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**Minutes of the 2nd Board meeting in 2022**

**18 March 2022**

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| **Location:** | UKAEA HOW Room |  |  |
| **Members** | |  | | --- | | David Gann (Chair)  Ian Chapman  Stephen Barter  Mark Bayley  Antonia Jenkinson  Shrin Honap  Adrian Smith  Richard Hookway  Stephen Hillier  Luc Bardin  Eithne Birt | | | |
| **Attendees** | Tim Bestwick  Lyanne Maclean  Adam Baker (BEIS)  Nick Walkden (Secretariat) | | |

**MINUTES**

# chair’s opening remarks

## The Chair began the meeting my thanking Adrian Smith and Shrin Honap for their time on the UKAEA Board. An update on the Board renewals process was provided

## The Chair updated the Board on the appointment of a new Board secretariat from May, and thanked Nick Walkden for his role as Board secretariat

## No interests were declared.

# minutes and actions

## The Board reviewed and approved the minutes of the January meeting.

## Actions were updated as follows:

### UKAEA(22)1/1 – The Board discussed the role of NEDs in feeding into Government discourse, and agreed to remove the action from the actions list as BAU activity for the Board, with a review in the future depending on the success of the newly formed FSSG.

### UKAEA(22)1/4 – The Board noted the postponement of the Fusion22 event in light of current geopolitical circumstances and agreed to pause the action until a new date is known.

### UKAEA(22)1/5 – The Board agreed the value of a bilateral Board mentee scheme and agreed to remove the action from the register, but to track progress periodically at Board meetings.

### UKAEA(21)6/4 – The Board discussed the increasing threat of a cyber-attack and requested the organisation of the security briefing be accelerated. The Board were assured of the processes and activities in place in the organisation in light of the increased threat and held a wide ranging discussion on the heightened threat and how it might impact the organisation. The Board were welcomed to contribute examples best practice and external contacts from other organisations to support cyber security. **The Board requested a teach-in on cyber security at UKAEA for newer Board members** – **Action UKAEA(22)2/1**

# executive board report

## The Board were updated on the status of the CCDP project and a proposal to accelerate the release of entrance land to the council, alongside contributions via a S106 payment to provide for enhanced cycle access to Culham campus in order to meet requirements of planning in relation to traffic management. The Chair of the PSC provided a recommendation to the Board to approve the proposal. The Board approved the proposal.

## The CEO updated the Board on several activities and issues highlighted within the paper. The Board noted the re-allocation of spending review delegations under agreement with BEIS, and described in further detail within the finance update paper.

## The Board discussed in detail the increasing fusion activities within the US and the prospects for undertaking a high bilateral collaboration between UK and US administrations in fusion. The Board discussed the objectives, leadership, risks, and support structure of such a collaboration. The Board encouraged the Executive and BEIS to continue the development of potential frameworks for collaboration, and requested a paper at the next board outlining the vision and possible nature of a collaboration for further discussion, including discussion of freedoms to act, risks to the domestic fusion strategy, and impact on the industrial base - Action UKAEA(22)2/2

## The Board were updated on the current status of Euratom, and noted an considerably increased risk with relation to association and continued funding of JET operations. The Board discussed the potential appetite to pursue bilateral work with ITER, and other mitigations in the event that association is not achieved. The Board requested a more fulsome update on the status and mitigations to Euratom association at the next meeting.

## The Board were updated on a number of items including:

### recent ministerial and political events, including the output from the last Fusion Senior Sponsorship Group.

### The status of major programmes, particularly the Fusion Foundations and Fusion Industry programmes.

### The latest Corporate Risk review and the top risks to the organisation

### The latest status and detail of a deep dive into the environmental permit breach, and were assured by the actions taken in response and the effectiveness of the lines of defence within the organisation, noting ongoing discussions with the Environment Agency with updates to be issued as discussions continue.

## The Board reviewed the UKAEA Risk Appetite statement for 2022, and discussed in detail the wording of the appetite for compliance and legislation risk, suggesting a modified wording. The Board approved the risk appetite with this change, and commended risk team for the work done over 4 years of progress, noting that UKAEA reporting is being used as exemplar in other organisations.

## The Board were updated on the status of communications and events and commended the communications report provided. The Board noted challenges in engaging with Government over the holding of events, and discussed the impact on the UKAEA mission noting an increased risk to delivery with heightened restrictions on comms activities. The Board noted the development of a strategic comms plan with BEIS. The Board discussed upcoming IAEA conferences and agreed firmly that these represent technical scientific conferences in the field and should not be regarded as comms events.

# subcommittee updates

## The Chair of the Audit and Risk Assurance Committee updated the Board verbally on the outcomes of the last ARAC meeting as follows:

### The audit roadmap to the end of the FY was reviewed with the NAO and is considered on track

### The committee discussed the top corporate risks in detail with a focus on Russia, Euratom association, a deep dive on cyber, and risks related to STEP, alongside the current landscape and plans for STEP.

### The Committee were pleased to see a reduction in the number of overdue audit actions, and challenged the management team to keep to these reduced levels. The timeliness and appropriateness of the audit process was discussed, with enhanced expectations placed on the management response.

### The audit plan for the coming year was reviewed and deemed appropriate by the Committee.

### A successful transition to new ARAC chair was noted.

## The Chair of the People and Remuneration Committee provided a verbal update on the outcomes from the last meeting:

### The Committee reviewed the objectives for the Executive team for the new financial year in detail, and were assured that they reflect scale and content of expectations on senior leaders with some small suggestions and changes provided. The Committee recognised the commitment of the CEO and senior team to the performance management process

### The Committee held a focus on key elements of the developing people strategy, including the gender pay gap and actions identified to address it. The Committee recommended that the Board read the gender pay gap report when it is published publicly. An updated schedule for the development of the People strategy was provided.

### The Committee noted that the mobilisation of the Inclusion council is now well underway

### The Committee discussed the process for enactment of the new flexibilities for senior staff appointment and promotion, noting that the first wave of the process is expected to conclude in the summer. The Board noted the potential consequences associated with increased pay at steady budget.

## The Chair of the Property Sub-Committee updated the Board verbally on the outcomes of the last meeting:

### The status of the CCDP project was discussed by the Committee which informed the decision made by the Board during this agenda.

### The Committee received an update on the STEP site selection and were assured of the quality of the process and highlighted the importance of commercial opportunities in the wider areas associated with siting discussion.

### The Committee discussed the development plans for the Harwell campus and the terms of land release

### The Committee reviewed and discussed an updated Sustainability strategy and advised on including the impact of embedded carbon in current building stock

# review of the arac tors

## The Board reviewed the Terms of Reference of the ARAC, noting a review undertaken by the ARAC. No comments were raised, and the Board unanimously approved the terms of reference.

# finance update

## An overview of the financial performance at the end of P10 was provided to the Board. The Board noted permissions within the delegation to the Accounting Officer to reallocate between existing programmes based on cost pressures and the management of issues, respecting ringfences, with reallocation to new programmes or purposes undertaken in discussion with BEIS.

## The Board discussed the risks reported within the paper, noting significant efforts undertaken by JET teams towards resolving budgetary pressures induced by increased energy costs, with emphasis on the realisation of the plans produced. The Board discussed the purchasing methodologies for energy.

## An additional risk of unexpectedly high inflation, not reported on in the paper but materialising now, was discussed. The Board discussed the nature of the inflation risk to capital programmes, and to an enhanced reduction in competitiveness of salaries as living costs rise.

# portfolio business planning update

## An update was provided to the Board on the business planning process up to this point, and how it has evolved in recent years. The report does not represent the business plan but represents an input into strategic business planning. The impact of STEP and JET decommissioning was highlighted to the Board. The impact of an increased pay award within a flat cash scenario was highlighted as a pressure to the Board. The Board noted that baseline trajectory in the model is completely in line with the spending review settlement. The appearance of other strategic elements not directly linked with income to the organisation was discussed.

## The Board discussed the proactive consideration of activities to drive productivity. The proportion of spend in back-office functions was outlined to the Board who noted that a dedicated business plan for these functions is in development. The Board noted the provision of a fund for transformation budgets to drive efficiencies in the business

## Business plan shows an increased movement towards a single dominant funding source, and the Board discussed the strategy for securing other funding sources. The Board discussed the impact of the SDO on the future diversification of income, but also the impact of embedding into international relationships as a driver for safeguarding funding. The Board discussed the organisation’s readiness to mobilise to potential major private investment if the opportunity would arise.

## The Board discussed how to continue the business planning process as a live process, and the regularity of reporting on the business plan. The exercise is taken on an annual basis, with a discussion to come at a future board in Sept only if tangible changes to the model occur due to major changes in the landscape.

## The Board discussed the implications of the headcount trajectory presented within the report and noted that whilst the trajectory appears within the tolerances of potential headcount caps, there is no skills match in the model so the potential future need for restructuring funds is not ruled out by the model.

# budget

## The current position of the budget and the approvals sought were overviewed to the Board, with any deviations from the paper as presented appearing in the final budget approved by the Executive Committee (within the tolerances proposed) to be presented to the Board in May.

## The Major drivers for the year-on-year increase in budget were reviewed, and the Board discussed the approach to over-budgeting to be taken on a programme-by-programme basis informed by historical precedent. Members discussed the measurement of delivery performance against spend, which is taken as an objective this year to expand reporting within the finance update.

## The Board discussed the underspends against budget in previous years and the challenges in delivering the budget presented in light of current risks to delivery, with Members recommending future financial reporting to be both against budget and forecast to track performance in year.

## The Board approved the budget for 2022/23 subject to the tolerances outlined in the report.

# approval of performance measures for 2022/23

## The Board discussed the performance measures for 2022/23 in detail, including the balance of activities against the UKAEA portfolio. The Board recommended two changes to performance measures, related to the inclusion of continuous cultural development, and environmental targets. The Board approved the performance measures subject to these changes.

## The Board discussed long term reward mechanisms as a potential avenue for the future for improved offerings to staff, given the long-term nature of the programme, and agreed this as a topic to be picked up by the P&RemCo in due course.

# update on STep

## The Board were briefed on the major upcoming decisions for STEP, and the interaction and exposure from those decisions with other parts of the Authority and/or programme. The approvals related to siting and the creation of the SDO were outlined, with approvals due prior to final approval of the Tranche-2a of the programme. The risks associated with securing outline consent for the STEP site were discussed, and the Board were assured that the risks and plans were being analysed in an appropriate manner. The Board were assured that the considerations given towards forming a recommendation for the STEP site were appropriate, noting Board representation in the site recommendation process and a comprehensive coverage of risks associated to the selection process. The siting recommendation paper will be distributed to the Board when available to note.

## The Board discussed the preferred concept for the STEP design, with a detailed overview of breeder blanket technology.

# sTEP tranche-2a sobc

## The Board were briefed on the business case approvals process for the STEP Tranche-2a programme, and the steps taken with Government keyholders in the preparation of the business case.

## The Board discussed the future relationship between STEP and the UKAEA and its representation within the business case. The understanding of the relationship between UKAEA and STEP was discussed as being a topic for the Board to come back to and understand as the programme understanding matures. The Board discussed the working assumption of the Governments expectation of third-party investment in the full life of STEP and the range of possible partnerships with the private sector was discussed.

## Members discussed the presentation of an accelerated delivery option for STEP within the business case and whether it is considered deliverable, and discussed the ability to accelerate given approvals timescales needed. The Board discussed lessons learnt from the vaccines programme, and noted some factors already influencing the options considered.

## Board considered that the case presents a useful framing of the issues and strategy of the programme, with some comments provided for improvement.

# any other business

## The Board noted that the JET Decommissioning SOBC had been reviewed by BEIS PIC prior to the Board, and the result would be communicated as soon as known.

## The Board recommended engagement with InnovateUK following their SR allocation for potential synergies and overlaps with the potential for collaborative activities.