 March 2021</b>	<b>6,123</b>	<b>144</b>	<b>3,007</b>	<b>9,274</b>
<b>Amortisation</b>				
At 1 April 2020	248	34	–	282
Charged in year	892	59	–	951
Disposals	–	–	–	–
Revaluations	12	2	–	14
<b>At 31 March 2021</b>	<b>1,152</b>	<b>95</b>	<b>–</b>	<b>1,247</b>
<b>Carrying amount at 31 March 2020</b>	<b>903</b>	<b>103</b>	<b>4,688</b>	<b>5,694</b>
<b>Carrying amount at 31 March 2021</b>	<b>4,971</b>	<b>49</b>	<b>3,007</b>	<b>8,027</b>
<b>Asset financing</b>				
<b>Owned</b>	<b>4,971</b>	<b>49</b>	<b>3,007</b>	<b>8,027</b>

An asset with a net book value of £2.7 million is included within internally developed software. This was developed to allow us to separate our IT capability from HSE and is expected to be fully amortised by the end of June 2024.

## Intangible assets additions and reclassifications

### *Internally developed software/infrastructure*

- Safeguards Information Management System: this is an IT system that enables us to receive and process nuclear material accountancy declarations from operators, and produce and submit reports to the IAEA, as required under the terms of our safeguards agreements with the IAEA. In-year additions (enhancements to the original asset): **£204,000**
- PRISM: Performance and Risk Information System for Management. In-year additions (enhancements to the original asset): **£12,000**
- Software licences. In-year additions: **£25,000**

### *Assets under construction (in-year additions)*

- WIReD: the modernisation of our processes and systems to support the efficient undertaking of our regulatory activities. In-year additions: **£692,000**

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

	Note	2021/22 £'000
<b>Capital payables and accruals at 1 April</b>		<b>109</b>
Capital additions		933
Capital payables and accruals at 31 March 2021	9	(181)
<b>Purchase of intangible assets as per Statement of Cash Flows</b>		<b>861</b>

## 7 Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	8,235	7,811
Deposits and advances	26	52
Prepayments and accrued income	10,667	13,974
Other receivables	328	18
	<b>19,256</b>	<b>21,855</b>
<b>Amounts falling due after more than one year</b>		
Trade and other receivables	7	–
<b>Total receivables</b>	<b>19,263</b>	<b>21,855</b>

## 8 Cash and cash equivalents

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	7,598	8,883
Net change in cash and cash equivalent balances	(465)	(1,285)
<b>Balance at 31 March</b>	<b>7,133</b>	<b>7,598</b>
<b>Represented by:</b>		
Government Banking Service	7,133	7,598
<b>Balance at 31 March</b>	<b>7,133</b>	<b>7,598</b>

## 9 Trade and other payables

	31 March 2022 £'000	31 March 2021 £'000
<b>Amounts falling due within one year</b>		
Taxation and social security	1,376	1,338
Superannuation	1,291	1,240
VAT	48	65
Trade payables: non-capital	3,390	6,793
Capital payables and accruals – PPE	90	–
Capital payables and accruals – intangible	181	109
Other payables	32	258
Accruals and deferred income	5,176	5,864
Loan with DWP	2,106	1,967
	<b>13,690</b>	<b>17,634</b>
<b>Amounts falling due after more than one year</b>		
Loan with DWP	9,107	9,213
Accruals and deferred income	69	696
	<b>9,176</b>	<b>9,909</b>
<b>Total payables</b>	<b>22,866</b>	<b>27,543</b>

## 10 Loan from DWP

Loan	Note	31 March 2022	31 March 2021
		£'000	£'000
Opening balance – 1 April		11,180	10,000
Additions in period	17	2,000	1,836
Capital repayments in year		(1,967)	(656)
Loan – closing balance (capital)		11,213	11,180
Opening balance – 1 April		121	49
Accrued interest in year*	17	1	81
Accrued interest repaid in year		(26)	(9)
Interest – closing balance		96	121
<b>Closing balance at year-end</b>		<b>11,309</b>	<b>11,301</b>

\*Interest has been accrued on the new capital loan of £2 million on a daily basis on amounts drawn down and will be repaid in monthly instalments from November 2022. There was no interest outstanding on the £2 million working capital loan. More detail on the loans can be found in Note 17.

## 11 Capital commitments

Contracted commitments not otherwise included in the financial statements:	31 March 2022	31 March 2021
	£'000	£'000
Property, plant and equipment	–	88
<b>Total commitments</b>	<b>–</b>	<b>88</b>

## 12 Commitments under non-PFI operating leases

Total future minimum lease payments under operating leases relating to our offices in Bootle, London and Cheltenham are shown in the following table, as well as any other operating leases, for each of the following periods:

	31 March 2022		31 March 2021	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
<b>Obligations under operating leases</b>				
Not later than one year	4,053	458	3,972	585
Later than one year and not later than five years	5,360	30	9,236	488
Later than five years	–	–	–	–
<b>Total committed</b>	<b>9,413</b>	<b>488</b>	<b>13,208</b>	<b>1,073</b>



### 13 Provisions for liabilities and charges

This provision relates to our estimated liability resulting from our review of fees regulations covering the period 1 April 2014 to 31 March 2021.

<b>Provisions</b>	<b>Review of fees regulations £'000</b>	<b>Total £'000</b>
Balance at 1 April	–	–
Provided in year	924	924
Provisions not required written back	–	–
Utilised in year	–	–
<b>Balance at 31 March</b>	<b>924</b>	<b>924</b>

<b>Expected timings of future payments:</b>	<b>Review of fees regulations £'000</b>	<b>Total £'000</b>
Falling due within one year	924	924
Falling due after more than one year	–	–
<b>Total</b>	<b>924</b>	<b>924</b>

## 14 Other financial commitments

We have entered into non-cancellable contracts which are not leases or PFI contracts.

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

<b>The total payments to which ONR is committed are as follows:</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	1,488	1,039
Later than one year and not later than five years	620	1,197
Later than five years	–	–
<b>Total committed</b>	<b>2,108</b>	<b>2,236</b>

## 15 Contingent liabilities

We are defending a civil case brought by a former employee, which may result in a compensation payment. There is significant uncertainty around the estimated liability and the timing of any resulting payment. This uncertainty can fluctuate based on factors such as evidence received, witness statements and whether claims proceed to trial or are settled early.

## 16 Related party transactions

We are classified as a public corporation and are sponsored by DWP, which is regarded as a related party. During 2021/22, we had significant transactions with DWP.

We had significant transactions with HSE (for which DWP is also the sponsoring department) for the provision of accommodation related services.

In addition, we had a number of significant transactions with MOD, BEIS and Cabinet Office.

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

## 17 Financial instruments

Our cash requirements are met through grant funding provided by DWP and three loans:

- a working capital loan of £2 million. This loan is interest bearing at an annual rate of 3.5% and there is currently no requirement for repayment. This would be reviewed if circumstances change, such as: changes to our legal status; a change of sponsoring department; certain legislative changes; or if we cease to exist
- a capital loan facility of £9.8 million to support capital expenditure requirements from 2019/20 to mid-2021/22 for WIReD, IT Separation and other modernisation activities to develop and enhance our infrastructure. This loan is interest bearing at an annual rate of 1.43% and repayment commenced in December 2020, originally for five years. In April 2022 we agreed with DWP that the repayment period would be extended by three years to November 2028
- a capital loan facility of £2 million to support capital expenditure requirements from mid-2021/22 to mid-2022/23 to continue the development of WIReD and other modernisation activities to develop and enhance our infrastructure. This loan is interest bearing at an annual rate of 2.19% and repayment is due to commence in November 2022 for a period of six years

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 our expected purchase and usage requirements and we are, therefore, exposed to little credit, liquidity or market risk.

## 18 Events after the reporting period

There have been no events after the reporting period.

The Annual Report and Accounts were authorised by the Chief Executive Officer for issue on the date the Comptroller and Auditor General certified these financial statements, 10 October 2022.

