



Office for
Nuclear Regulation

Office for Nuclear Regulation Annual Report and Accounts 2015/16

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Office for Nuclear Regulation Annual Report and Accounts 2015/16

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Performance Report

Overview



ONR Chair's Foreword

The past year has required ONR to be responsive to the changing UK nuclear industrial sector whilst we continue to regulate the nuclear industry as it faces considerable challenge. The industry is poised to expand as plans to design and build several new nuclear power stations mature with the first planned for Hinkley Point in Somerset. The current fleet of operating reactors continue to generate electricity safely and securely, and as the fleet ages, the associated effects are a greater focus for us. Great Britain has a significant nuclear legacy and the accumulated high activity radioactive wastes will need to be treated for long-term storage, and ultimately for emplacement in a deep geological disposal facility. In addition, our work in regulating the nuclear licensed sites as part of the wider UK Defence Nuclear Programme (DNP) is set to expand given the Government's policy for maintaining Continuous At-Sea Deterrence (CASD).

ONR has also experienced significant change in the last year, much of which has been in readiness to meet the regulatory challenges arising from the expansion of the nuclear industry and the complexity of the issues facing it, which I outlined above. This change has included re-invigorating the Board, the Executive and the senior team. I am immensely proud of the way our staff have continued to deliver effective nuclear regulation in such an uncertain environment.

In particular I am pleased to report that, in the judgement of the Chief Nuclear Inspector, UK nuclear dutyholders have satisfactorily achieved these high standards of safety and security thereby protecting the workforce and public from harm. There is evidence that safety and security improvements have been made. This is due in no small part to ONR providing effective regulation and working with operators to ensure they comply with their duties and obligations under the legislation that applies to their work.

With a full senior team in place, under the guidance of our new Chief Executive, and with the continuing commitment of our staff, I have no doubt that ONR will remain a positive influence on nuclear safety and security in the UK, and internationally.

Nick Baldwin
Chair of ONR



Chief Executive's Foreword

The effective operation of our core functions is, and always will be, the prime objective of everyone at ONR. We consider it a privilege to serve the public, and strive to discharge our functions to a high quality, and to offer value for money. It has been an honour to join this team and to begin to engage with them, and with our stakeholders, to shape our future.

In 2015-16, ONR delivered its public promise to provide strong and independent regulation of a nuclear sector that is extending the life of an ageing fleet, and taking on new ways to develop fresh nuclear capacity. This brings both opportunity and challenge to ONR, and so we began to grow so as to meet current and future demand. We developed our regulatory approach to place greater emphasis on working constructively with licensees to tackle long standing, strategic issues. We call this our 'enabling regulation' approach, and this way of working will become the norm across the full scope of our regulatory operations in the next few years.

We tackled several regulatory challenges and will continue to do so in the coming year. These include sustaining the momentum of our strategy for accelerated hazard reduction and remediation at Sellafield; ensuring licensees continue to operate safely and securely in an increasingly competitive energy market; and continuing to deliver Generic Design Assessment (GDA) while preparing for planned growth in the nuclear sector.

ONR faced some senior staff turnover, and offered thanks to many staff who retired after decades of working in the nuclear and safety industries. This put some strain on our teams, and it is important that next year brings stability of direction, unity of purpose and long term workforce planning.

Having become independent just two years ago, we dealt with challenges related to legacy suppliers and building our own corporate capability. We recognised that we need to build greater internal capability to stand fully alone, and will focus on strengthening our corporate support over the next few years.

I have welcomed and valued the support of the Department for Work and Pensions (DWP) as ONR sponsor, and of the Department of Energy and Climate Change (DECC), with whom we work closely regarding nuclear policy development.

I consider ONR to be well positioned to support regulation of the nuclear industry for the foreseeable future, and to share our knowledge and insights to influence regulatory and operator practice across the globe.

Lastly, I am extremely grateful to the Board and staff of ONR who are dedicated to ensuring that ONR helps protect the public. I have found it to be an inspiring organisation, with much to give, and I look forward to leading the team to success next year.

Adrienne Kelbie
Chief Executive

Who we are

ONR's role is captured in our mission **“To provide efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public”**.

ONR regulates nuclear safety and conventional health and safety at licensed nuclear sites in the UK. These include the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites and licensed defence sites¹. We regulate the design and construction of new nuclear facilities, nuclear security at civil nuclear facilities and the transport of nuclear and radioactive materials. We work with the international inspectorates to ensure that safeguards obligations for the UK are met. Responsibility for delivering a safe and secure nuclear industry is the responsibility of the dutyholders we regulate; it is ONR's responsibility to ensure they comply with the law.

What we do

We regulate the nuclear industry in a number of ways. We:

- inspect and evaluate the safety and security culture and performance of dutyholders, ensuring risks are well controlled;
- enforce the law, in accordance with the ONR Enforcement Management Policy;
- deliver a permissioning² regime, ensuring that dutyholder activities of principal significance to nuclear safety and security achieve UK legal standards;
- continually improve the regulatory framework, maintain ONR's management system and sustain our regulatory capability;
- engage, inform, advise and consult with dutyholders, international bodies and other stakeholders;
- influence dutyholders to develop through-life strategies, achieving sustained delivery of good practice in safety and security.

We also work with international organisations, including the European Commission and the International Atomic Energy Agency (IAEA), to ensure that any new policies or international standards can be incorporated into our regulatory system effectively and efficiently.

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- 1 ONR also regulates conventional health and safety, including radiation safety, on Crown 'authorised defence sites' where the Defence Nuclear Safety Regulator (DNSR) oversees nuclear safety.
 - 2 The permissioning process enables ONR to control the activities of dutyholders and to respond to dutyholders who require permission to start, continue or cease specified activities under relevant legislation.

Key Issues and Risks

ONR published its corporate risks in the Annual Plan 2015/16. These were reviewed in the context of the ONR Board agreeing its risk appetite statement as part of developing its Strategic Plan 2016-2020. The revised risks were agreed in December:

- failure to protect the confidentiality, integrity and availability of sensitive information and assets from both known and emerging security threats to the UK nuclear infrastructure (e.g. cyber-attacks, terrorist activity, state sponsored espionage);
- failure to anticipate the demand from industry/ external dutyholders (e.g. Civil and Defence Sector New Build, Nuclear Power Plant life extension, Geological Disposal, Transport Inspection and Enforcement) and an inability to effectively plan and match resources to that demand;
- ONR's regulatory decision making is inconsistent, disproportionate and insufficiently robust and ONR fails to deliver its strategy for 'Modern and Enabling' safety and security regulation;
- non-compliance with public sector requirements and governance best practice e.g. Managing Public Money, HM Treasury guidance, sponsorship framework and corporate governance arrangements and policies;
- risk to ONR's reputation if hazard and risk reduction at the Sellafield site suffers a loss of momentum.

Further information on the management of risk can be found in the Governance Statement on page 53.

Going Concern

ONR funding is met through a combination of charges to the nuclear industry together with grant funding from DWP. The grant arrangement is agreed for the next reporting period and ONR's statutory obligations remain unchanged. Net assets totalling £11.3m are recorded at the end of the financial period. ONR has no outstanding liabilities which threaten its ability to continue without recourse to additional funding voted by Parliament.

Consequently the going concern basis has been adopted for the preparation of the ONR financial statements at pages 90 to 109.

Performance Summary

The majority of ONR's Key Performance Indicator (KPI) targets were met. Those not achieved comprised three Summary Programme Plan milestones, which have been carried over for completion in the financial year 2016/17, and corporate KPIs relating to receipt of payments to

ONR. However, there was no detrimental impact as a result. Further information is provided later in the report on page 17 and pages 38-44.

Performance Analysis

Strategic Priorities for 2015/16

We set four strategic priorities in our Annual Plan for 2015/16:

- **Hazard reduction and remediation at Sellafield Ltd's legacy facilities:** ONR has a regulatory strategy to support the delivery by Sellafield Ltd of its high hazard and risk remediation programmes, focusing on securing accelerated, safe and secure retrievals from legacy facilities;
- **Generic Design Assessment (GDA) and nuclear new build:** GDA is the process used by the nuclear regulators (ONR and the Environment Agency) to assess the safety, security and environmental implications of the new reactor designs that may be used in new nuclear power plant being built in the UK;
- **Maintaining focus on our core purpose:** Regulating the hazards arising from the UK's existing operational nuclear sites, waste storage and decommissioning facilities, and radioactive materials transport in a proportionate manner including the integration of safety and security regulation. This includes ensuring that licensees and dutyholders have in place effective security arrangements that are essential to prevent the theft or sabotage of nuclear or other radioactive material, the sabotage of nuclear facilities and the protection of sensitive nuclear information;
- **An exemplary employer:** An employer that values its people and creates the conditions required to secure and retain a motivated, stable and sustainable workforce.

Some of the main achievements against our strategic priorities are described below. Further details of our regulatory activities and performance against regulatory key metrics are provided in the Chief Nuclear Inspector's Statement and Annual Report. See pages 19-44.

Priority 1: Hazard reduction and remediation at Sellafield Ltd's legacy facilities

ONR implemented a modern and enabling regulatory approach to hazard reduction and remediation at Sellafield in 2014. We continued with this strategy and saw significant improvements in a relatively short time.

Working with the NDA and Sellafield Ltd, we enabled a change in strategy for the management of some intermediate level waste at Sellafield. This change of strategy results in waste being retrieved from an aging facility over a shorter period of time and the

cancellation of a major process plant at a significant net saving to the public purse. The first major component, a 400 tonne retrieval machine, was installed in December 2015.

The success of our approach at Sellafield has led ONR extending this enabling style of regulation across our regulatory work. Further details of our plans are available from the ONR website <http://www.onr.org.uk/documents/2016/strategic-plan-2016-2020.pdf>

Priority 2: Generic Design Assessment (GDA) and nuclear new build

Although there were some technical challenges during Step 3 of the Generic Design Assessment (GDA) of Hitachi-GE's UK Advanced Boiling Water Reactor (ABWR), nuclear power station, design was completed and Step 4 of the process began.

We continued to work with the three organisations that are preparing nuclear site licence applications to ensure each understands and can address legal requirements and our expectations.

Priority 3: Maintaining focus on our core purpose

ONR has focused also on core business recognising the importance of these activities. We assessed the safety case related to defects found by the licensee in a boiler structure at Heysham 1 and subsequently issued our agreement to resume operations.

We assessed the Sizewell B power station Periodic Safety Review (PSR2) submission and confirmed that EDF Energy Nuclear Generation Ltd (NGL) had demonstrated that they could continue to operate until 2025.

We further developed a strategy for licensing a future Geological Disposal Facility (GDF). We concluded that it should be subject to the requirements of the Nuclear Installations Act 1965 during its design, construction and operation, and regulated for safety purposes by ONR.

We agreed to the transport of the first consignment of un-irradiated fuel from Dounreay to Sellafield, which was completed safely and securely.

We issued an agreement for the latest nuclear powered submarine, HMS Artful, to begin active commissioning at Barrow. We also agreed to the docking of HMS Tireless to prepare for final defueling and decommissioning at Devonport.

We held the Chair of the European Nuclear Safety Regulators' Group (ENSREG), a high level advisory group to the European Commission and took a prominent role in setting the future direction of this important group. We also organised a successful ENSREG conference in June 2015, which brought together around 300 delegates including national regulators, Non-Governmental Organisations, nuclear operators and academics.

We presented jointly with the Environment Agency, the UK's approach to the safe management of spent fuel and radioactive waste to the IAEA 'Joint Convention' 5th review meeting.

We contributed to the IAEA's International Physical Protection Advisory Service (IPPAS) and International Regulatory Review Service (IRRS) missions, the purposes of which are to assist member states to strengthen their national security and safety regimes respectively. This included hosting the IPPAS mission to the UK which concluded that overall our nuclear security regime is robust, providing reviewers for the IRRS missions to Japan, and the IPPAS missions to Belgium and Canada, amongst others.

We also participated in reviewing and developing safety and security standards through IAEA committees.

We engaged extensively with the Better Regulation Delivery Office (BRDO) and the Department for Business, Innovation and Skills on new better regulation measures that are due to become law during the current Parliament.

We worked alongside the BRDO to ensure that there is a proportionate approach to cost reduction and assessment.

We contributed to DECC's Innovation Plan in the energy sector, looking at how responsive our regulatory framework is to innovative ideas and disruptive business designs, as well as how we could utilise new technologies to operate more efficiently.

Priority 4: An exemplary employer:

- we committed to becoming an employer that values its people and creates the conditions required to secure and retain a motivated, stable and sustainable workforce. Good progress was made towards this objective. We created opportunities for people to develop into nuclear inspector roles by sponsoring graduates;
- we recruited individuals with niche skills from other industry sectors;
- we developed proposals to recruit degree level apprentices.

We continued to offer and receive secondees from across the nuclear industry providing opportunities to share best practice and insights into how ONR operates.

We recognised the contribution of our staff through our performance management process, where staff received pay increases relevant to the delivery of their objectives for that performance year. However, we need to improve consistency of personal objectives to ensure they are challenging and fully aligned with delivery of strategic goals; specific and measurable; and hold leaders and managers to account for engagement and improved performance. These criteria will be the basis of future performance awards.

We undertook our first staff survey since becoming a public body. The response rate was exceptional (92%), significantly above the norm in both public sector and industry benchmarks. The survey indicated that there

was a high level of commitment to ONR (91%) amongst staff. However, it highlighted a number of areas requiring significant improvement and action to increase staff engagement. The Executive Management Team (EMT) will address this in earnest in 2016/17, and undertake another survey in 2017 to evaluate the impact of the actions we take.

Our Annual Plan 2015/16 sets out the KPIs for our regulatory activities and the corporate functions that support the delivery of efficient and effective nuclear regulation. Those that apply to non-regulatory activity are shown below.

KPI	Target	Outturns
Staff in post against plan	100%	100%
Recruitment into business critical posts	100%	100%
Absenteeism against nuclear sector	Better than sector benchmark (5.5 days)	3.2
Average training days per person	7	14
Outturn against budget (with statement of financial position, income and expenditure account)	+/- 3%	+ 0.8%
Invoices raised by ONR that remain unpaid after 30 days	Less than 5%	2.4%
Invoices received by ONR that remain unpaid after 30 days	Less than 5%	0.3%
Forward liquidity – time that cash in the bank and current outstanding invoices cover planned expenditure	2 months	3 months
Efficiency savings “cashable” and “non-cashable”	5.0%	5.2%

Our performance against regulatory KPIs is reviewed in the Chief Nuclear Inspector’s Annual Report on page 19-44.

In 2016/17 we will be reviewing our KPIs to better reflect the focus of our activities in future years.

Capacity

Recruitment

We recruited several people into senior leadership roles including the Chief Executive Officer and Chief Nuclear Inspector. A Finance Director, a Communications and Insight Director, and Deputy Chief Inspectors will also take up appointment early in 2016/17. Once completed, ONR will have a stable and fully mandated senior team. Further detail about the senior team is provided in the Accountability Report on pages 45-67.

ONR ended the year with 500.13 full time equivalent staff (FTE), of which 309 were nuclear specialists (Suitably Qualified Experienced People SQEP). A recruitment target of 35 nuclear specialists was set at the start of the year. This was extended to 45 during the year to reflect increasing activity. Recruitment was successful and the target was met.

Staff turnover

Turnover remained consistent and in line with expectations

Turnover by discipline

	2015/16	2014/15
All disciplines	5.96%	6.25%
Nuclear safety inspectors	6.63%	6.69%

Percentages of leavers by reason and discipline 2015/16

	Nuclear safety inspectors	Nuclear security inspectors	Other
Resignations	47.4%	100%	62.5%
Retirements	52.6%	0%	25.0%
Other	0%	0%	12.5%

Workforce projections

Based on our workforce projections up to 2021, we will need to recruit up to 60 specialists in 2016/17 to meet the target of a net increase of 36. This will be challenging but plans are being put in place to both recruit and develop this level of new recruits.

Business critical posts

We identified 52 roles across ONR that are critical to our business, predominantly in the regulatory area to meet our statutory obligations. All but one was filled. The remaining role was subject to an external recruitment exercise and an appointment was made in March. At least one successful candidate has been identified for 41 (79%) of these roles and work will continue in 2016/17 to ensure successors in place for remaining roles.

Technical Support Framework

Technical Support Contracts (TSCs) were used to provide niche expertise and to support short term requirements to supplement permanent resource. The TSF was used to procure appropriate expertise. There were 62 contracts in place, the majority (55) of which

were utilised in the Civil Nuclear Reactor Programme (CNRP) largely in the GDA and new build sub-programmes.

Capability

We committed to ensuring everyone in ONR had access to learning and development opportunities equivalent to a minimum of seven working days. We focused on supporting staff to enhance their professional competence, including membership of relevant professional bodies that will develop their skills. This included promoting appropriate attainment of fellowships of such bodies. We also ensured all staff had access to a range of on-line learning material through Civil Service Learning (CSL) which provided a blend of e-learning, face-to-face courses, master-classes and online resources for all generic skills training.

We continued to deliver an in-house regulatory training programme. Through this programme, over 50 new inspectors attained a full warrant to allow them to undertake a wide range of regulatory duties. We held approximately 100 separate regulatory events, and provided appropriate refresher training. To improve our regulatory training further, we plan to undertake a strategic review that will focus on the IAEA model for managing regulatory competence. This will include greater integration of behavioural learning to support our approach to enabling regulation. Our aim is to implement improvements in 2016/17 using a phased approach.

Other less formal development opportunities included a programme of “Learn a bit about...” presentations delivered by ONR staff to their colleagues, the purpose of which was to spread knowledge, improve communications and create greater cohesion between different parts of ONR. In addition, invitations were extended to external stakeholders to present to staff on a range of topics.

Finance

Management of resources and ensuring value for money

ONR was funded by cost recovery from dutyholders (94%), and a grant from DWP (6%). In addition, ONR received loan funding from DWP (£5.9m) which was repaid in its entirety by the year end. ONR may, with the consent of the Secretary of State for Work and Pensions, borrow money from commercial markets, but did not.

The Executive members of the Board continued to be guided by HM Treasury’s ‘Managing Public Money’. The focus was on strengthening the financial control environment to ensure resources were deployed appropriately and value for money achieved. The Board welcomed the improvements introduced by the acting Finance Director to strengthen control effectiveness

The 2015/16 budgetary planning process was based on the Chief Nuclear Inspector’s regulatory plan and the consequential delegations reflected the programme resource requirements. The resulting budget of £64m, including corporate functions, was reviewed and approved by the Board before the start of the financial year. Income and expenditure was reviewed on a monthly basis and monitored against the agreed budget. The Board also received regular reports concerning expenditure against budget together with forecasts of out-turn and progress in delivering efficiencies.

Outturn against budget

Year	Budget (£m)	Expenditure (£m)	Variance %
2015/16	64.0	64.5	0.8

This outcome was achieved by a strong regime of financial management and a clear focus on delivering real efficiencies.

ONR implemented a plan to improve awareness of public sector disciplines and strengthen financial controls, including:

- financial awareness sessions for all staff;
- tighter controls over the approval of expenditure commitments;
- a range of improvements to financial management and budgeting processes including the publishing of a formal Scheme of Delegation and monthly forecasting of expenditure;
- reviewing contracts and the procurement processes, taking remedial action where necessary;
- improving the transparency of how ONR spends its money by publishing a list of all suppliers with whom ONR has contracts.

Each aspect of the financial improvement plan was reviewed by Internal Audit, with substantial or moderate assurance provided. This was a significant improvement. However, we know we have further work to do.

Invoices raised by ONR that remain unpaid after 30 days

The cost of the majority of ONR’s work is recoverable from the nuclear industry, it is therefore important to the financial health of the organisation that fees and charges are paid promptly and that aged debtors are kept to a minimum. The outturn for 2015-16 was 2.4% against a target of 5%. There were 2 significant invoices and a number of smaller invoices that were settled shortly after the 30 day benchmark. However this did not impact on the KPI, and there was no detrimental impact on ONR cash flow.

Invoices received by ONR that remain unpaid after 30 days

ONR is committed to paying suppliers promptly. ONR settled 99.7% of invoices within the 30 day benchmark against a target of 95%.

Forward liquidity – time that cash in the bank and current outstanding invoices cover planned expenditure

Forward liquidity ratio measures ONR's ability to settle its obligations from its cash and near-cash resources. ONR's forward liquidity was 3:1 against a target of 2:1. This metric reflects a healthy net asset position to facilitate our ongoing effective engagement with the supply chain, and allowing for timely settlement of liabilities.

Efficiency savings

The Board set objectives for achievement of efficiencies and approved a budget that recognised these aspirations. We committed to making efficiency savings of 5% of budget. Effective engagement across ONR delivered efficiency savings of 5.2% reflecting improved use of staff resources, reduced bureaucracy, improved systems and processes to minimise manual handling of data, reduced reliance on loan funding and securing better value contracts for a range of services.

Sustainability

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

ONR is committed to corporate sustainability. We support the Government's green transport policy by encouraging the use of public transport for business travel and by making use of electronic communication, in particular video conferencing facilities between ONR office locations, whenever practical.



Adrienne Kelbie
Accounting Officer
Chief Executive
Office for Nuclear Regulation
8 June 2016

Chief Nuclear Inspector's Annual Report



Following my appointment as ONR's Chief Nuclear Inspector (CNI) in March 2016, and a period as acting CNI from September 2015, I am pleased to present the CNI's Annual Statement. The UK nuclear landscape is undoubtedly changing and our regulation has continued to be effective, influencing improvements in nuclear safety and security and holding industry to account on behalf of the public. This report provides an overview of our regulatory activity, including where our attention has been focused, how we have delivered against our regulatory objectives and the development of our enabling regulatory approach.

The arrangements and management of nuclear safety and security across the UK nuclear sector, including health and safety on nuclear sites, transport of radioactive materials and safeguarding nuclear material, must meet the exceptionally high standards required by legislation and of the nuclear industry. Based on regulatory evidence I judge that UK nuclear dutyholders have satisfactorily achieved these high standards of safety and security thereby protecting the workforce and public from harm.

ONR has made strong regulatory progress in year, most notably at Sellafield. Following the introduction of a new regulatory strategy in early 2014, significant progress has been made in the acceleration of hazard and risk reduction at Sellafield's legacy facilities. Specific recent achievements include: retrieval and safe storage of the bulk stocks of fuel from the Pile Fuel Storage Pond, thereby delivering a 70% hazard reduction; commencement of bulk sludge retrievals and first fuel removals from the First Generation Magnox Storage Pond; and a new approach for dealing with legacy wastes that has allowed the cancellation of a major plant and will accelerate removal of material from the Magnox Swarf Storage Silo. Importantly our collaborative approach with Sellafield, and all key stakeholders, was internationally recognised as good practice at the 5th IAEA Joint Convention³ Review in May 2015.

³ Joint Convention on the Safety of Spent Fuel Management and the Safety of Radioactive Waste Management.

Through our GDA process we have continued to robustly assess new power reactor designs for UK operational deployment. Good progress has been made with the two designs (Westinghouse AP1000 and the Hitachi-GE UK ABWR) that are now in the final detailed design review stages. In line with Government indications we have commenced preparations for this portfolio to expand to include design assessment of the Chinese HPR1000 reactor and small modular reactor technology. Our regulation of the new reactor project at Hinkley Point prior to construction has continued. Productive engagement has also continued with the three prospective new reactor licensees: Horizon (Wylfa Newydd, Hitachi-GE UK ABWR); NuGeneration (Moorside, Westinghouse AP1000); and NNB Generation (Sizewell, EPR).

The UK's civil power reactors (14 AGRs and 1 PWR) have been operated safely and securely. Early and effective engagement has allowed key issues such as 'boiler spines' and 'key-way root cracking' to be regulated effectively ensuring comprehensive consideration of all factors. Plant life extension and ageing management has been a focus for ONR's intervention strategy across civil operating reactors and will continue to be a priority, particularly given price challenges in the electricity market and potential pressure on investment plans.

Overall the UK's decommissioning licensees have achieved a reduction in the nuclear hazard and risk on their sites. ONR has concluded that any future Geological Disposal Facility (GDF) should be subject to the requirements of the Nuclear Installations Act 1965 during its design, construction and operation and regulated for safety purposes by ONR; Government plans to bring forward legislative change to implement this. We have extended our collaborative approach to defence and regulated effectively recognising the expanding Defence Nuclear Programme.

Against a backdrop of increasing global security threats our security regulation has continued to be a key priority and we have moved to accelerate development of a goal setting approach to nuclear security regulation that is akin to our nuclear safety approach. With industry, Government and key stakeholder support we have initiated the development of nuclear security assessment principles. The UK hosted an IAEA IPPAS mission in February 2016, and I am pleased to report the international team concluded that overall our nuclear security regulatory regime is robust. Further, our move to outcome-focussed security regulation received strong international support with the benefits to effectiveness, efficiency and integration clearly recognised. This work will support a developing integrated regulatory approach and importantly enable dutyholders to be innovative and flexible in how they achieve the required high standards of security in a manner that meets their circumstances.

Regulatory permission has been granted to allow more than 100 significant nuclear safety and security activities e.g. agreement to modifications, or consent to commence operations. We have performed over 1,000 inspections and taken proportionate enforcement action to secure sustained compliance with the law. Action has included issue of four Improvement Notices and one Nuclear Security Direction. As a regulator with vision to be world leading, openness and transparency in our regulatory activities remains paramount; reports justifying our independent regulatory decisions have continued to be placed in the public domain. ONR's independent regulatory assurance group has completed a comprehensive assurance programme and has confirmed that: no significant matters have been identified which challenge confidence in the robustness of regulatory decision making; and that ONR is regulating in accordance with our purposes as required by the Energy Act 2013.

Licensees have continued to exhibit a healthy event-reporting culture with a total of 731 events reported. The vast majority, 717 (98%), were of no safety significance (INES 0) and 14 (2%) were of very limited significance (INES 1) with significant defence in depth protection remaining in place. There were no INES 2 level events, or above, reported and overall these data support judgement that industry is managing nuclear safety and security in a robust manner. Further, licensees made the required improvements to confirm compliance and enable our closure of seven Improvement Notices and one Enforcement Notice under the Regulatory Reform (Fire Safety) Order 2005. Licensees have made good progress addressing the lessons from the Fukushima accident. 80% of the recommendations and stress test outcomes are closed, and ONR is content that the most significant have been satisfactorily addressed.

As a mature and internationally respected nuclear regulator, the promotion, development and enhancement of nuclear safety and security standards worldwide remained an important part of our activity. In particular, we successfully supported the IAEA IRRS mission to Japan and the IAEA IPPAS missions to Belgium and Canada. We continue to work to influence improvements in international safety and security standards, and actively benchmark and learn lessons from our counterparts world-wide.

2016/17 will be a busy year as we meet the challenges of a changing nuclear landscape, progress implementation of our regulatory strategy, and regulate to maintain the high standards of nuclear safety and security. To enable ONR to best respond to future challenges, adopt good practices, implement successful approaches, and achieve effective safety and security outcomes, I have worked with the Chief Executive to establish a revised structure for our regulatory programmes. I am confident in the capability of our organisation

and this will allow better focus on the sectors we regulate, facilitate adoption of an enabling regulatory approach⁴ across our regulated activities and support the Regulators' Code.

Dr Richard A Savage
Chief Nuclear Inspector

⁴ Enabling regulation is a collaborative regulatory approach with dutyholders, and other relevant stakeholders, which seeks effective delivery against clear and prioritised safety outcomes.

Overview of Regulatory Attention in 2015/16

The regulatory attention that ONR applied to licensed nuclear sites over the past year is summarised in Table 1 below. Our judgement is underpinned by qualitative and quantitative measures gathered through our regulatory activities including:

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

Previous ONR CNI Annual Statements included a single arrow depicting an improving, steady, or deteriorating trend to represent performance. After reviewing this approach we decided that there were difficulties in applying the indicator across all licensees in a consistent manner. This could be potentially misleading given the varying hazard and risk posed by the nuclear site licence holders. As a result, the salient areas of licensee performance are captured within the relevant programme updates later in this report.

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

Some sites and facilities required more than the routine attention based on an overall judgement across the areas of nuclear safety, security, transport, and conventional health and safety and reflect the level of hazard and risk posed by the facility or activity. In addition, such a judgement could be due to emergent safety or security issues or could reflect proactive changes in ONR regulatory strategy to achieve hazard and risk reduction across sites over a shorter period of time. Given the legacy nature of the radioactive inventory across a number of sites and facilities it is envisaged that some could be in either enhanced or significantly enhanced regulatory attention for a number of years.

Table 1 – Regulatory attention for nuclear industry licensees

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

ONR Regulatory Attention	Sites and Licensee
Routine (cont.)	Rosyth (Rosyth Royal Dockyard Ltd)
	Sizewell A (Magnox Limited)
	Sizewell B (EDF Energy Nuclear Generation Ltd)
	Springfields (Springfields Fuels Ltd)
	Torness (EDF Energy Nuclear Generation Ltd)
	Trawsfynydd (Magnox Limited)
	Winfrith (Magnox Limited)
	Wylfa (Magnox Limited)

Summary of regulatory activity in 2015/16

Our regulatory activity was undertaken in accordance with the following priorities as published in the ONR Annual Plan 2015/16:

- hazard reduction and remediation at the Sellafield legacy facilities;
- GDA and nuclear new build;
- maintaining focus on our core purpose.

Regulatory Key Performance Indicators (KPI) and CNI Summary Programme Plan

In our Annual Plan for 2015/16 we identified KPIs directly related to our regulatory work. All KPIs were met with the exception of three CNI Summary Programme Plan milestones. Two were a consequence of changes to Licensees’ programme plans. The third, which related to the export of sludge from the Sellafield Pile Fuel Storage Pond, was delayed due to emerging characteristics of the sludge that will require modification to the plant. All of these milestones have been carried forward to 2016/17.

Table 2, below, details the outturn for the year.

The CNI Summary Programme Plan for 2015/16 contained 40 milestones across our core functions of which 37 have been met over the year, details of which are captured within the tables below.

Table 2 - Regulatory KPIs

Strategic Priority	KPI	Target	Outturn
Sellafield hazard reduction and remediation	Milestones in CNI Summary Programme Plan completed on time.	6 of 6 100%	5 of 6 83%
GDA and new build	Milestones in CNI Summary Programme Plan completed on time.	4 of 4 100%	3 of 4 75%
Maintaining focus on our Core Purpose	Quarterly Assurance Reports to the ONR Board	4 / year	4
	System inspections completed against those planned	100%	100%
	Inspections completed against those planned	95%	98%
	Reports of regulatory activity completed to deadline	95%	99%

Hazard reduction and remediation at the Sellafield Legacy Facilities

In 2014, ONR implemented a new regulatory strategy designed to proactively enable Sellafield Ltd to deliver its remediation programmes to reduce hazard and risk on the site. These programmes focus on accelerating safe and secure retrievals from the Legacy Ponds and Silos. Significant progress continues to be made and for the first time in decades legacy radioactive waste has started to be moved to more modern safer storage facilities on the site.

Overall, from a safety and security perspective, ONR has seen a number of positive developments in the hazard and risk remediation programmes at the Legacy Ponds and Silos. However, there is a substantial amount of work remaining and we will continue to apply a significantly enhanced level of regulatory attention.

There are three other key facilities in which the need for safe ongoing operation is also of high priority, namely, Magnox reprocessing, the plutonium facilities and analytical services. These have also received significantly enhanced regulatory attention alongside the Legacy Ponds and Silos, and this level of attention will continue.

The accelerated delivery of hazard and risk reduction presented complex regulatory and operational challenges. It required a balanced and proportionate regulatory approach which recognised and accepted well managed and controlled increases in the short-term risk profile, in order to reduce long-term risks and hazards on the site. Hazard reduction and remediation at the Sellafield legacy facilities was ONR’s top strategic priority for 2015/16 and is likely to remain so in future years until significant removal of bulk waste from the facilities is well underway.

Our regulatory strategy is helping to secure the following three key outcomes:

- accelerated hazard and risk reduction safely and securely across the Sellafield site;
- evidence-based confidence that the licensee is complying with its statutory obligations and that workers and the public are protected from the hazards of the site;
- stakeholder confidence that ONR's regulatory approach is appropriately targeted, risk-based, proportionate and effective.

From a nuclear security perspective, the significance of Sellafield in terms of radioactive inventory and programme of work, as well as their operational activities and hazard and risk reduction programmes means the facilities will remain the focus of our attention for the foreseeable future. Hazard and risk reduction activities will continue for many years and a programme of engagement has been developed to take forward the issues necessary to ensure that security arrangements are proportionate to the risks and hazards.

Generic Design Assessment, new reactor licensing, and construction

GDA

The principal aim of the GDA process is to reduce regulatory uncertainty and provide clarity on design and safety case changes required as a result of the UK regulatory system, ahead of construction on site.

GDA is a four step approach that considers the design in greater detail as each of the steps progresses and at the end of the process, should the design be suitable for construction, a Design Acceptance Confirmation (DAC) is issued. The four steps are:

- Step 1: Preparation of the design, safety case and security submissions by the Requesting Party
- Step 2: Fundamental design, safety case and security claims overview (~ 6 - 8 months)
- Step 3: Overall design, safety case and security arguments review (~ 12 months)
- Step 4: Detailed design, safety case and security evidence assessment (~ 28 months)

After Step 4 there may be a period of GDA Issue close-out, the scope and time of which will depend on the nature of any outstanding issues required to be addressed prior to issue of a DAC.

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

- Westinghouse Electric Company Limited – GDA of AP1000® pressurised water reactor. Currently addressing GDA Issues generated at the end of Step 4. It is anticipated that they will complete the GDA process by the end of the financial year 2016/17.
- Hitachi-GE – GDA of the ABWR™ boiling water reactor. Step 3 was completed in October 2015 as we judged that sufficient progress had been made in all of the technical areas to justify progression of the project to Step 4 of GDA. It is anticipated that Hitachi-GE will complete Step 4 in December 2017.

For the AP1000® project, we stated in our GDA quarterly reports⁵ that we have concerns in relation to delivery of the Westinghouse programme given the large amount they have yet to complete. Westinghouse has increased the resource throughout its GDA organisation at leadership level, project management and technical team levels. It is also increasing its UK support team which, combined with its in-house reactor expertise, is intended to improve submission quality.

For the ABWR™, there were some notable technical challenges in Step 3, which have resulted in ONR issuing two Regulatory Issues in the areas of reactor chemistry and probabilistic safety assessment (PSA). However, Hitachi-GE was able to provide sufficient material within Step 3 to allow progress to Step 4, and should the quality of delivery to programme continue, we expect that these issues will be resolved during Step 4.

In accordance with Government indications ONR anticipates receiving a request from DECC in 2016 to begin the GDA process for the Chinese HPR1000 reactor technology, which is proposed for deployment on the Bradwell site. We commenced engagement with the proposed GDA Requesting Party on the UK regulatory framework and requirements for GDA, new reactor licensing and construction.

We provided regulatory advice to the DECC Small Modular Reactor techno-economic assessment. In preparation for any GDA of an SMR technology, we also began work on identifying potential regulatory challenges.

New Reactor Licensing

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

- Horizon Nuclear Power Wylfa Limited (Horizon) for the construction and operation of two Hitachi-GE UK ABWR at Wylfa Newydd on Anglesey.

⁵ <http://www.onr.org.uk/new-reactors/quarterly-updates.htm>

- NuGeneration Limited (NuGen) for the construction and operation of three Pressurised Water Reactors (PWR) of the Westinghouse AP1000® design at Moorside near to Sellafield in Cumbria.
- NNB Generation Company (SZC) Limited for the construction and operation of two EDF/AREVA European Pressurised Water Reactors (EPR™) at Sizewell C in Suffolk.

We continue to work with these three organisations to ensure each understands and can address legal requirements and our expectations when submitting their NSL applications for our consideration.

We recognised the positive work undertaken by Horizon as it continues to develop the capability and arrangements that it needs to apply for a nuclear site licence for the Wylfa Newydd site. A key area of focus is Horizon's development of the organisational structure, resources, competencies and management arrangements required in order to become a nuclear site licence holder.

We welcomed NuGen's approach to working in an open and constructive manner, which is resulting in early and effective discussions in relation to its future nuclear site licence application. Progress was made by NuGen on the development of the resources, competencies and arrangements required in order to become a nuclear site licence holder. NuGen advised that it intends to further develop its capability significantly as it moves towards its licence application, which we welcomed.

Interactions with NNB Generation Company (SZC) Ltd over its plans for Sizewell C are at an early stage, and we anticipate increased engagement through the coming year as the company continues to develop its plans.

New Reactor Construction

NNB Generation Company (HPC) Limited (NNBGenCo HPC) is the licensee for the proposed Hinkley Point C (HPC) twin EPR™ reactor site near Bridgewater in Somerset. Overall, they have met our expectations with regard to safety and security submissions to date.

NNBGenCo HPC is preparing the pre-construction safety report in advance of submission to ONR for assessment in mid-2017. This will detail the safety justification for construction of the reactor building, associated nuclear safety buildings and other intermediate structures. Significant progress was made such that in all areas we have agreed a way forward on resolution of any outstanding technical aspects. We also closed a number of Assessment Findings arising from the GDA process. NNBGenCo HPC complied with the conditions attached to its nuclear site licence.

Core Purpose

Operating Reactors

We regulate eight operating reactor sites, seven of which have two Advanced Gas-cooled Reactors (AGR) and one site operating a PWR. The licensee, EDF Energy Nuclear Generation Limited (NGL) is the owner and operator of all eight sites. This section has therefore considered collectively the key elements from each of the sites identified, where applicable.

Overall, the operating reactor fleet operated safely and securely with NGL having comprehensive and systematic processes in place. Periodic shutdowns undertaken provided confidence in the internal assurance process and its application, as well as conservative decision making made in the interests of safety and security. Performance at demonstration emergency exercises has been to an acceptable standard, with ONR and the sites identifying areas of good practice as well as areas for improvement. NGL have investment and resourcing plans in place to ensure continued safe and secure operation, complete periodic safety reviews (PSR) and plant lifetime extensions.

The principal security focus on NGL sites was the delivery of a security enhancement programme against defined timelines. NGL achieved significant security deliverables over the year including Counter Terrorism Check (CTC) vetting for all staff requiring regular access onto site, the rewrite of the Counter Terrorist (CT) Contingency Plan with its integration into the Emergency Handbook, and a complete review of the emergency scheme role profiles and training to deliver defined CT competence training. Interventions have highlighted areas for improvement to security leadership and culture across the NGL sites. These will be followed up as part of our planned regulatory work in 2016/17.

We judged six of the NGL sites to have attracted routine regulatory attention. However, two sites, Heysham 1 and Hartlepool, remain in the enhanced regulatory attention category as a result of ONR's assessment and permissioning of modifications. These modifications have been made to the structural elements ('boiler spines') of the boilers in each of the four reactors following the identification by NGL of cracks within one of the boilers in one of the Heysham 1 reactors during 2014. Subsequently, ONR accepted the licensee's safety case for return to full power operation of the reactors at Heysham 1 Reactor 2 and Hartlepool.

An Improvement Notice (IN) was issued to NGL in March 2015 relating to an incident which led to the release of around 30 tonnes of clean CO₂ from a failed pipe in the Carbon Dioxide storage and distribution plant on site. There was no release of radioactive material, no persons were injured and the two reactors remained operational during the

event. The IN required NGL to make and implement improvements in their arrangements for examination, inspection, maintenance and testing of the Carbon Dioxide storage and distribution plant by 30th November 2015. We confirmed that NGL had made the necessary improvements and confirmed compliance with the IN on the 27th November 2015.

The regulatory attention for Dungeness B has been returned to the routine attention category from enhanced regulatory attention reported in the 2014/15 annual statement. This judgment reflects that issues associated with the site's external flooding safety case and the improvements made at the site in response to the recommendations arising from the CNI Final Report on Fukushima Dai-ichi⁶ have been addressed.

At Hunterston B 'key-way root cracking' was identified in three out of 350 graphite bricks sampled in the core of one of the reactors. This was identified by NGL as part of their routine inspections performed during the periodic shutdown at the station. This type of crack is fully expected as a reactor core ages. ONR's assessment of the licensee's safety case concluded that there was justification to support the return to service of the reactor and our assessment work has continued to examine the safety arguments and evidence to substantiate future operations. ONR granted consent for Reactor 3 at Hunterston B to return to power for a period of six months to enable NGL to produce a further safety case for operations beyond that period. Separately, a different type cracking was found by NGL at Torness Reactor 2. In this case, peripheral cracking was identified within the outer graphite shielding blocks and were judged not to have any impact on the operation or safe shutdown of the reactor pending further analysis and a safety justification to support longer term operation beyond the next 18 months.

NGL have investment plans in place associated with plant lifetime extension as they recognise that as operating reactors age they need enhanced examination and inspection to ensure continued safe and reliable operation. Ageing management will continue to be a priority area for ONR's intervention strategy across operating reactors in the context of NGL's plans for life extension and site licence requirements for PSR. The intent is to maintain our confidence in the ability of NGL to manage risks arising from ageing and degradation and ensure that the risks from operations remain as low as reasonably practicable (ALARP). We will assess the PSRs for Hinkley Point B and Hunterston B and arrive at a decision on their adequacy by the end of February 2017.

6 <http://www.onr.org.uk/fukushima/>

Sellafield – Remainder of the estate

The Sellafield site was judged to warrant an enhanced level of regulatory attention. Areas of regulatory interest included emergency planning and resilience, supply chain performance, the robustness of the internal regulator, improved leadership and management for safety and the safe conduct of operations.

Overall, we saw good progress in Sellafield Ltd's delivery of higher standards of nuclear safety and security. For instance, there were indications that despite more proactive incident and event reporting, the number of incidents notified to ONR with nuclear safety significance is falling. There is also evidence that the average nuclear safety inspection ratings are improving year on year as Sellafield Ltd improves its arrangements for licence condition compliance and implements these more consistently across the site. However, since many of our areas of ongoing regulatory interest at the site cannot be resolved quickly, we envisage that the remainder of the Sellafield site will continue to attract an enhanced level of regulatory attention for the foreseeable future. We judge that this is proportionate given the nature of the hazards and the breadth and complexity of routine operations, decommissioning work and bringing into service of new plant on the Sellafield site.

In November 2013, an IN was served on Sellafield Ltd as a result of shortfalls, identified by the company itself, in the level of protection provided to employees and other persons against the risk of inadvertent exposure to ionising radiation during Flask Maintenance Gamma Gate operations at the site's Fuel Handling Plant. The IN required Sellafield Ltd to make improvements by 31st August 2015 and we confirmed compliance with the IN on 19th August 2015.

In July 2014, an Enforcement Notice (EN) under the Regulatory Reform (Fire Safety) Order 2005 was issued in relation to the adequacy of the means of escape from a building in the final stages of construction on the Sellafield Site. The EN required Sellafield Ltd to make improvements to the means of escape from the building by 1st May 2015. We confirmed compliance with the EN on the 1st May 2015. The work had been completed six weeks prior to the compliance date.

Other specific areas of nuclear safety improvement included significantly increased robustness and resilience of the site's electrical power supplies, improvements in high level waste stream evaporative capacity and the embedding of an internal regulatory function throughout Sellafield Ltd's business.

From a nuclear security perspective, Sellafield remains a priority for ONR in terms of overseeing and influencing the dutyholder's performance to ensure they effectively manage the security risk during the investment in new security and resilience capability. The site made substantial changes to its Security Operational Unit (Security and

Resilience) including making the site's Director of Security a member of the Sellafield Executive. In addition, Sellafield Ltd embarked on a programme of embedding security managers throughout its business, which also increases ownership of security matters by operational managers. As a result, we expect to see improved delivery of 'security by design' through timely and early engagement.

In January 2016, we issued a Direction to Sellafield Ltd under the Nuclear Industries Security Regulations 2003. This related to remediation of a specific vulnerability and required Sellafield Ltd to make improvements by the end of March. We have subsequently confirmed the Direction has been met.

A key focus of nuclear security regulation at Sellafield during this reporting period was an in-depth multi-disciplinary inspection. Whilst confirming the general effectiveness of security arrangements, a requirement to improve processes in place for Cyber Security and Information Assurance (CS&IA) was identified. A contributory factor in this area was associated with a lack of resources within Sellafield's CS&IA capability, which the licensee is currently addressing.

Defence Nuclear Sites

ONR regulates the safety of aspects of UK's Defence Nuclear Programme, which encompasses facilities and activities in support of government policy to maintain continuous at sea deterrence (CASD); under the auspices of the Ministry of Defence (MOD). There are seven licensed nuclear sites within this remit and several non-licensed sites, which are under the direct control of the MOD and are subject to duties under general health and safety legislation, but not to licensing.

The MOD's policy is to authorise the non-licensed sites and nuclear safety is then regulated by the Defence Nuclear Safety Regulator (DNSR) applying equivalent nuclear safety standards to those required on the licensed sites by ONR. We worked closely with DNSR and concluded a formal Letter of Understanding in April 2015, which sets out our respective roles and responsibilities in providing complete, efficient and effective regulation of DNP facilities and activities.

Overall we considered that the licensed defence sites demonstrated adequate control of the nuclear and radiological hazards. There were aspects of safety management and performance where shortfalls were identified by ONR and the sites have responded to address these areas for improvement. While overall we judge that safety on the sites is acceptable, some of the identified safety issues have persisted for longer than this reporting period and will require enhanced attention to deliver longer-term safety improvements.

We considered that the Atomic Weapons Establishment (AWE) Aldermaston and Burghfield sites warranted enhanced attention. Central to this was AWE's continued reliance on the use of ageing

production facilities, delayed delivery of safety justifications for those facilities and delays to delivery of new build projects. Furthermore, a number of safety significant legacy issues in one of these facilities were not being acted on promptly by the licensee. AWE's work to address these issues is now well advanced and will improve the safety of this facility. We continued to engage with AWE, MOD and other key stakeholders on work being undertaken in response to the IN we issued following our investigation into the licensee's long-term safe management of radioactive waste. This work will continue, with AWE and MOD due to finalise its strategy in 2016/17.

We amended our strategic aims to focus attention on safe through-life management of operational capability and AWE's internal governance and organisational culture. We enabled collaborative working with key stakeholders (AWE, MOD, DNSR and Environment Agency) through the establishment of a senior strategic level stakeholder forum. Building on good practice, the aim of this forum is to secure timely delivery of some key long-term safety improvements. These initiatives have together resulted in increased attention on legacy issues and agreement on priority areas for hazard and risk reduction.

Devonport Royal Dockyard Ltd (DRDL) has continued to receive enhanced regulatory attention, and in response to matters identified by ONR, supported by the Board the licensee has continued to progress a comprehensive nuclear safety improvement programme against areas of identified weakness. In November 2014, an IN was issued to DRDL requiring them to make improvements to the control and supervision of radiological work. The IN required DRDL to make improvements by 31st January 2016. We were satisfied with the improvements completed by DRDL in January 2016 and confirmed compliance with the IN on the 31st January 2016. In addition, the licensee has made improvements in other areas, notably in the investigation of incidents on the site and learning from experience.

There are a number of ageing facilities on the Devonport site and the licensee has developed a strategy and is securing the necessary investment to maintain their long-term safety and reliability. ONR's assessment of DRDL safety cases confirmed that reasonably practicable improvements should be made to some of these facilities, and plans are being developed. The project to reinstate the ability to defuel submarines at the end of their service life continued to progress satisfactorily. This is viewed by ONR as an important project for longer-term hazard reduction on the adjacent MOD site. Extensive submarine maintenance and repair activities to support an ageing submarine fleet, exacerbated by the decision to refuel HMS Vanguard, put pressure on the licensee's organisation and resources. In the face of this demanding workload ONR continued to focus on DRDL's efforts to improve its organisational capability, and welcomed the strengthening of its Board with new independent members.

Rolls Royce Marine Power Operations Limited (RRMPOL) at Derby continued to construct new nuclear facilities to modern standards while maintaining production in its existing ageing facilities. The challenges this presented have been met by the licensee, which strengthened its organisational capability, and improved its arrangements in several areas. We remain engaged in assessing both continued safe operation of the current production facilities and the new-build projects. It was evident that the licensee remained actively committed to maintaining and, where necessary, improving its safety standards, including continuing to address residual safety improvements identified through its periodic review of safety.

At BAE Systems Marine Ltd's Barrow site, we agreed to the commissioning of HMS Artful in May 2015 and she has now joined the operational fleet. We agreed a three month extension to the 31st March 2016 relating to the IN associated with the provision of suitably qualified and experienced persons performing duties that may affect safety. The resulting work has seen clear improvements in demonstrating more clearly the qualifications and experience of staff undertaking safety-related work and we were satisfied with the improvements made and confirmed compliance with the IN on 18th March 2016. The licensee is introducing an integrated management system, which will incorporate the arrangements made to comply with the licence; these are being further enhanced following an extensive review. The licensee has begun work to prepare an application to re-license the site to encompass new facilities to enable construction of the next generation of nuclear powered submarines.

Decommissioning, Fuel and Waste Sites

ONR's Decommissioning Fuel and Waste (DFW) Programme regulates defueling and decommissioning nuclear power reactors, fuel cycle and waste sites, and restoration sites; 20 licensed sites in total. The programme regulates the Magnox reactor fleet which have now all ceased electricity generation with the final Magnox station shutting down in December after over 40 years of safe and secure operation.

The programme works with the Nuclear Decommissioning Authority (NDA) (and its subsidiary company, Radioactive Waste Management Ltd) and the MOD to provide regulatory advice on matters relating to nuclear liabilities management including radioactive waste and spent fuel management and future disposal routes, in order to promote a coherent national policy in this area. To support the Government's ambitions to deal with the legacy of nuclear waste in the UK, we established a high level approach to the regulation of any future GDF. ONR considers that a GDF should be subject to the requirements of the Nuclear Installations Act 1965 during its design, construction and operation, and regulated for safety purposes by ONR. Our future work in this area will be focused on developing our guidance and intervention strategies to support the implementation of Government

policy to inform our approach for the regulation of a GDF.

Overall the licensees within the scope of the DFW programme demonstrated adequate control of the nuclear and radiological hazards, met the required safety standards, and made satisfactory progress towards their decommissioning objectives achieving a reduction in the nuclear risk and hazard on their sites.

Nuclear security regulation of the wider DFW sites has focussed on influencing dutyholders to implement a security assurance and governance framework, underpinned by the appropriate security arrangements.

In December 2015, in support of the Government policy of consolidating special nuclear material at Sellafield, we confirmed that we were content for Dounreay Site Restoration Limited (DSRL) to transfer the first consignment of unused Prototype Fast Reactor fuel sub-assemblies to Sellafield. This was a decision integrating safety, security, and transport related assessments and inspections to secure evidence of compliance with on and off-site safety and security requirements. This work also supported the US Materials Management and Minimisation programme (formerly the Global Threat Reduction Initiative). Overall, we have evidence that DSRL made significant progress in addressing security expectations including leadership, and have implemented initiatives to address continuous improvement in the area of nuclear security.

In November 2014, an IN was issued to DSRL requiring them to make operational improvements at the Prototype Fast Reactor Tank Farm under the Management of Health and Safety Regulations. The IN required DSRL to make improvements by 30th June 2015. We were satisfied with the improvements delivered by DSRL's work and confirmed compliance with the IN on the 30th June 2015. In recognising the need to achieve sustained safety improvements across the site, DSRL continues to implement targeted improvement activities and we will maintain regulatory oversight of these to be assured that they become embedded. Over the reporting period, the site has continued to make good progress with its decommissioning and hazard reduction including progress with decommissioning within the fuel-cycle area and emplacement of low-level waste in the Dounreay low-level waste disposal facility.

Cross ONR Programme

The functions delivered in the Cross ONR Programme (COP) include:

- transport inspection and permissioning;
- transport enforcement;
- conventional health & safety and fire safety;
- safeguards;

- emergency preparedness and response (EP&R);
- regulatory intelligence (RI) that captures information arising from inspection, incidents reported to ONR and other global sources.

Performance against these areas relating to specific sites has been captured within the relevant programme sections of this report.

Overall, we consider that those dutyholders and licensees that were subject to inspection in these areas demonstrated that they had adequate arrangements in place and were implementing them appropriately.

We completed a wide range of planned transport inspections and package approvals that have provided confidence in the safe transport of nuclear and radiological materials. Significant progress was made in extending cooperative working with other agencies' (e.g. Border Force, Environment Agency, Health and Safety Executive, and police forces) internal regulatory functions. This supported relationships with industry groups and professional bodies which have promoted improved compliance.

Over the course of the year we have issued two INs relating to compliance with the transport of radioactive material in accordance with the Class 7 Carriage of Dangerous Goods Regulations. Both notices were served on different approved carriers, and compliance has since been confirmed.

ONR completed re-determinations of off-site emergency planning areas for the shutdown defueled reactors at Hinkley Point A and Sizewell A, the submarine operational berths at Southampton and Portsmouth, and GE Maynard Centre in Cardiff.

We have embarked on a more strategic and targeted approach to our regulation of conventional health and safety on GB nuclear sites, which is in line with HSE's new strategy that aims to secure high standards across the sector where they are needed most.

We published a report in February 2016 identifying all events reported to ONR between 1 April 2001 and 31 March 2015. This provided a consolidated and comprehensive overview of all reported nuclear safety and conventional health and safety incidents.

Civil Nuclear Security

As well as programme-specific security, other elements of nuclear security are also regulated across the industry. For example, this comprises cyber security and information assurance (CS&IA), including locations holding Sensitive Nuclear Information (SNI), personnel security, threat analysis and promulgation, and carriers approved to transport nuclear material.

Overall, the civil nuclear sector met its security obligations

during 2015/16. There are areas where the dutyholder’s security arrangements did not fully meet regulatory expectations, and these continue to be subject to our regulatory focus.

Evidence gained through a number of CS&IA multi-function interventions identified variations in governance and performance across the sector. A new CS&IA strategy has been developed, requiring dutyholders to have an appropriate organisational structure, suitably qualified and experienced staff and the appropriate technology to provide assurance that the arrangements for ownership and control of cyber security risks are appropriate.

Performance against CNI Summary Programme Plan 2015/16

Programme/Site	Description	Status	Comments by exception
Core Function 1 - Inspect and evaluate the safety and security culture and performance of our dutyholders, ensuring risks are well controlled.			
All Operational Programmes	Undertake compliance inspections on nuclear sites in accordance with site specific regulatory intervention plans – Target: Complete 95% of planned inspections.	Met	99% of planned compliance inspections completed against plan.
All Operational Programmes	Undertake systems based, safety case informed inspections across licensed sites in accordance with site specific regulatory intervention plans – Target: Complete 100% of planned inspections.	Met	
Sellafield	Conduct four inspections of operations essential for continuing hazard and risk reduction activities at Sellafield.	Met	Two inspections were performed on the Magnox Swarf Storage Silo, one on the Site Ion Exchange Plant (SIXEP) and one on the Pile Fuel Cladding Silo (PFCS) fire-fighting capability.
Civil Nuclear Security	Conduct four multi-disciplinary deep-dive security inspections on four UK licensed sites.	Met	
Civil Nuclear Security	Conduct a programme of thematic security inspections on civil nuclear licensed sites: Cyber/information security. Security Competence across the sector (SQEP). Security Culture – Guard force.	Met	
Cross ONR	Conduct radioactive material transport compliance inspections in accordance with sector specific regulatory intervention plans – Target: Complete 95% of planned inspections.	Met	

Programme/Site	Description	Status	Comments by exception
Cross ONR	Complete 28 conventional health and safety interventions at GB nuclear sites.	Met	

Core Function 2 - Enforce the law, in accordance with our Enforcement Management Policy.

Sellafield	Evaluate adequacy of Sellafield Limited's evidence that it has adequate human resources to ensure safe and secure operation of the site (the nuclear baseline).	Met	ONR has evaluated the arrangements that Sellafield Ltd has in place to ensure that it has adequate human resources for safe and secure operation of the site. We found that significant improvements in these arrangements have been made over the past two years.
DF&W	Assess Dounreay Site Restoration Ltd's (DSRL) progress against the requirements of the extant Improvement Notice associated with improvements in planning, implementation and control of work.	Met	In June 2015 DSRL demonstrated compliance with the Improvement Notice issued under the Management of Health and Safety Regulations.

Core Function 3 - Deliver a permissioning regime, ensuring that dutyholder activities of principal significance to nuclear safety and security achieve UK legal standard.

Sellafield	Make regulatory decision regarding continued operation of Evaporator C on the Sellafield site.	Met	The licensee has undertaken additional inspections of Evaporator C and has successfully demonstrated to ONR that continued operation is acceptable.
Civil Nuclear Reactors	Issue specification to NNB GenCo HPC for the first and second consent for Hinkley Point C.	Not met	We have completed our assessment associated with this milestone. However, given the Final Investment Decision (FID) was not made by EDF on the timescales anticipated we have been unable to grant the first and second consents. This milestone was identified as a KPI, hence it has been carried over for completion in the financial year 2016/17.
Civil Nuclear Reactors	Regulate EDF Energy Nuclear Generation Ltd.'s statutory outage programme, making timely permissioning decisions regarding consents to enable start-up.	Met	There were a total of 7 statutory outages across the operating reactor fleet in 2015/16. The inspections performed by ONR involved detailed technical assessment and inspection activities of the maintenance performed on the reactors and the subsequent safety justification to return them to power. In all cases ONR were content for the reactors to return to power through the granting by ONR of Consent to return to service.

Programme/Site	Description	Status	Comments by exception
Defence (Rosyth Royal Dock Yard)	Assess proposals for de-licensing of 3 Dock to reduce the site footprint and release for other use and, if appropriate, issue a Licence Variation.	Met	We issued a Variation to the Site Licence for the Rosyth Dockyard in March 2016 as part of enabling work to commence dismantling of seven redundant submarines. The removal of Dock No 3 from licensing requirements leaves a single dock on the licensed site dedicated to the dismantling work, which represents an important milestone for the MOD in dealing with its legacies.
Decommissioning Fuel and Waste (Urenco UK Ltd)	Assess the Pre-Commencement Safety Report for the Tails Management Facility and, if appropriate, issue Licence Instrument to permission the next stage of construction and commissioning.	Met	We assessed the Pre-Commencement Safety Report for the Tails Management Facility located on the Capenhurst site and granted permission to allow installation of equipment and commissioning.
Decommissioning Fuel and Waste (DSRL)	Assess licensee's safety justification for the new Un-irradiated Fuels Characterisation Facility (UFCF) and if appropriate, grant permission agreeing to commencement of construction, facilitating the future consolidation of material.	Not met	In support of consolidation of Dounreay's unused nuclear material, the Un-irradiated Fuels Characterisation Facility (UFCF) was designed to treat material at Dounreay prior to its transport to Sellafield. In taking a strategic view of the overall programme, we revised our regulatory strategy and the licensee took the decision to change the design and functional requirement of UFCF. In view of these factors and as part of our regulation of the project, we conducted inspections and provided advice on the licensee's safety documentation to seek safety improvements. In support of the project, we are continuing with our interventions to secure a safe design, commissioning and operations.
Decommissioning Fuel and Waste (Magnox Ltd)	Assess Magnox Ltd corporate submission for its organisational change of management across the fleet to support decommissioning and prepare for the interim end state.	Met	We assessed and agreed to the licensee's phased proposal and regulated the first phases through assessing implementation of these changes on a number of Magnox sites.

Programme/Site	Description	Status	Comments by exception
Decommissioning Fuel and Waste (Magnox Ltd)	Assess the licensee's submission to support fuel-free status of the reactor at Oldbury, enabling the site to prepare for decommissioning.	Met	Both reactors at Oldbury were declared free of fuel on the 5 October 2015, with the last shipment of fuel despatched from the site in February 2016. ONR was involved in all stages of the work and concluded a series of inspections that confirmed the licensee was conducting its activities safely and had followed an appropriate process to verify fuel-free status of the reactor.
Cross ONR Programme	Completion of 40 competent authority assessments of transport packages, materials or shipments.	Met	Milestone completed.
Cross ONR Programme	Completion of five determinations, informing the development of Local Authority Emergency Plans.	Met	Five REPIIR determinations have been completed to inform development of local authority Emergency Plans and assessments.

Core Function 4 - Continually improve the regulatory framework, maintain ONR's management system and sustain our regulatory capability.

Civil Nuclear Security	Produce an advanced draft of the second phase of National Objectives, Requirements and Model Standards (NORMS2) suitable for consultation.	Met	The advanced draft was produced and shared with stakeholders. We have since decided to redesign them to align with Safety Assessment Principles (SAPs) as part of an outcome-focussed approach to nuclear security regulation.
Civil Nuclear Security	Prepare for and receive the International Atomic Energy Agency (IAEA) International Physical Protection Advisory Service (IPPAS) mission to the UK.	Met	Milestone completed.
Regulatory Assurance	Deliver a programme of audit and oversight, providing independent assurance to ONR Board and external stakeholders on compliance, quality and effectiveness of ONR's regulatory interventions.	Met	Milestone completed.
Regulatory Assurance	Complete initial review of ONR's Licence Conditions and present options to maximise regulatory efficiency and effectiveness to ONR Board.	Met	Milestone Complete. Phase 1 of the Licence Condition review has been completed to plan and a number of recommendations for change identified. The outcome was summarised and presented to the ONR Board. Pending the initial scoping and positioning of ONR's input to the DECC regulatory review we have elected to pause the review.

Programme/Site	Description	Status	Comments by exception
Regulatory Assurance	Maintain ONR's suite of technical assessment and inspection guidance in line with rolling programme of review and developments in the global nuclear safety and security regime.	Met	Milestone completed.
Regulatory Assurance	Deliver ONR's programme of regulatory core training programme (for both new recruits and existing staff – refresher training and assessment).	Met	Milestone completed.

Core Function 5 - Engage, inform, advise and consult with dutyholders, international bodies and other stakeholders.

All Operational Programmes	Publish quarterly reports to local stakeholder groups and the Cannington Community Forum within eight weeks of quarter end.	Met	Milestone completed.
Cross ONR Programme	Publish quarterly incident statements, providing openness and transparency on incidents that occur at civil nuclear installations which met ONR's publication criteria.	Met	Milestone completed.
Cross ONR Programme	Submit milestone reports in fulfilment of UK safeguards obligations, issuing reports to the IAEA, Japan and Australia.	Met	Milestone completed.
Regulatory Assurance	Publish and implement ONR's Research Strategy, setting out a revised approach to management and oversight of nuclear safety and security research by ONR.	Met	Milestone completed.

Core Function 6 - Influence our dutyholders to develop though-life strategies, achieving sustained delivery of good practice in safety and security.

Sellafield	Influence Sellafield Limited to have delivered retrieval of all canned fuel from the Pile Fuel Storage Pond.	Met	As a result of our interventions the licensee completed the retrieval of canned fuel from the PFSP in October 2015 in line with the target completion date.
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Programme/Site	Description	Status	Comments by exception
Sellafield	Influence Sellafield Limited to have commenced export of sludge from the Pile Fuel Storage Pond at Sellafield.	Not met	The sludge within PFSP was found to have characteristics which require changes to be made to the sludge handling equipment plant currently being fabricated. Sludge retrieval is now planned to commence in the 2016/17 financial year. It is necessary to have confidence in the characterisation of the sludge to ensure that retrievals can be undertaken in a safe and effective manner. This milestone was identified as a KPI, hence it has been carried over for completion in the financial year 2016/17;
Sellafield	Influence the strategic level senior stakeholder group to have made a strategic decision on the options to be pursued for the removal of waste from Sellafield's Magnox Swarf Storage Silos.	Met	A key decision has been made by Sellafield Ltd in conjunction with other stakeholders to pursue an alternative approach involving the interim storage of the intermediate level waste from the MSSS. ONR consider that the revised approach will result in remediation of the waste within a shorter period of time as well as result in significantly reduced cost, complexity and timescales associated with the decommissioning of this legacy silo.
Civil Nuclear Reactors	Complete the Step 3 assessment of Generic Design Assessment for the UK ABWR.	Met	The UK ABWR completed Step 3 of the GDA process at the end of October 2015 and has moved into the Step 4, which considers the evidence in place to underpin the claims and arguments presented during Steps 2 and 3 of the process.
Civil Nuclear Reactors	Complete a mid-step review of Generic Design Assessment for AP1000®.	Met	In October 2015 ONR undertook a 'deep-dive' review of the AP1000® project progress. Although Westinghouse had demonstrated good performance against a number of the outstanding GDA Issues, in some areas they have not been able to maintain their baseline schedule and there have been quality issues. As a result we requested that they review their schedule and implement further senior level oversight on the project.

Programme/Site	Description	Status	Comments by exception
Civil Nuclear Reactors	Produce and approve an Intervention Strategy for NuGen Ltd, setting out our regulatory approach for engagement leading up to Licence Application for Moorside.	Met	An Intervention Strategy ⁷ for NuGEN was published during this reporting period and sets out how ONR intends to engage with NuGen in the period leading up to receipt of a formal nuclear site licence application in order to provide advice and challenge on the licensing process and the expectations placed on a licensee.
Defence	Establish and influence delivery against agreed strategic safety priorities through continued drive and effective implementation of the new strategic level senior stakeholder group for specific aspects of the defence programme.	Met	The new strategic stakeholder group set up in 2015 to prioritise and enable delivery of specific aspects of the defence programme at AWE is now well established with agreed priorities for proportionate and targeted hazard and risk reduction, which are in the early stages of delivery.
Civil Nuclear Security	Provision of collated and coordinated threat input to Government, contributing to update of the Nuclear Industry Malicious Capabilities Planning Assumptions document (NIMCA).	Met	Milestone Completed. An updated Nuclear Industry Malicious Capability Assumption (NIMCA) document was released to industry by DECC on 26 November 2015 ahead of schedule.

7 <http://www.onr.org.uk/civil-nuclear-reactors/newydd-wylfa-intervention-strategy.pdf>

Accountability Report

Corporate Governance Report

Directors Report

Composition of ONR's Board

Non-Executive Board Members



Nick Baldwin - ONR Chair

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



Jonathan Baume

Jonathan was appointed, by the Health and Safety Executive (HSE) Board, as a member of the ONR Board on 1 April 2014. He is also a member of the HSE Board. He is currently one of eleven Civil Service Commissioners (who regulate recruitment to the civil service) and a non-executive director of the Criminal Cases Review Commission. Until autumn 2012 he was General Secretary and Chief Executive of the FDA, a trade union and professional organisation representing senior public sector managers. He has held a number of lay and representative posts in the trade union movement in a career spanning almost 40 years, including a role at the TUC in policy development on employment law and diversity, and serving as a member on the Council of the Advisory, Conciliation and Arbitration Service.



Penny Boys

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



John Crackett

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



Bronwyn Hill

Bronwyn was appointed to the Board on 18 January 2016 and is Chair of the Remuneration Committee. Bronwyn has a wide range of experience and expertise in government strategy and policy making. Bronwyn was permanent secretary at the Department for Environment, Food and Rural Affairs (2011 to 2015), and prior to that served as Director General, Major Projects and London at the Department for Transport, with responsibility for transport's contribution to the London Olympics and major projects to support economic growth, including Crossrail.



Oona Muirhead

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

Executive Board members



Adrienne Kelbie – Chief Executive

Adrienne became ONR's Chief Executive and an Executive Board member on 18 January 2016. She has spent nearly twenty years in senior leadership roles in the public sector, with fifteen at Board level. She has been Chief Executive of the Disclosure and Barring Service (a Home Office Arm's Length Body), Deputy Chief Executive of Hull City Council during unprecedented organisational change in response to significant budget cuts, and held a range of corporate and operational roles in large scale lottery funding. Adrienne is a Chartered Fellow of the Chartered Institute for Personnel and Development, a Companion Member of the Chartered Management Institute, and a graduate of Oxford University's Major Programme Leadership Academy.



Dr Richard A Savage – Chief Nuclear Inspector

Richard was appointed as ONR's Chief Nuclear Inspector and an Executive Board member on 18 March 2016. He had been ONR's Acting Chief Nuclear Inspector and an Executive Board member from 1 September 2015. Richard has 28 years' experience in the nuclear sector, with 17 Years in defence. He has wide safety management, engineering and leadership experience both in programme delivery and as a regulator. In 2012, he became the first civilian Head of the Defence Nuclear Safety Regulator with responsibility to regulate nuclear and radiological safety and environmental protection in the Defence Nuclear Programme. He was also MOD's Head of Nuclear Profession. He has a BSc and PhD from the Faculty of Science and Engineering, Birmingham University. He is a Chartered Engineer, a Fellow of the Institute of Mechanical Engineering, and a member of the Royal Corps of Naval Constructors.



David Senior – Director of Regulatory Assurance

David was appointed as Director of Regulatory Assurance and Executive Board member on 1 July 2014, with responsibility for providing assurance of ONR's regulatory processes, decision making and enforcement. David was a Deputy Chief Nuclear Inspector with extensive regulatory experience across the UK nuclear sector; he was previously Programme Director for the Defence and Decommissioning, Fuel & Waste Programmes. David has considerable international experience and represents the UK at the European Nuclear Safety Regulators Group (ENSREG) and Western European Nuclear Regulators Association (WENRA). Previously David was Deputy Director for Nuclear & Radioactive Waste Policy in the Department of Energy & Climate Change where he was responsible for civil nuclear and radioactive waste policy. David is a Chartered Mechanical Engineer.

Outgoing Board Members



Steve Bundred - non-Executive member

Steve was a member of the Board and Chair of ONR's Audit and Risk Assurance Committee from 1 April 2014 until 31 December 2015. His previous non-executive roles have included chairmanship of Monitor, the independent regulator of NHS Foundation Trusts, and of the Higher Education Regulation Review Group. He has also held several other ministerial appointments and was Deputy Pro-Chancellor of City University until 2009. He has been Chief Executive of a number of bodies including the Audit Commission (from 2003-2010), the Improvement and Development Agency for Local Government, and the London Borough of Camden. He is an accountant by profession.



Dr Andy Hall – Chief Nuclear Inspector and Executive member

Andy was appointed Chief Nuclear Inspector and Executive Board member on 1 December 2013. He has a range of experience in technical assessment, site inspection and policy work on international harmonization of nuclear safety standards. He was previously Deputy Chief Inspector and headed up several different Nuclear Directorates and led ONR's technical activities to learn lessons from the accident at the Fukushima Dai-ichi nuclear power station in Japan. Andy is a Fellow of the Institute of Physics.



Les Philpott - Deputy Chief Executive and Executive member

Les was acting Chief Executive and Executive Board member from 1 March 2015 until 17 January 2016. Les has wide experience in public management and his previous career included senior management posts in central government. He is a chartered accountant (public finance). Les retired on 1 April 2016.

Appointment and resignation of Board members during 2015/16

During the reporting period, the Board comprised a non-executive chair, up to five non-executive directors, two of whom were appointed in early 2016, and three executive Directors. The changes to Board membership were:

Date	Name	Event	Role
1 September 2015	Richard Savage	Appointed	Acting CNI Chief Nuclear Inspector
8 November 2015	Andy Hall	Retired	Chief Nuclear Inspector
31 December 2015	Steve Bundred	Contract expired	Non-executive Board member
31 December 2015	John Crackett	Reappointed	Non-executive Board member
18 January 2016	Bronwyn Hill	Appointed	Non-executive Board member
18 January 2016	Adrienne Kelbie	Appointed	Chief Executive
1 March 2016	Penny Boys	Appointed	Non-executive Board member
18 March 2016	Richard Savage	Appointed	Chief Nuclear Inspector
1 April 2016	Les Philpott	Voluntary exit	Acting Chief Executive

Managing Conflict of Interest

Page 61 of the Governance Statement refers.

Pension liabilities

Details of pension costs are contained in Note 1.12 and Note 2 to the ONR Accounts and in the Remuneration Report pages 68-84.

Our workforce

One of our strategic priorities is our commitment to become an employer that values its people and creates the conditions required to secure and retain a motivated, stable and sustainable workforce and we have recorded our progress against this priority on pages 13-14.

Staff numbers

More information is provided in the remuneration report on page 77.

Review of tax arrangements of public sector appointees

As part of the Review of tax arrangements of public sector appointees published by the Chief Secretary to the Treasury in May 2012, departments and their arm length bodies are required to publish information in relation to the number of off-payroll engagements. A detailed breakdown of these appointments as well as further narrative can be found at page 83 in the remuneration report.

Diversity

Information and detailed analysis is provided in the remuneration report on page 77.

Employee Health and Safety

ONR has established its own Health and Safety Committee which meets three times a year. Further information can be found in the Governance Statement on page 67.

Sickness Absence

The average number of working days lost due to sickness in 2015/16 was 3.22. Further information, including comparison to 2014/15 can be found in the remuneration report on page 81.

Data/Information Security.

There were no losses of data that needed to be recorded in 2015/16. See Governance Statement page 66.

External Auditors

ONR's financial statements have been audited by the Comptroller and Auditor General, whose certificate appears on page 87. The cost of audit work was £50,000, which related solely to audit services.

Director's Statement

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



Adrienne Kelbie
Accounting Officer
Chief Executive
Office for Nuclear Regulation
8 June 2016

Statement of Accounting Officer'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, changes in taxpayer's equity and cash flows for the financial year.

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

- observe the Accounts Directions issued by DWP, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that the ONR will continue in operation. (see page 10).

The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive (between 1 April 2015 and 31 March 2016) of the Office for Nuclear Regulation as Accounting Officer for ONR with responsibilities for the propriety and regularity of the public finances for which she is answerable, for keeping proper records and for safeguarding assets as set out in 'Managing Public Money' published by HM Treasury.

As the Accounting Officer (AO) for ONR, I am responsible for maintaining a sound system of internal control whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury Guidance, Managing Public Money. Les Philpott was ONR's Accounting Officer from 1 April 2015 to 17 January 2016. My review has therefore taken into account assurances provided by the Senior Management Team, the Board and its committees for the period before my appointment.

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

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

I confirm that I have reviewed the system of internal control in operation and along with Statements of Assurance from Directors, have made the following assessment to cover the 12 month period 1 April 2015 to 31 March 2016

Governance Statement

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

ONR is governed through three complementary responsibilities:

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

The corporate governance structure for ONR reflects the principles of the Cabinet Office Code of Good Practice on Corporate Governance whilst taking into account the particular requirements for effective independent nuclear regulation.

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

The 2013 Act prescribed the composition of the Board, as follows:

- a maximum of seven Non-executive members, including the Chair. One of the Non-Executive members is to have experience of, or expertise in, matters relevant to civil nuclear security matters. HSE may appoint a Non-Executive member from its Board as one of the seven. The remaining Non-Executive members of the ONR Board, are appointed by the Secretary of State;
- a maximum of four Executive members, to include the ONR Chief Executive (CE) and the Chief Nuclear Inspector (CNI).

What the Board does

The ONR Board is responsible for:

- setting and delivering ONR's strategic aims and objectives consistent with its overall strategic direction, within the agreed government policy and the resources framework determined by the Secretary of State for Work and Pensions;
- ensuring that the responsible Minister is kept informed of any changes that could impact on ONR's strategic direction or the achievement of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the ONR Board operates within the limits of its statutory authority and any delegated authority agreed with DWP, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the ONR Board takes into account guidance issued by DWP;
- ensuring that it regularly reviews financial information concerning the management of ONR; is informed in a timely manner about any concerns about the activities of ONR; and provides positive assurance to DWP that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including the use of the Audit and Risk Assurance Committee to help the Board address key risks;
- appointing, with the consent of the Secretary of State for Work and Pensions, the Chief Nuclear Inspector and the Chief Executive, and setting performance objectives for these roles with remuneration terms linked to these objectives.

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

Board member attendance at meetings 1 April 2015 to 31 March 2016

Attendance at Board and Committee meetings

Non-Executive members

Nick Baldwin	Board	8 of 8
	Remuneration Committee	5 of 5
	Security Committee	5 of 5
	Nominations Committee	3 of 3
	Audit and Risk Assurance Committee (invited to attend)	5 of 5
Jonathan Baume	Board	7 of 8
	Remuneration Committee	3 of 4
	Audit and Risk Assurance Committee	4 of 5
Steve Bundred	Board	6 of 6
	Audit and Risk Assurance Committee	4 of 4
John Crackett	Board	8 of 8
	Remuneration Committee	4 of 4
	Nominations Committee	3 of 3
	Audit and Risk Assurance Committee	5 of 5
Oona Muirhead	Board	8 of 8
	Remuneration Committee	4 of 4
	Security Committee	5 of 5
	Nominations Committee	3 of 3
Bronwyn Hill	Board	2 of 2
	Remuneration Committee	1 of 1
Penny Boys	Board	1 of 1
	Remuneration Committee	1 of 1

Executive Members

Adrienne Kelbie (appointed 18 January 2016)	Board	2 of 2
	Remuneration Committee	2 of 2
	Nominations Committee	1 of 1
	Audit and Risk Assurance Committee	1 of 1
	Security Committee	1 of 1
Richard Savage	Board	5 of 5
	Security Committee	2 of 3
	Audit and Risk Assurance Committee	1 of 1

Attendance at Board and Committee meetings		
David Senior	Board	7 of 8
	Security Committee	2 of 5
	Audit and Risk Assurance Committee	4 of 5
Les Philpott	Board	7 of 7
	Remuneration Committee	3 of 3
	Nominations Committee	1 of 1
	Audit and Risk Assurance Committee	4 of 4
	Security Committee	4 of 4
Andy Hall	Board	3 of 3
	Security Committee	1 of 1
	Audit and Risk Assurance Committee	1 of 2

Accountability

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

Details of ONR’s governance arrangements are provided in the ONR/DWP Framework agreed on 1 April 2014 and updated on 22 February 2016 <http://www.onr.org.uk/documents/2014/onr-dwp-framework.pdf>. The ONR/DWP Framework Document sets out the roles and responsibilities of DWP, the ONR Chief Executive and Accounting Officer, the ONR Chair and the ONR Board. As DWP does not have government responsibility for civil or defence nuclear policy, the Framework briefly sets out ONR’s relationship to DECC and the MOD.

The Secretary of State for Energy and Climate Change is accountable for: the UK civil nuclear regulatory framework and policies including civil nuclear safety and security; emergency planning and response; nuclear safeguards and the transport of radioactive material by road, rail and inland waterways.

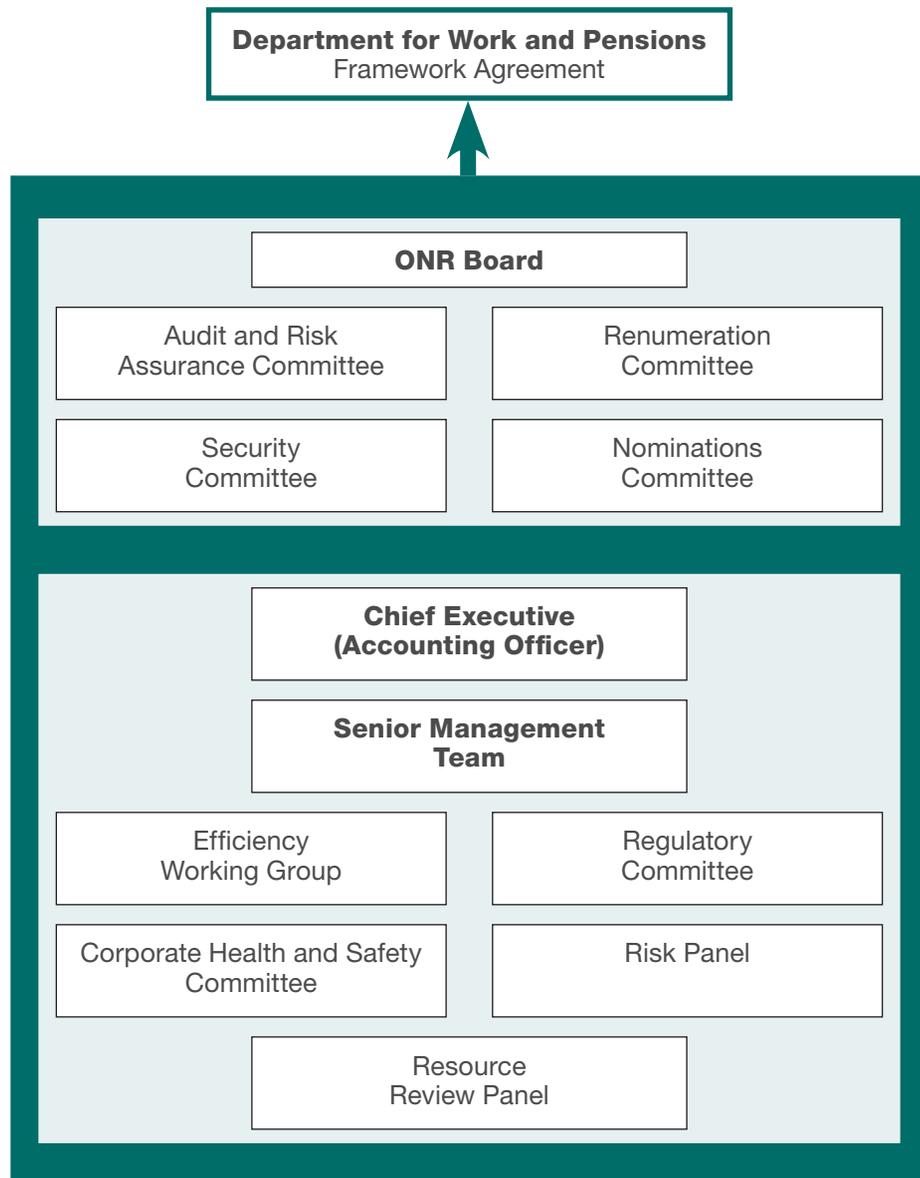
The Secretary of State for Defence is accountable for nuclear safety and security at nuclear sites operated wholly or mainly for defence purposes.

ONR provided assurance to Ministers on our regulatory effectiveness and the UK performance in safety/security within their respective portfolio.

The sponsorship role was formally discharged through quarterly meetings of a Sponsorship Board attended by senior officials from DWP, ONR, DECC. MoD also has a standing invitation to attend. The Sponsorship Board reviewed ONR’s operational and financial performance, key risks and emerging issues. ONR provided monthly data to DWP on its forecasts and use of resources and submitted quarterly data on its operational performance. The day to day sponsorship role was discharged by the DWP Stewardship and Pension Protection Division.

The Chief Nuclear Inspector’s annual report on page 19 summarises ONR’s regulatory activity.

Corporate governance framework



ONR is a public corporation led by a statutory Board, which is responsible for the strategic leadership of the organisation. The current ONR Chair was appointed by the Secretary of State for Work and Pensions.

The Energy Act 2013 specified that the Board will consist of a maximum of seven Non-Executives, including the Chair and an HSE member, and a maximum of four Executives, including the Chief Executive and the Chief Nuclear Inspector. It is supported by four committees as shown in the diagram above.

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

Work of the Board

Important areas of focus for the Board were:

- setting the strategic direction for ONR from 2015 to 2020, and the subsequent development of the Strategic Plan published in March 2016. This was informed by an independent assessment of the expectations and assumptions of the nuclear environment over the period and information gathered through discussions with the nuclear industry about their plans;
- engaging with key stakeholders, including Ministers and government officials, licensees and dutyholders, on a range of issues with implications for ONR and the nuclear sector.

Audit and Risk Assurance Committee (ARAC)

The ARAC oversaw a significant programme of work during 2015/16 to provide assurance to the Board. It ensured that appropriate and adequate audit processes were maintained, and oversaw the internal and external audit programmes. The ARAC comprised three non-Executive Directors and a co-opted member, with representatives from Internal Audit in attendance. The National Audit Office (NAO) had a standing invitation to attend. It submitted an annual report to the ONR Board noting that ONR was in all material aspects a compliant organisation, striving to achieve improvements in the management of resources, performance and processes.

ARAC completed its programme of work for the year and produced an annual report for consideration by the Accounting Officer and the Board. Routinely, ARAC considered the Corporate Risk Register and the progress of mitigation activities, progress with the implementation

of Internal Audit recommendations, and the implementation of ONR's financial control improvement plan. It also considered proposals which led to the development of ONR's risk appetite published in April 2016, and improvements to ONR's whistleblowing policy. With the exception of weaknesses in IT/IS infrastructure, the ARAC did not highlight any other significant areas for improvement to the Board. We recognised the significance and importance of this risk, and while some initial work had been progressed, this was in its early stages. Further activity and strengthening of the control environment is still required.

Nominations Committee

The Nominations Committee confirms to the ONR Board, the DWP/ DECC Ministerial appointments of new Non-Executive Directors. This included the appointment of two Non- Executive Directors, the re-appointment of an existing Non-Executive member, the recruitment of the Chief Executive and the Chief Nuclear Inspector as well as the process for recruitment of the Finance Director.

Remuneration Committee

The Remuneration Committee oversaw all matters relating to the remuneration and performance of the Executive Board members. Its Terms of Reference were amended to include recommending and monitoring the level and structure of remuneration for SCS equivalent staff (not Executive members) and ensuring a consistent approach. Its activities included agreeing the framework and approach for the remuneration of senior staff, including performance related payments, and determining the salary for a number of Executive appointments.

Security Committee

Under a new Chair the Committee worked to revised Terms of Reference to enhance its effectiveness as a source of assurance to the ONR Board. It continued to provide assurance that ONR is providing efficient and effective regulation of the nuclear industry with respect to risk and malicious intent. Its Terms of Reference set out three primary functions: to assure itself, and the Board, that ONR's regulation of security at civil nuclear sites is exemplary and is focused on the Board's priorities; to ensure Board decisions on strategy, priorities and risk are properly informed on security regulation matters; to provide assurance on ONR's reporting externally to DECC through challenge and support.

The Security Committee completed its programme of work for the year and produced an annual report for consideration by the ONR Board. The Committee recognised that significant work had continued to be undertaken to provide robust regulation of the industry and to make improvements to ONR's regulatory approach, capacity and capability. Security Committee members were satisfied that ONR

continued to demonstrate a commitment to achieve improvements in the provision of efficient and effective regulation of the nuclear industry with respect to risk, malicious intent, and all other aspects of the industry's business.

Performance of the Board and its committees

The ONR Chair carried out both a mid-year and an annual appraisal with each of the Non-Executive Directors against the criteria set out on appointment. An agreed written record of the end of year discussion was submitted to DWP as our sponsor department for inclusion, as appropriate, in overall reports to Ministers. Success was measured by the satisfaction of the sponsor department.

Similarly, the Chair carried out an annual appraisal of the Chief Executive. Success was measured by the extent to which the mid-year and end of year assessments facilitated the Remuneration Committee discussions for properly assessing performance for salary and bonus purposes.

The Audit and Risk Assurance Committee and the Security Committee provided annual reports to the ONR Board to demonstrate the work undertaken to ensure the Committees had fulfilled their roles and responsibilities.

Executive Leadership of ONR

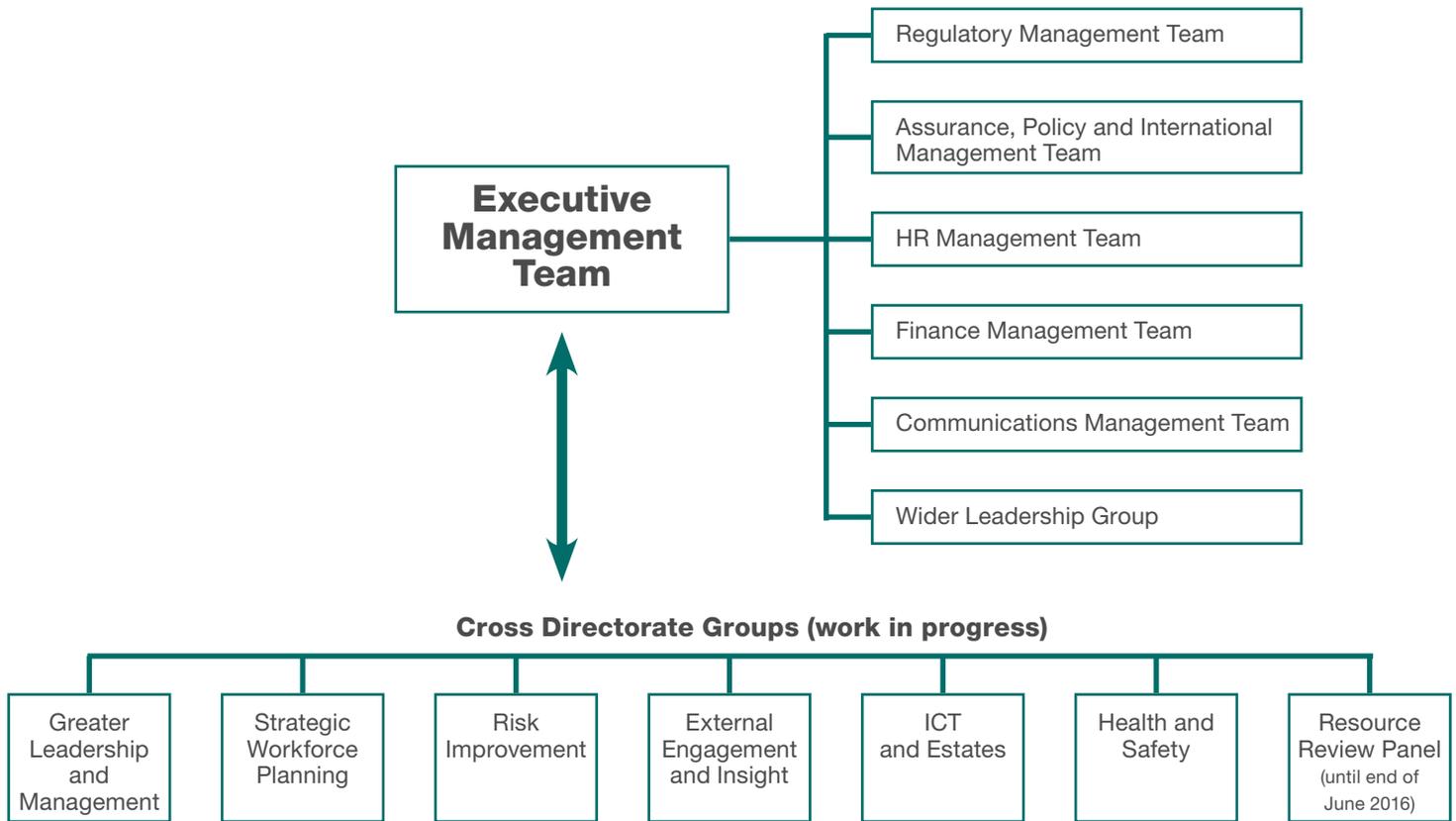
The Chief Executive and senior team is responsible for delivery. The Senior Leadership Team was established in April 2015 to provide collective leadership and management of key corporate and strategic issues. No formal supporting team meetings were in place. This was replaced following a review of ONR's governance arrangements outlined below.

In September 2015, the ONR Regulatory Committee was established, the outputs from which enabled the Chief Nuclear Inspector to provide assurance to the Board on both safety and security of nuclear sites.

The Resource Review Panel met as an internal control to ensure checks and balances were applied to spending decisions. Control of expenditure improved significantly, as evidenced by reviews undertaken by Internal Audit. We further delegated financial controls placing emphasis on the personal accountability of managers. The new arrangements were reviewed regularly with the aim of full financial delegation in the 2016/17 financial year.

Shortly after my appointment, I asked the Head of Governance to review executive governance to strengthen our arrangements from 1 April 2016. The revised arrangements include the establishment of the Executive Management Team to replace the Senior Leadership Team, and the Regulatory Management Team to replace the ONR Regulatory Committee. The new arrangements (shown below) will provide greater clarity and transparency of purpose and decision making, meaningful

communication and accountability to our staff. I also initiated an organisation wide corporate plan for 2016/17 as this was not in place for 2015/16.



Managing conflicts of interest

All Board members were required to record their other interests and to update any changes to their register of interests. The interests of each Board Member can be viewed at <http://www.onr.org.uk/onr-board.htm>. The ONR’s Code of Corporate Governance set out the process to be followed should a Board member identify a potential conflict of interest. All members were asked for any declarations of interests at the start of the Board and the standing Committees. There were two reported conflicts of interest, which were recorded in the minutes of the Remuneration Committee and Nominations Committee. Disclosures were recorded in the minutes, and the members concerned did not take part in any deliberation or decision on the matter.

Transparency

A central part of the Board’s strategy was promoting openness and transparency in nuclear regulation based on a presumption of disclosure. Thus, wherever possible, Board papers and minutes were published on ONR’s website <http://www.onr.org.uk/meetings/>

We received 71 requests for information under the Freedom of Information Act 2000 (FoI) and/or the Environment Information Regulations 2004 (EIR), which were handled in accordance with the legislation. Of these received, 64 were completed, 7 were ongoing at the end of the period. Two requests were subject to an internal review, one of these was completed satisfactorily. The other, received in January 2015, was referred to the Information Commissioner's Office for investigation. The outcome is awaited.

There were no complaints or requests relating to the Data Protection Act 1998.

Setting objectives and operational performance management

The Annual Plan 2015/16 sets out ONR's objectives and key performance indicators. It was agreed by the Board, approved by the Secretary of State for Work and Pensions and published on ONR's website <http://www.onr.org.uk/documents/2015/onr-annual-plan-15-16.pdf>. The ONR Board considered regular reports submitted by the Chief Executive, Chief Nuclear Inspector and acting Finance Director on performance against the objectives and key performance indicators contained in the Annual Plan.

Four standing reports to the Board were introduced in March to enable each Executive Member to demonstrate accountability for their areas of responsibility:

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

Risk management, compliance and internal control

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

A prescribed process was in place for the management of risk at all levels within ONR to enable the identification of new risks, review of existing risks and the escalation/de-escalation of risks within the levels of the organisation. Risks were managed and updated regularly by action owners assigned at Director level, and assurance regarding

the effectiveness of mitigations was provided through the risk governance structure.

The ONR Risk Panel (renamed ONR Risk Improvement Group), was chaired by the acting Finance Director. It provided challenge to risk owners on the effective management of ONR's Corporate and Programme risks. It considered and made recommendations on the escalation/de-escalation of risks and the effectiveness of mitigations.

The strategic risks to ONR were documented in the Corporate Risk Register which is presented at each ARAC. The ARAC provided assurance to the Board on the effectiveness of the arrangements in place for managing risk.

ONR published its corporate risks in the Annual Plan 2015/16. These were reviewed in the context of the ONR Board agreeing its risk appetite statement as part of developing Strategic Plan 2016-2020. The revised risks are detailed on page 10.

Internal Audit (IA)

The Board engaged DWP's audit function to provide internal audit (IA) services directly to ONR. The programme of work was informed by an Internal Audit plan that was agreed by the ARAC at the start of the year. IA provided assurance on:

- Financial and procurement processes including pay and expenses
- Planning and budgeting
- Governance including financial governance
- Security Vetting
- Management of Technical Support Contracts
- Emergency Planning and Preparedness
- Incident Reporting
- Operating Model
- Regulatory Assurance Programme

Overall, IA gave a Moderate assurance rating based on audits completed. They were satisfied that where remedial actions had been recommended, management had taken or planned appropriate and timely action to make the improvements.

Regulatory Assurance

Our independent regulatory assurance function completed a programme of independent assurance reviews to provide assurance to the CNI and the Board on compliance, quality and effectiveness of ONR's regulatory decision making and other key activities.

Number of reviews by assurance rating

Assurance rating	Number of reviews
Substantial	9
Moderate	5
Limited	0
Unsatisfactory	0
Pending final report	2
Total	16

The regulatory assurance reviews and oversight of ONR’s regulatory activities identified no significant matters to challenge confidence that ONR is regulating the nuclear industry in accordance with our purposes as required by the Energy Act 2013. This judgement was based on a proportionate oversight and review sample across ONR programmes to assess compliance with processes and performance objectives

Findings were used to improve processes and share good practice across the organisation.

Letters of Assurance provided by ONR’s Executive Management Team

2015/16 Letters of Assurance from all my direct reports set out the detail of how each Director had discharged their responsibilities, detailed in their letter of delegation, during the year and confirming the effectiveness of governance, information security, risk management and internal control arrangements. Performance was rated against an internal control system using a scale of 1 to 5 (1 being objectives not met and 5 being fully compliant with no exceptions). The Letters of Assurance recorded that they were fully compliant with no exceptions (scoring 5) or broadly compliant with minor exceptions/minor impact (scoring 4). The Chief Nuclear Inspector reviewed his Directorate reports resulting in a consolidated letter of assurance to me with no material concerns.

In the letters from the Finance Director, HR Director, and Director of Assurance, Policy and International, a small number of concerns were raised relating to:

- a problem in-year regarding business expenses but this had been resolved mid-year with the implementation of effective control procedures;
- the need for more proactive risk management in the HR function and plans to introduce this in early 2016/17. The Director of Assurance, Policy and International also identified issues with risk

management in year and while these were largely addressed by the end of the year, there remains a requirement to further embed the approach;

- concerns identified about Regulatory Assurance's operating performance. This was addressed in-year in consultation with the Audit and Risk Assurance Committee. There were further issues identified with the integration of the assurance provision.

All Directors had discharged their delegations appropriately and where shortfalls were identified, appropriate action had either been taken, or is planned for early 2016/17.

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

SSCL continued to deliver transactional financial, HR and procurement services to ONR as part of a wider service to Government. Assurance regarding specific aspects of SSCL's arrangements was obtained from an Independent Service Auditor's Report (ISA), completed in April 2016, on SSCL's core services provided to Government for the period 1 April 2015 to 31 March 2016. The ISA conducted its examination in accordance with the International Standard on Assurance Engagements 3402, 'Assurance Reports on Controls at a Service Organisation', issued by the International Auditing and Assurance Standards Board.

The ISA's Report examined SSCL's description of its core services to Government and the suitability of the design and operating effectiveness of controls to achieve stated control objectives.

In summary, the ISA's opinion was:

- the description provided by SSCL fairly represented the core services to Government during 2015/16;
- the controls related to the specific control objectives reviewed were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout 2015/16;
- the controls tested operated effectively throughout 2015/16.

Assurance provided in respect of services provided through a Service Management Agreement by HSE

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

- carries out its duties and obligations under the Agreement in accordance with its terms and that it has exercised, and continues to exercise, reasonable skill, care and diligence in the performance of those duties and obligations;

- monitors compliance with obligations under the Agreement and notifies ONR of any issues that may have an adverse material impact on delivery;
- has sufficient, appropriately skilled and experienced resources to enable HSE to comply with its obligations under the Agreement.

The Director for the Health and Safety Executive (HSE) has considered the areas covered by the SMA, and having reviewed the controls that have been put in place, he has determined that the arrangements provide a reasonable level of assurance, and there are no significant issues arising which need to be brought to ONR's attention. This is based on a combination of Public Service Network accreditation, internal audits of travel management in HSE and of procurement and tendering in ONR. This is supported by ONR's own contract management arrangements.

Data/information and cyber security

ONR adhered to the requirements of Government's Security Policy Framework. We continued to monitor information security extensively and identified IT capability and infrastructure improvements that will be implemented over the coming year. There were no losses of data that need to be recorded.

Hospitality

A register of offers of gifts and hospitality made to staff each financial year, whether accepted or not, was maintained for sign off by the Director of Finance. A mid-year report was presented to the ARAC. All staff were reminded, periodically, of the gifts and hospitality policy.

Fraud and Bribery

Staff were required to comply with the Fraud and Bribery Policy which is included in the Staff Handbook. To support the policy, a fraud section was added to the ONR intranet, which was brought to the attention of all staff through the weekly staff briefing.

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

Whistleblowing

The whistleblowing policy was updated to place greater emphasis on enabling concerns to be raised and to give explicit assurance of ONR's commitment to treating all matters seriously and with appropriate confidentiality. Awareness sessions held for staff were well attended; a non-Executive Board member participated in the majority of sessions to underline the importance to the Board of having a culture underpinning the revised policy. The policy will continue to be evaluated through regular reports to the Executive Management Team and the Audit and Risk Assurance Committee.

Three issues raised by staff were considered under the revised whistleblowing policy. Each was investigated and concluded with the outcome communicated to the initiator, overseen by the Director of HR.

Health and Safety

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

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

Significant control challenges faced by ONR

There were a number of challenges and areas of improvement identified throughout the year including IT functionality. Actions have been put in place to address these and improvements are evident, and in many cases have been recognised by independent reviews such as those of Internal Audit.

While the Board considers the overall control environment to be adequate, I consider that executive governance, corporate planning and performance monitoring can be improved over the next two years. Where immediate shortcomings have been identified during the period, assurances have been provided that remedial action has been taken or will be set in train.



Adrienne Kelbie
Accounting Officer
Chief Executive
Office for Nuclear Regulation
8 June 2016

Remuneration and Staff Report

Appointments

Nick Baldwin continued in his role as Board Chair. He had been appointed by the Secretary of State for Work and Pensions for a period of five years in April 2014 following the establishment of ONR as a Public Corporation.

Les Philpott was appointed by the Board to the post of Acting Chief Executive Officer in March 2015. This appointment was until January 2016 when Adrienne Kelbie was appointed as Chief Executive. This was a 3 year fixed term appointment and followed an external competition.

Richard Savage was appointed Acting Chief Nuclear Inspector in September 2015 in preparation for the retirement of Andy Hall as Chief Nuclear Inspector. Richard was then formally appointed Chief Nuclear Inspector on 18 March 2016 on a 3 year fixed term appointment following an external competition.

The appointments for Chief Executive and Chief Nuclear Inspector were made by the ONR Board, with the approval of the Secretary of State for Work and Pensions.

The Secretary of State for Work and Pensions was also responsible for appointing all non-executive Board members. This is with the exception of Jonathan Baume who was nominated to the ONR Board by the Health and Safety Executive (HSE) Board and received no remuneration from ONR.

Service contracts

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

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

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

Name	Start date of contract	End date of contract	Notes
Non-Executives			
Nick Baldwin	1 April 2014	31 March 2019	Chair
Jonathan Baume	1 April 2014	31 March 2016	Appointed by HSE
Penny Boys	1 March 2016	31 January 2020	
Steve Bundred	1 April 2014	31 December 2015	
John Crackett	1 April 2014	31 December 2017	Re-appointed 31 December 2015
Bronwyn Hill	18 January 2016	31 January 2020	
Oona Muirhead	1 October 2014	30 September 2017	
Executives			
Andy Hall	1 December 2013	n/a	Chief Nuclear Inspector Appointment ended on 31 August 2015 prior to retirement on 8 November 2015
Adrienne Kelbie	18 January 2016	17 January 2019	Chief Executive Officer
Les Philpott	1 April 2013	n/a	Acting Chief Executive Appointment ended on 17 January 2016 and reverted to Deputy Chief Executive prior to abolition of the role as redundant on 1 April 2016
Richard Savage	1 September 2015	17 March 2016	Acting Chief Nuclear Inspector
	18 March 2016	17 March 2019	Chief Nuclear Inspector
David Senior	1 July 2014	n/a	
Audit and Risk Assurance Committee (ARAC) Member			
Clifford Shanbury	19 March 2012	30 September 2018	Re-appointed 30 September 2015

Remuneration policy

The Remuneration Committee has responsibility for all matters relating to the remuneration and performance of the executive members of the ONR Board and other senior staff at Senior Civil Service (equivalent) levels.

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

Remuneration (including salary) and pension entitlements

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

	Salary (£'000) Full Year Equivalent shown in brackets where applicable		Bonus payments (£,000)		Benefits in kind (to nearest £100) ⁸		Pension benefits (to nearest £1,000) ^{9,10}		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Non Executives										
<i>Board Chair</i> Nick Baldwin	35-40	35-40	-	-	3,400	9,200	-	-	40-45	45-50
<i>Non-executive</i> Penny Boys (a)	0-5 (10-15)	-	-	-	-	-	-	-	0-5 (10-15)	-
<i>Non-executive</i> Stephen Bundred (b)	10-15 (10-15)	10-15	-	-	-	-	-	-	10-15 (10-15)	10-15
<i>Non-executive</i> John Crackett	10-15	10-15	-	-	600	2,200	-	-	15-20	15-20
<i>Non-executive</i> Bronwyn Hill (c)	0-5 (10-15)	-	-	-	-	-	-	-	0-5 (10-15)	-
<i>Non-executive</i> Oona Muirhead (d)	10-15	5-10	-	-	-	-	-	-	10-15	5-10
<i>Non-executive</i> Jonathan Baume (i)										
Executives										
<i>Acting Chief Executive</i> Les Philpott (e)	110-115 (140-145)	110-115	5-10	0-5	-	-	280,000	394,000	395-400	510-515
<i>Chief Nuclear Inspector</i> Andy Hall (f)	55-60 (135-140)	115-120	-	0-5	-	-	119,000	296,000	175-180	415-420
<i>Chief Executive Officer</i> Adrienne Kelbie (g)	25-30 (140-145)	-	-	-	-	-	15,000	-	40-45	-
<i>Acting/Chief Nuclear Inspector</i> Richard Savage (h)	70-75 (120-125)	-	5-10	-	800	-	112,000	-	190-195	-
<i>Deputy Chief Inspector and Director of Regulatory Assurance</i> David Senior	110-115	75-80	-	-	-	-	96,000	37,000	210-215	115-120

8 In 2015/16, ONR was granted a PAYE Settlement Agreement (PSA) by HMRC under which it settles, in a single payment, the income tax liability on all the benefits in kind detailed above. This is the principle reason for the reduction compared with the prior year values because directors have been relieved of the liability on the benefits included in the agreement.

9 Redundancy compensation of £190,000 was agreed in year for Les Philpott under the Civil Service Compensation Scheme. Details of the exit are contained within the Exit Packages table in the Staff Report on page 81.

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

Notes:

- a Non-executive from 1 March 2016.
- b Non-executive from 1 April – 31 December 2015.
- c Non-executive from 18 January 2016.
- d Non-executive from 1 October 2014.
- e Acting Chief Executive from 1 April 2015 to 17 January 2016. Pension benefits for 2014-15 have been re-calculated due to retrospective changes.
- f Chief Nuclear Inspector from 1 April 2015 to 31 August 2015.
- g Chief Executive from 18 January 2016.
- h Acting Chief Nuclear Inspector from 1 September 2015 and formally appointed as Chief Nuclear Inspector from 18 March 2016.
- (i) Jonathan Baume is appointed as a Non-executive Director by HSE and is not remunerated by ONR.

Remuneration shown is for periods of Board appointment only.

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. For executives, this is agreed by the Remuneration Committee. For other senior officers this is subject to moderation by the ONR Senior Staff Pay Committee and endorsed by the Remuneration Committee. The value of bonuses is dependent upon a number of factors and is subject to the total amount of available funds. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015/16 relate to performance in 2015/16.

Pay multiples

ONR is required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation’s workforce.

The following table compares the pay band of ONR’s highest paid executive director compared with the median rate of pay (subject to audit).

	2015/16	2014/15
Band of highest paid director’s total remuneration £’000	150 - 155	120 - 125
Median total remuneration £	67,500	65,178
Ratio	2.29	1.89

The calculations include staff with permanent and fixed term contracts, as well as staff with inward secondment contracts for whom ONR meets the payroll costs. The calculations exclude: non-executive directors apart from the Board Chair; ONR staff with outward secondment contracts where ONR does not pay the payroll costs; and non-contracted staff e.g. specialist staff brought into ONR via technical support contracts.

The banded remuneration of the highest-paid director in ONR in the financial year 2015/16 was £150,000-155,000 (the comparative figure for 2014/15 was £120,000-125,000). This was 2.29 times the median remuneration of the workforce, which was £67,500 (for 2014/15, this was 1.89 times the median remuneration of the workforce, which was £65,178).

In 2015/16, no employees received remuneration in excess of the highest-paid director (the same as for 2014/15). Remuneration ranged from £18,500 to £154,000 (for 2014/15, the range was £18,000 - £123,000).

The ratio shows an increase from 2014/15. This can mainly be attributed to the need to offer a competitive reward package when recruiting a new Chief Nuclear Inspector in the context of a growing and competitive nuclear industry.

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

Pension Benefits

(This information is subject to audit)

	Accrued pension at pension age as at 31/3/16 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/16 ⁸ £'000	CETV at 31/03/15 £'000	Real increase in CETV £'000
Andy Hall	75-80 plus 115-120 lump sum	5-7.5 plus 7.5-10 lump sum	1,591	1,491	115
Adrienne Kelbie (a)	5-10	0-2.5	110	97	7
Les Philpott (b)	85-90	12.5-15	1,582	1,298	256
Richard Savage (c)	40-45 plus 125-130 lump sum	5-7.5 plus 15-17.5 lump sum	812	693	92
David Senior	30-35 plus 100-105 lump sum	2.5-5 plus 12.5-15 lump sum	736	592	88

Notes:

CETV Cash Equivalent Transfer Values are shown in respect of periods of Board appointment only.

- a Adrienne Kelbie - CETV at 31/03/15, has been replaced with value immediately before taking up appointment i.e. 17/02/2016.
- b Les Philpott - CETV at 31/03/15 has been re-calculated due to retrospective changes.
- c Richard Savage - CETV at 31/03/15, has been replaced with value immediately before taking up appointment i.e. 01/09/15.

Civil Service Pensions (CSP)

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

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

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits "banked", with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted in the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a "money purchase" stakeholder pension with an employer contribution (partnership pension account).

11 The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016.

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus and nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his/her pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension is credited with 2.3% of pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable benefit cover salary from 1 October 2015 to cover the cost of centrally-provided risk (death in service and ill-health retirement).

The accrued pension quoted above 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 and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha - as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

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

Further details of the new scheme are available at: <https://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

Cash Equivalent Transfer Values

A cash equivalent transfer value (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 pension benefits they have 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 individual 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 calculated 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.

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

No payments were made by ONR during the period of this report.

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

For 2015/16 fees and expenses amounting to £3,200 (compared to £3,059 for 2014/15) were paid to the independent (co-opted) member of the Audit and Risk Assurance Committee as shown in the table below.

	2015/16 Total fees and expenses £'000	2014/15 Total fees and expenses £'000
Clifford Shanbury	0-5	0-5

Staff information

Senior Civil Service (equivalent)

There were eleven Senior Civil Service (equivalent) posts as at 31 March 2016. This was an increase of one compared to the previous year and was due to the need for handover to accommodate planned retirement.

Full-time equivalents by pay band	Pay range	31 March 2016	31 March 2015
SCS 2 Equivalent (1)	£82,900 to £162,500	3	2
SCS 1 Equivalent (2)	£58,200 to £117,800	8	8
Total		11	10

Includes:

- 1 Les Philpott left through voluntary exit under the Civil Service Compensation Scheme when his post as Deputy Chief Executive was abolished as redundant following a decision by the ONR Board to abolish it on 1 April 2016.
- 2 Alasdair Corfield was on temporary promotion to SCS 1 on secondment from the Department for Work and Pensions appointed as acting Finance Director (both years).

Recruitment into leadership positions

ONR has secured individuals to key leadership roles. The new Chief Executive was appointed in January 2016, and since then several senior positions have been filled including the Chief Nuclear Inspector (Richard Savage), two new Deputy Chief Inspectors (Mike Finnerty as Programme Director for the New Reactors Programme and Mina Golshan to the Sellafield, Decommissioning, Fuel & Waste Programme to succeed Andy Lindley when he retires later in 2016/17). A new Finance Director and a Communication and Insight Director are expected to join ONR early in 2016/17.

Staff numbers

The average number of full-time equivalent posts was:

Permanent staff (1)	Other staff (2)	Total			
		2015/16	2014/15	2015/16	2014/15
496	475	4	4	500	479

1 Permanent staff includes those on permanent or fixed term contracts. This includes staff on secondment out of ONR, for whom the organisation remains responsible.

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

Diversity

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

We improved levels of awareness for all staff in tackling inappropriate behaviour through the introduction of equality, diversity and inclusion training.

We reviewed our recruitment and selection practices introducing “name anonymous” selection procedures and delivered a bespoke recruitment interviewing course incorporating unconscious bias training for panel members to ensure that we are able to recruit from diverse talent pools.

ONR’s gender split has remained unchanged at 31.2% female staff compared with 2014/15. However, some significant changes have occurred with the appointment of a female Chief Executive Officer and two female Board members during 2015/16.

Number of staff by gender (headcount)	31 March 2016		31 March 2015	
	Male	Female	Male	Female
Directors (Non-executive)	3	3	4	1
Senior Civil Service equivalents	10	1	9	
Permanently appointed staff (Bands 1 – 6)	354	162	344	161
Total	367	166	357	162

We had low self-declaration rates relating to the various diversity characteristics, which mean we do not have a baseline against which our performance can be assessed. We will be working to address this in 2016/17.

Self-declarations recorded against diversity characteristics at 31 March 2016:

Ethnicity	Percentage
White	36%
Minority ethnic	2%
Not declared	62%

Disability	Percentage
Do not have a disability	26%
Have a disability	1%
Prefer not to say	3%
Unknown	70%

Sexual orientation	Percentage
Heterosexual	39%
LGBT	1%
Prefer not to say	18%
Unknown	42%

Religious belief	Percentage
Christian	21%
Other religious belief	2%
None	9%
Prefer not to say	7%
Not known	61%

Age	Percentage
Less than 30 years	4.3%
30 to 39 years	15.9%
40 to 49 years	30.0%
50 to 59 years	39.6%
60 to 69 years	9.8%
70 and over	0.4%

Staff Survey 2016	2015/16	2013/14	Increase
ONR respects individual differences	52%	36%	16%

Although our staff survey showed a significant improvement in the percentage of respondents who believe ONR respects individual differences, significant cultural issues remain and we must tackle these if we are to really embrace the benefits of a fully inclusive and diverse workforce where everyone feels valued. A key theme of our action plan in response to the 2016 Staff Survey will be “Valuing People” and senior leaders will be accountable for, and measured against, a positive increase in the engagement index for ONR as a whole.

Five of the seven nuclear graduate cohort for 2015 were female and, as part of our external engagement, all the graduates are STEM (Science, Technology, Engineering & Mathematics) Ambassadors who visit local schools to encourage students, particularly girls, to enjoy STEM subjects and be aware of the opportunities available. This has created local media interest and we received excellent feedback from the schools and students. We also supported formal external diversity networks and forums, and have collaborated with Women in Nuclear (WiN) UK to support their three year strategic plan to further gender balance in the nuclear sector by supporting their 'Attraction, Retention and Progression' core element.

Staff policies relating to disability

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

- in recruitment and selection - by making adjustments to selection arrangements for individuals who advised of a disability; and advertising for ONR's participants in the nuclear graduates scheme in journals which targeted people with disabilities, as well as other minority groups;
- during the course of employment and training by obtaining occupational health advice relating to reasonable adjustments and implementing them; developing workplace adjustment passports to record and share information about agreed adjustments as an individual moves around the organisation; ONR staff having access to a workplace disability network, as well as other minority groups;
- providing training on equality, diversity and inclusion (including disability) for all staff as well as delivering bespoke recruitment and selection training incorporating unconscious bias for panel members to support selection of people with disabilities (and other minority groups) to join the organisation and on promotion.

Staff costs (subject to audit)

	Permanently employed staff	Others	2015/16 Total	2014/15 Total
	£000	£000	£000	£000
Wages and salaries	30,488	334	30,822	28,456
Social Security Costs	3,032	-	3,032	2,936
Other pension costs	6,717	-	6,717	6,258
Less recoveries in respect of outward secondments	(43)	-	(43)	(29)
Total per Statement of Comprehensive Net Income	40,194	334	40,528	37 621

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

For 2015/16 employer’s contributions of £6,653,314 were payable by ONR to the Civil Service Pension scheme (2014/15, £6.2 million), at one of the four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015/16 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. Employer’s contributions of £61,968 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2,239, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum payments on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £8,615. Contributions prepaid at that date were nil.

Ill-health retirement

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

Sickness absence information

Although sickness absence levels within ONR have risen in comparison with 2014/15, they have remained relatively low when benchmarked against the public and energy sectors.

	2015/16	2014/15
Average number of working days lost due to sickness	3.22	2.43

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	-	- (4)	- (4)
£50,000 - £100,000	-	1 (2)	1(2)
£100,000 - £150,000	-	(-)	(-)
£150,000 - £200,000	-	1 (-)	1 (-)
Total number of exit packages	-	2 (6)	2 (6)
Total cost /£	-	253,429 (316, 172)	253,429 (316, 172)

2014/15 figures shown (in brackets)

The above figures include compensation of £190,000 paid to Les Philpott (who had previously been appointed as Acting Chief Executive) with the approval of the Minister for the Cabinet Office on his voluntary exit under the Civil Service Compensation Scheme, when his post as Deputy Chief Executive was abolished as redundant following a decision by the ONR Board to abolish it.

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

Off-payroll staff (includes temporary and consultancy) staff

High paid off-payroll appointments

All off-payroll engagements as of 31 March 2016, for more than £220 per day and that have lasted for longer than six months:

Number of existing engagements as of 31 March 2016	5
Of which the number that have existed at the time of reporting for:	
Less than one year	3
Between one and two years	2
Between two and three years	0
Between three and four years	0
Four or more years	0

All existing off-payroll engagements outlined above have at some point been subject to a risk-based assessment as to whether assurance needs to be sought that the individual is paying the right amount of tax, and, where necessary, that assurance has been sought. Secondees (4 individuals) from other government departments, who are paid directly by those departments' payrolls, are deemed to be at low risk of failing to meet their personal tax liabilities and no further assurance is sought. For all other appointments outlined above, however, assurance is sought.

New off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that have lasted for longer than six months:

Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	5
Number of the above which include contractual clauses giving ONR the right to request assurance in relation to income tax and National Insurance obligations	1
Number for whom assurance has been requested	1
Of which...	
Number for whom assurance has been received	1
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016:

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	1
Total number of individuals on payroll and off-payroll that have been deemed “board members, and / or, senior officials with significant financial responsibility”, during the financial year. This figure includes both on payroll and off-payroll engagements.	14

The exceptional circumstance which led to the one off-payroll engagement was the urgent need to secure an individual to work at Finance Director level. An individual was needed with financial management and accounting experience in a relevant public sector organisation to support ONR as a newly established public corporation, whilst the recruitment of a suitably experienced permanent appointee was undertaken. An external recruitment exercise for a Finance Director commenced with the appointment of a new Chief Executive Officer in January 2016, and the individual is expected to start in June 2016 after serving their contracted notice period. The length of time this exceptional engagement is expected to last is from 9 March 2015 to 30 June 2016.

Nuclear Graduates Scheme

In relation to other off-payroll appointments, ONR has sponsored two cohorts of 7 participants on the Nuclear Graduates Scheme. This nuclear industry-wide scheme is run by Energus, on behalf of the Nuclear Decommissioning Agency. ONR has chosen to sponsor individuals’ participation in the scheme to support its future talent pipeline. Participants are employed by Energus and undertake a number of placements within the sponsoring organisation as well as in other nuclear industry organisations. At the end of the scheme, ONR

sponsored participants are offered permanent employment in ONR, subject to successfully meeting the standards set by the scheme. ONR has obtained assurance from Energus that the organisation maintains full, true and accurate sets of accounts and records in connection with the Programme and all transactions related to them in accordance with generally accepted accounting principles in the United Kingdom.

Consultancy

ONR expenditure on consultancy totalled £124,000 and was paid to four suppliers. This was for advice on matters including IT, security, technical writing, regulatory effectiveness and the environment.

Parliamentary Accountability and Audit Report

Regularity of Expenditure (subject to audit)

The Accounting Officer for the Department for Work and Pensions has designated the Acting Chief Executive (between 1 April 2015 and 17 January 2016) and the Chief Executive (between 18 January 2016 and 31 March 2016) of the Office for Nuclear Regulation as Accounting Officer for ONR with responsibilities for the propriety and regularity of the public finances for which she is answerable, for keeping proper records and for safeguarding assets as set out in 'Managing Public Money' published by HM Treasury.

Fees and Charges (subject to audit)

Under the Energy Act 2013, ONR makes a full cost recovery for certain chargeable services and receives grant funding from the Department for Work and Pensions for non-chargeable activities such as safeguards and transport inspection. The tables below show ONR's income and a breakdown of the fees and charges:

Income	2015/16 £'000	2014/15 £'000
Fees and charges (see below)	60,872	56,383
Grant from DWP	3,609	2,840
Other sales/income	60	65
Total income	64,541	59,288

Breakdown of Fees and Charges	2015/16			2014/15		
	Income	Cost	Surplus / (deficit)	Income	Cost	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	40,074	40,074	-	40,164	40,164	-
Civil Nuclear Security	7,800	7,800	-	7,133	7,133	-
Generic Design Assessment	11,664	11,664	-	8,024	8,024	-
Radioactive Materials Transport	1,058	1,058	-	823	823	-
Sub Total	60,596	60,596	-	56,144	56,144	-
Other Fees and Charges	276	276	-	239	239	-
Total fees and charges	60,872	60,872	-	56,383	56,383	-

Statement of Losses and Special Payments

There have been no losses or special payments which exceed the £300k reporting threshold. There have been two severance payments of £190k and £63k respectively. The median of these two payments is £127k. Further details can be found in the Remuneration Report on page 71.

Contingent Liabilities

ONR has no contingent liabilities, remote or otherwise.

Long Term Expenditure Trends

The table below shows actual costs and income for 2015/16 and the forecast for future years. The majority of the forecast increases relate to anticipated growth in the number of nuclear specialists who will be recruited in order to meet the demand assumptions. These assumptions include anticipated growth in new generic design assessments (GDA's), applications for new site licences, and new nuclear construction in the civil and defence sectors.

	Actual	Forecast			
	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Costs					
Staff	40.5	43.5	47.6	52.1	56.5
Other	24.0	25.3	28.3	28.6	28.9
Total costs	64.5	68.8	75.9	80.7	85.4
Income					
Charges to industry	60.9	65.9	73.6	79.3	84.0
Grant	3.6	2.9	2.3	1.4	1.1
Total Income	64.5	68.8	75.9	80.7	85.4

A Kelbie

Adrienne Kelbie
 Accounting Officer
 Chief Executive
 Office for Nuclear Regulation
 8 June 2016

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office for Nuclear Regulation for the year ended 31 March 2016 under the Energy Act 2013. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office for Nuclear Regulation's affairs as at 31 March 2016 and of net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Energy Act 2013 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

28 June 2016

Financial Statements

Statement of Comprehensive Net Income for the year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
Expenditure			
Staff costs	2	40,528	37,621
Other expenditure	3	24,013	21,667
Operating costs		64,541	59,288
Income	4	(64,541)	(59,288)
Net operating cost / (income) for the year		-	-
Other Comprehensive Expenditure			
Gain on the Office for Nuclear Regulation transfer from HSE on 1 April 2014		-	(11,281)
Total Comprehensive Net Income for the year ended 31 March		-	(11,281)

ONR was established as a statutory public corporation from 1 April 2014 under Schedule 7 of the Energy Act 2013. Up until that date ONR was an in-house agency of the Health and Safety Executive (HSE). The functions carried out by ONR transferred from HSE to the new public corporation on that date.

All income and expenditure is derived from continuing operations.

The notes on pages 94-109 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Non-Current Assets			
Property, plant and equipment	5	647	837
Intangible assets		4	11
Total non-current assets		651	848
Current assets			
Trade and other receivables	6	12,519	13,713
Cash and cash equivalents	7	5,073	10,184
Total current assets		17,592	23,897
Total assets		18,243	24,745
Current Liabilities			
Trade and other payables	8	(6,962)	(7,564)
Total current liabilities		(6,962)	(7,564)
Total assets less current liabilities		11,281	17,181
Non-current liabilities			
Loan from DWP	8c	-	(5,900)
Total non-current liabilities		-	(5,900)
Assets less liabilities		11,281	11,281
Equity			
General fund		11,281	11,281
Total equity		11,281	11,281

The Notes on pages 94-109 form part of these accounts



Adrienne Kelbie
Accounting Officer
Chief Executive
Office for Nuclear Regulation
8 June 2016

Statement of Cash Flows for the year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
Cash flows from operating activities			
Net operating cost		-	-
Adjustments for non-cash transactions	3	169	166
(Increase)/decrease in trade and other receivables	6	1,194	(13,713)
<i>Less movements in receivables relating to items not passing through the Statement Of Comprehensive Net Income</i>		-	-
Increase/(decrease) in trade payables	8	(602)	7,564
<i>Less movements in payables relating to items not passing through the Statement Of Comprehensive Net Income</i>		10	(9)
Add net payables and receivables balances transferred from HSE for no cash consideration on 1 April 2014		-	10,438
Net cash outflow from operating activities		771	4,446
Cash flows from investing activities			
Purchase of property, plant and equipment		(14)	(263)
Purchase of intangibles		-	(12)
Proceeds of disposal of property, plant and equipment		32	113
Net cash outflow from investing activities		18	(162)
Cash flows from financing activities			
Loan drawn down from DWP	8c	-	8,000
Loan repayments to DWP in year	8c	(5,900)	(2,100)
Net financing		(5,900)	5,900
Net increase/(decrease) in cash and cash equivalents in the period		(5,111)	10,184
Cash and cash equivalents at the beginning of the period	7	10,184	-
Cash and cash equivalents at the end of the period	7	5,073	10,184

The Notes on pages 94-109 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended
31 March 2016

	General Fund £'000
Balance at 1 April 2014	-
Gain on the Office for Nuclear Regulation transfer from HSE	11,281
Comprehensive net income for the year	-
Balance at 31 March 2015	11,281
Comprehensive net income for the year	-
Balance at 31 March 2016	11,281

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

The Notes on pages 94-109 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 2015-16 Government Financial Reporting Manual (FReM) (www.gov.uk/government/publications/government-financial-reporting-manual-2015-to-2016) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.2 Accounting standards, interpretations and amendments

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2016, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

1.3 Accounting convention

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

1.4 Government grants

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

The total grant received from DWP during the 2015/16 financial year was £3.6m.

1.5 Employee benefits

In accordance with IAS 19 Employee benefits, short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees

have provided services in the year. General staff bonuses are recognised to the extent that ONR has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to senior management are accrued to the extent that the total value of the bonuses can be measured reliably. If payable, general staff bonuses and bonuses relating to senior management are accrued in the year to which the performance relates and paid in the following financial year. The policy in relation to employee pensions is disclosed on page 73 in the Accountability Report.

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

1.6 Value added tax

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

1.7 Service Management Agreement with the Health & Safety Executive (HSE)

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

1.8 Insurance

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

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

Insurance costs are included in "Other" expenditure.

1.9 Revenue recognition

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

ONR complies with IAS18 for all significant income streams and recognises revenue when earned. Earned income is assessed using time recording information and reliable estimates of recoverable costs. ONR takes a proportionate approach to revenue recognition and accounts for low value income in the period of receipt where deemed clearly non-significant to the financial statements.

1.10 Non-current and intangible assets policy

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

1.10(a) Intangible assets

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

1.10(b) Property, plant and equipment

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

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

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

1.10(b)(i) Capitalisation and depreciation policy

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

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

1.10(b)(ii) Leasehold Improvements

Expenditure in respect of major capital refurbishment and improvement of properties occupied but not owned by ONR is capitalised because the expenditure provides a long-term continuing benefit for ONR.

1.10(b)(iii) Revaluation and impairment of non-current assets

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

All non-current assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

1.11 Financial assets and liabilities

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

Loans and receivables.

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

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

Financial liabilities

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

Impairment of financial assets

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

1.12 Pensions

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

The appointment of non-executive Board members is non-pensionable.

1.13 Leases

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

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

1.14 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37.

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

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

ONR does not have any contingent liabilities at 31 March 2016.

2 Staff Costs

	2015/16			2014/15
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages & salaries	30,488	334	30,822	28,456
Social security costs	3,032	-	3,032	2,936
Other pension costs	6,717	-	6,717	6,258
Less recoveries in respect of outward secondments	(43)	-	(43)	(29)
Total per Statement of Comprehensive Net income	40,194	334	40,528	37,621

Further details of staff costs and related expenditure can be found on page 80 in the Accountability Report.

3 Other Expenditure

	2015/16	2014/15
	£'000	£'000
Services provided by Health & Safety Executive*	7,538	7,512
Technical support	7,101	4,801
Travel and subsistence	2,734	2,813
Industry security vetting	1,976	1,779
Personnel related costs	1,012	770
Public dividend	456	-
Interest payable on loan from DWP	114	270
Auditors remuneration	50	59
Other expenditure	2,863	3,497
Non-cash items		
Depreciation and amortisation	165	169
(Profit) / Loss on disposal	4	(3)
	169	166
Total	24,013	21,667

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

	2015/16	2014/15
	£'000	£'000
Accommodation	4,041	3,686
IT / telecommunications	2,311	1,948
Communication services	212	511
Other corporate services	974	1,367
Total	7,538	7,512

4 Income

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

Income	2015/16	2014/15
	£'000	£'000
Fees and charges (see below)	60,872	56,383
Grant from DWP	3,609	2,840
Other sales/income	60	65
Total income	64,541	59,288

Breakdown of Fees and Charges	2015/16			2014/15		
	Income	Cost	Surplus / (deficit)	Income	Cost	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	40,074	40,074	-	40,164	40,164	-
Civil Nuclear Security	7,800	7,800	-	7,133	7,133	-
Generic Design Assessment	11,664	11,664	-	8,024	8,024	-
Radioactive Materials Transport	1,058	1,058	-	823	823	-
Sub Total	60,596	60,596	-	56,144	56,144	-
Other Fees and Charges	276	276	-	239	239	-
Total fees and charges	60,872	60,872	-	56,383	56,383	-

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

Revenue	2015/16	2014/15
	£'000	£'000
Customer 1	18,206	17,636
Customer 2	11,653	11,974
Customer 3	7,590	6,609

Customers are not named for reasons of commercial confidentiality.

5 Property, Plant and Equipment

2015/16	Leasehold Improvements	Information Technology	Motor Vehicles	Furniture and Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2015	266	2	619	107	994
Additions	-	-	-	5	5
Disposals	-	-	(50)	-	(50)
At 31 March 2016	266	2	569	112	949
Depreciation					
At 1 April 2015	52	2	89	14	157
Charged in year	52	-	93	14	159
Disposals during year	-	-	(14)	-	(14)
At 31 March 2016	104	2	168	28	302
Carrying amount at 31 March 2015	214	-	530	93	837
Carrying amount at 31 March 2016	162	-	401	84	647
Asset financing					
Owned	162	-	401	84	647

2014/15	Leasehold Improvements £'000	Information Technology £'000	Motor Vehicles £'000	Furniture and Fittings £'000	Total £'000
Cost or valuation					
At 1 April 2014	-	-	-	-	-
Transfers from HSE	266	2	471	104	843
Additions	-	-	269	3	272
Disposals	-	-	(121)	-	(121)
At 31 March 2015	266	2	619	107	994
Depreciation					
At 1 April 2014	-	-	-	-	-
Charged in year	52	2	100	14	168
Disposals during year	-	-	(11)	-	(11)
At 31 March 2015	52	2	89	14	157
Carrying amount at 31 March 2015	214	-	530	93	837
Asset financing					
Owned	214	-	530	93	837

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

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

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

6 Trade receivables and other current assets

(a) Analysis by type

Administration receivables:

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year		
Trade receivables	3,492	3,769
Deposits and advances	34	36
Prepayments and accrued income	8,993	9,365
DWP grant accrual	-	537
Other receivables	-	6
Net receivables	12,519	13,713

(b) Intra-government balances

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

	31 March 2016 £'000	31 March 2015 £'000
Amounts falling due within one year		
Balances with other central government bodies	2,858	3,957
Balances with NHS trusts	22	13
Balances with public corporations and trading funds	78	85
Sub-total: intra-government balances	2,958	4,055
Balances with bodies external to government	9,561	9,658
Total receivables	12,519	13,713

7 Cash and cash equivalents

	31 March 2016	31 March 2015
	£'000	£'000
Balance at 1 April	10,184	-
Net change in cash and cash equivalent balances	(5,111)	10,184
Balance at 31 March	5,073	10,184

Represented by:		
Government Banking Service	5,073	10,184
Balance at 31 March	5,073	10,184

8 Trade and other payables

(a) Analysis by type

	31 March 2016	31 March 2015
	£'000	£'000
Amounts falling due within one year		
Taxation and social security	987	911
Superannuation	774	730
VAT	48	51
Trade payables: non-capital	362	486
Capital payables and accruals	-	9
Other payables	10	8
Accruals and deferred income	4,781	5,369
Sub-total amounts falling due within one year	6,962	7,564
Amounts falling due after more than one year		
Loan with DWP	-	5,900
Total	6,962	13,464

(b) Intra-government balances

	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	£'000	£'000	£'000	£'000
Balances with other central government bodies	4,392	-	4,719	5,900
Balances with Local Authorities	-	-	-	-
Balances with NHS trusts	63	-	21	-
Balances with public corporations and trading funds	39	-	60	-
Sub-total: intra-government balances	4,494	-	4,800	5,900
Balances with bodies external to government	2,468	-	2,764	-
Total trade and other payables	6,962	-	7,564	5,900

(c) Non-current liabilities

DWP Loan	2015/16	2014/15
	£'000	£'000
Balance at 1 April	5,900	0
Additions in year		8,000
Repayments in year	(5,900)	(2,100)
Balance at 31 March	-	5,900

The loan facility from DWP of up to £10m covered the period 1st April 2015 – 31st March 2016. It was provided to meet ONR running costs and it was fully repaid during 2015/16.

Interest was paid on the loan balance at Her Majesty's Treasury rate of 3.5% for intra-government lending. Interest paid during 2015/16 amounted to £0.11m.

9 Capital commitments

There were no capital commitments at 31 March 2016.

10 Commitments under non-PFI operating leases

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

Obligations under operating leases	31 March 2016	31 March 2015
	Buildings £'000	Buildings £'000
Not later than 1 year	3,584	3,215
Later than 1 year and not later than 5 years	7,496	10,346
Later than 5 years		
Total Committed	11,080	13,561

11 Other financial commitments

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

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

The total payments to which ONR is committed are as follows:	31 March 2016	31 March 2015
	£'000	£'000
Not later than 1 year	4,545	5,229
Later than 1 year and not later than 5 years	1,945	2,590
Later than 5 years	-	350
Total Committed	6,490	8,169

12 Related party transactions

ONR is a statutory body accountable to the Secretary of State for Work and Pensions and is classified as a public corporation. DWP is ONR's sponsoring Department and the two bodies are regarded as related parties. During 2015/16, ONR had significant transactions with DWP.

ONR was previously an in-house agency of HSE and occupies its head office under a Service Management Agreement. Details of charges under this agreement in 2015/16 are set out in Note 3.

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

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

13 Financial instruments

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

14 Going concern

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

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

15 Events after the reporting period

On 23 June 2016, the UK voted to leave the EU. Whilst there are a number of EU Directives and EU and Commission fora that have a direct link to the work of ONR, there will be a continued need for ONR to meet the obligations of the wider international framework such as the work of the International Atomic Energy Agency and the legal frameworks established under the Convention on Nuclear Safety. Our assessment is therefore that there is only a moderate operational impact on ONR and no impact on our financial statements. Key activities as an outcome of this development relate to an assessment of our future international engagement in the new context, rather than any significant changes to the way we regulate or the standards applied to the industry.

A further operational impact relates to the Government's Nuclear New Build policy, especially the proposal to build a new nuclear power station at Hinkley Point C. ONR will monitor closely any impact on the progress to final investment decision, as should the project not proceed it would significantly impact ONR's future regulatory demand and resourcing projections, with a further possibility that other new build projects could be impacted.

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











Office for Nuclear Regulation

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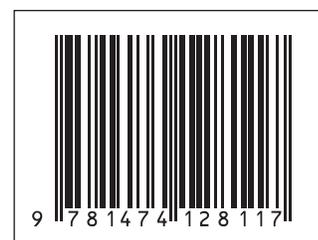
Any enquiries regarding this publication should be addressed to:

ONR communications team
Office for Nuclear Regulation
Redgrave Court
Merton Road
Bootle
Merseyside L20 7HS

Email: onr@onr.gsi.gov.uk

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Further information about ONR is available at www.onr.org.uk

