



Office for  
Nuclear Regulation

**OFFICE FOR NUCLEAR  
REGULATION  
ANNUAL REPORT AND  
ACCOUNTS 2017/18  
HC 1078**



# OFFICE FOR NUCLEAR REGULATION ANNUAL REPORT AND ACCOUNTS 2017/18

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

Ordered by the House of Commons to be printed on 21 June 2018.

**HC 1078**



© **Crown copyright 2018**

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit:

[nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3)

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

This publication is available at [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

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

ISBN 978-1-5286-0218-1

CCS0218031918

04/18

Printed on paper containing 75% recycled fibre content minimum

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

# CONTENTS

<b>1. PERFORMANCE REPORT</b>	<b>6</b>
Chair's foreword	6
Chief Executive's foreword	8
Chief Nuclear Inspector's statement	10
Overview summary	12
Who we are	12
What we do	12
Where we do it	13
Key issues and risks	13
Going concern	14
ONR in numbers - 2017/18	16
Our Strategic Themes for 2017/18	18
Performance summary	18
Financial performance	22
<b>Performance analysis</b>	<b>26</b>
Strategic Theme 1 - Influencing improvements in nuclear safety and security	28
Strategic Theme 2 - Inspiring a climate of stakeholder respect, trust and confidence	61
Strategic Theme 3 - Getting the best out of our people	66
Strategic Theme 4 - Developing a high-performing, sustainable organisation	70
<b>2. ACCOUNTABILITY REPORT</b>	<b>78</b>
Corporate Governance Report	78
Directors' Report - Composition of ONR's Board	78
Governance Statement	84
Statement of Accounting Officer Responsibilities	102
Remuneration and Staff Report (including Gender Pay Report)	103
Remuneration policy	105
Staff information	112
2018 Gender Pay Report	117
<b>Parliamentary Accountability and Audit Report</b>	<b>124</b>
<b>The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament</b>	<b>127</b>
<b>3. FINANCIAL STATEMENTS</b>	<b>132</b>

## 1

# PERFORMANCE REPORT

## CHAIR'S FOREWORD

I am pleased to report that ONR has continued to influence improvements in nuclear safety and security using the breadth of regulatory and enforcement tools we have to ensure compliance with the high standards required by UK law, protecting the workforce and the public.

The senior team is competently driving results towards our 2020 Strategy and I am confident in their delivery of ONR's mission and vision so that we deliver operational results alongside undertaking new work to ensure our long-term sustainability and effectiveness.

The environment in which we operate never stands still and we remain mindful of the need to be flexible and responsive to change, as acutely demonstrated by several changes to new build assumptions and our response to the Government's decision to withdraw from Euratom.

We adopt an enabling approach to regulation where possible and work in a constructive way with dutyholders and other stakeholders to facilitate effective delivery against clear and prioritised safety and security outcomes. The focus is on strengthening industry accountability, while enabling dutyholders to discharge their duties in an efficient and effective way. However, we will and do take enforcement action where necessary.

Internally, we continue to enhance our nuclear inspector team, with successful recruitment allowing us to grow to meet the new and changing demands placed upon us. We're improving our training and implementing improvements to ensure greater sharing of knowledge and this will remain a high priority for the next few years as we develop our ONR Academy so that it will be fit for future generations.

At Board level, we said farewell with thanks to John Crackett CB and Dr Richard Savage and welcomed Sarika Patel, Sir Simon Lister and Mark Foy whose experience broadens our skills base. We have continued to engage with those we regulate so that we may personally listen to and learn from their feedback, with enlightening and inspiring visits to Devonport Royal Dockyard, Hinkley Point C and the Atomic Weapons Establishment sites at Aldermaston and Burghfield.



**Nick Baldwin CBE**

Chair, ONR

None of this would be possible without the continued dedication, commitment and professionalism of ONR's staff and I cannot thank them enough for maintaining their enthusiasm and loyalty, whatever the pressures. I would like to thank my fellow Board Members for their unstinting support and for carrying out their role, collegiately and with vigour, to the highest standards of integrity.

This is my last year as ONR Chair and as I look back I am confident that we are more open, transparent and diverse, strengthening our corporate governance, growing our capacity and developing our capability and resilience and I'm proud of the mature public corporation we are becoming.

**Nick Baldwin CBE**

ONR Chair

THE ENVIRONMENT IN WHICH WE OPERATE NEVER STANDS STILL AND WE REMAIN MINDFUL OF THE NEED TO BE FLEXIBLE AND RESPONSIVE TO CHANGE, AS ACUTELY DEMONSTRATED BY SEVERAL CHANGES TO NEW BUILD ASSUMPTIONS AND OUR RESPONSE TO THE GOVERNMENT'S DECISION TO WITHDRAW FROM EURATOM.

## CHIEF EXECUTIVE'S FOREWORD

The public's safety and security remains our top priority. So I'm pleased to report that ONR's core regulatory purpose was delivered effectively last year. Our Chief Nuclear Inspector's report gives details on how we have effectively carried out our regulatory duties. Our trajectory to our 2020 Strategic Plan remains on track, but our operating environment continues to change and evolve – and we have remained agile and responsive as new demands upon us have arisen. We undertook more work than planned for UK Government, with significant support to the Department for Business, Energy and Industrial Strategy to transpose the EU Basic Safety Standards Directive, supported a Small Modular Reactor competition and developed next stages and planning and delivery support to what is possibly our biggest challenge in decades – to develop an independent UK State System of Accountancy for and Control of nuclear materials, which will enable the UK to meet international safeguards standards from March 2019.

We also responded to considerable uncertainty and change to the new build element of our portfolio, which led to sizeable variations to our financial forecasting, as we re-deployed staff to other work in the short term.

These changes caused some stretch internally, but to the credit of our staff, we have continued to do what is right so as to provide consistent input, direction and advice.

As a public service, we were keen to improve our insight from the hundreds of stakeholder engagements we undertake every year. I'm pleased that our first ever independent survey reported very positive results and we'll continue to work more pro-actively and transparently in line with the UK Regulators' Code.

The changes of structure and capability we introduced during 2016/17 have had a positive impact on most of our internal functions, leading to strong internal governance and coherent corporate planning and a more strategic and flexible approach to our learning and development. An exception to this relates to IT, where progress has been unacceptably slow and exacerbated an already ageing estate, but where a recent change to our stance is improving confidence that will ensure we reap success in 2018/19.



**Adrienne Kelbie**

Chief Executive

I'M PROUD TO SAY THAT ONR BECAME A MORE DIVERSE ORGANISATION, REDUCING OUR AVERAGE AGE, HIRING MORE WOMEN, TAKING ON MORE PEOPLE WITH DIVERSE PERSPECTIVES, EMPLOYING GRADUATES AND APPRENTICES.

Our investment in our capability and capacity has begun to pay off, with delivery of over 20 improvement projects and we have laid the foundations for activity to modernise ONR, developing more efficient and effective ways of working. The Knowledge Management and Business Process Review Project (Well Informed Regulatory Decisions - 'WIReD') is a key enabler for delivering our 2020 strategic intent.

And I'm proud to say that ONR became a more diverse organisation, reducing our average age, hiring more women, taking on more people with diverse perspectives, employing graduates and apprentices and using external insights to help us think differently and inform further growth of a healthy ONR culture that promotes regulatory excellence in all areas.

It has been my pleasure and privilege to lead ONR, working with our highly talented and committed people, to work with engaging and challenging stakeholders at home and abroad and to continue our journey to becoming a more modern and agile organisation that can regulate effectively and efficiently for 2020 and beyond.

**Adrienne Kelbie**

Chief Executive

AS A PUBLIC SERVICE, WE WERE KEEN TO IMPROVE OUR INSIGHT FROM THE HUNDREDS OF STAKEHOLDER ENGAGEMENTS WE UNDERTAKE EVERY YEAR. I'M PLEASED THAT OUR FIRST EVER INDEPENDENT SURVEY REPORTED VERY POSITIVE RESULTS AND WE'LL CONTINUE TO WORK MORE PRO-ACTIVELY AND TRANSPARENTLY IN LINE WITH THE UK REGULATORS' CODE.

## CHIEF NUCLEAR INSPECTOR'S STATEMENT

I was honoured to be appointed as ONR's Chief Nuclear Inspector in October 2017; this presents me with a great opportunity to lead our dedicated and experienced staff in the delivery of our core regulatory purpose and in our journey to be a world leading regulator.

Based on the evidence gathered by my regulatory teams, I am pleased to report my judgement as Chief Nuclear Inspector that the majority of UK nuclear dutyholders have continued to achieve the high standards of safety and security that society should expect of the industry, thereby protecting the workforce and public from harm.

We continue to apply significantly enhanced and enhanced levels of regulatory attention to a small number of licensees that do not meet the standards we expect. I am satisfied that their facilities remain safe, but we have been working closely with these licensees to ensure that they have well-defined plans to improve their performance and a clear path to achieving routine regulatory attention, where practicable.

During the year we have delivered a significant portfolio of regulatory activities across the nuclear sector, as well as moving ahead with a programme of modernisation that will better equip ONR in delivering its core purpose for many years to come. We have also provided support to UK Government and continued to contribute to nuclear safety and security in a global context. This report includes an overview of our regulatory activity, where our attention has been focused and how we have delivered against our regulatory plan.

We have piloted our new Security Assessment Principles across a number of licensees to bring more consistency to our regulation of nuclear security, delivering a goal-setting approach and the right focus on security in those we regulate. I am pleased that our approach received positive international recognition in a report issued by the World Institute of Nuclear Security.

The legacy silos and the First Generation Magnox Storage Pond at Sellafield have remained a priority for our inspectors and subject to significantly enhanced regulatory attention. Our strategy for these facilities has continued to be effective, enabling significant progress in preparations for the retrievals of radioactive waste and future storage in modern facilities.



**Mark Foy**

Chief Nuclear Inspector

WE HAVE DELIVERED A SIGNIFICANT PORTFOLIO OF REGULATORY ACTIVITIES ACROSS THE NUCLEAR SECTOR, AS WELL AS MOVING AHEAD WITH A PROGRAMME OF MODERNISATION THAT WILL BETTER EQUIP ONR IN DELIVERING ITS CORE PURPOSE FOR MANY YEARS TO COME.

The Atomic Weapons Establishment sites at Aldermaston and Burghfield rely on the use of ageing production facilities in an environment of uncertainty regarding the delivery timescales of modern standard replacements. Following our assessment of the licensee's periodic review of safety we have only been able to support a limited period of operations at Burghfield Assembly Technology Centre and require assurance regarding the remediation of shortfalls in order for operations to continue in the longer term.

The management of age-related issues on the operating reactor fleet has required our attention to ensure that the risks arising from age-related degradation are appropriately managed. The ageing effects on graphite bricks that make up the structure of Advanced Gas-cooled Reactor cores has continued to demand substantial regulatory effort to ensure that nuclear power generation from these reactors remains safe.

We have continued our assessment of new reactor designs, completing the Generic Design Assessment for the UK Advanced Boiling Water Reactor and we also completed our first Chief Nuclear Inspector's themed inspection that examined NNB GenCo Ltd's supply chain management arrangements for ensuring the quality of structures, systems and components supplied to Hinkley Point C.

As part of our modernisation programme, we revised our Enforcement Management Model to ensure that our enforcement decision making is properly aligned to the industry we regulate and that the model can be applied consistently across each one of our regulatory purposes, as defined by the Energy Act 2013. We have also completed a comprehensive review of our licence conditions and consideration is now being given to the scope and timing of future implementation of the recommendations.

We have strengthened our international collaboration and cooperation, continuing to learn from the experience of fellow national regulators and influencing global nuclear safety and security. We are participating in the first European topical peer review on ageing management of nuclear power plants, we led the peer review of the Belarus stress test on behalf of the European Nuclear Safety Regulators Group and we coordinated the production of the UK's report to the Sixth Review Meeting of the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management

I recognise the increasing levels of challenge that we will face during 2018/19 from a dynamic and growing industry, but I am confident in our capabilities to meet them. Our journey of modernisation continues at a pace and will enhance our resilience and agility to regulate in such an environment, enabling us to effectively influence improvements in safety and security across the industry that will ensure the continued protection of society.

**Mark Foy**

Chief Nuclear Inspector

## OVERVIEW SUMMARY

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

## WHO WE ARE

ONR is Great Britain's (GB's) independent nuclear regulatory authority; a public corporation set up by the Energy Act 2013 to regulate nuclear safety, nuclear security and conventional health and safety at licensed nuclear sites in GB and to provide regulatory oversight for the transportation of civil nuclear materials.

As a public corporation, we are an independent body, accountable to parliament through the Secretary of State for Work and Pensions. We are sponsored by the Department for Work and Pensions (DWP) in relation to governance, finance and conventional health and safety issues.

We are governed by an eleven-strong unitary Board comprising Chair, six independent Non-Executive Directors and four Executive Directors, who support the work of approximately 600 staff based in Bootle, Cheltenham and London. Nick Baldwin CBE is our Non-Executive Chair. Our Board is now at full strength, following the recruitment of an additional Non-Executive Director within the provisions of the Energy Act 2013.

Our Chief Executive, Adrienne Kelbie, is appointed as our Accounting Officer by DWP's Permanent Secretary, the Principal Accounting Officer. She is personally and directly accountable to parliament for ensuring all funds are spent in accordance with Parliament's intentions and in accordance with HM Treasury's 'Managing Public Money' guidance.

The ONR Board has delegated all regulatory decisions to our Chief Nuclear Inspector (CNI), Mark Foy, who is personally and directly accountable for ensuring that regulatory activities are targeted and our decisions are proportionate and consistent. The ONR Board has overall responsibility for ensuring efficient and effective regulation of the industry and the CNI reports regularly to the Board on the state of the industry.

## WHAT WE DO

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

We independently regulate nuclear safety, nuclear security and conventional health and safety across all licensed nuclear sites in GB and perform targeted inspection activity across their supply chains as appropriate. We also regulate the safety and security of civil transport of radioactive materials and ensure that safeguards obligations are met. This includes the existing fleet of operating reactors, fuel cycle facilities, waste management and decommissioning sites and licensed defence sites, together with the regulation of the design and construction of new nuclear facilities.

At the request of Government, we conduct Generic Design Assessment (GDA) activities for proposed new nuclear reactor designs. For new nuclear build, we conduct site licensing activities and support the staged permissioning of construction, commissioning and operation.

The UK generally operates a goal-setting regulatory approach to nuclear safety, nuclear security and conventional health and safety. Our duty is to ensure that the nuclear industry controls its hazards effectively, has a culture of continuous improvement and maintains high standards of safety and security.

We are committed to openness and transparency and publish information about what we do, how we do it and how we reach our regulatory judgements on our website. We also engage with local stakeholder groups for all licensed sites, with nuclear Non-Governmental Organisations (NGOs), the public, the media and other interested stakeholders at home and abroad.

By doing so, we aim to fulfil our mission, providing efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public.

## WHERE WE DO IT

ONR regulates safety and security matters across GB, which comprises a range of operating, decommissioning and defence sites as illustrated in Figure 1. Since nuclear is a global sector, we work closely with international regulators and nuclear agencies, in the common pursuit of improved policy and practice.

## KEY ISSUES AND RISKS

During 2017/18, we embedded a new and more robust Risk Management Framework and reviewed our strategic and directorate risks in the context of our strategic themes. In summary, the strategic risks, endorsed by the Board and Audit and Risk Assurance Committee (ARAC), relate to:

- change and/or uncertainty in policies relating to the nuclear context within which we operate, ensuring ONR is flexible, adaptable and capable to respond to changing environments and priorities;
- information security, management and governance, to ensure we have established adequate and appropriate levels of security and control;
- cyber security and resilience;
- strengthening governance, control and processes in ONR;
- enhancing our organisational capability and capacity and addressing the maturity dilution challenge from thinning experience, so that our recruitment, retention, staff development and talent management practices optimise the quality and effectiveness of our people;
- ensuring we generate adequate funding, manage our liquidity risk and our resources efficiently and effectively to deliver our strategic objectives;
- our ability to respond effectively to the impact of leaving the European Union;
- developing an independent UK State System of Accountancy for and Control of nuclear materials (SSAC) to meet international safeguards standards by the end of March 2019 following the UK's departure from Euratom.

A cross-directorate Risk Improvement Group, chaired by the Finance Director, challenged and supported risk owners to better manage risk. ARAC scrutinised management's risk assessment and thoroughly reviewed our strategic risks, informed by Executive Management Team (EMT) activity that assessed mitigation and risks during monthly performance and risk reviews.

Further information on the management of risk can be found in the Governance Statement on page 84.

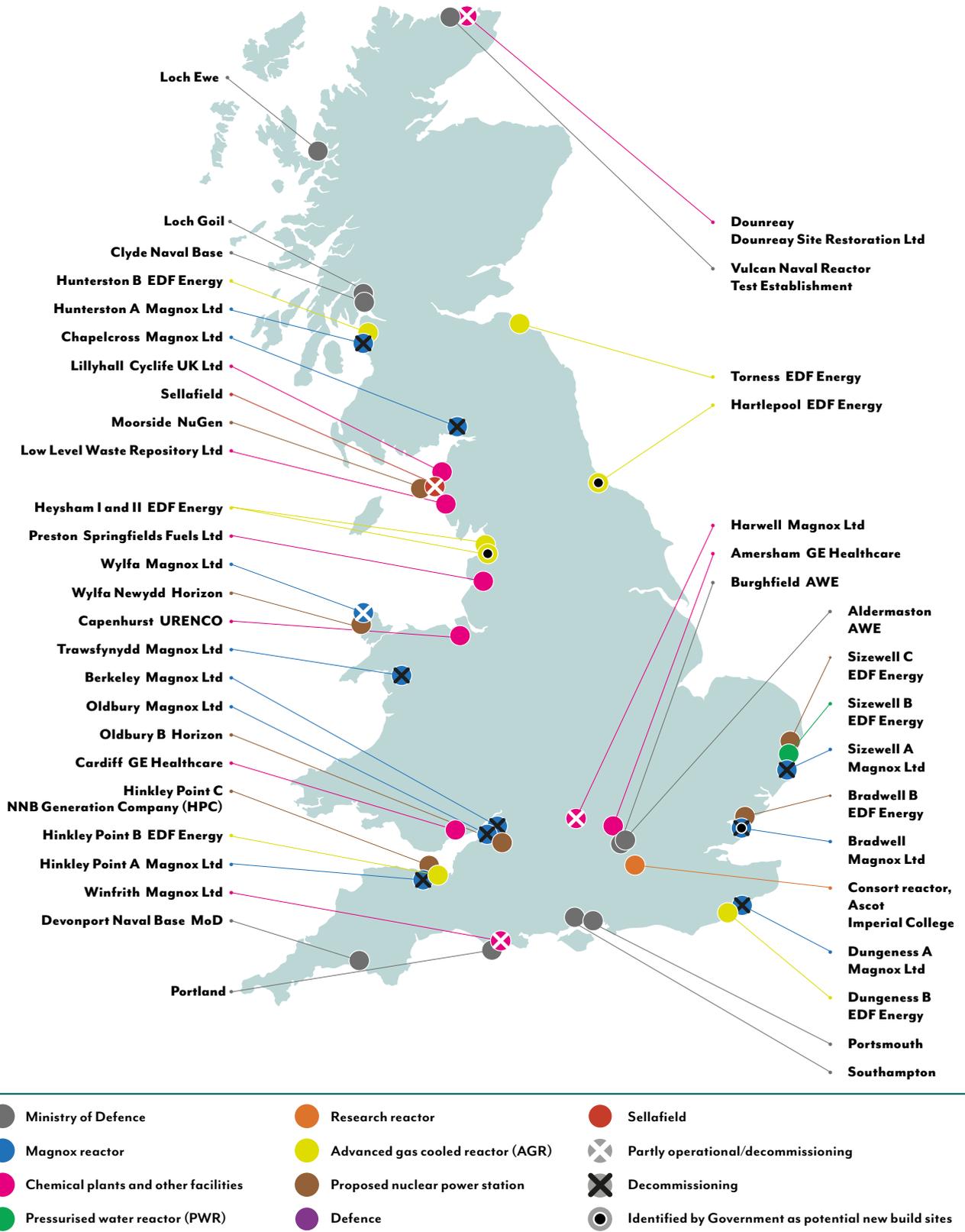
## GOING CONCERN

ONR is funded in two ways. We recover approximately 95% of our running costs from the nuclear industry we regulate and government departments to whom we provide a service; the remaining 3% is grant funded from our sponsor body, the Department for Work and Pensions (DWP), to cover activities which are statutorily prohibited from being recovered in this way and 2% is funded from the Department for Business, Energy and Industrial Strategy (BEIS) to develop an independent UK SSAC. The income generated from cost recovery funds the expenditure we incur in fulfilling our regulatory mission. ONR does not make any profit or surplus and nuclear site licensees are charged only for the work undertaken in regulating them. The grant is agreed for the current spending review period and confirmed annually. For 2017/18, net assets totalling £11.3m were recorded at the end of the financial year. ONR has no outstanding liabilities that threaten its ability to continue.

Consequently the going concern basis has been adopted for the preparation of the ONR Financial Statements at pages 132-148.

THE INCOME GENERATED FROM COST RECOVERY FUNDS THE EXPENDITURE WE INCUR IN FULFILLING OUR REGULATORY MISSION.

Figure 1 – Map of regulated sites, including potential new build



## ONR IN NUMBERS - 2017/18

**£70m**

**TOTAL  
INCOME/  
EXPENDITURE  
FOR YEAR**

**30+**

**PERMISSIONING  
ACTIVITIES AND  
DETERMINATIONS**

**1.1m HOURS  
WORKED**

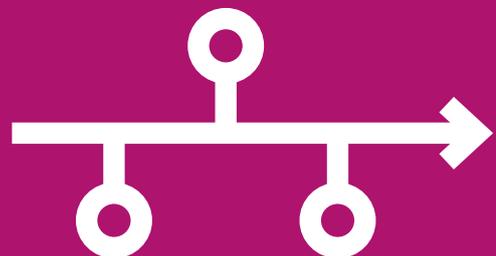


**1000+** **INSPECTIONS  
CARRIED OUT**

**415**

**INTERVENTION  
RECORDS  
PUBLISHED**

**54/65 MILESTONES  
DELIVERED**



**ONR.ORG.UK**  
**140,000 UNIQUE USERS**  
**FROM 187 COUNTRIES**



**5**  
IMPROVEMENT  
NOTICES ISSUED  
AND CLOSED

**387** INES  
EVENTS  
REPORTED  
(371 OF NO SAFETY SIGNIFICANCE)



WE REGULATE  
**36**  
LICENSED  
SITES

**65**  
TRANSPORT  
DUTYHOLDER  
INSPECTIONS

**564**  
MEMBERS OF  
**STAFF**  
(+8%)



**34%**  
OF OUR  
WORKFORCE ARE  
WOMEN

STAKEHOLDER SURVEY

**82%** **89%** **83%**

ONR IS INDEPENDENT      ONR IS PROFESSIONAL      CONFIDENT DELIVERING OUR MISSION

## OUR STRATEGIC THEMES FOR 2017/18



### PERFORMANCE SUMMARY

In a challenging year, ONR delivered the majority of its milestones and targets (54 out of 65) along with significant organisational improvements relating to governance, corporate planning, change management and developing leadership / management capability.

We achieved the majority of the CNI Summary Programme Plan milestones with the exception of three. Two milestones were not met due to the priority to work on Basic Safety Standards Directive (BSSD) activities and the anticipated request for consent for the pumping station at Hinkley Point C was not made by the licensee in-year.

Further detail of our performance can be found within the 'Performance Analysis' section of this report. This is split between four strategic themes to deliver our vision as follows:

#### **Strategic Theme 1 - Influencing improvements in nuclear safety and security** (see page 28)

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

We delivered 24 out of 27 regulatory milestones and 18 out of 20 corporate milestones details of which can be found in Tables 1 and 2.

### **Strategic Theme 2 - Inspiring a climate of stakeholder respect, trust and confidence (see page 61)**

Public confidence in nuclear safety and security is vital. We are a well-trusted regulator, respected nationally and internationally. However, we operate in an increasingly high profile environment, with heightened political, media, academic and public attention around the nuclear agenda. As a matter of public confidence, it is essential we deliver high quality information to our wide range of stakeholders.

Eleven out of 13 milestones were delivered in this theme and these are detailed in Table 5.

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

Our people are our greatest asset. They are highly professional and driven to deliver the best outcomes for the organisation. We demand a lot from them and it is incumbent on us to provide them with a great workplace, positive culture and fair work-life balance while continuing to maintain and improve the standards of health, safety and welfare of our people. We need our staff to be highly skilled, feel proud to work for us and be committed to our mission, vision and long term direction. The highly technical nature of many roles and the need for rotation and variety of assignment, means that continuous training and development remains critical for our long term success.

We met seven of the nine milestones and these are detailed in Table 6.

### **Strategic Theme 4 – Developing a high-performing, sustainable organisation (see page 70)**

The introduction of a fourth strategic objective for 2017/18 aims to focus attention on developing strong organisational capability and driving efficient and effective business processes within a robust governance framework. This is predicated on modernising ONR to develop agile capability, appropriate capacity, strong leadership, robust management systems, appropriate infrastructure, effective governance, efficient business processes and an embedded change management capability.

We met 18 of the 23 milestones and these are summarised in Table 7.

## **Financial Review**

During 2017/18, there were a number of reasons our spending plans resulted in a material underspend against the budget. The majority of the underspend related to the lower demand for our regulatory services manifesting in industry new build. The remaining underspend was due to a number of factors including optimism bias in the in-year timing of new starters, our training plans leading to lower than anticipated staff spend and forecast price and volume increases for vetting not materialising. Planned IT investment did not materialise due to shortfalls in delivery plans but, on a positive note, a number of cash efficiency savings were realised during 2017/18 as a result of robust commercial negotiations and driving volume efficiencies.

## Background

The financial statements contained within this report have been prepared in accordance with the Direction of the powers conferred by paragraphs 21(1) (b) of Schedule 7 to the Energy Act 2013 (c.32). Our accounts for 2017/18 have been prepared under International Financial Reporting Standards (IFRS) as interpreted by the Government Financial Reporting Manual (FRoM). They comprise a Statement of Comprehensive Net Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity, all with related notes.

The Financial Statements are set out on pages 132-148.

## Overall performance in 2017/18

Significant progress has been made to strengthen financial management, governance and control by introducing process improvements, a renewed focus on financial discipline and accountability, improved management information, rigorous adherence to policies and procedures and the embedding of delegated financial authority, complemented by financial awareness training.

We have refreshed our approach to risk through the development and publication of a new Risk Management Framework complemented by a new strategic risk register supported by refreshed directorate risk registers. Delegating financial authority to Directors has embedded greater accountability for financial performance, risk and control throughout the business.

## Outturn against budget

Year	Budget (£m)*	Expenditure (£m)	Variance %
2017/18	80.4	70.3	(12.6)

\*Budget only includes resource expenditure and excludes capital expenditure of £0.7m.

The underspend of £10.1m against budget primarily reflects a reduction in regulatory activity relating to new reactors work which was outside of ONR's control and due to changes in the strategic environment, reduced industry security vetting costs and the optimism bias in our recruitment and training plans (see Figure 2).

## 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 essential to the financial health of the organisation that fees and charges are paid promptly and that aged debtors are kept to a minimum. 20% of outstanding invoices by value were past the payment due date at 31 March 2018. The majority related to two customers, one of which is due to be settled in early 2018/19 and the other relates to an invoice paid in April 2018.

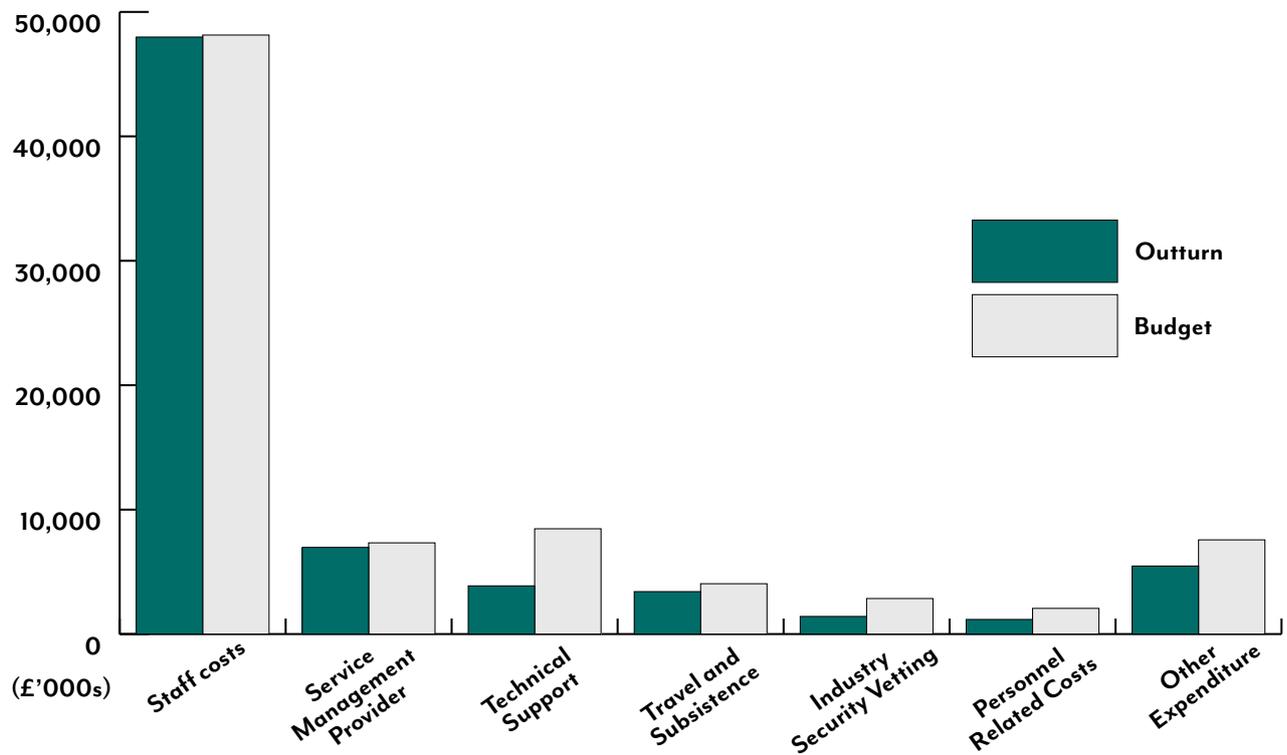
## Invoice receipts by ONR within 30 days of invoices being raised

ONR is committed to ensuring our customers pay within terms; 90% of the value of the March 2018 invoices raised to customers were paid within 30 days.

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

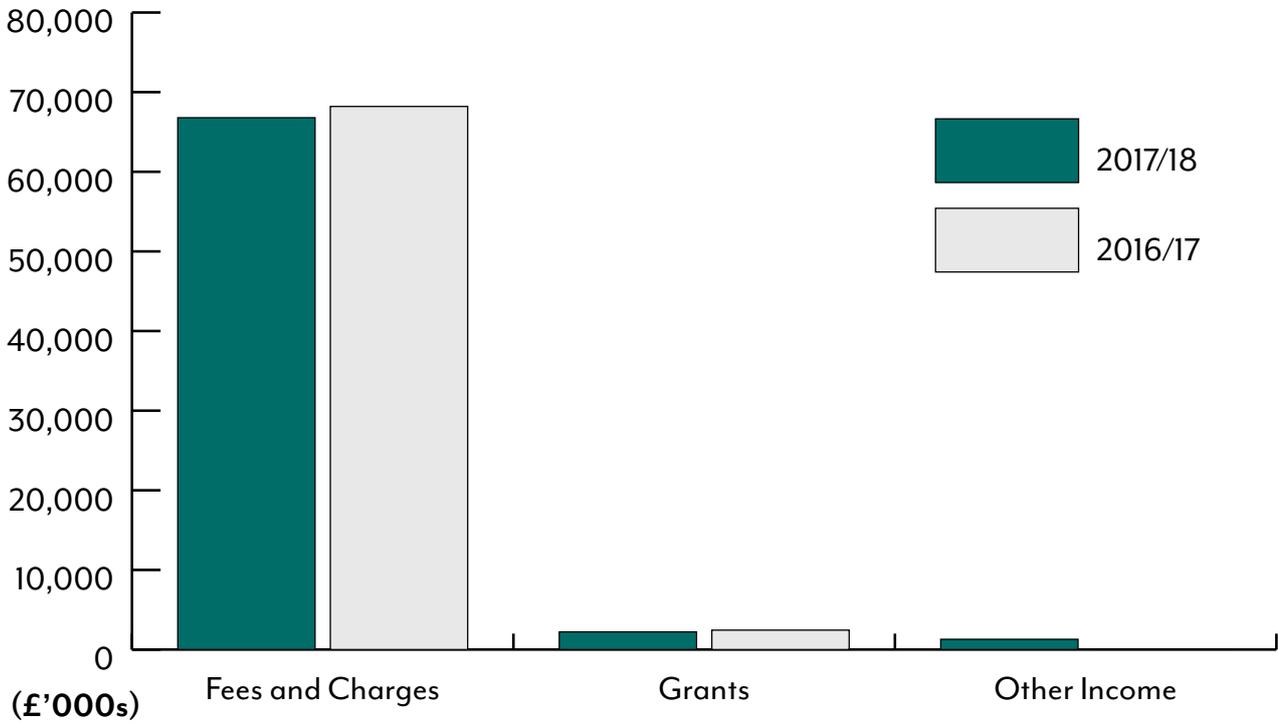
Forward liquidity ratio measures ONR’s ability to settle its obligations from its cash and near-cash resources. ONR’s forward liquidity cover was one and a half months. This reflects a healthy net asset position to facilitate our ongoing effective engagement with the supply chain, allowing for timely settlement of liabilities.

**Figure 2 – Outturn v Budget expenditure**

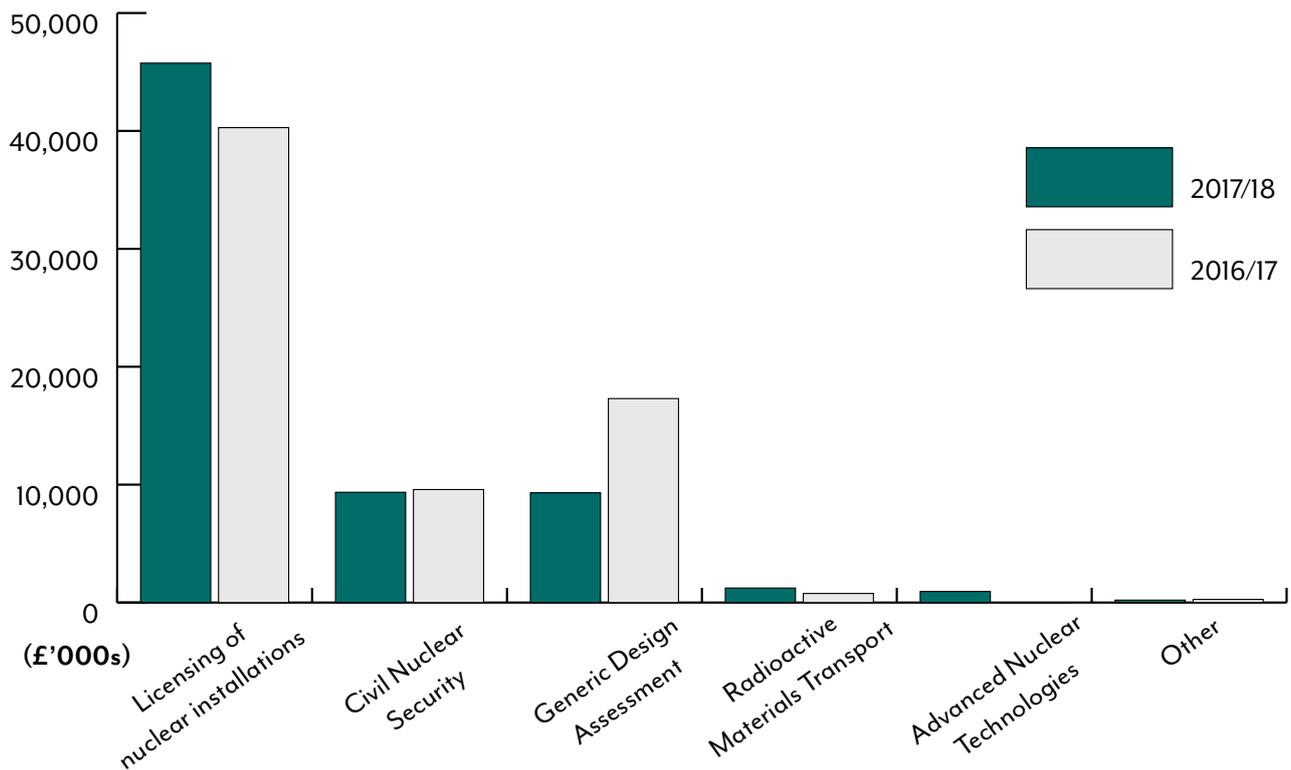


## FINANCIAL PERFORMANCE

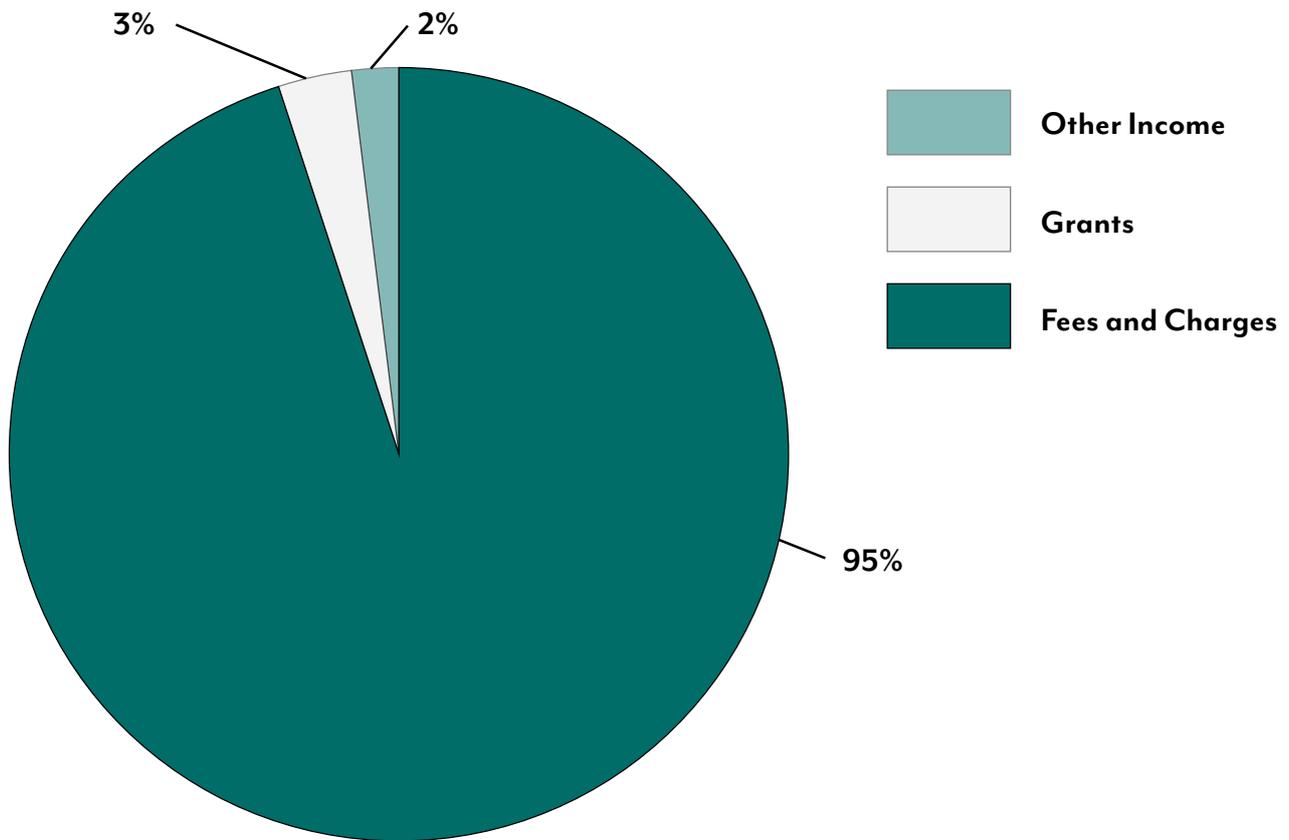
### INCOME - 2017/18 v 2016/17



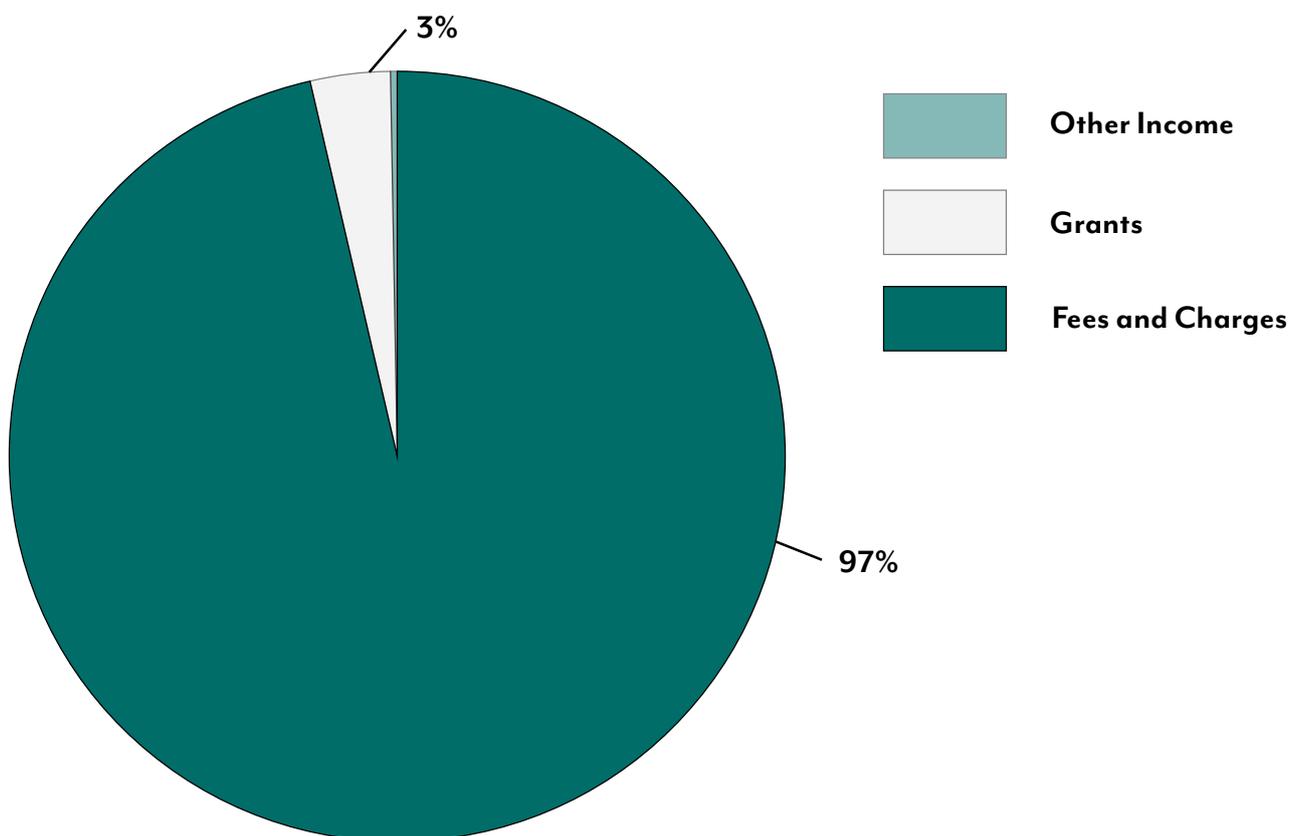
### FEEES AND CHARGES INCOME - 2017/18 v 2016/17



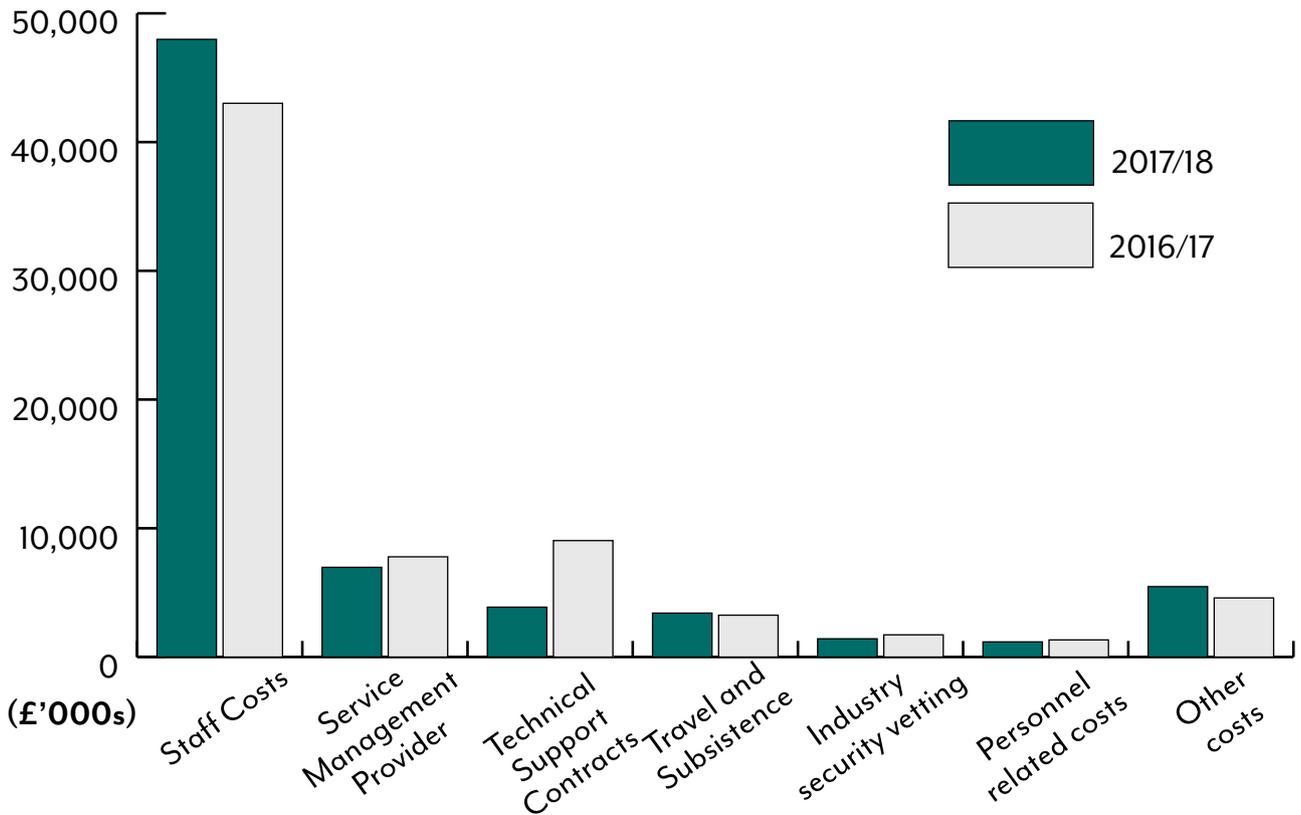
### INCOME SPLIT- 2017/18



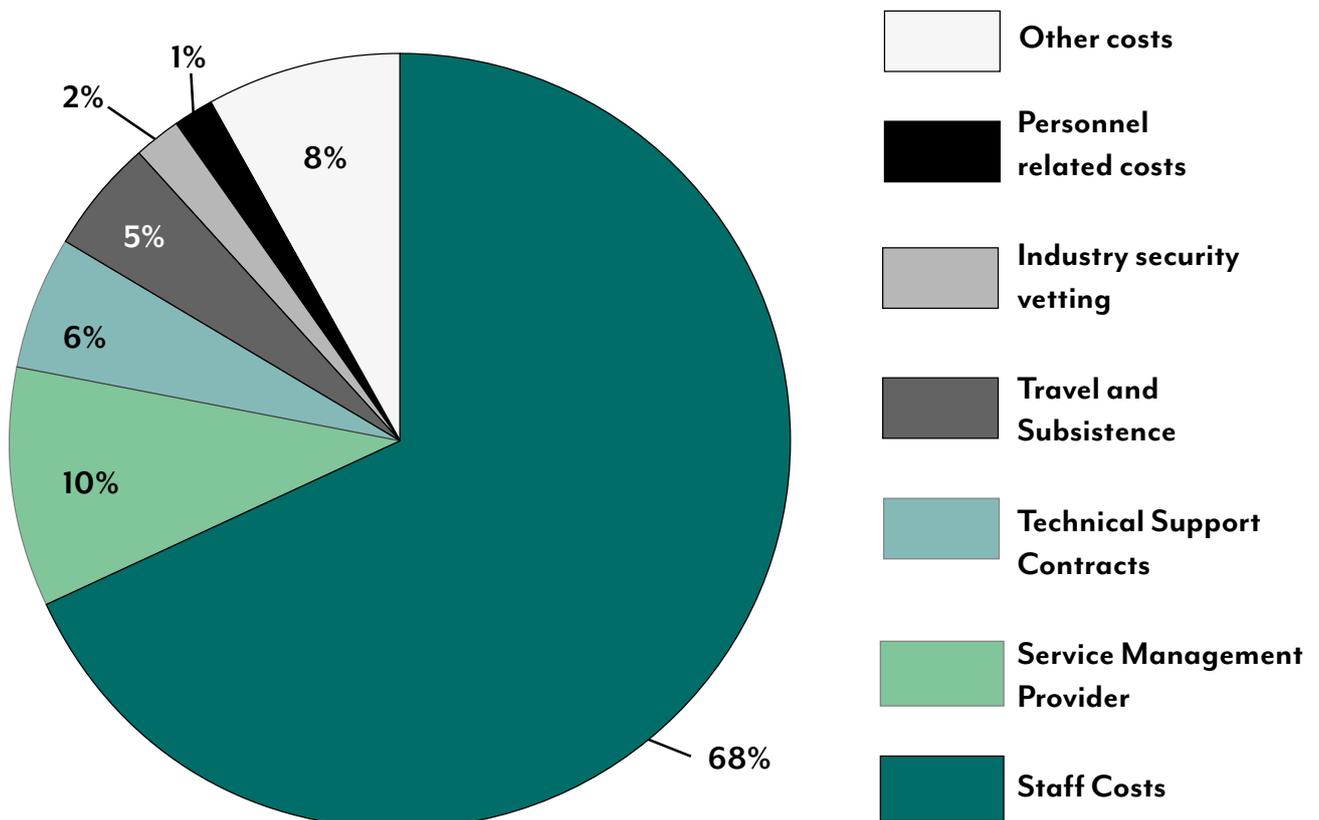
### INCOME SPLIT- 2016/17



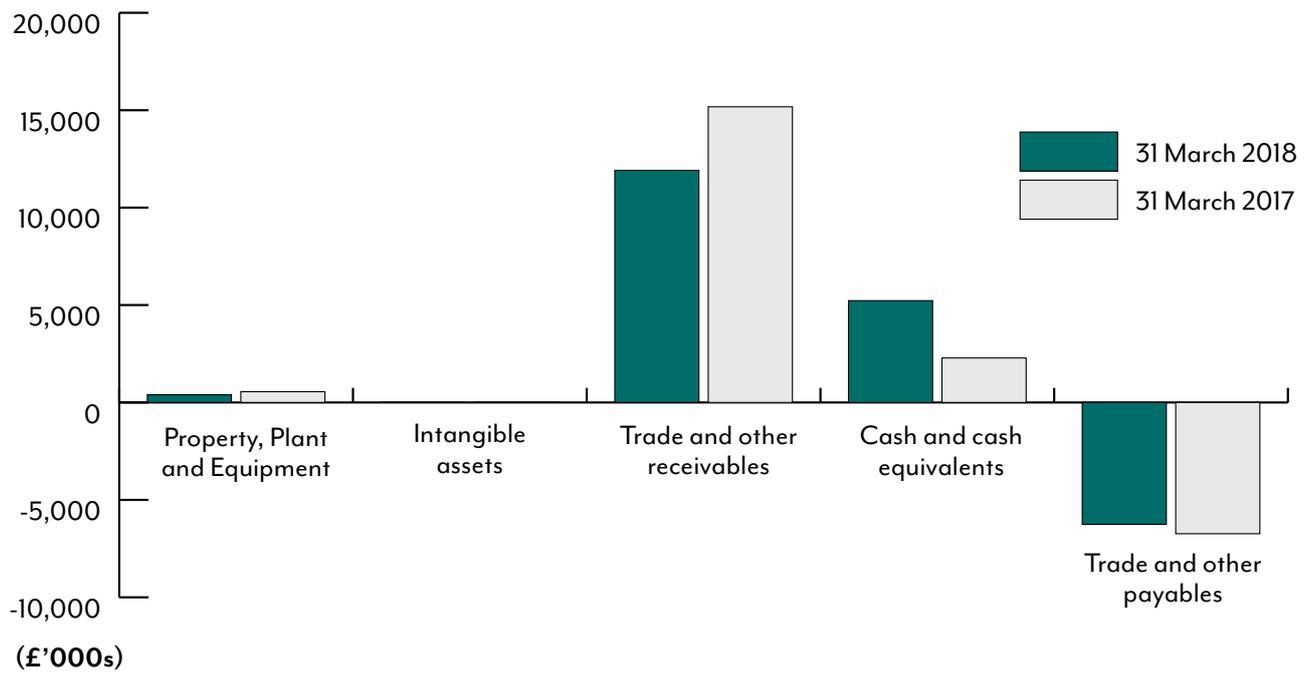
### EXPENDITURE - 2017/18 v 2016/17



### EXPENDITURE SPLIT - 2017/18



## STATEMENT OF FINANCIAL POSITION



## PERFORMANCE ANALYSIS

### Social matters

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

We are committed to addressing the gender disparity in the nuclear sector by continuing to support recruitment and talent pipelines that encourage greater diversity and we are pleased to report ONR has passed tipping point in relation to the number of female employees which now number 34% of our workforce.

ONR has a number of policies relating to employees (and potential employees) with disabilities, in particular, supporting employees with disabilities during their employment and training by proactively obtaining occupational health advice and applying suitable workplace adjustments for both new recruits and existing staff. We also provide staff with access to a workplace disability network.

ONR promotes the health and safety of all staff, thereby meeting requirements laid down in the Safety Representatives and Safety Committee Regulations 1977 (as amended) and section 2(4) of the Health and Safety at Work Act 1974.

### Anti-bribery and corruption

During 2017/18, ONR had separate policies in place for anti-bribery and corruption and fraud, supported by appropriate processes in place for notification. ONR also had a separate policy and process for notifications under the Protected Interests Disclosure Act 2013.

For 2017/18 there were:

- no notifications of any incidents of fraud or bribery;
- three disclosures made under the Protected Interests Disclosure Act 2013 - one was concluded and resolved to the satisfaction of both parties (it related to a civil nuclear security matter); with the other two being investigated.

During 2017/18, we took the opportunity to assess how well our resilience against bribery and corruption aligned with Cabinet Office and Home Office guidance. Consequently, we have developed a new Compliance Policy Framework to align the approach for oversight, monitoring and reporting of all related ONR policies. The Framework consolidates our existing policies relating to compliance and conduct as follows:

- i. bribery and corruption
- ii. fraud
- iii. whistleblowing and Protected Disclosures
- iv. gifts and hospitality
- v. conflicts of interest.

The introduction of the framework will be supported by a range of internal communications and awareness sessions for staff.

### **Environmental and sustainability matters**

ONR satisfies the criteria for not reporting requirements against Greening Government Commitments and sustainability. ONR is not the major occupier at any of its 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 digital communication wherever possible. We also support local office environmental policies and commitments. For example, our head office in Bootle, Redgrave Court operates a 'nil to landfill' policy. We endeavour to recycle as much waste as possible, including food which goes to make biofuels. There are seven waste streams: plastic, glass, metal, paper, electrical, fluorescent bulbs and miscellaneous. All waste in the black plastic bags in the kitchen is removed to a specialist recycling contractor and sorted there.

ONR seeks to comply with all applicable legislation and other relevant requirements that relate to our environmental aspects, official codes of practice and, as far as possible, accepted best practice in environmental management. We will minimise our environmental impact by making the best use of IT enhancements and regularly review our accommodation requirements in support of this objective.

ONR is a tenant in the three locations it currently occupies. Responsibility for collating and monitoring data relating to matters such as energy emissions, carbon footprint and waste and utilities management rests with the building landlords. We engage with our landlords to ensure they have and maintain a responsible corporate sustainability policy.

## STRATEGIC THEME 1 - INFLUENCING IMPROVEMENTS IN NUCLEAR SAFETY AND SECURITY

Influencing improvements in nuclear safety and security is ONR's core purpose. In 2017/18 we continued to regulate the nuclear industry within GB efficiently and effectively, to protect the public and environment from harm, in accordance with our purposes as defined within the Energy Act 2013, specifically nuclear safety, nuclear site health and safety, nuclear security, nuclear safeguards and transport.

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

### Regulatory activity in 2017/18

We reviewed our strategic plan for 2016 to 2020 and are content it remains valid and can continue to inform ONR's activities over the next few years. At a divisional level, we reviewed and updated our regulatory assumptions to inform our regulatory activity over the last 12 months and also our future plans. In accordance with our plan, the regulatory work associated with strategic theme 1 has focused on:

- modernising nuclear regulation;
- hazard reduction and remediation at the Sellafield legacy facilities;
- regulating decommissioning and disposal;
- regulating existing civil reactors and defence sites;
- preparing for new nuclear construction in both the civil and defence sectors.

## Delivery of our statutory obligations

We delivered our statutory obligations in accordance with the Energy Act 2013 as defined in the Strategic Plan 2016 to 2020 and our six core functions reflected in the ONR Corporate Plan 2017/18. These are to:

1. Inspect and evaluate the safety and security culture and performance of our dutyholders, ensuring risks are well controlled.
2. Enforce the law in accordance with our Enforcement Policy Statement.
3. Deliver a permissioning regime, ensuring that dutyholder activities of principal significance to nuclear safety and security achieve UK legal standards.
4. Continually improve the regulatory framework, maintain ONR's management system and sustain our regulatory capability.
5. Engage, inform, advise and consult with dutyholders, international bodies and other stakeholders.
6. Influence our dutyholders to develop through-life strategies, achieving sustained delivery of good practice in health, safety and security.

We delivered 24 of the 27 regulatory milestones as published within our Summary Regulatory Plan (Table 1). Two milestones relating to BSSD activities were not met in year due to changes in the Government's delivery schedule and the anticipated request for consent for the pumping station at Hinkley Point C was not made in year.

We delivered 18 out of 20 corporate milestones as published within the Corporate Plan (Table 2). One milestone was not met due to changes in the timetable for implementation of the BSSD.

Table 1 - Performance against 2017/18 Summary Regulatory Plan

Division	Key activity / milestone	Status	Comments
<b>Core function 1 - inspect and evaluate the safety and security culture and performance of our dutyholders, ensuring risks are well controlled.</b>			
All operational divisions	Undertake compliance inspections on nuclear sites in accordance with site specific regulatory intervention plans. Target: complete 95% of planned inspections.	Met	98% of planned compliance inspections completed.
All operational divisions	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	100% of systems inspections completed.
All operational divisions	Undertake compliance inspections on Local Authorities (LAs) in accordance with duties under the Radiation (Emergency Preparedness and Public Information) Regulations (REPPiR) 2001. Target: complete 100% of planned inspections.	Not met	Deferred until 2018/19 due to delays in agreeing charging arrangements, resulting in limited time for LAs to plan. Priority to complete BSSD activities has limited ONR resources.
All operational divisions	Conduct radioactive material transport compliance inspections in accordance with specific regulatory intervention plans. Target: complete 95% of planned inspections.	Not met	80% of transport inspections completed. A number of non-nuclear sector transport inspections were missed due to pressures associated with completing BSSD activities.
Sellafield, Decommissioning, Fuel and Waste	Complete regulatory assessment of the Long Term Periodic Review of Sellafield Ltd.'s Analytical Services Process Facilities.	Met	Completed in June 2017.  The analytical services facility plays a key role on the site and completion of ONR's assessment of the Sellafield's Periodic Safety Review (PSR) and provides assurance that the facility is safe to operate for the next ten years.
Sellafield, Decommissioning, Fuel and Waste	Complete assessment of the adequacy of Sellafield Limited's Licence Condition 36 (organisational capability) arrangements.	Met	Completed in August 2017 This ONR assessment has provided regulatory confidence that Sellafield has adequate arrangements to manage the forthcoming organisational changes efficiently and effectively.
Civil Nuclear Security	Conduct a programme of interventions at Sellafield to assess the delivery of the Sellafield Security Enhancements programme and encourage timely realisation of the hazard and risk reduction benefits from security improvements.	Met	100% of planned compliance inspections completed against plan.
Civil Nuclear Security	Evaluate dutyholders' proposals to ensure security by design is delivered during each step of the new reactor design Generic Design Assessment (GDA) process.	Met	Completed in December 2017 Step 2 of the GDA assessment for HPR1000 reactor design has commenced.

Division	Key activity / milestone	Status	Comments
Civil Nuclear Security	Commence assessment of four pilot Security Assessment Principles (SyAPs) compliant Nuclear / Construction Site Security Plans (NSSPs) of dutyholders within agreed timescales.	Met	Assessment has commenced on two SyAPs aligned Security Plans. One dutyholder (Horizon) withdrew due to revised timescales for its site licence application. One dutyholder (Sellafield Ltd) delayed their submission to mid-April.
Civil Nuclear Security	Cyber Security and Information Assurance (CS&IA): Conduct a programme of interventions (including multi-functional CS&IA Interventions) to influence CS&IA behavioural changes across the industry Target – complete 95% of planned inspections.	Met	97% of planned compliance inspections completed. One missed due to resourcing issues.
<b>Core function 2 - enforce the law, in accordance with our enforcement management policy.</b>			
Sellafield, Decommissioning, Fuel and Waste	Regulate risk and hazard reduction at Sellafield Ltd.'s Pile Fuel Storage Pond (PFSP) through the export of 100 drums of sludge to the waste encapsulation plant.	Met	Completed in February 2018. The export and encapsulation of mobile wastes from PFSP reduces risk through improved containment and storage conditions.
Sellafield, Decommissioning, Fuel and Waste	Regulate Wylfa to reach the stage where 60% of the spent fuel is safely removed from the site to meet the schedules contained in the Magnox operating programme	Met	Licensee reported 59.5% of spent fuel had been removed in March. The defueling of Wylfa represents the final stage in consolidating the remaining Magnox fuels at Sellafield in preparation for its reprocessing.
Sellafield, Decommissioning, Fuel and Waste	Complete the regulatory assessment and, if appropriate, issue certificate of approval for the transport package design and shipment to enable phase two of the special nuclear materials consolidation project.	Met	Completed in July 2017. ONR's regulatory assessment was completed but the permission was not granted due to transport design safety shortfalls. ONR continues to regulate the UK Government's programme to consolidate special nuclear materials from other sites at the Sellafield site.
Operating Facilities	Operating Facilities assess AWE's progress against the requirements of the existing Improvement Notices and specifications relating to non-compliance with Licence Conditions 17 and 14, record the basis of our assessment and inform the licensee.	Met	Completed in November 2017
All operational divisions	Pending potential revisions to the Radiation (Emergency Preparedness and Public Information) Regulations 2001 (REPPIR) during the period, complete REPPIR determinations of off-site local authority radiation emergency planning areas for eight nuclear sites.	Met	Completed in December 2017

Division	Key activity / milestone	Status	Comments
<b>Core function 3 - deliver a permissioning regime, ensuring that dutyholder activities of principal significance to nuclear safety and security achieve UK legal standard.</b>			
Sellafield, Decommissioning, Fuel and Waste	Assess and, if appropriate, permission the commencement of Evaporator D Active tie-ins (active commissioning).	Met	Completed in September 2017. Evaporator D has been built to replace the current fleet of highly active liquor evaporators at Sellafield.
Sellafield, Decommissioning, Fuel and Waste	Assess and, if appropriate, permission the implementation and completion by Sellafield Ltd of improvements to PMF(N) fans 6 and 7.	Met	Complete in June 2017. Sellafield has successfully enhanced the infrastructure supporting the ventilation extract system for this facility.
New Reactors	Complete assessment and make formal decision regarding the consent for the construction of the Hinkley Point C pumping Station.	Not met	Deferred until May 2018 to align with NNB GenCo HPC's work schedule.
Operating Facilities	Assess the Periodic Review of Safety submission for the AWE Burghfield Site, record the outcome of our assessment and issue the decision letter to the Licensee.	Met	This was completed in March 2018 and a decision letter issued to AWE copied to Ministry of Defence.
Operating Facilities	Assess the report of the NGL Periodic Safety Review for Dungeness B, record the outcome of our assessment and issue the decision letter to the Licensee.	Met	Completed in January 2018.
Operating Facilities	Develop and implement a programme of compliance inspections and assessment activity to support the licensee statutory outage schedule and issue Licence Instruments (LI), where appropriate, to enable reactor start-ups. The schedule will include Torness (TOR) (R1), Dungeness B (DNB) (R21), Hunterston B (HNB) (R4), Sizewell B (SZB) and Hartlepool (HAR) (R1) during 2017/18.	Met	Completed. ONR Inspections and assessments completed and Licence Instruments issued in year to consent to re-start.
<b>Core function 4 – maintain and improve the regulatory framework, maintain ONR's management system and sustain our regulatory capability.</b>			
Civil Nuclear Security	Develop and deliver a full suite of Technical Inspection Guides (TIGs) to support the SyAPs. Develop an associated ONR Technical Assessment Guide (TAG), including workshops and support activities to enable industry's delivery of revised NSSPs in 2018.	Met	All nine TIGs were published on the ONR website in December 17. ONR TAG was developed and workshops delivered to enable the implementation of SyAPs.

Division	Key activity / milestone	Status	Comments
<b>Core function 5 - engage, inform, advise and consult with dutyholders, international bodies and other stakeholders.</b>			
Sellafield, Decommissioning, Fuel and Waste	Develop a new Technical Assessment Guide (TAG) to provide detailed multi-disciplinary guidance on ONR expectations and relevant good practice for the design, construction and operation of a Geological Disposal Facility (GDF) in the UK.	Met	This guidance provides advice to ONR inspectors and licensee organisations on the regulatory expectations for future geological disposal of radioactive wastes.
Civil Nuclear Security	Work with UK safeguards dutyholders and the safeguards inspectorates of the IAEA and Euratom to enable successful continued safeguards compliance in the UK and submit reports in fulfilment of the UK's obligations to Euratom, the IAEA, Japan, Australia and related domestic commitments.	Met	Reports have been submitted in fulfilment of the UK's obligations to Euratom, IAEA, Japan and Australia and related domestic commitments.
<b>Core function 6 - influence our dutyholders to develop through-life strategies, achieving sustained delivery of good practice in safety and security.</b>			
Sellafield, Decommissioning, Fuel and Waste	Complete assessment of Sellafield Ltd.'s proposal for the safe management of THORP post operations (POCO).	Met	Completed in February 2018  ONR is seeking intelligence that the transition into POCO operations will be carried out in an effective and safe manner.
New Reactors	Complete assessment of UK ABWR GDA application and make formal decision on Design Acceptance Confirmation.	Met	Completed in December 2017
New Reactors	Begin Step 2 assessment of the GDA application for the UK HPR1000 generic reactor design.	Met	Commenced in November 2017

**Table 2 - Performance against Corporate Plan Milestones 2017/18**

Division	Milestone	Status	Comments
<b>Strategic Theme 1 – Influencing improvements in nuclear safety and security</b>			
Technical Division	Attend Convention on Nuclear Safety 7th Review Meeting	Met	Complete in April 2017
Civil Nuclear Security	Commence implementation of security Assessment Principles (SyAPs)	Met	Commenced in April 2017
Technical Division	Enforcement Management Model (EMM) proposals agreed	Met	Completed in July 2017
Technical Division	Complete ONR activities to support implementation of Nuclear Safety Directive	Met	Completed in August 2017
Technical Division	Licence Condition Review – start consultation	Met	Initial consultation and Business Impact Target (BIT) assessment completed
Technical Division	Legislation laid in Parliament for Basic Safety Standards Directive – changed to “ONR completes activities to enable legislation for new IRRs to be laid in Parliament”	Met	ONR completed activities to enable legislation for new IRRs to be laid in Parliament in November 2017.
Technical Division	European “Article 8a ALARP” guidance published	Met	Published in November 2017
Technical Division	Complete ONR activities to support implementation of Basic Safety Standards Directive (BSSD)	Not met	Laying the new REPIR legislation and supporting ACOP before Parliament: work will continue into 2018/19 to align with the government’s timetable.
Technical Division	Complete IAEA Missions according to schedule:  IRRS IAEA Mission to Poland • IPPAS IAEA Mission to Hungary IRRS IAEA Mission to Romania • IPPAS IAEA Mission to Germany (changed to China) • IRRS IAEA Mission to Belgium • IPPAS IAEA Mission to Lithuania • IPPAS IAEA Mission to France (7 milestones in total)	Met	All IRRS and IPPAS missions were completed in year.
Technical Division	Complete UK Report to EU Topical Peer Review	Met	Completed in December 2017
Technical Division	Complete CNI led NNB Genco Ltd Supply Chain Inspection	Met	Completed in January 2017
Regulatory Directorate	Publish Enabling Regulation guide	Met	Published in February 2018
Civil Nuclear Security	Commence SyAPs 12 month review	Met	Completed March 2018
All	Completion of 27 regulatory milestones as published within our Summary Regulatory Plan (Table 1)	Not Met	Three of the 27 Summary Regulatory Plan milestones were not achieved in year.

## How we worked

### Nuclear safety

There are two distinct elements of our regulatory work associated with nuclear safety; compliance inspection and permissioning assessment. Compliance inspection involves inspectors undertaking regulatory inspections on the licensed nuclear sites to confirm compliance with the conditions attached to the nuclear site licence. The inspections are undertaken in a targeted manner against our strategy and informed through intelligence we have gathered from our activities and from incidents that have occurred both nationally and internationally. Where shortfalls are identified we take proportionate enforcement action to ensure that the dutyholders we regulate return to a compliant state over an agreed period of time. The action taken is graded to the safety significance of the shortfalls and may include formal enforcement notices or, for the most significant matters, prosecution through the courts. We completed more than 1,000 compliance inspections in 2017/18.

Through requirements set down within the site licence, licensees are required to seek our permission to undertake various activities on nuclear licenced sites. Our work in granting permission involves specialist ONR inspectors performing sampling assessments and undertaking inspection of the proposed activity such as approval of arrangements, agreement to modifications, or consent to commence operation of a plant or process. In 2017/18 we granted permission to dutyholders/ licensees to perform over 30 permissioning activities.

During the reporting period we have introduced a Technical Division (TD) that leads on technical standards and guidance, research, regulatory knowledge management and regulatory intelligence, international co-ordination and regulatory effectiveness considerations. We have developed a regulatory oversight function to provide assurance to the Technical Director and CNI. We have issued Licence Instruments consenting to significant activities on nuclear licensed sites, including active commissioning of Evaporator D at Sellafield and the return to service of a number of reactor units.

We have engaged with industry through the Safety Directors Forum (SDF) in relation to guidance including our recently published *'Holding to Account and Influencing Improvements - Enabling Regulation in Practice'* and our work in relation to the Licence Condition Review. Our Enforcement Management Model (EMM) has been updated to better reflect ONR's regulation and those that we regulate as well as having our guidance on Risk Informed Decision Making published.

### Chief Nuclear Inspector Themed Inspection

In 2017 we introduced CNI Themed Inspections, which focus on an area of regulatory concern or interest. Such inspections provide ONR with a further opportunity to demonstrate how we gain regulatory assurance on a particular issue (and enable us to require improvements where necessary). The inaugural CNI Themed Inspection examined the adequacy of NNB GenCo's Hinkley Point C supply chain management arrangements. The findings from this inspection were published in March 2018.

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

Our Conventional Health and Safety (CHS) functions have been reviewed and streamlined following implementation of a resourcing strategy. As a result, from January 2018 ONR's fire life safety function has been integrated into the process fire safety function to ensure cohesion and consolidation of our regulation of fire safety across the nuclear estate. This has provided greater focus for the core CHS function and the resourcing strategy to develop a sustainable regulatory CHS function over the next three years is currently being implemented.

This year we have consolidated existing regulatory work streams to ensure dutyholders are meeting legal minimum compliance of the relevant statutory provisions under the Health and Safety at Work Act 1974 and associated legislation. We continue to take an enabling approach to regulation, including proportionate enforcement action where standards are not met. In July 2017 we closed out an Improvement Notice issued during our corporate intervention of asbestos management at Magnox Ltd for a failure to demonstrate adequate management and control of the hazards associated with asbestos present on the Wylfa site. We have also begun to take a central role in permissioning activities, such as the proposed entry of Bradwell into care and maintenance and plan to extend that work into other areas of the nuclear estate in the coming year.

We continue to work cooperatively with other regulators in our role as a Control of Major Accident Hazards Competent Authority and with the Health and Safety Executive (HSE) who support our delivery.

In the wake of the Grenfell Tower tragedy in June 2017, we wrote to all licensees seeking assurances that cladding on buildings and installations on nuclear sites has been assessed for nuclear fire safety and life fire safety risks and appropriate risk control measures / systems are in place. As a result we were satisfied that no immediate regulatory action is required on fire safety matters on nuclear licensed sites. A number of licensees provided details of ongoing programmes of work to actively address issues in relation to fire safety and we will continue to monitor and assess these programmes to ensure risks are being appropriately managed. We will consider the outcomes from the Grenfell Tower Public Inquiry and review of the processes that underpin the implementation of building regulations and fire safety as and when they become available.

### **Nuclear security**

The Civil Nuclear Security (CNS) Division is responsible for approving security arrangements within the civil nuclear industry that are designed to prevent the theft or sabotage of nuclear or other radioactive materials or the sabotage of nuclear facilities. Our regulatory decision making takes into account the full range of protective measures including physical security, personnel security, cyber security and information assurance. We deliver regulation through a series of proportionate and prioritised inspections of arrangements detailed in approved security plans and against relevant good practice in accordance with the Nuclear Industries Security Regulations (NISR) 2003. We also carry out investigations into security events and take enforcement action considered necessary to promote, achieve and sustain compliance with the law.

We fully recognise the importance of the integrated regulation of safety and security. To achieve this, the CNS division collaborates with other Regulatory Directorate (RD) divisions to ensure a coherent regulatory strategy, particularly in areas such as cyber security of operational technology, the Sellafield Security Enhancement Programme and the special nuclear materials consolidation project.

The advent of Security Assessment Principles (SyAPs) is a significant step towards harmonisation of approaches taken in respect of ONR safety and security regulation. Accordingly, we have procured specialist technical resource to assist with the implementation phase of this important project to ensure maximum added value from the opportunities it presents. Part of this resource has been focused on development and assessment of cyber security and information assurance aspects of SyAPs-aligned security plans produced as part of a pilot study run over the year. The pilot study has been an important part of the wider SyAPs project to allow lessons to be learnt in preparation for next year's security plan activity. Other important activity to facilitate the implementation of SyAPs included the development and delivery of bespoke training on the mechanics of assessment and the publication of nine Technical Inspection Guides (TIGs); both fully aligned with the style and content of SyAPs.

### **Nuclear safeguards**

We work with government departments, particularly BEIS, UK dutyholders and the safeguards inspectorates of the International Atomic Energy Agency (IAEA) and Euratom to ensure that UK Safeguards obligations are met. As well as monitoring and facilitating successful safeguards implementation in the UK, we submitted reports in fulfilment of the UK's obligations to Euratom, the IAEA, Japan, Australia and related domestic commitments.

The UK exit from the Euratom treaty has had limited impact on the delivery of our current safeguards role as new staff have been recruited and the project team expanded to deliver the project to develop a UK SSAC. In order to deliver a SSAC, ONR is engaging with BEIS to provide subject matter expertise to support international negotiations and the development of new legislation, as well as building ONR's safeguards capacity and recruiting and training new staff. The project team is also developing a UK Safeguards Information Management and Reporting System (SIMRS) that will be implemented when the UK exits Euratom.

### **Radioactive materials transport**

Our radioactive materials transport focus relates to transport inspection, enforcement, permissioning and approvals of transport packages, materials, operations and radioactivity limits. We completed a wide range of planned transport inspections, assessments and approvals, which provided confidence in the safe transport of nuclear and radiological materials. Regulatory approval was granted for 42 radioactive material transport package designs and shipment activities. These take the form of certificates of approval for package designs, materials and shipments and cover both the nuclear sector and radioactive material transport in the non-nuclear sector.

We performed 65 inspections of radioactive materials transport dutyholders and took proportionate enforcement action to secure sustained compliance with the Carriage of Dangerous Goods Class 7 transport regulations. In support of the government's policy on special nuclear materials consolidation, we approved transport of consignments of nuclear material to Sellafield, which were completed safely and securely. We worked cooperatively with other agencies including the Environment Agency, Department for Transport, HSE, police forces and Border Force in the area of radioactive materials transport. We supported industry groups and professional bodies to promote improved compliance. This included the publication of dutyholder guidance via our website to further help those we regulate to understand their legal responsibilities.

## Our integrated functions

### Emergency preparedness and response

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

In 2017/18 we completed eight determinations of off-site local authority radiation emergency planning and prior information areas, issuing: four new areas, two at Rolls Royce Derby and one each at Springfields and Loch Ewe. Three Magnox decommissioning sites had their areas withdrawn and one was identified as requiring no change. We assessed four Level 2 emergency exercises in this operating year confirming that the Local Authorities' Plans are demonstrated in line with the requirements in the 2001 Radiation (Emergency Preparedness and Public Information) Regulations (REPPPIR). This scheduled work has continued while the team has also been involved in supporting the transposition of the Emergency Obligations of the Euratom BSSD (2013/59/Euratom). We are providing a significant contribution to this process by drafting an Approved Code of Practice (ACOP) to support the revised REPPPIR regulations. This is a major undertaking and a public consultation on the ACOP is planned to take place in 2018/19.

### Regulatory Oversight

The Regulatory Oversight (RO) function was established over the past year and is intended to provide assurance to the Technical Director and CNI across all aspects of our regulatory activities. It ensures quality and consistency in regulatory inspection and enforcement decision making across our functions and challenges inconsistent or non-compliance with internal processes and procedures. The function contributes to ONR's overarching Integrated Audit and Assurance Framework.

RO activities are considered a mechanism for organisational learning and do not seek to rate individual performance or seek to undermine any element of our regulatory activities. The function performs as a "critical friend" to the organisation with a view to ensuring continuous improvement and assures the CNI and ONR Board that our purposes under the Energy Act 2013 are being discharged efficiently and effectively and in accordance with the law. The RO function also seeks to ensure compliance with the expectations of the UK Regulators' Code.

In 2017/18, regulatory oversight tasks included observed inspections of front line regulatory observations across all our purposes, a review of the decision to issue a GDA Design Acceptance Confirmation (DAC) for the UK Advanced Boiling Water Reactor (UK ABWR) and organisational improvements relating to systems and processes identified through our Regulatory Assurance function. As part of our observed inspection activities, feedback is sought from licensees and dutyholders in relation to our regulatory performance, elements of which include planning and conducting inspections, clarity in regulatory expectations, technical and regulatory knowledge, transparency in regulatory outcomes and inspector behaviours.

The regulatory learning from the oversight tasks are promulgated across the regulatory directorate with a view to seeking continuous improvement in the way in which we regulate. Where opportunities are identified to improve our processes and procedures, they are taken forward and updated accordingly. Improvements in the approach taken to security contingency exercises, site inspection practices and the GDA process have been identified during the year. In addition, improvements have been made to our internal processes and procedures resulting from Regulatory Assurance and Government Internal Audit Agency recommendations and findings.

#### **International regulatory activities**

We continued to increase our international engagement, enabling us to build and maintain relationships with our international counterparts and multilateral organisations such as the IAEA so that we can learn lessons from the experience of others. In Europe we took active roles in the Western European Nuclear Regulators' Association (WENRA), the Heads of the European Radiological protection Competent Authorities and European Nuclear Safety Regulators Group (ENSREG). Our CNI has been appointed as vice-chair of the ENSREG Plenary.

At the invitation of ENSREG and working with other WENRA members, we led the development of European-wide guidance on Article 8a of the Nuclear Safety Directive - "Timely implementation of Reasonably Practicable Safety Improvements to Existing Nuclear Power Plants". We played a leading role in the preparations for the first European 'Topical Peer Review' on Ageing Management of Nuclear Power Plants, which began in 2017 and we delivered the UK's report to the EU in December 2017. This report, authored jointly by ONR, EDF Nuclear Generation Ltd (NGL) and EDF-NNB GenCo (for Hinkley Pint C) will be subject to international scrutiny in early 2018, including at a Peer Review meeting to be held by ENSREG in Luxembourg in May 2018. We also delivered the UK's Report to the Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste management (the Joint Convention) and are in the process of completing peer review activities before attending the Review Meeting in Vienna in May 2018.

We supported three IAEA Integrated Regulatory Review Service missions to Poland, Romania and Belgium and four International Physical Protection Advisory Service missions to Hungary, China, Lithuania and France.

We represented the UK at the IAEA Nuclear Security Guidance Committee, which oversees the development of the Nuclear Security Series document set. We hosted the annual meeting of the European Nuclear Security Regulators' Association in October and delivered presentations on our SyAPs and our approach to cyber security.

We worked with the IAEA to review and revise new transport regulations, which will be published in 2018.

Furthermore we continued to support the development of and revision to international safety and security standards through our membership of IAEA standing committees. Attendance at the IAEA General Conference in September 2017 enabled a number of bilateral meetings with foreign regulators.

In support of our new build activities, we participated in a variety of international engagements during 2017/18, which included:

- Multi Design Evaluation Programme interactions, including ABWR and Chinese HPR1000 technology;
- bilateral engagements with the Chinese (NNSA), Japanese (NRA) and French (ASN) Regulators;
- interactions with the Nuclear Energy Agency in relation to Cooperation on Advanced Nuclear Technologies.

### **Bilateral exchanges**

We continued to support our bilateral agreements and have undertaken information exchanges and visits with fellow national regulatory bodies including ASN, NRA, the nuclear safety authority in Finland (STUK), NNSA and US Nuclear Regulatory Commission (NRC). We have also engaged with Environmental Protection Agency (Ireland) and the Norwegian government (with their regulator) over matters of mutual interest, given close geographic proximity. In September we signed a new information exchange agreement with the UAE Federal Authority for Nuclear Regulation (FANR).

### **International secondments**

We are currently supporting secondments from the Japanese and French regulators. In November, ONR hosted the Head of Internal Audit from FANR and provided advice to further develop their own audit and assurance functions.

### **Regulatory standards and guidance**

As per our rolling programme to update and maintain our Technical Inspection Guides (TIGs) and Technical Assessment Guides (TAGs), we reviewed and reissued seven TIGs and 17 TAGs. We have also added six new guides, including three concerning transport of radioactive material and nine new security inspection guides. ONR's Safety Assessment Principles (SAPs), TIGs and TAGs are available on our website.

## Regulatory research and innovation

We undertake or commission research in connection with our purposes, supporting delivery of our strategic goal of being an exemplary regulator. Our research supports independent regulatory decision making, which needs to be based on an objective scientific and technical understanding of the safety issues. Our technical specialisms identify topics that need further research to meet these objectives and our research coordination team publishes these topics on our regulatory research register. Research activities that we undertake or commission are published on our website along with our annual research report, which summarises the work completed.

We have conducted research across a variety of specialisms, including: control & instrumentation (C&I), structural integrity and radiological protection. C&I topics have been completed by an industry working group and disseminated across industry partners and ONR, improving knowledge and understanding of a variety of topics including justification of “SMART” instruments. Graphite research has been undertaken for ONR by specific groups centred on the University of Manchester supporting our independent assessment of submissions in support of consents to restart reactors

Radiological protection research has also been commissioned by ONR to understand the methods which can be used to model and validate burn-up in spent fuel for criticality safety assessment and to understand the limitations, accuracy and reliability associated with these methods. This will help inform ONR’s inspections and assessments in these areas.

See Figure 3 for International Engagement.

Figure 3 – International Engagement



## Inspection and enforcement

In 2017/18, we performed in excess of 1000 inspections with evidence confirming that over 85% of those resulted in a judgement that the licensee was complying with their arrangements and implementing them appropriately. On the occasions where we have identified shortfalls, proportionate enforcement action has been undertaken in accordance with our Enforcement Policy Statement and we monitor progress with safety and security improvements through our issues management process.

We use simple Red – Amber - Green inspection ratings information to track licensee/dutyholder performance and to direct our resources accordingly. The inspection rating system is calibrated against the action that we propose to take in response to inspection findings, namely:

-  **Green – No formal action.** ONR is generally content that licensee/dutyholder's performance meets relevant good practice (i.e. meets legal requirements) and any identified shortfalls are not significant. ONR feedback is informal and advisory in nature.
-  **Amber – Seek improvement.** ONR inspections have identified significant shortfalls. ONR action is to issue an enforcement communication (letter or email) which is tracked to completion.
-  **Red – Demand improvement.** Shortfalls have been identified which are sufficiently serious to merit the use of ONR powers to compel compliance (e.g. Improvement Notice, direction, or withholding of a permission coupled with further sanction in accordance with our Enforcement Policy Statement, if appropriate).

We took enforcement action when dutyholders failed to meet the safety and security expectations required by law. We employed a range of enforcement means to hold dutyholders to account and secure sustained compliance with the law.

We issued five new Improvement Notices this year, bringing the total open during the year to seven. All were closed when licensees made the required improvements, which are outlined in Table 3.

Table 3 – Regulatory enforcement action 2017/18

Licensee	Type	Description	Issued	Compliance date	Status
AWE Plc, Aldermaston	Improvement notice	Failure to demonstrate established and implemented arrangement for control of changes to management systems documentation important to safety. (Breach of LC17 – Management systems)	15/02/17	28/02/18	Closed
AWE Plc, Burghfield	Improvement notice	Failure to demonstrate established and implemented arrangement for control of changes to management systems documentation important to safety. . (Breach of LC17 – Management systems)	15/02/17	28/02/18	Closed
EDF-NGL (Hinkley Point B)	Improvement notice	Failure associated with The Work at Height Regulations 2005, regulation 4(1), 9(2). Health and Safety at Work etc. Act 1974, S2(1) and S3(1). Management of Health and Safety at Work Regulations 1999, regulation 5.	30/06/17	31/01/18	Closed
Doosan* Babcock Ltd (at Hinkley Point B).	Improvement notice	Failure associated with The Work at Height Regulations 2005, regulation 4(1). Health and Safety at Work etc. Act 1974, S2(1). Management of Health and Safety at Work Regulations 1999, regulation 3(1).	30/06/17	31/01/18	Closed
Devonport Royal Dockyard	Improvement notice	Devonport Royal Dockyard – Failure associated with Lifting Operations and Lifting Equipment Regulations 1998; regulation 8(1).	01/08/17	22/12/17	Closed
Devonport Royal Dockyard	Improvement notice	Devonport Royal Dockyard - LC 28 (6); Failure associated with examination, inspection, maintenance and testing.	01/08/17	22/12/17	Closed
Magnox Ltd (Wylfa)	Improvement notice	Failure to demonstrate adequate management and control of the hazards associated with asbestos present on the Wylfa site	21/04/17	28/07/17	Closed
Sellafield Ltd	Improvement notice	Legionella management and control	26/09/16	19/05/17	Closed

\* An Improvement Notice was issued to Doosan Babcock Ltd (who is not a licensee), who was carrying out activities on the Hinkley Point B licensed site for which there was a breach of the Work at Height Regulations 2005.

We were satisfied that adequate progress had been made with the two specifications issued to Atomic Weapons Establishment (AWE) Plc Aldermaston and Burghfield in February 2017 requiring the licensee to amend their arrangements under the nuclear site licence (Licence Condition 13 - Nuclear Safety Committee).

One Security Requirement Notice that was issued against Sellafield (Sellafield Island Sites Security Infrastructure Installation) was closed in-year. Sellafield has delivered improvements, which reduced the risks implicit to the Security Requirement Notice and this was confirmed through an intervention.

## ONR issues

Should our regulatory activities identify shortfalls in dutyholders' arrangements or their implementation, we will record an ONR Issue. This is used to manage the progress made by the dutyholder in taking any necessary remedial action in making the improvement to safety or security. The ONR issues are assigned a level commensurate with their safety or security significance, with

level 1 being the highest and level 4 the lowest. There are significantly lower numbers of ONR issues that have been raised at either 1 or 2 in comparison to 3 or 4.

Over the reporting period we have inspected compliance against the full range of issues and can report that we raised in excess of 876 issues and confirmed closure of over 400. This gives us confidence that licensees are making the necessary safety improvements.

Of the most significant issues (level 1 and level 2) a total of 19 were raised including one Level 1 issue in relation to special nuclear material at Sellafield. Correspondingly, ten level 2 issues were closed over the period. This gives us confidence that the most significant issues are being addressed in a timely manner and improvements are being realised in nuclear safety and security.

### Overview of regulatory attention in 2017/18

The regulatory attention that we applied to licensed nuclear sites over the past year is summarised in Table 4. The attention is based on an overall judgement across nuclear safety, conventional health and safety, security, transport and reflects the level of hazard and risk posed by the facility or activity. Our judgement is underpinned by qualitative and quantitative measures gathered through our regulatory activities including:

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

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

Enhanced regulatory attention describes a higher level of regulatory activity paid to the dutyholder, driven by the factors detailed above.

Significantly enhanced attention is based upon the factors above; however it recognises additional factors such as emergent or long standing safety or security issues and/or the risk associated with the facilities in question. Furthermore, changes in our regulatory strategy to achieve hazard and risk reduction across sites over a shorter period of time could result in a site attracting significantly enhanced regulatory attention. 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.

With regard to security, the annual assessment of performance for the UK civil nuclear industry was undertaken during November 2017 to January 2018. This process includes a formal assessment of the dutyholder's security performance (including cyber security and information assurance), supported by CNS inspection reports against the relevant approved security plan, the dutyholder's attitude to security and the expected activities to be undertaken in the future. Overall, the majority of dutyholders were judged as having a routine level of regulatory attention. However, certain sites and dutyholders have attracted enhanced or significantly enhanced regulatory focus.

Details of the regulatory activities undertaken at each site in the reporting period and information to explain the regulatory attention level assigned is discussed in a Review of Strategic Theme 1 (pages 48-60).

**Table 4 – Regulatory attention level for nuclear industry sites and licensees**

ONR regulatory attention	Sites and licensee
<b>Significantly enhanced</b>	Sellafield – First Generation Magnox Storage Pond, Magnox Swarf Storage Silo and Pile Fuel Cladding Silo (Sellafield Ltd)
	Sellafield – Analytical Services Facility and Special Nuclear Materials Facilities (Sellafield Ltd)
	Sellafield – Security Infrastructure Enhancements (Sellafield Ltd)
<b>Enhanced</b>	Atomic Weapons Establishment, Aldermaston (AWE plc)
	Atomic Weapons Establishment, Burghfield (AWE plc)
	Devonport (Devonport Royal Dockyard Ltd)
	Dounreay (Dounreay Site Restoration Ltd)
	Sellafield – Pile Fuel Storage Pond and Magnox Reprocessing Plant (Sellafield Ltd)
	Sellafield – Remainder of estate (Sellafield Ltd)
<b>Routine</b>	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 (GE Healthcare Ltd)
	Hartlepool (EDF Energy Nuclear Generation Ltd)
	Harwell (Magnox Ltd)
	Heysham 1 (EDF Energy Nuclear Generation Ltd)
	Heysham 2 (EDF Energy Nuclear Generation Ltd)
	Hinkley Point A (Magnox Ltd)
Hinkley Point B (EDF Energy Nuclear Generation Ltd)	

ONR regulatory attention	Sites and licensee
<b>Routine (cont.)</b>	Hinkley Point C (NNB Genco Ltd)
	Hunterston A (Magnox Ltd)
	Hunterston B (EDF Energy Nuclear Generation Ltd)
	Low level Waste Repository (LLW Repository Ltd)
	Metals Recycling Facility, Lillyhall (Cyclife UK Ltd)
	Oldbury (Magnox Ltd)
	Rosyth (Rosyth Royal Dockyard Ltd)
	Sizewell A (Magnox Ltd)
	Sizewell B (EDF Energy Nuclear Generation Ltd)
	Springfields (Springfields Fuel Ltd)
	Torness (EDF Energy Nuclear Generation Ltd)
	Trawsfynydd (Magnox Ltd)
	Winfrith (Magnox Ltd)
	Wylfa (Magnox Ltd)

### EDF Corporate - enhanced regulatory attention (security)

It should be noted that EDF's corporate centre, which is not a licensee (and therefore is not listed in Table 4), is a dutyholder under the Nuclear Industries Security Regulations (NISR 2003) and has been assigned an enhanced regulatory attention level due to shortfalls in meeting certain requirements of these regulations.

These shortfalls do not relate to specific vulnerabilities or incidents and there remains considerable defence in depth across the EDF estate in line with regulatory expectations. However, there were a number of organisational and procedural issues which, when considered together, warranted an enhanced level of regulatory attention for security.

EDF recognises that security should be a routine business function that complies with company protocols and procedures in the same manner as any other part of the business. Security is better understood, however site directors do not have broad ownership for all those parts of the security plan that are essential to their fully managing the security regime in order to protect nuclear material on their sites.

EDF also needs to fully justify its approaches and decision making across a number of areas to meet ONR's expectations; and work to complete certain security enhancements remains outstanding. EDF's security regime would also benefit from further increases in independent challenge to delivery and from building experience and qualifications.

EDF has continued to demonstrate positive developments over the past year and these areas will be the subject of regulatory interventions to ensure continued improvement and gain assurance that arrangements are robust.

## Review against Strategic Theme 1

### Modernising nuclear regulation

To be an efficient and effective regulator that is fit for the future, we need to ensure that we identify and learn lessons from our activities and consistently employ practices and behaviours that have been proven to deliver successful safety and security outcomes. We take a constructive approach with dutyholders and other stakeholders where they are legally compliant to enable effective delivery against clear and prioritised safety and security outcomes.

### Our regulatory structure

We changed our Regulatory Directorate structure in 2017, splitting regulatory activities into four divisions and introducing the Technical Division (TD). TD leads on technical standards and guidance, research, regulatory knowledge management and regulatory intelligence, international co-ordination and regulatory effectiveness considerations. TD also leads on specific projects, including the review of our licence conditions and EMM, which are discussed below. TD covers Regulatory Development and Resilience (RDR) and succession planning, all of which are important to ensure we have the capability and capacity to meet current and future regulatory demands.

### Enabling regulation guide

In February 2018, we published a guide entitled '*Holding to Account and Influencing Improvements - Enabling Regulation in Practice*', which outlines the features of a successful enabling approach. Both industry and government have a vital part to play in creating and sustaining the conditions where an enabling approach can be successful and we consulted with the UK Safety Directors' Forum (SDF) to achieve this.

### Risk informed decision making

In June 2017 we published our guide on risk informed decision making. This document provides a re-statement of ONR's risk framework for nuclear installations and aims to clarify further the role of hazard and risk and their relationship with good practice in ONR's decision making. The intent is to give consolidated guidance on our risk and decision making approaches thereby supporting an enabling regulatory approach.

### Licence conditions review

We completed a review of our licence conditions and engaged with industry (through the SDF) to seek views on our recommendations. We have also performed an initial economic impact assessment to determine the financial impact on industry. We are currently reviewing the recommendations and consideration is now being given to the scope and timing of future implementation of any changes.

### Enforcement Management Model

We reviewed and updated our EMM to address concerns raised when ONR became an independent public corporation regarding its applicability to our work, the challenges we face and its ability to inform regulatory decisions across our purposes. As part of the review process, we briefed

the internal regulator working group of the SDF in June 2017 and this was followed up by a further briefing in December 2017. The revised EMM was published internally in March 2018. Communications have been issued to stakeholders to inform them of the changes.

## Implementing EU Directives

### Nuclear Safety Directive (NSD)

The European Union's Council Directive 2014/87/Euratom was formally adopted by the Council of the European Union on 8 July 2014 with an implementation deadline of 15 August 2017. ONR, together with BEIS which has lead policy responsibility for the implementation, completed all the work necessary for BEIS to formally notify the European Commission that the UK had complied with the Directive ahead of the implementation deadline.

On 18 August 2017, ONR's Technical Director wrote to all licensees to inform them that the UK had implemented the Directive and to explain the obligations arising from the BEIS Direction to implement Article 8(1)(a) and (b) of the Directive, dealing with the provision of information to the public and any Member State in the vicinity of a nuclear installation. The requirements of this Energy Act Directive make ONR responsible for ensuring that the required information is made available.

The Directive also places this obligation directly on licensees. It is our expectation that licensees will meet this new obligation using their existing arrangements and that no changes in existing practices or processes are likely to be needed in most instances. The Directive also provides for ONR to meet the obligations placed on the licensees where we consider the licensee obligations of the Directive are not being met, however we would press the licensee to meet these obligations themselves. Where appropriate, our inspectors have discussed the implications with individual licensee's as part of our routine regulatory interventions

### Topical Peer Review

The NSD also placed requirements on member states to undertake 'topical peer reviews'. These were intended to make the stress tests carried out following the Fukushima accident a routine pan-European activity carried out every six years. We played a leading role in the first topical peer review on ageing management.

### Basic Safety Standards Directive

We continue to work with Government on the transposition of the BSSD, supporting the development of a policy framework that meets expectations for planning for the full range of radiation emergencies - including for unforeseen (low probability, high consequence – emergencies comparable to the nuclear accident at Fukushima. We have completed all the work required by HSE to support the laying of new Ionising Radiations Regulations (IRRs) (2017) before Parliament. BEIS ran the consultation process for the new REPPIR regulations from 5 October to 15 November 2017. We are supporting the development of an associated ACOP, working with stakeholders across government, operators and local authorities. The ACOP will provide practical advice to dutyholders on how to comply with the new REPPIR.

## Hazard reduction and remediation at the Sellafield legacy facilities

### Significantly enhanced regulatory attention

#### Sellafield Ltd. Decommissioning – First Generation Magnox Storage Pond and Legacy Silos

The First Generation Magnox Storage Pond and legacy silos at Sellafield remain a high priority for ONR and continue to be subject to significantly enhanced attention. This is due to the magnitude and nature of the hazard they present and their degraded condition. These facilities were designed more than 50 years ago and at a time when their decommissioning was not a consideration. Our strategy for these facilities continues to be effective and has enabled significant progress with retrievals of radioactive waste from the ponds to be stored in modern facilities. Good progress with the preparations for waste retrievals from the silos has also been made, particularly at the Pile Fuel Cladding Silo.

Significant milestones in support of hazard and risk-reduction at these facilities have been achieved over the year, including:

- the accelerated removal of the deflector plates, the completion of the retrievals access penetrations and the installation of six new containment doors at the Pile Fuel Cladding Silo;
- continued sludge, intermediate level waste and fuel removal from the First Generation Magnox Storage Pond and isolation of redundant pipework linked to this pond.

In the Magnox Swarf Storage Silo, preparations continue to be made for waste retrieval and we continue to focus our attention on the commissioning of the silo emptying plant and equipment and other safety related plant upgrades that are required to enable the commencement of waste retrievals. However, the timely availability of waste routes and modern storage facilities for safe and reliable retrieval from the legacy ponds and silos remains a challenge for the licensee and a regulatory focus for us. Given this, the significant radioactive inventory present in the silos as well as the asset condition, the legacy silos will remain under significantly enhanced regulatory attention.

#### Sellafield Ltd - Special Nuclear Materials facilities

These facilities are vital for completing the reprocessing mission at Sellafield and are critical in supporting the Government policy for the safe and secure management of UK's plutonium stockpile.

Our 2017/18 regulatory strategy has focused on ensuring that Sellafield Ltd delivered the safety enhancements required for continued operation, while providing constructive input and guidance relating to the longer term solutions being developed for safe and secure storage of special nuclear material by Sellafield.

Within the reporting period we have continued our investigation into the circumstances surrounding an incident in February 2017 which took place at the special nuclear material facilities at Sellafield. The incident involved an operator receiving a puncture wound which subsequently became contaminated. As a result of the incident the operator's effective dose was estimated to exceed the legal dose limit. This incident was reported as an IAEA International Nuclear and Radiological Events Scale (INES) Level 2 incident and was reported under the ministerial reporting criteria last year and published on our website.

In addition, we regulate the Nuclear Decommissioning Authority's programme to consolidate special nuclear materials from other sites at the Sellafield site. While we support the programme we recognise the potential challenges already associated with storage of plutonium on the site. This work is being undertaken in a number of phases, with each phase subject to targeted and proportionate regulatory assessment to ensure that safety and security standards are being met. We continue to assess Sellafield's safety case to demonstrate that the site can, in the longer term, adequately store, handle and manage all future shipments of special nuclear material.

We will continue to give significantly enhanced level of regulatory attention to these facilities to ensure the remaining safety enhancements are delivered to support safe and secure operations. This includes the regulation of the consolidation project to satisfy ourselves that the licensees and dutyholders develop and implement adequate safety cases for transport and storage of the material. We continue to engage with all stakeholders to ensure timely design and construction of the facilities necessary to ensure risks associated with the management of this material are adequately controlled.

#### **Sellafield Ltd. - Analytical Services Facilities**

This encompasses both the existing facility and the proposed move to central labs. The central labs have a strong presence from National Nuclear Laboratory (NNL) as a tenant on the Sellafield Nuclear Licensed Site.

Sellafield's Analytical Services facility remains under significantly enhanced regulatory attention. This facility is pivotal in supporting continued hazard and risk reduction on the site. The regulatory attention level for this facility reflects the radiological inventory, the current asset condition and the key role that the analytical services facility provides to the site. In addition, we will ensure that Sellafield Ltd moves its analytical capability to a new facility that is able to support the site's future needs.

#### **Security - NNL as a tenant at Sellafield (Sellafield Ltd)**

Planning for the complex Replacement Analytical services Project (RAP) has commenced at the Central Laboratory. The RAP's function as a critical enabler for hazard and risk reduction at Sellafield stems from its potential relationship with another NNL facility which is scheduled to receive a substantial consignment of nuclear material during 2018. Consequently, the RAP project and the potential increase of the security category at the facility means enhanced levels of ONR oversight to confirm that NNL's strategic direction remains compliant with the approved security plans. These factors, together with other ongoing challenges, are set against the backdrop of operating within an improving security framework as a tenant within the wider Sellafield site. Accordingly, we assess the overall regulatory priority for security at NNL's Sellafield facilities continues to be significantly enhanced.

#### **Security - infrastructure enhancements (Sellafield Ltd)**

The Sellafield Security Enhancement Programme continues to deliver tangible improvements, as illustrated by the successful closure of a Security Requirements Notice (detailed above). However, the number of ongoing projects and challenging timetable for completion remain a concern and the importance of delivery warrants significantly enhanced regulatory attention.

## Enhanced regulatory attention

### Sellafield – Pile Fuel Storage Pond and Magnox Reprocessing Plant

The continued sludge and fuel exports from the Pile Fuel Storage Pond have been consistent with regulatory expectations. Due to the large amount of radiological inventory that has been removed from the Pile Fuel Storage Pond, ONR has reduced its attention level for this legacy pond to one of enhanced. This will ensure proportionate regulation of continued retrievals from the Pile Fuel Storage Pond and implementation of enabling works in support of pond de-watering and further hazard removal from this legacy facility.

In January 2017, an incident at the Magnox Reprocessing Plant resulted in a skin dose to an operator which was above the statutory dose limit. The incident, was rated at Level 2 on the INES event scale and resulted in ONR taking enforcement action in the form of verbal warnings being given to the individuals involved in the event. Following improvements in the control and conduct of operations and operator instructions at this plant ONR reduced its attention level to one of enhanced.

### Sellafield – remainder of the waste

The remainder of the Sellafield estate comprises a range of facilities, some with significant radiological inventory. The complexity and amount of decommissioning work, the need for continued investment in infrastructure and the inter-dependencies of these facilities with those in the significantly enhanced attention category means they will continue to receive an enhanced level of attention.

We have been involved in assessment of safety cases and other arrangements that are important to hazard and risk reduction activities and other improvement projects at Sellafield. Notable achievements over the year include:

- the commencement of demolition on the First Generation Magnox Reprocessing building stack;
- relicensing into a single site licence incorporating both the Sellafield and Windscale sites;
- the active commissioning of Evaporator D in the Highly Active Liquor Evaporation and Storage Facility;
- assessment of the safety cases for post-reprocessing operations and long term fuel storage at the Thermal Oxide Reprocessing Plant;
- physical safety improvements to site-wide infrastructure that have enhanced resilience.

In 2016 there was an INES Level 2 incident on the site involving shortfalls in procedural adherence associated with industrial radiography, which was subject to formal investigation during 2017/18. We concluded that there was no harm from radiation to the workers but formally requested an action plan to address shortfalls identified in the corporate processes for control and supervision of radiography operations.

In May 2017 we judged that Sellafield had satisfactorily met the requirements of the Improvement Notice issued in September 2016 in relation to managing the risk from the legionella bacteria at the

Highly Active Liquor Evaporation and Storage facility. Our investigation is ongoing in relation to the licensee's response to determining the underlying causes. Legionella management across the Sellafield site remains an area of regulatory focus to ensure that risks are being effectively controlled

## Regulating decommissioning and disposal

### Enhanced regulatory attention

#### Dounreay Site

The Dounreay site remains under an enhanced level of regulatory attention due to the range and extent of hazard and risk reduction projects required to remediate the site to reach an agreed end-state. Significant challenges remain, including removal and making passively safe radioactive waste from the shaft and silo and handling and consigning legacy special nuclear material to Sellafield. There is a need for continued regulatory focus on decommissioning projects at the Dounreay Fast Reactor and Prototype Fast Reactor facilities and the Fuel Cycle Area where the fuel reprocessing plants and higher activity waste management facilities are located. Notably at the Dounreay Fast Reactor, ONR agreed to the commencement of active commissioning of breeder fuel removal from the reactor. This fuel is included in the Magnox Operating Programme and will be transferred to Sellafield for management in line with NDA's published strategy. We continue to focus on the licensee's ability to maintain adequate organisational capability.

### Routine regulatory attention

#### Decommissioning power reactors

Decommissioning on the former power reactor sites being managed by Magnox Ltd has proceeded to agreed programmes with no significant safety issues being identified as a result of routine inspections. The current strategy for the Magnox reactor sites is that they are progressively defuelled and decommissioned to the point that they can be placed into a quiescent safe state called Care and Maintenance (C&M). This period will last several decades, where the benefits of natural decay will be accrued prior to final dismantling and site clearance.

The lead site to enter the C&M stage is Bradwell and in July 2017, we issued a formal specification under the licence requiring Magnox Ltd to apply for ONR's consent prior to entering the C&M stage. We used our primary licensing powers for this first-of-a-kind transition as it sets a precedent for the UK and for the remaining Magnox reactor fleet. Work is progressing safely on the site and the licensee anticipates applying for our consent during the second half of 2018.

Wylfa is the only Magnox Ltd site undergoing defuelling. However, defuelling has proven to be more challenging than originally anticipated, due mainly to plant-reliability related issues. Defuelling is important to successful completion of the UK Magnox Operating Programme, which includes reprocessing of remaining Magnox spent fuel at Sellafield. We continue to influence the licensee, where appropriate, to achieve safe and timely completion of defuelling. In July 2017, we confirmed that the Wylfa site had complied with the requirements of the Improvement Notice issued in March 2017 and had made the necessary improvements to the management and control of hazards associated with asbestos.

During 2017 we completed REPIR assessments for the Berkeley and Oldbury Magnox stations, following defuelling at these sites. Our assessments concluded that hazard and risk on these sites had reduced sufficiently that they no longer require off-site emergency plans under current regulations.

### **Routine attention**

#### **Capenhurst Site**

At the Capenhurst site, the licensee is re-organising to integrate and make its arrangements more consistent across different areas of the site. We continue our routine interactions to gauge the impact of changes in relation to organisational capability. The management of ageing redundant hex-tails cylinders continues to receive focus and funding has been provided to begin to deal with this legacy. At the new Tails Management Facility process plant installation and associated inactive commissioning of equipment and safety systems is steadily progressing. Our agreement will be needed prior to the introduction of nuclear material for active commissioning purposes.

#### **Harwell**

In 2016/17, Harwell attracted an enhanced regulatory attention rating due to security considerations. These issues have now been satisfactorily addressed and Harwell has returned to routine attention.

### **Other**

#### **Geological Disposal Facility**

We continue to support Government policy for geological disposal, including licensing any future Geological Disposal Facility (GDF). We have published our first TAG which sets out the regulatory approach to assessing the safety of a GDF. In addition, we continue to support the UK and Welsh government siting processes to explain the role ONR will have following site evaluation and selection. Furthermore, we have continued to engage with the relevant environment agencies, Government officials and the prospective developer, Radioactive Waste Management Limited, to provide advice on the safety aspects of a future GDF.

### **Regulating operating facilities**

#### **Routine regulatory attention**

##### **Operating nuclear power stations**

EDF Energy Nuclear Generation Ltd (NGL) is the licensed operator of seven twin-reactor Advanced Gas-cooled Reactor plants and a Pressurised Water Reactor at Sizewell B. All NGL sites are assigned a routine level of regulatory attention and this is unchanged from the previous year.

Overall, NGL's nuclear power stations have continued to operate safely. Where we have identified areas for improvement, the licensee responded promptly to our advice. In addition, NGL has longer-term improvement plans in place to ensure continued safe and secure operations; NGL is in the process of completing the third decennial periodic safety reviews (PSR) for each station. During the year we have completed our assessment of the Periodic Safety Review for Dungeness B and made the decision to support a further period of operation, subject to the satisfactory outcome of ongoing inspection and maintenance activities.

We have also had early engagement on improvements to the on-site nitrogen reactivity hold-down system and modifications which will improve protection against boiler tube leaks. We expect these to start to deliver substantive safety improvements during 2018.

Ageing management will continue to be a strategic theme for ONR across the reactor fleet to ensure that NGL demonstrates that it is adequately managing risks arising from ageing-related degradation. A rigorous review of NGL's processes for ageing management was completed this year and has been published on our web site. This will now be subject to peer review by other European countries under the auspices of ENSREG with the aim of identifying areas of good practice and those where improvements can be made.

The ageing effects on the graphite bricks which make up the structure of the reactor cores in relation to graphite brick cracking and weight loss is a significant area of work for NGL and ONR, since the graphite cores are irreplaceable structural components. In particular at Hunterston B, the extent and nature of 'key-way root cracking' continues to be assessed as part of NGL's routine inspections performed during periodic shutdown of the station. At each reactor shutdown, ONR continues to seek assurance that there is suitable and sufficient evidence to support continued safe reactor operations while NGL is developing a safety case to justify operations to the end of generation. Separately, inspections at Torness Reactor 1 revealed cracking of the peripheral graphite blocks similar to that found on the other Torness and Heysham 2 reactors. This cracking mechanism does not significantly affect core integrity and ONR is satisfied that there is no impact on the operation or safe shutdown of the reactor.

We issued legal consents to permit reactors at Torness (R1), Dungeness B (R21), Hunterston B (R4), Sizewell B and Hartlepool (R1) to re-start following their statutory periodic shutdowns for maintenance, inspection, testing and refuelling. In granting permission, our inspectors examined the licensee's arrangements for controlling and completing the maintenance activities, reviewed test and inspection records, inspected plant and equipment and were satisfied that NGL had completed its intended activities to enable a further period of operation.

During the Sizewell B periodic shutdown, boric acid crystals were identified at the drain line on one of the steam generator channel head bowls. This is a known potential leak site and the location is inspected at each outage; it was one such inspection that identified the small leak. ONR kept close oversight of NGL's activities in establishing the extent of primary water stress corrosion cracking on each steam generator and the subsequent repair and safety justification and only allowed the reactor to return to service once we were satisfied that the integrity had been restored. ONR has also considered the integrity of components supplied to the UK by the Areva Le Creusot forge in France and by Kobe Steel in Japan, following identification of anomalies and omissions in production records related to components supplied for nuclear applications in a number of countries. ONR continues to liaise closely with our regulatory counterparts in case of any further developments.

Following a number of fuel failures in 2016 at Heysham 1 Reactor 2, we have been monitoring the action taken by NGL to ensure that appropriate operational actions are taken to mitigate the risk and restore normal fuel performance so that fuel failures return to close to zero.

We expect NGL to make proposals during 2018 that will remove the carbon deposits from fuel, which is the root cause of the failures; we will ensure any such proposals are soundly based before they can be implemented.

At Hinkley Point B, we served two Improvement Notices (one on NGL, one on contractor Doosan Babcock) requiring improvements in management of work at height following an incident in April 2017. We were satisfied that this issue did not impact nuclear safety and sufficient improvement had been made to enable closure of both Improvement Notices in January 2018. ONR's investigation into this incident is continuing.

## Regulating defence nuclear sites

### Enhanced regulatory attention

#### Devonport (Devonport Royal Dockyard Ltd)

We regulate nuclear safety on seven licensed nuclear sites that are part of the Ministry of Defence's (MoD) overarching Defence Nuclear Programme and responsible for delivering the Continuous At-Sea Deterrent. We work closely with the Defence Nuclear Safety Regulator (DNSR), which provides MoD's internal assurance function on the non-licensed (authorised) MoD operated sites. We have undertaken a fundamental review of our regulatory strategy for propulsion licensed sites; and for Devonport Royal Dockyard Ltd (DRDL) in particular. DRDL has been in 'enhanced regulatory attention' for around four years. This performance categorisation is based upon the range of ageing facilities, the required facility upgrades and compliance improvements against a range of licence conditions, all being delivered within the scope of a very busy submarine maintenance programme. In recognition of this performance categorisation and building upon the experience gained from our approach to the regulation of the Sellafield site, our new approach focuses on supporting strategic performance improvement through a significantly enhanced regulatory team. Our strategy builds in the principles of enabling regulation by adopting more of an advice and guidance approach to regulation, agreeing a common goal and working with a wider stakeholder group including the MoD. This strategy:

- adopts a risk informed approach and focuses on targeting regulatory effort on areas and activities where the safety benefit is greatest;
- was developed through root cause analysis of data, information and intelligence to highlight the causes of historic and current performance;
- has resulted in an increase of ONR's regulatory resource at DRDL, with enhanced capability. The prioritising of this resource has seen an associated reduction of effort and refocus of our work away from the non-DRDL propulsion sites;
- is supported by DNSR and our licensees.

Although DRDL remains categorised as requiring enhanced regulatory attention, we are confident that the strategy we have developed provides the best opportunity for performance improvement, leading with the aim of the site requiring returning to routine regulatory attention at the earliest opportunity.

In addition to our strategy development, this year there has been notable risk reduction at Devonport. This year also saw the start of significant work at Devonport to remove the legacy crane pedestal in the submarine refit complex.

Notwithstanding the above, our enhanced regulation has continued and, where necessary, formal enforcement action has been taken. Improvement Notices to address deficiencies in the licensee's management of lifting on the site were issued in June 2017, with these being subsequently closed out in December following our confirmation that the shortfalls had been adequately addressed.

We have also focused on improving our stakeholder engagement and recognise the importance of providing clear technical and regulatory advice to inform decision makers on funding priorities. This is particularly important in the strategic debates on infrastructure upgrades to support the current class of submarine and Dreadnought class.

### **Atomic Weapons Establishment Sites**

We have revised our regulatory strategy for the AWE Aldermaston and Burghfield sites, adopting a balanced approach by continuing to inspect for compliance and holding to account where necessary, while working with AWE to help identify opportunities to improve safety performance and increased compliance against key nuclear site licence requirements.

The AWE Aldermaston and Burghfield sites continue to rely on the use of ageing production facilities in an environment of uncertainty on scope and delivery timescales for modern standard replacements.

AWE continues to be behind schedule in undertaking periodic reviews of safety and implementing necessary upgrades in some facilities. We expect AWE to continue their work to bring the future periodic review of safety programme into alignment with its own site licence arrangements. These aspects of our regulation serve as the basis for AWE being at an enhanced level of attention and will be a focus area for ONR going forward.

We have issued a decision letter to AWE, along with a corresponding letter to the Minister for Defence Procurement, following the completion of our assessment of periodic review of safety for the Burghfield Assembly Technology Centre. Our decision was that AWE's Periodic Review of Safety for the Burghfield Assembly Technology Centre was not adequate to support operations for the full ten years from the submission date of September 2016.

However, recognising AWE's commitments to progress the outstanding shortfalls we have agreed to support operations in the short term subject to the implementation of the most significant upgrades.

We will reconsider this decision if AWE fails to deliver these key upgrades.

Our support for longer term operations will be dependent upon AWE producing an adequate Periodic Review of Safety close out report, including a demonstration that risks from Assembly Technology Centre operations have been reduced so far as is reasonably practicable, which we will assess.

There have been some notable achievements made by AWE during the year regarding progress against ONR enforcement.

We have closed the Improvement Notices we issued requiring AWE to ensure its control of changes to management systems give due priority to safety. AWE has also complied with the ONR specifications regarding compliance with its arrangements for the production of safety documentation.

We have worked constructively with AWE through the provision of advice and guidance to assist them in developing a corporate level programme of safety improvements owned at Chief Executive level with buy-in from stakeholders. The objective of the programme is to improve AWE's overall performance and in doing so, enable AWE to deliver strategic safety improvements and increased levels of compliance that would help enable AWE to demonstrate they are ready to move into routine regulatory attention during 2020.

## Preparing for new nuclear generation, civil and defence

### Generic Design Assessment

The principal aim of the GDA process is to reduce regulatory uncertainty and provide clarity on safety and security design modifications 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. At the end of the process, should the design be suitable for construction, a DAC is issued. There is the option to issue an interim DAC if we are broadly satisfied with the design but require specific issues to be addressed ahead of construction and prior to issue of a DAC. In December 2017, we completed the GDA process for the UK ABWR, designed by Hitachi-GE, issuing a DAC to confirm its suitability for construction in the UK. In November 2017, we began Step 2 of the GDA process for General Nuclear System's UK HPR1000 reactor.

### New reactor licensing (NRL)

We received a Nuclear Site Licence (NSL) application from Horizon Nuclear Power Wylfa Limited ("Horizon") in Spring 2017 for the construction and operation of two Hitachi-GE UK ABWRs at Wylfa Newydd on Anglesey. We are currently assessing the submission which involves the consideration of evidence to confirm that the organisation structure, resources, management arrangements, safety case strategy and other factors as stated in its application are adequate and have been satisfactorily implemented. As with other organisations intending to apply for an NSL, we provided pre-licence application advice and guidance to assist Horizon with understanding the licensing process and ONR expectations of a capable licensee organisation. Upon completion of our assessment we will make a judgement in relation to the granting of an NSL.

We are undertaking pre-application engagement with three other organisations that may submit applications for a NSL to construct and operate nuclear power stations in GB. They are as follows:

- NuGeneration Limited (NuGen) for the placement of new reactors at Moorside near to Sellafield in Cumbria. Given that discussions are ongoing for the sale of NuGen by its parent organisation Toshiba, there is currently uncertainty regarding the technology that will be deployed at the Moorside site.

- NNB Generation Company Limited for the construction and operation of two EDF/AREVA EPRs™ at Sizewell C (SZC) in Suffolk. Engagement with NNB Generation Company (SZC) Limited in relation to the construction of an EPR™ is at an early stage. Limited technical assessment has taken place during the year but engagement is due to increase during the course of 2018.
- Bradwell B Power Generation Company (BRB Genco) for the construction and operation of two Pressurised Water Reactors of the UK HPR1000 design at Bradwell B in Suffolk.

### **New Reactor Construction at Hinkley Point C**

NNB Generation Company Limited (NNB GenCo) is the licensee for the Hinkley Point C twin EPR™ reactor site near Bridgwater in Somerset.

Safety and security submissions have largely met our expectations and significant progress continued through 2017/18. We granted Consent for the start of construction (Technical Galleries) in March 2017. Following this, NNB GenCo submitted safety justifications for the construction of further key structures, including pumping station, pre-stressing gallery, turbine hall raft and the nuclear island. We assessed these submissions and provided feedback identifying areas for further attention. A supplementary report is due to be issued early in 2018/19 by NNB GenCo, which will be assessed alongside progress in other key elements of the project (including compliance with licence conditions, organisational capability and progress in addressing GDA assessment findings). The outcome of our assessment will inform our decision in relation to issuing Consent for the construction of the Hinkley Point C Nuclear Island in autumn 2018.

A sampling assessment was undertaken to support our decision in relation to enabling NNB GenCo to commence pouring structural concrete for the construction of the pumping station. As part of our sampling assessment we assessed a subset of safety report topics and sought confidence that NNB GenCo had made sufficient progress in complying with licence conditions and developing its organisational capability. The assessment is now complete and our decision will be communicated to the licensee in the near future.

There were no formal permissions granted for Hinkley Point C during 2017/18. While milestone SRP-018 refers to 'completing assessment and making formal decision regarding the consent for the construction of the Hinkley Point C Pumping Station', NNB GenCo has not formally sought our consent during the financial year.

## Advanced Nuclear Technologies

On 12 October 2017, as part of the Clean Growth Strategy, the Government announced that it will immediately invest £7 million (£5 million to ONR) to further develop the capability and capacity of the nuclear regulators to support and assess the development of Advanced Nuclear Technologies. To attain this objective, BEIS has requested ONR to deliver the following between 2017 and 2019:

- development of a programme to grow ONR's capability and technical expertise in Advanced Modular Reactors (AMRs) (understood to be Generation IV Small Modular Reactors);
- regulatory advice for policy development and "AMR research initiative", including the AMR competition design and delivery according to BEIS AMR programme;
- development and implementation of a plan to engage with industry;
- development and implementation of a plan to extend ONR's engagement with international regulators, to explore potential areas for harmonisation of standards;
- development and implementation of a plan to ensure that the regulators' processes and guidance are fit for the purpose of assessing and regulating advanced technologies.

We are currently developing a strategy to meet these objectives.

### For next year we will:

- maintain delivery of our core regulatory functions, holding industry to account on behalf of the public. We will focus on sites in enhanced and significantly enhanced regulatory attention, implementing strategies to ensure timely return to routine levels of regulatory attention;
- develop an independent UK safeguards regime to meet international safeguards standards by the end of March 2019;
- work to ensure the timely and safe retrieval of hazardous waste from legacy facilities at Sellafield and support government policy for the safe and secure management of special nuclear materials;
- complete the initial assessment of the first Security Assessment Principle-informed Nuclear Site Security Plans and continue to influence improvements in cyber security and information assurance;
- regulate nuclear new build, assessing new reactor designs, including Advanced Nuclear Technologies;
- provide continued support to government in the implementation of the EU Basic Safety Standards Directive.

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

During 2017/18, we delivered 11 out of 13 corporate milestones as published within the Corporate Plan (Table 5).

**Table 5 – Strategic Theme 2 corporate milestones**

Strategic Theme 2 (13 milestones)	Met/Not met	Comments
Approve proactive media plan	Met	Completed May 2017
Implement external insight group	Met	Completed August 2017
Ensure compliance with the Information Commissioners Model Publication Scheme	Met	Completed August 2017
NGO engagement	Met	Completed September 2017
Establish operational experience capability to meet IAEA good practice	Met	Completed September 2017
Stakeholder satisfaction survey	Met	Completed October 2017
Implement revised publication scheme	Met	Completed November 2017
Deliver the UK Report on behalf of the government (BEIS) to the Joint Convention on safety of spent fuel and on the safety of radioactive waste	Met	Completed November 2017
Independent Advisory Panel	Met	Completed March 2018
NGO engagement	Met	Completed March 2018
Oversight and governance arrangements in place to implement regulatory intelligence in line with IAEA good practice	Met	Completed March 2018
Stakeholder insight hub	Not met	Moved to 2018/19
Industry finance meeting	Not met	Moved to Q1 2018/19

As a well-trusted regulator in the UK and internationally, holding the industry to account on behalf of the public, we engage with a wide range of stakeholders with diverse views of the nuclear industry. Openness and transparency continue to underpin our communication approach.

However, we do operate in an increasing high profile environment, needing to be able to respond effectively to heightened interest from our stakeholders to help maintain confidence in us and what we do. Over the last year, we have expanded our Policy and Communications Directorate to provide enhanced capacity and capability to manage interfaces with government departments across the nuclear regulatory policy framework; enhanced our stakeholder engagement and provided the internal communications service needed to deliver our workforce and organisational capability ambitions.

We have built a detailed database of our stakeholders and segmented our audience to enable us to provide a more bespoke engagement offer. This has allowed us to begin shifting from a “one size fits all” approach to a more strategic and targeted stakeholder engagement approach.

Our stakeholder newsletter, ONR News, was launched to an audience of 8,000 subscribers bringing news and updates on ONR's regulatory activity. In addition, dedicated e-news publications were issued focusing on GDA and engagement as part of new build consultation.

Gaining a better understanding the needs of our different stakeholders has been a key activity under this strategic theme in 2017/18, ensuring we have the insight and intelligence to consider and then refine our communication approaches going forward. We undertook our inaugural stakeholder survey in October 2017, to better understand how we are regarded by those we work with.

We received a total of 351 responses from across a wide range of stakeholders such as licensees, dutyholders, government, academics, international regulators and interested parties, which included NGOs. The survey report is available on our website. In summary, the responses revealed a high level of confidence (83%) among our stakeholder community on our ability to deliver our mission and the responses showed we were viewed as:

- Professional 89%
- Independent 82%
- Fair 74%
- Trusted 78%
- Open and transparent 75%

The survey also looked at how we are regarded since becoming a standalone public corporation in 2014. Of those who responded, 36% said they have more confidence in us since our incorporation, with 26% more confident in the last year alone.

However, a deeper probe of the data shows not all our audiences share the same positive views. Only 60% of respondents said our regulation is proportionate, 56% said we are consistent and 32% said we are efficient. Further, 33% of stakeholders said they do not have the confidence that we have the resources needed to meet potential requirements in the next five and ten years.

Our directors have considered these results carefully. Our communications are being refined to better explain how we are modernising our regulation and our on-going work to further build capacity and capability over the next ten years and how we are modernising our regulation. This reflects our own recognition of the need to strengthen and upskill our workforce to respond to a changing nuclear industry since becoming a public corporation four years ago. The narrative under Strategic Theme 3 sets out the progress we have made to address this and our plans to enhance this further.

## Industry

Developing effective and trusted working relationships with those we regulate is critical to securing effective safety and security outcomes. We have engaged regularly with industry colleagues via the SDF and its sub-groups, on topics such as our enabling approach to regulation and the new SyAPS. Internally we launched our Engagement and Insight Group to help improve our understanding of those we regulate and develop a better mechanism for gathering meaningful insight on licensee and dutyholder relationships.

We have engaged with our Independent Advisory Panel, which is drawn from a range of sectors (such as universities, professional institutions, companies and organisations representing the nuclear industry), to provide credible, authoritative and expert advice. This year the Panel has addressed topics such as the Sellafield regulation strategy, the economic impact of our safety regulation and Advanced Nuclear Technologies.

### **NGO, public engagement and media**

ONR has embarked on a proactive programme of engagement in 2017/18 aimed at developing a meaningful dialogue with our NGO community. This has included two forum events, a webinar on enabling regulation, face to face meetings and extensive correspondence with the NGOs themselves, helping to shape the regulatory agenda. Our engagement in 2017/18 has been designed to encourage meaningful discussions in an open and transparent manner. The aim has been to improve understanding of our role while at the same time allowing us to better understand public perceptions of nuclear shaping our communications to address any concerns.

Public engagement has included our attendance and presentation of reports at site stakeholder groups and local liaison committees. In addition we have engaged effectively with local communities in partnership with Natural Resources Wales on GDA of the UK ABWR at Wylfa on the Isle of Anglesey considering public representations ahead of design acceptance.

Our website remains a key online resource for engaging with the public with 33 project assessment reports, 126 site stakeholder group reports and 415 intervention records published this year. It was visited by more than 140,000 unique users from across 187 countries, with the USA, Japan and France being the most frequent non-UK visitors.

We have continued to deliver an appropriate level of engagement with the media, responding positively to all queries and proactively announcing via its website and social media regulatory action and decisions, while encouraging public engagement in requesting party plans for new nuclear. Our media reach has seen extensive coverage across a range of newspapers, websites, social media and specialist trade journals.

### **Government**

We have worked closely with the Department for Business, Energy and Industrial Strategy (BEIS) to provide our expertise and technical knowledge to shape policies for new emergency planning arrangements to implement the BSSD and for a domestic safeguards regime.

Working with BEIS officials, we have agreed an updated set of regulatory planning assumptions which underpin our Corporate Plan, allowing us to manage our resources in a changing operating environment. Quarterly engagement between our Chief Executive and Chief Nuclear Inspector and BEIS directors provides an effective mechanism to review areas of mutual interest and cooperation.

We have undertaken a review of the Sponsorship Framework between ourselves and Department for Work and Pensions (DWP), to ensure it is fit for purpose. We engage positively and regularly with DWP and BEIS ad-hoc and formally through the Sponsorship Board which meets quarterly.

## Regulatory intelligence and operational experience function

In 2017, we established an operational experience (OPEX) capability to meet IAEA good practice guidelines. Our top level regulatory intelligence process has been published to deliver an improved Regulatory Intelligence framework, including production of future event reports. This not only improves our frontline regulatory effectiveness and efficiency, but also provides a platform for several follow-on initiatives in the areas of external event reporting.

The UK applies the IAEA International Nuclear and Radiological Events Scale (INES) reporting arrangements to all civil nuclear licensed sites and transport activities regulated by ONR. These operate by assigning a scale level to events, with each level on the scale representing an approximate tenfold increase in severity in relation to the previous level. Determination of the appropriate INES level requires careful judgement regarding the severity of events in relation to:

- people and the environment (e.g. the extent of harm to people or the environment);
- radiological barriers and controls at facilities (e.g. impact on containment, contamination control); and
- defence in depth (e.g. the extent to which measures put in place to prevent or cope with accidents may have been compromised).

BEIS is the lead government department for INES administration and reporting and appoints the UK INES National Officer, currently from within ONR, although the duties are independent of our regulatory responsibilities. For most events reported (those of lesser significance and where the applicable INES level is clear), the INES level is determined by the originator of the report. In other cases, advice is sought from the UK INES National Officer, who also has the authority to determine the INES level for any event.

During 2017/18, there were 387 INES events notified to ONR, which were classified as follows:

- Level 0 (no safety significance) – 371
- Level 1 (anomaly) – 17
- Level 2 (incident) – 0

INES Level 1 events indicate minor problems with safety components, but with significant defence in depth being in place. INES Level 2 denotes more serious degradations of the safety systems or with some, though not severe, consequences for people or the environment. No events were classified as greater than INES Level 1.

For openness and transparency, we report incidents to the public through two routes, both of which are available on our website. Nationally, we publish a quarterly statement of incidents that meet specific ONR reporting criteria. During the period five events were identified as meeting Ministerial Reporting Criteria, the details of which are on our website. Locally, we include incident reports in the quarterly reports to local site stakeholder groups of each licensed nuclear site.

These committees comprise members of local government, together with the emergency services and representatives of local communities.

**For next year we will:**

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

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

During 2017/18, we delivered seven out of nine corporate milestones as published within the Corporate Plan (Table 6).

**Table 6 – Strategic Theme 3 corporate milestones**

Strategic Theme 3 (9 milestones)	Met/Not met	Comments
Staff survey 2017	Met	Completed April 2017
Competence and pay progression approach in place	Met	Completed June 2017
Implement leadership framework	Met	Completed June 2017
Introduce 360 degree feedback for all staff	Met	Completed July 2017
Implement equality and diversity programmes	Met	Completed July 2017
Implement total reward framework	Met	Completed July 2017
Completion and begin implementation of mandatory bite-size training course for enabling regulatory philosophy	Met	Completed December 2017
Issue personal reward statement	Not met	Moved to 2018/19
Staff survey 2018	Not met	Moved to 2018/19

ONR is creating a great place to work and creating the environment that enables us to get the best out of our people. The way we lead, manage, listen, respect and communicate with each other sets the culture that will enable us to deliver on this theme. We demand a lot from our people and it is incumbent upon us to provide them with a great work place, a positive culture and a fair work-life balance, while continuing to maintain and improve the standards of health, safety and welfare of our people.

We have been entirely transparent of the need to strengthen and upskill our workforce to respond to a changing nuclear industry since becoming a public corporation four years ago. A hiatus in UK nuclear development in the late 1990s and early 2000s has impacted capacity and capability across the sector and we have, like many others in the industry, been addressing the implications of that for some time.

We have run many successful recruitment campaigns to bring the right skills mix to our inspector team and corporate support services and built resilience by growing our workforce to meet the new regulatory demands upon us. In the last year alone, we have recruited 53 technical specialists

ONR has continued to utilise and maximise new recruitment pipelines into the organisation, including the recruitment of graduates, equivalence roles (those without specific nuclear sector experience but with highly relevant technical skills) and associates across a range of disciplines. We have also take on a number of administrative apprentices and are currently working with a higher education college and other nuclear partners to explore the potential for nuclear degree level apprenticeship as a further recruitment pipeline. We have also supported a number of Science, Technology, Engineering and Mathematics (STEM) activities in the local community to raise our profile and plant the seed of a career in the nuclear industry.

This year we identified a number of key priorities that will enable us to support and tackle issues that currently hinder our aim and have put many building blocks in place to address them. Along with the corporate and directorate plans and the ONR people strategy, we set out a people agenda to take us to 2020. This year we focused on a series of key themes including:

### **Reward, attract and retain staff - progress includes:**

- improving our capacity - we exceeded our recruitment target for 2017/18 to meet our required increased demand for technical specialist resource;
- implementing competence pay and progression to reward increased capability;
- publication of ONR's first gender pay gap report and supporting narrative;
- re-introduction of probation to ensure better support to new staff;
- implementing an improved and transparent internal promotion process that is based on our knowledge of the performance and development of our staff and has received excellent feedback;
- continuing our commitment to apprentice and graduate schemes;
- continuing to build and sustain collaborative arrangements with our trade unions, including collective bargaining arrangements;
- reinforcing the importance of mental health and well-being across the organisation, including an awareness day that was regarded as a great success;
- agreeing a new ONR estates strategy 2017 to 2020 which addresses the risks associated with lease end dates, provides stability to staff across all our estate and reinforces the intention for smarter and more flexible working;
- addressing the significant HR capability gaps in developing and implementing organisational change within ONR.

### **Support people to have the right skills and behaviours – progress includes:**

- the establishment of ONR's Academy - a centre of excellence for training and development bringing it all within the HR directorate. Benefits of the new academy include a bespoke internal training facility, bitesize training modules developed to support inspector capability, delivery of 50% more learning and training events, new paths and development frameworks for all staff and providing a balance of technical and behavioural development;
- an increase in professional development across our corporate functions which includes staff undertaking or increasing their level of relevant professional body membership in areas such as HR, finance and policy and communications;

- introducing a behavioural framework that clearly sets out the standards and expectations we expect from all staff, behaviours that are integral to how we assess and reward performance. This will be at the core of our recruitment, career progression and other people policies.

### **Leadership and management – progress includes:**

- the corporate re-structuring earlier this year which provided greater strategic alignment across the business. Along with improved corporate planning, this has helped provide greater leadership focus, clarity and strategic and corporate direction. The introduction of robust governance procedures has also helped staff to develop more personal accountability;
- the introduction of behavioural, managerial and leadership competences linked to performance appraisals to focus on and improve capability;
- reviewed and improved line-management training, so that managers better understand their responsibilities and expectations. This is helping us to address the need to improve our capability with regard to leadership and management;
- actively addressing poor behaviours and performance to demonstrate commitment to leadership and management culture that is inclusive and focused on continual improved performance;
- implementation of 360 degree feedback for all leaders and managers to inform their development.

### **Diversity and inclusion (D&I) – progress includes:**

- Development of a D&I Plan has been taken forward concentrating on four key areas including education and awareness and embedding diversity in all our HR policies and procedures to ensure we promote an inclusive culture that supports and develops all staff to fully realise the benefits of an engaged workforce;
- achieving accreditation to Disability Confident Employer Level 2 status, a key DWP initiative for employers that supports our recruitment and retention;
- launching a new Confidential Advisor Network (CAN). This is part of providing increased opportunities for staff to raise concerns and issues in a way that demonstrates our total commitment to tackle all forms of bullying and harassment in ONR;
- external assessment undertaken against the National Equality Standard (NES). ONR was subjected to a robust equality, diversity and inclusion assessment. This highlighted strengths in our policies, supporting processes and networking externally and provided a route map to achieve full accreditation in 2018.

**For next year we will:**

- embed the ONR Academy and enhance our succession planning, talent management and learning opportunities to improve our capability, organisational resilience, management and leadership skills;
- simplify and refine our management roles to deploy more skilled leaders who provide consistent management and development of staff and release regulatory capacity;
- focus on improvements, informed by our 2017 staff survey, across four key drivers: feeling valued, leadership and management, behaviours and managing change, supported by an ONR-wide action plan to keep us on track.

The aim of introducing these key themes is for staff to recognise the improved engagement and motivation from better leadership and management, with transparent pay and reward systems that recognise personal contribution and support continuous improvements at all levels. The ONR Academy will continue to flourish and be a centre of excellence for training and development and staff will see greater consistency and fairness in how we manage and lead.

We will have improved productivity with positive impact on our effectiveness and our reputation with stakeholders. Staff will have greater confidence in our resilience through effective knowledge management and personal and career development activity and opportunities. We will have gained external accreditation to reflect ONR as an exemplar in areas such as diversity and inclusion and will be recognised externally for a range of best practice in our people-related work.

Further work will continue in all our key themes as we look to develop ONR as a high performing sustainable organisation. This will include refining and setting the clear success criteria that builds on the building blocks we have put in place during 2017/18.

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

During 2017/18, we delivered 18 out of 23 corporate milestones as published within the Corporate Plan (Table 7).

**Table 7 – Strategic Theme 4 corporate milestones**

Strategic Theme 4 (23 milestones)	Met/Not met	Comments
Executive Management Team (EMT) realignment	Met	Completed April 2017
Implement Government Single Operating Platform (SOP)	Met	Completed May 2017
Establish a Programme Management Office (PMO)	Met	Completed June 2017
Annual Report and Accounts 2016/17 laid in Parliament	Met	Completed July 2017
Agree Information Security Management System (ISMS) scope	Met	Completed August 2017
Budget planning commission for 2018/19	Met	Completed September 2017
Enhanced training facilities available at Redgrave Court	Met	Completed October 2017
Board risk appetite statement	Met	Completed October 2017
Implement revised ONR IT policies	Met	Completed November 2017
Board review proposals for Budget 2018/19	Met	Completed January 2018
Board review proposals of: Corporate Plan 2018/19 and KPIs for 2018/19 in January 2018		Milestone recovered - completed by March 2018
ARAC approve audit and assurance plan 2018/19	Met	Completed February 2018
Deliver ONR data warehouse for business intelligence	Not met	Delayed to 2018/19
Agree data reporting priorities	Not met	Delayed to 2018/19
Cheltenham office lease options paper to Board	Met	Completed February 2018
Board approve 2018/19 Corporate Plan, Budget and KPIs	Met	Completed March 2018
Publish directorate business plans for 2018/19	Not met	Completed May 2018
Selection of new IT services contract provider	Not met	Delayed to 2018/19
Redgrave Court office lease options paper to Board	Met	Completed March 2018
London office lease signed	Met	Completed March 2018
Consider business process review and knowledge management business case	Met	Completed March 2018
Implement revised sponsorship body Framework Document	Not met	Delayed to April 2018
Seek feedback from safety directors forum regarding ONR effectiveness	Met	Completed March 2018
Implement business implementation target requirements	Met	Completed March 2018

Since ONR was incorporated as a standalone public corporation in 2014, we have delivered all of our regulatory commitments and responded to Government, industry and leadership challenges. We have always sought to protect our long term competence and acknowledge the need to modernise to become more flexible and efficient. To prepare for the future, we have been focused on developing strong organisational capability, establishing a robust governance framework, preparing the groundwork to become more self-sufficient and embedding sustainable capability and capacity to drive value and futureproof the organisation.

## People/capability

### Organisational capability and resilience

In the last few years, many experienced staff have retired, replaced by generally younger and less experienced staff. By 2020, 80% of our regulatory staff will have joined in the last ten years. The average age of our technical specialists has fallen by three and a half years in the past ten years, while at director level and senior (Band 1) level, the average age has fallen by five and four years respectively. We have many relatively new staff, including apprentices, so we have focused our attention on becoming a teaching and learning organisation.

With demographic challenges and the growth in industry demand, we have had to continue to recruit nuclear specialists to replace retiring staff and maintain a net growth position. Despite the increase in numbers, the loss of experienced regulatory staff is creating a thinning of our overall regulatory capability. Over recent years, the average tenure of staff has declined from 13 years in 2014 to 11 years in 2017, reinforcing the need to establish effective corporate memory, establish consistency in our working practices and optimise knowledge capture. During 2017/18 we have focused on options to deliver improvements in knowledge management; we have implemented new approaches to learning and development and explored options for delivering a step change in our approach that will be integrated with business process improvements to inform a new strategic improvement project which will commence in 2018/19; this is fundamental to ONR's long term future.

### Enhanced training facilities - ONR Academy

Providing a new facility to house the ONR Academy in ONR's head office in Bootle is a key enabler for addressing our demographic and capability challenges. It provides our staff with modern learning environment with a blended learning approach, shifting to little, local and often to help people optimise their potential and enhance our capability. The ONR Academy opened on 29 November 2017 and is a key initiative to enhance our skills base, doubling our in-house training capability.

### Programme Management Office

We established a Programme Management Office (PMO) during the year to provide support, guidance and professional oversight which will strengthen project and change management throughout the organisation. Our PMO aims to optimise project delivery outcomes and enhance organisational effectiveness, particularly in respect of IT standardisation, IT modernisation and strategic improvement projects.

This has addressed five key areas: tracking (performance management), governance and oversight, resource allocation planning, selection and prioritisation and process management. Projects initiated during the year included the ONR Academy, development of safeguards capability through the creation of a UK SSAC and a knowledge management project (below) – WiRED (Well Informed Regulatory Decision).

### **Strategic improvement project: Revised operational business processes and systems that support regulatory delivery and knowledge management**

ONR's modernisation activity is dependent upon delivering a long-term programme of work to simplify and standardise our processes, prioritising knowledge management and to providing efficient systems and processes that enable our staff to deliver effective regulation more flexibly and efficiently. We have invested considerable effort to inform the scope and requirements of a strategic improvement project that provides an opportunity for ONR to modernise the way we work. The business process review / knowledge management project will be a key enabler for delivering our 2020 strategic intent. It will focus on how ONR can be more efficient by:

- having access to knowledge which supports our decision making;
- capturing knowledge in an automated, standardised or optimised way;
- reviewing our processes and making these leaner;
- ensuring these systems integrate, to provide us with what we need, when we need it and are user-friendly and intuitive;
- reviewing our management systems to make access to our documentary resources more straightforward.

## **Systems**

### **Revised ONR IT policies**

During 2017/18, we developed and published a suite of new information security policies as part of a program to implement an Information Security Management System (ISMS) in line with the international standard for information security ISO 27001 to protect our data. We have developed these policies in line with the very high standards we need to maintain due to the particularly sensitive information that we generate and have access to. The information security policy documentation is organised in a hierarchical manner with a single high level "Information Security Policy" at the top level.

### **Single Operating Platform implementation**

As part of a wider Government initiative for shared services, the Single Operating Platform (SOP) was implemented in May 2017. It replaced the previous resource management system and there was no impact on ONR's business during the transition period.

## Development of Management Information and Reporting Systems to support business decision making

Significant progress has been made to strengthen financial management, governance and control in the organisation with process improvements to our charging methodology, a renewed focus on financial discipline and accountability, improved management information and reporting, rigorous adherence to policies and procedures and the embedding of delegated financial authority, complemented by financial awareness training. We have enhanced the scope and quality of performance reporting and treasury management oversight in Board reporting.

The EMT and RMT have established monthly performance and risk reporting reviews, reinforcing financial governance and introducing rigour and control in organisational delivery performance. These have provided an opportunity to review financial and delivery outcomes including oversight and challenge of key performance indicators and delivery against directorate and corporate milestone plans. The monthly forecasting process required directors to identify, record and report emerging pressures and opportunities against their original budget assumptions and informed the monthly reviews and reprioritisation considerations.

## Processes/frameworks

### Revised sponsorship Framework Document

We have worked closely with our sponsor, DWP, to develop a new Framework Document for implementation from mid-2018, which maintains alignment with *Managing Public Money*. This document clarifies roles and responsibilities of the respective parties and sets out ways of working. We have also been exploring opportunities to establish greater self-sufficiency in ONR's finances through effective management of our liquidity risk as a result of the prevailing Fees Regulations that drive ONR's charging methodology.

### Fees regulations and charging methodology

Since becoming a public corporation, ONR has been working towards laying its own independent set of Fees Regulations, aimed at consolidating and clarifying its cost recovery powers. We intended to produce a single set of Fees Regulations covering all of ONR's purposes during 2017/18. This was predicated on the development of establishing fixed unit costs on the assumption that this would provide greater certainty in charging. As the activity evolved, the extent of variability in regulatory activity introduced significant levels of risk to charging models leading to material under / over recovery that could impact ONR, DWP and industry adversely and would not provide the beneficial outcomes originally intended.

During the past year we have driven significant improvements and enhancements to our processes to support our charging methodology that was introduced from November 2016 based on year-to-date actual expenditure and direct-effort apportionment. Our charging methodology presents a far less risky and more compliant option compared to fixed unit costs.

Taking into account the risks to stakeholders of unit costing, the improvements in and validation of, our charging processes, overlaid with the demanding legislative timetable resulting from Brexit, ONR received ministerial approval to pause activity to produce ONR-specific Fees Regulations. This means ONR will retain the current methodology for cost recovery, at least until the post-Brexit period and continue to fully utilise existing legislative provisions.

### Expenses policy

During 2017/18 we undertook a full review of our business expenses policy. Following extensive engagement and consultation throughout the organisation and with external bodies, including government departments, a new ONR expenses policy has been developed, launched on 1 April 2018.

### Corporate planning and risk management

We published our first detailed corporate plan in 2017/18, supported by directorate business plans. We have embedded improved planning disciplines during the year and streamlined our process for drafting our annual plans with greater emphasis on risk mitigation and strategic themes. We have also developed a corporate calendar which will drive further process improvements and enable more effective scheduling of our cyclical planning activity.

We have refreshed the organisation's approach to risk through the development and publication of a new Risk Management Framework, complemented by a new Strategic Risk Register and supported by refreshed directorate risk registers. Delegating financial authority to directors has embedded greater accountability for financial performance, risk and control throughout the business.

During 2017/18, the Board demonstrated the maturing status of risk management in the organisation and agreed a disaggregated risk appetite (Risk appetite is the amount and type of risk that ONR is willing to take or accept in pursuit of our strategic objectives). In setting the risk appetite, the ONR Board recognises the complexity of risk in decision making and accepts that there is an element of risk in every activity we undertake. In coming to strategic decisions, we will not be unduly risk averse, but will seek to balance potential opportunities with the risks and benefits associated with them.

We have shared our initiatives with other regulators and stakeholders to promulgate good practice.

### Integrated Audit and Assurance Framework

During 2017/18, we introduced a new Integrated Audit and Assurance Framework in line with HM Treasury guidance. In this framework, we commit experienced inspector resource to a regulatory assurance function that operates independently of front line regulatory activities. For 2017/18, the function has delivered an independent programme of reviews that has provided assurance that the CNI and his delegated team are making decisions and regulating the industry in accordance with the Energy Act 2013 and ONR's regulatory principles.

The judgement of the RA function is based upon a risk-informed programme of reviews to assess compliance with ONR processes and international good practice. The function routinely benchmarks its processes with other high hazard regulatory bodies including the Civil Aviation Authority and HSE.

All planned regulatory assurance reviews were completed. Front line regulatory activities reviewed this year include: ONR's preparations for Brexit and EURATOM withdrawal (including the development of a UK SSAC for safeguards); ONR's regulatory intelligence and OPEX processes; ONR's enforcement management process; implementation of new SyAPs at pilot sites; ONR's management of regulatory capability and capacity; preparations for the regulation of Advanced Nuclear Technologies and a GDF; and the development of ONR's regulatory effectiveness metrics.

These reviews have provided robust assurance and further opportunities to refine our processes in line with ONR's commitment to continuous improvement. All findings from reviews are now prioritised and the status of progress with findings is monitored by the ONR EMT and Board to drive a higher level of assurance.

## Infrastructure

### London office

During 2017/18 we received ministerial support to retain an office in central London once our current lease expires at Rose Court in August 2018. Following extensive engagement and consultation with Government Property Agency colleagues, a Memorandum of Terms of Occupation (MOTO) was signed in March 2018 for accommodation as a tenant occupying part of Windsor House on Victoria Street, removing any residual uncertainty around our future London office. The MOTO runs from 2 January 2018 to 20 September 2024, with a break available on 24 March 2021. This will provide our staff with flexible, modern, fit for purpose accommodation from summer 2018.

### Cheltenham office

To plan for our lease for St James House Cheltenham expiring in June 2019, we received Cabinet Office approval to remain in St James House and take on an increased area from March 2019. This outcome has been well received by our Cheltenham based staff and has been completed ahead of schedule. An Agreement for Lease has been signed creating a legally binding contract to occupy its new space from March 2019 when vacant possession is planned.

## Sustainability

Strategic Theme 4 is focused on developing a high performing, sustainable organisation. Modernising our operating environment is a fundamental requirement to 'right-size' and 'right-skill' our organisation, to transform the way we work, enhance our IT, manage change effectively and work smarter, supported by systems and processes that optimise delivery and ensure ONR is fit for the future.

During 2017/18, we have been exploring opportunities to mitigate our strategic risks and modernise our organisation. Our modernisation journey will continue apace during 2018/19 as we seek to crystallise the benefits and future proof the organisation to support a substantial regulatory programme that stretches decades into the future.

This is demonstrated in our strategic improvement projects and our ambitions to separate and modernise our IT systems and infrastructure.

## Value for money

### Technical support contracts

We have continued to use technical support contractors (TSCs) to access, for example, expert technical assessments, specialist software or modelling, or access to niche skill sets which are not retained within ONR. During 2017/18, we have been designing a new Technical Support Framework (TSF) to provide a renewed and modernised framework for procuring technical support. The project includes the continued provision of expert supply chain resources at competitive rates with greater flexibility and efficiency in the call-off of work from suppliers.

The benefits will include securing appropriate technical support in an increasingly competitive market, ability to initiate lower-value work (under £100,000) much more quickly, reduce the risk of TSCs not being available when required and provide ONR with the ability to source capability from across the whole nuclear supply chain through its primary TSF suppliers. In addition, we will be able to use the framework as a strategic enabler, to flex our capacity and capability, using the supply chain more effectively than at present.

### Efficiencies

A number of cash efficiency savings have been realised during 2017/18 as a result of robust commercial negotiations; these have been routinely reported to Board.

### For next year we will:

- improve our cyber security and information governance by building our own networks, establish plans to commence migration of our data from HSE and ensure we are compliant with the new GDPR requirements;
- modernise our operating environment to transform the way we work, including enhancements in IT, effective change management and smarter working practices in our office environments;
- commence a programme to 2020 to simplify and standardise our major regulatory processes, prioritising knowledge management and business process review to improve our efficiency and effectiveness.

### Adrienne Kelbie

Accounting Officer  
Chief Executive  
Office for Nuclear Regulation

13 June 2018



# 2

## ACCOUNTABILITY REPORT

### CORPORATE GOVERNANCE REPORT

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

##### Non-Executive Board Members



##### Nick Baldwin CBE - ONR Chair

Nick was appointed as the Chair of the ONR Board on 1 April 2014, having been its Interim Chair from 1 April 2011 and represents ONR on the Health and Safety Executive Board. He is a Chartered Engineer, a Chartered Director, a Fellow of the Institution of Mechanical Engineers, a Fellow of the Institution of Engineering and Technology, a Fellow of the Energy Institute and a Fellow of the Institute of Directors. Until July 2002, he was the Chief Executive of Powergen, joining the firm in 1989 having held a series of Board-level and senior management positions. Nick is also a Vice Chair of the Worcestershire Local Enterprise Partnership Board. He was appointed CBE in the Queen's Birthday Honours List 2017 for services to nuclear safety and security and to the charitable sector.



##### Jonathan Baume

Jonathan was appointed, by the Health and Safety Executive Board, as a member of the ONR Board on 1 April 2014. He is currently one of eleven Civil Service Commissioners (who regulate recruitment to the civil service) and he has recently been appointed to the Advisory Committee on Business Appointments. He has held a number of lay and representative posts in the trade union movement in a career spanning almost 40 years, including a role at the TUC in policy development on employment law and diversity and serving as a member on the Council of the Advisory, Conciliation and Arbitration Service.

**Penny Boys CB**

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

**Bronwyn Hill CBE**

Bronwyn was appointed to the Board on 18 January 2016 and is Chair of the Remuneration Committee. Bronwyn brings to the Board a wide range of experience and expertise in the delivery of infrastructure and services. Bronwyn is a former Permanent Secretary at the Department for Environment, Food and Rural Affairs and has wide experience in infrastructure, regulation and public service, with a civil service career primarily in the Department for Transport.

**Sir Simon Lister**

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

**Oona Muirhead CBE**

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



### **Sarika Patel**

Sarika joined the Board on 1 October 2017. She is the Chair of the Audit and Risk Assurance Committee, since January 2018. A Chartered Accountant and Chartered Marketer she brings to the Board significant experience in corporate finance, investor relations and technology in the public and private sectors, both nationally and internationally. At Non-Executive Board Member level, Sarika holds a number of positions, including the Gambling Commission, where she chairs the Audit Committee; Imperial Healthcare NHS Trust as a Board member and chairs the Remuneration Committee and the Royal Institution of Great Britain where she is a Trustee and chair of the Audit Committee.



### **John Crackett CB, TD, VR**

John's term of office ended on 31 December 2017. He chaired the Remuneration Committee until December 2015 when he became Chair of the Audit and Risk Assurance Committee. Previously John was Managing Director of Central Networks the UK's second largest distributor of electricity and also E.ON UK Board member responsible for safety, health and environment. John is a Chartered Engineer and a Fellow of two professional institutions. His career has spanned power station design, project management, operational management and running generation, business services, IT, energy services and distribution businesses. His other interests include being a trustee of sustainable energy and social housing charities and advising the MoD on electricity generation and distribution.

## **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 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, Deputy Chief Executive of Hull City Council and held a range of corporate and operational roles in large scale lottery funding and was Commissioner, Accounts Commission Scotland from 2007-2010. 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. She is currently the Patron of Women in Nuclear UK and in recognition of her promotion of nuclear safety, security and diversity, she was awarded an Honorary Fellowship of the Nuclear Institute in 2017.



### **Mark Foy – Chief Nuclear Inspector**

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



### **Sarah High – Finance Director**

Sarah was appointed as Finance Director on 1 June 2016 and Executive Board member on 1 January 2017. She trained with PwC and had a number of roles in the private sector before joining DWP in 2004 where she held a variety of senior positions including Head of Commercial Support, Deputy Director of Finance (DCS), Head of DWP Business Intelligence and Head of Finance Profession Capability. Sarah is a Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales.



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

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



### **Dr Richard Savage**

Richard left ONR on 29 October 2017. 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.

## Appointment and resignation of Board members during 2017/18

During the reporting period, the Board comprised a Non-Executive Chair, up to six Non- Executive Directors and four Executive Directors. The changes to Board membership were:

Date	Name	Event	Role
5 March 2018	Simon Lister	Appointed	Non-Executive Director
31 December 2017	John Crackett	Term of office ended	Non-Executive Director
30 October 2017	Mark Foy	Appointed	Chief Nuclear Inspector
29 October 2017	Richard Savage	Resigned	Chief Nuclear Inspector
1 October 2017	Sarika Patel	Appointed	Non-Executive Director
1 April 2017	David Caton	Appointed	HR Director

## Managing conflicts of interest

Details of the management of conflicts of interest can be found within the Governance Statement on page 92.

## Pension liabilities

Details of pension costs are contained in Note 1.13 and Note 2 to the ONR Accounts and in the Remuneration and Staff Report on pages 103 to 123.

## Our workforce

One of our strategic priorities is our commitment to become an employer that values its people and creates the conditions required to secure and retain a motivated, stable and sustainable workforce and we have recorded our progress against this priority on pages 66 to 69.

## Staff numbers

More information is contained in the Remuneration and Staff Report on page 112.

## 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's Length Bodies are required to publish information in relation to the number of off-payroll engagements. A detailed breakdown of these appointments as well as further narrative can be found at page 121 in the Remuneration and Staff Report.

## Diversity

Information and detailed analysis is provided in the Remuneration and Staff Report on pages 113 to 115.

## Public sector equality duty

Information to demonstrate ONR's compliance with the public sector equality duty and the requirements of the Equality Act 2010 can be found in the Remuneration and Staff Report on pages 114 to 115.

## Gender pay

The Equalities Act 2010 (Specific Duties and Public Authorities) Regulations came into force on 6 April 2017 and introduced the requirement for public sector organisations to publish on their websites an annual gender pay report. ONR published its first report on 31 March 2018. Further details can be found in the Remuneration and Staff Report on page 117.

## Employee health and safety

ONR has established its own Health and Safety Group which meets three times a year. Further information can be found in the Governance Statement on page 101.

## Sickness absence

The average number of working days lost due to sickness in 2017/18 was 3.91. Further information, including comparison to 2016/17 can be found in the Remuneration and Staff Report on page 120.

## Data/Information security

There were no losses of personal data that needed to be recorded in 2017/18. See Governance Statement on page 100.

## External auditors

ONR's financial statements have been audited by the Comptroller and Auditor General, whose certificate appears on pages 127 to 130. 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. The Accounting Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## Adrienne Kelbie

Accounting Officer  
Chief Executive  
Office for Nuclear Regulation

13 June 2018

## GOVERNANCE STATEMENT

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

ONR is governed through three complementary routes:

- the Principal Accounting Officer for 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 to the requirements of both 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.

Our corporate governance structure reflects the principles of the Cabinet Office Code of Good Practice on Corporate Governance and reflects the particular requirements for effective independent nuclear regulation.

The Energy Act 2013, in establishing ONR as an independent public corporation, created the ONR Board. It is responsible 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.

The 2013 Act prescribed the composition of the Board as:

- up to seven Non-Executive Directors (NEDs), including the Chair. The Chair and five NEDs are appointed by the DWP. HSE may appoint a NED from its Board. One must have experience of, or expertise in, matters relevant to civil nuclear security matters and is appointed by the Department for Business, Energy and Industrial Strategy (BEIS);
- up to four executive members, to include the Chief Executive (CE) and the CNI.

## What the Board does

The Board is specifically responsible for:

- establishing and delivering ONR's strategic aims and objectives consistent with its overall strategic direction and within the agreed Government policy;
- ensuring that the responsible Minister is kept informed of any changes which are likely to impact on ONR's strategic direction or on the attainability of its targets and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; ensuring that the Board operates within the limits of its statutory authority and any delegated authority agreed with DWP and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the ONR Board takes into account guidance issued by DWP; ensuring that the Board receives and reviews regular financial information concerning the management of ONR and that its decisions take into account all relevant financial considerations; is informed in a timely manner about any concerns about the activities of ONR; and provides positive assurance to DWP that appropriate action has been taken on such concerns;
- demonstrating and ensuring high standards of corporate governance and probity at all times, including by using the Audit and Risk Assurance Committee to help the Board address key financial and other risks; ensuring that effective arrangements are in place to provide assurance that ONR is providing efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public;
- appointing the CE and the CNI, subject to Ministerial approval and setting performance objectives for the CE. (NB. The CE sets the performance objectives of the CNI); and
- proposing the CE's and CNI's remuneration, which must be agreed by the responsible Minister, after consulting the Chief Secretary to the Treasury where required.

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

## Attendance at Board and Committee meetings

Board member attendance at meetings 1 April 2017 to 31 March 2018

Non-Executive Members	Board (8)	ARAC (4)	Security (4)	Remuneration (3)	Joint remuneration / nominations (3)
Nick Baldwin (ONR Board Chair)	8	1*	4	3	3
Jonathan Baume	7	-	-	-	1**
John Crackett (to 31 December 2017)	6	3	-	-	3
Oona Muirhead	7	3	4	-	2
Bronwyn Hill	8	-	3	3	3
Penny Boys	8	4	-	3	3
Sarika Patel (from 1 October 2017)	3	1	-	-	-
Simon Lister (from March 2018)	1	-	-	-	-
Executive Members					
Adrienne Kelbie	7	-	-	-	-
Richard Savage (to 27 October 2017)	5	-	-	-	-
Sarah High	8	-	-	-	-
David Caton	8	-	-	-	-
Mark Foy (from 30 October 2017)	3	-	-	-	-
* ONR Board Chair is invited to one meeting per year					
** Invited to remain in the meeting by the Chair					
NB: Executive Directors (not Executive Board Directors) also support, but are not members of, the ONR Board / Committees					

## Accountability to parliament

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

Details of ONR's governance arrangements are provided in the ONR / DWP Framework<sup>1</sup>. This Framework has been reviewed and updated and the revised document was submitted to Board, by correspondence, in March 2018.

The ONR / DWP Framework Document sets out the roles and responsibilities of DWP, the ONR Board, the ONR Chair and the ONR Chief Executive as Accounting Officer. As DWP does not have government responsibility for civil or defence nuclear policy, the Framework outlines our relationship to BEIS and the MoD.

The Secretary of State for BEIS is accountable to parliament for the UK civil nuclear regulatory framework and policies. This covers civil nuclear safety and security, new-build and decommissioning programmes, emergency preparedness and response, nuclear safeguards, the safe and secure

<sup>1</sup><http://www.onr.org.uk/documents/2014/onr-dwp-framework.pdf>

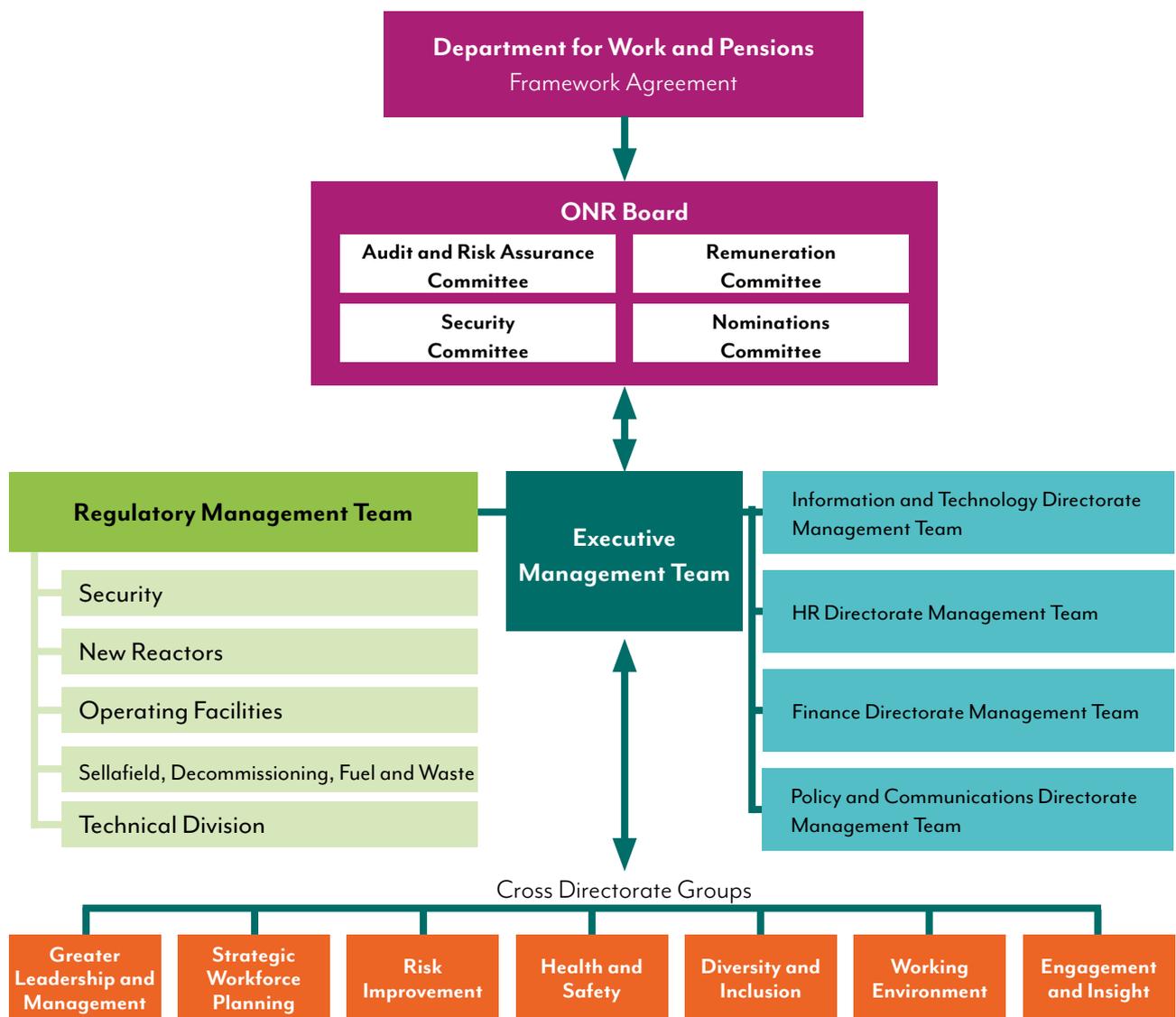
transport of radioactive material by road, rail and inland waterways; and the provision to the Secretary of State of effective assurance information across all these areas by ONR and other parties.

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

ONR provided assurance to Ministers on our regulatory effectiveness and performance in nuclear safety and security relevant to their respective portfolio.

The sponsorship role was formally discharged through quarterly meetings of a Sponsorship Board attended by senior officials from DWP, ONR and BEIS. 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 Head of Arm’s Length Bodies Partnership.

### Corporate Governance Framework 2017/18



## Work of the Board

The Board is responsible for ensuring effective arrangements for governance and internal control at ONR. The Board's Constitution reflects the principles of the 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.

Key areas of focus for the Board in 2017/18 were:

- supporting the recruitment process for the appointment of a new Chief Nuclear Inspector in October 2017 and the appointment of two new Non-Executive Directors;
- progress towards delivery of a UK SSAC and supporting the UK Government in exiting Euratom;
- the publishing of our Enabling Regulation guide, in January 2018;
- considering our modernising programme in relation to regulation, economic impact of regulation, change management, benchmarking and plan for the delivery of a new ONR IT network to improve efficiency and cyber security;
- considering the findings of our first stakeholder survey;
- maintaining engagement with industry, by holding a number of Board meetings close to licensed nuclear sites. This year we have visited Devonport Royal Dockyard, Hinkley Point C and AWE Aldermaston and Burghfield sites;
- providing direct liaison with senior Government officials at the Board strategy session, informal Board meetings and our industry conference;
- approval of the 2018/19 budget reflecting the corporate plan objectives and the regulatory assumptions, the Summary Regulatory Plan and strategic intent.

The key challenge for the Board has been to remain focused on key priorities, aided by an enhanced reporting schedule and milestone delivery plan.

The Board carried out an internal effectiveness review, using a series of questions to assess its performance. Findings from the review were largely positive, the overall consensus being of a coherent, collegiate, well managed and serviced Board that operates in a supportive and respectful way. Minor administrative improvements were suggested to improve the strategic focus of reports and provide clarity on what the Board is being asked to do.

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

ARAC oversaw a robust programme of work during 2017/18 to provide assurance to the Board. It ensured that appropriate and adequate audit processes were maintained to oversee the internal and external audit programmes. The ARAC comprised three Non-Executive Directors and an independent member, Clifford Shanbury, with representatives from Regulatory Assurance, Internal Audit and National Audit Office in attendance. The ONR Board Chair attended one meeting in accordance with the Committee's Terms of Reference.

ARAC completed its work programme. An annual report was considered by the Accounting Officer and the Board, noting that ONR was in all material aspects a compliant organisation, striving to achieve improvements in the management of resources, performance and processes.

ARAC oversaw the quarterly reviews of the Strategic Risk Register, risk mitigation activities and the implementation of Internal Audit and Regulatory Assurance recommendations. ONR implemented an Integrated Audit and Assurance Framework on 1 April 2017. This provides a complete, coherent and integrated framework for the organisation, setting out clear accountability for our three lines of defence. The Framework is working effectively and ARAC has endorsed an Integrated Audit and Assurance Plan for 2018/19.

The most significant risk on the ONR Risk Register continues to relate to concerns about cyber security, information governance and data compromise to information systems. While a programme of work for 2017/18 had been developed, to enable ONR to implement and control its own cyber defences, further enhance data security and integrity and give greater flexibility to deliver more effective and efficient solutions, it has not progressed at the pace we aspired to. ARAC noted the delay, expressed their concerns and offered support to expedite the required activity. ARAC acknowledged the action being taken by the Chief Executive to deliver what is required and requested an update at each meeting, seeking additional assurances through the introduction of gateway / peer reviews.

ARAC completed an annual self-review of effectiveness, the results of which were reported to the October 2017 meeting. The Committee was considered to be effective in discharging its accountabilities through its Terms of Reference (ToR) and some minor changes to the ToR, to update and provide clarity on the ARAC attendees and to reflect the introduction of the Integrated Audit and Assurance Framework, agreeing how future progress reports will be provided to ARAC.

## **Nominations Committee**

The Committee met jointly with the Remuneration Committee on three occasions to discuss succession planning for key Board level roles, including appointment of acting and then permanent Chief Nuclear Inspector and contract extension of the Chief Executive.

## Remuneration Committee

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

The Committee met jointly with the Nominations Committee to deal with: succession planning for key Board level roles, remuneration of acting and then permanent Chief Nuclear Inspector and Chief Executive remuneration.

In 2017/18, the Committee required SCS equivalent staff to set stretching, outcome focused objectives focussing on corporate leadership which evidence ONR's behavioural competencies. The Committee received assurance at mid-year that the agreed framework for performance assessment and remuneration is being applied correctly for the Executive Board Directors and SCS equivalents. Some non-compliance was identified at year end stage and lessons learnt will be applied. A request was made for the year-end report to clearly set out assessment of delivery against objectives to support year-end decisions.

The Committee agreed performance bonus payments for SCS equivalent staff for 16/17 and baseline salary proposals for 2017/18. A number of factors were considered to inform the Committee's decision including: existing public sector pay guidance, benchmarking intelligence, market trends and nuclear sector intelligence as well as ONR's own senior staff bonus frameworks and the wider ONR pay deal.

The Committee conducted an annual review of its effectiveness which reported in March 2018. Members agreed that the ToR are compliant with HM Treasury's Corporate Governance Code and that the Committee adhere to their remit. Suggested changes included making it explicit that, although the ONR Chair can be a member of the Committee, they cannot Chair proceedings. A suggestion was made to merge the Remuneration and Nominations Committees, as both have met to deal with recent senior appointments in 2017/18 and there are synergies in their work. This suggestion will be tested through an external effectiveness review in 2018 that will look to bring wider learning from across the public sector.

## Security Committee

The Security Committee oversaw a programme of work during 2017/18 to provide assurance to the Board. The Committee comprised three Non-Executive Directors, with representatives from ONR Civil Nuclear Security (CNS), Civil Nuclear Constabulary, BEIS, MoD and the Centre for the Protection of National Infrastructure in attendance.

The Committee was satisfied that ONR continues 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 industry's business. The Committee's programme of work was structured around strategy and priorities, managing key risks, assurance and capability and best practice.

An annual report was considered by the Board in June 2017 recognising that significant work has continued to be undertaken to provide robust regulation of the industry and to make improvements to ONR's regulatory approach, capacity and capability.

The development and pilot of SyAPs has continued to be a key focus for the Committee in year two of the project. The Committee continued to receive regular updates from the divisional director on this key change programme and has been clear that the move to outcome-focused security regulation would mark a major change for both the industry and ONR, but has also been keen to quantify the benefits for adopting this approach for the regulator and licensees

Throughout 2017/18 the Committee received reports on performance against regulatory priorities and considered the divisional risk register. After being presented with ONR's assessment of the performance of the industry and the Committee endorsed the proposed regulatory priorities for 2018/19.

During the year focus has been given to developing sources of assurance to separately assess the performance of the CNS team in delivering against their stated objectives and industry performance.

The Committee conducted an annual internal review into its effectiveness in early 2017, which concluded that it was effective in discharging its accountabilities through its ToR. Some minor changes to the ToR were agreed to provide clarity about the assurance reports provided to the Committee in relation to the work of the divisional director, Director of CNS Division and team, not least to avoid any impression that the Committee is reviewing performance solely on the basis of CNS reports.

### **Monitoring performance of the Board and its committees**

The ONR Chair carried out both mid- and end-year appraisals with each Non-Executive Director against the criteria set out on appointment. The review process included a short self-assessment and priorities for the next year. An agreed written record of the end of year discussion was submitted to DWP as our sponsor department for inclusion, as appropriate, in overall reports to Ministers.

ARAC, the Security Committee and the Remuneration 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 EMT is the primary executive decision-making body, supporting the Board in ensuring effective governance and internal control at ONR. Its membership comprises all Chief Executive direct reports and one divisional director nominated by the CNI. It is responsible for delivering the strategic plan and has a strong focus on delivery against the four strategic themes.

The executive governance arrangements ensure that there is accountability, openness and transparency in our decision making processes and support delivery of our operations (corporate and regulatory). In addition to the EMT, each director has a constituted Directorate Management Team (DMT) to discharge its own operational responsibilities, milestone planning and reporting. An effectiveness review of the executive governance arrangements was undertaken, the outcome of which was reported in July 2017. Findings were positive, with no fundamental concerns.

Key areas of focus this year have been on continuing to deliver efficient and effective regulation of the nuclear industry. In addition to our core regulatory activity, we have focused on developing an independent UK SSAC, which will enable the UK to meet its international safeguards standards by end of March 2019. We have also enhanced our corporate planning, supported the development and progression of the strategic improvement projects (ONR Academy and business process review / knowledge management), scoped the IT separation and modernisation programme requirements, responded to the findings of the staff survey, secured central London accommodation for our London-based staff and delivered the first stakeholder survey.

Regulatory case decisions are delegated by the Board to our suitably skilled, qualified and experienced CNI in accordance with the Energy Act 2013. The CNI is personally and directly accountable for ensuring that regulatory decisions are proportionate, balanced and consistent. The Regulatory Management Team (RMT) plays a key role in enabling a strong regulatory focus by nuclear qualified and experienced leaders accountable for delivery. It has the largest operational accountability, team and budget and provides leadership to ensure ONR's regulatory strategy is delivered and that ONR is effectively and efficiently regulating the nuclear industry.

The cross-directorate governance groups continue to make progress, providing regular updates to EMT.

EMT and RMT directors spent time together twice during the year to review organisational effectiveness, reinforce strategic intent and enhance their leadership effectiveness.

The senior teams' collective insight has informed the development of ONR's Corporate Plan 2018/19.

### **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 to declare interests at each Board and Committee meeting. Four potential conflicts of interest were raised and these were recorded in the minutes of the remuneration committee. Disclosures were recorded in the minutes and, where necessary, the members concerned did not take part in any deliberation or decision on the matter.

### **Transparency**

The Board's strategy promotes openness and transparency in nuclear regulation based on a presumption of disclosure. Appropriate Board papers and minutes were published on ONR's website:

- <http://www.onr.org.uk/meetings/>

We received 56 requests under the Freedom of Information Act 2000 (FOI) and/or the Environment Information Regulations 2004 (EIR). Three requests were subject to an internal review and all of these were completed satisfactorily within the required 20 working days upholding the original decision.

Three complaints (originating from outside ONR and are about ONR, in relation to a work activity for which ONR has regulatory responsibility) and 36 concerns (from members of the public or employees relating to a wrong doing in a workplace in relation to a matter that ONR regulates) were received. All complaints and concerns were completed to the third parties' satisfaction.

There were four requests relating to the Data Protection Act 1998, both relating to individuals asking for details of their own vetting information. Two were completed satisfactorily within the required 40 working days timescale and two are in progress.

## Whistleblowing

Six-monthly reports were considered by EMT and ARAC.

**Internal** - There were no internal cases raised in 2017/18. However, the policy was re-issued to directors to remind them of their obligations under the policy and lessons learned from previous disclosures.

**External** - ONR, as a prescribed body under the law, received three cases in early 2018 with regards to matters that ONR regulates. These are currently under investigation.

There had been one outstanding case from 2016/17 relating to a security issue but this was resolved in October 2017 to the satisfaction of those involved and this had not raised any specific concerns for ONR.

ONR recognised that the definitions of a whistleblowing case, concern and complaint publicised on the website could be clearer and this information has now been updated to provide further clarity.

## Setting objectives and operational performance management

The ONR Corporate Plan 2017/18 was produced following engagement with colleagues across the whole of ONR. It set out ONR's objectives and key performance indicators, 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/2016/strategic-plan-2016-2020.pdf>

The plan included ONR's corporate milestones and key performance indicators. Performance against these has been closely monitored by the Board and the EMT.

Four standing reports were submitted to each Board meeting to enable each executive member to demonstrate accountability for their area of responsibility:

- Chief Executive Report - to provide assurance to the Board that 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 is meeting its statutory regulatory obligations;

- Finance Director Report - to report on financial management and performance and to provide assurance to the Board that ONR is being properly managed to deliver its operational plans to budget and is effectively mitigating risk;
- Human Resources Director Report – to provide assurance to the Board that people issues are being managed appropriately and that ONR is getting the best out of its people.

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

In October 2017, the ONR Board agreed to disaggregate its existing risk appetite into more specific statements, demonstrating a step-change in ONR's risk management maturity and building upon recent activity in implementing ONR's Risk Management Framework to promulgate an effective and risk aware culture.

The Board's risk appetite statement is included in the ONR Corporate Plan 2018/19.

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

ONR manages risk through clear lines of executive accountability and regular review and challenge by our Risk Improvement Group and EMT, subject to scrutiny by the ARAC and Board. The management of internal regulatory risks is also observed by Board.

The Risk Improvement Group, chaired by the Finance Director, provided challenge to risk owners on the effective management of ONR's corporate and directorate risks. It considered and made recommendations on the escalation and de-escalation of risks and the effectiveness of mitigations.

The Strategic Risks are set out on page 13.

### **Risk landscape**

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

Our most significant risks relate to information security, management and governance and cyber security and resilience, to ensure we have adequate and appropriate levels of security and control. Progress in mitigating our IT risks during 2017/18 has been slower than planned, exacerbating an already ageing estate. However, this has received considerable management attention and recent changes to our approach are improving confidence in our plans to ensure we secure improved management, governance and resilience in this area during 2018/19.

Cyber security features highly and has resulted in increased efforts to mitigate the potential effects of cyber risks. In particular, a step change in ONR's approach has seen increased education, awareness campaigns, training and penetration testing to validate and assure our IT security functions are effective. This is and will be seen as an on-going lifecycle of work to protect and safeguard our data and information. It will prove to be an on-going challenge for ONR to ensure we maintain a robust and resilient IT environment.

Another key challenge is how we mitigate the risks with BREXIT. Over the past 12 months we have increased our capability to recruit additional policy specialists and developed an international engagement strategy, enabling us to understand any implications for any changing national or international agreements allowing ONR to plan and maintain our regulation activities keeping any impact to a minimum. It also exposes opportunities for different ways of working, giving ONR the ability to pursue any viable operating provisions if changes take place.

A significant risk resulting from BREXIT relates to establishing a UK SSAC and its delivery to meet international standards for safeguarding nuclear materials by 29 March 2019. As a direct consequence of mitigating this risk we have established the UK SSAC project led by a dedicated Senior Responsible Owner (SRO) supported by a full project team. Their focus is to provide oversight of delivery of key milestones and the detailed project plan, which is subject to Infrastructure and Projects Authority (IPA) external audit.

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

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

The ONR risk landscape continues to evolve and the above key areas of risk have provided some of the most challenging months for ONR as we continue to deliver our strategic objectives. It is not without doubt that the remaining risks also feature highly in our risk mitigation and modernisation plans allowing ONR to continually horizon scan, monitor and review emerging challenges as set out in our Risk Management Framework. This is underpinned by our Governance, Audit and Assurance arrangements, ensuring any gaps are addressed and improvements made.

## Integrated Audit and Assurance Framework

ONR implemented a new Integrated Audit and Assurance Framework on 1 April 2017, following its approval by the ARAC. Reporting within ONR's audit and assurance framework is fully linked with the corporate and executive governance arrangements.

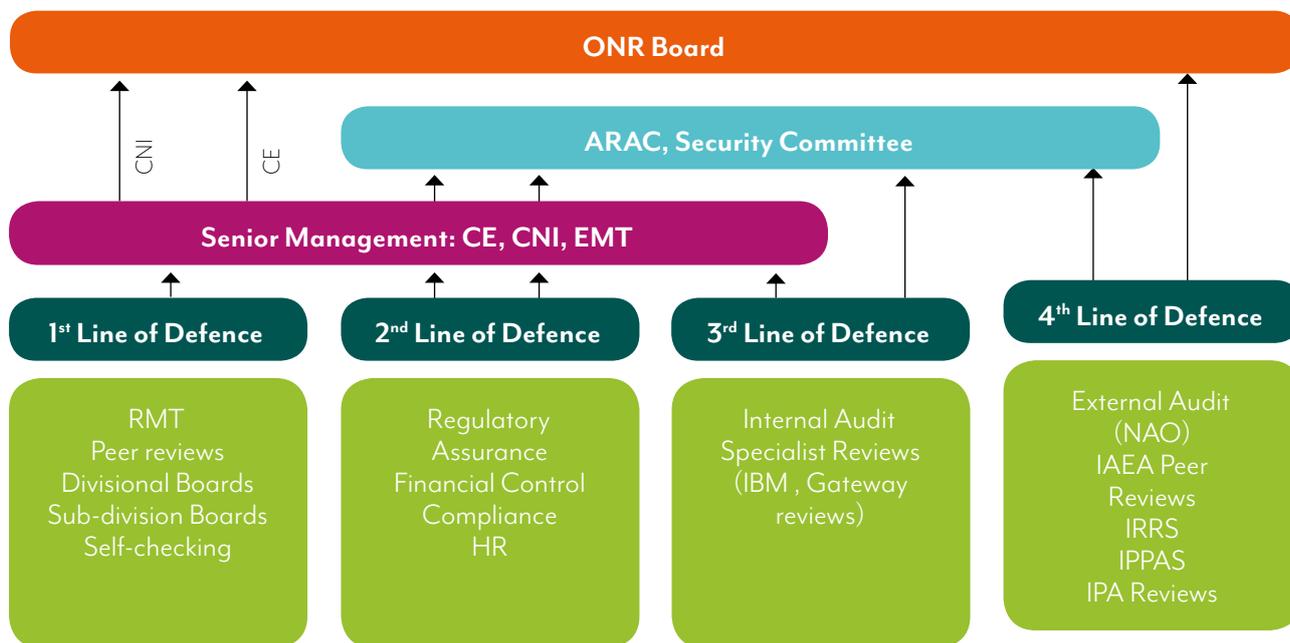
The Audit and Assurance Plan for 2017/18 was agreed by ARAC at the start of the year. The Board engaged the Government Internal Audit Agency to provide internal audit services directly to ONR and during the year they provided assurance on:

- Service Management Agreement
- Communications – Stakeholder Management
- Risk Management
- Corporate and Regulatory KPIs
- Budgeting/Forecasting and Reporting
- Competency Pay Progression
- General Data Protection Regulations
- Assurance Definition and Improvement Plan
- Confidentiality, Integrity and Availability of Information in TRIM
- Business Continuity Planning/Disaster Recovery
- Inspector Warranting
- Workforce Planning
- Information Security – End of Year Assessment

Overall, the Government Internal Audit Agency gave a Moderate Assurance rating across ONR's corporate functions based upon these audits and the progress made against recommendations arising from them.

Figure 4 shows the ONR Integrated Audit and Assurance Framework.

Figure 4 - ONR Integrated Audit and Assurance Framework



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

### Regulatory assurance

In addition to the audits of ONR’s corporate functions, our independent regulatory assurance function completed a schedule of 12 independent Regulatory Assurance reviews in 2017/18 to provide assurance on compliance, quality and effectiveness of ONR’s regulatory activities including decision making processes.

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. The overall assurance rating of ONR’s operational regulatory activity was *moderate*. The table below summarises the assurance ratings from the 12 reviews and shows that no reviews were rated below Moderate during the year.

Assurance Rating	Number of reviews
Unsatisfactory	0
Limited	0
Moderate	8
Substantial	4
<b>Total Number of Reviews</b>	<b>12</b>

Findings from reviews are used to improve processes and share good practice across the organisation, demonstrating ONR’s commitment to drive continuous improvement and raise standards.

The Integrated Audit and Assurance Framework is working effectively and the approach has been shared as a good practice with other regulators nationally (HSE and Civil Aviation Authority) and also internationally, including the United Arab Emirates Federal Authority for Nuclear Regulation.

ARAC has endorsed our first Integrated Audit and Assurance Plan for 2018/19 which has been informed by ONR's strategic and regulatory risk registers and ONR's strategic themes.

### **Letters of assurance provided by ONR's Executive Management Team**

2017/18 Letters of Assurance from all of my direct reports, including two SROs, set out the details on how each had discharged their accountabilities detailed in their letter of delegation during the year. They have provided their key business developments, how they had discharged their governance and control arrangements within their directorate, key achievements within the year and details of any significant control challenges and any emerging control issues throughout 2017/18.

Performance was rated against an internal control system using a scale of 1 to 5 (1 being objectives not met and 5 being fully compliant with no exceptions). The Letters of Assurance recorded that they were, on the whole, fully compliant with no exceptions (scoring 5) or broadly compliant with minor exceptions/minor impact (scoring 4). The areas of exception included the maturity of risk management mitigation and control, performance management arrangements, leadership focus and policy compliance with some minor breaches that were investigated and actioned appropriately in year.

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

SSCL continues to operate employee-related HR, payroll and expenses administration, financial accounting, procurement and relevant IT processes to ONR as part of a wider service to government. We have received and considered the letter of assurance from the Director of Shared Services for Government – Cabinet Office, in respect of SSCL's performance.

The information provided is based on the Independent Standard on Assurance Engagement 3402 (ISAE 3402) report prepared by PricewaterhouseCoopers LLP (PwC) as the Independent Service Auditor (ISA). The purpose of the report was to provide assurances to those charged with governance, in bodies to which SSCL provides services, on the effectiveness of controls related to the management statements on the accuracy and transparency of key processes.

PwC's opinion is qualified for the second year as there are areas where controls did not work as effectively as SSCL anticipated. However, it was noted that significant improvements had been made by SSCL. Related to ONR, these areas are information technology, human resources and order to cash (debtors). We can confirm that there is no material impact on the financial statements as a result of these findings. There is also no operational impact on ONR's day to day transactions.

SSCL has already begun to address the issues in the following manner:

- Where a control weakness was identified, remedial action is either planned, taken place or mitigation controls are in place.

- Where PwC has identified that evidence is missing or not retained, SSCL is addressing this by ensuring evidence is retained, procedures are up to date and additional management checks are implemented where required.
- SSCL will review and implement any recommended control improvements in order to strengthen the control environment and this is already underway.

While there is remedial action being taken as a matter of priority, Government Shared Services will be following up each individual action to ensure adequate controls are in place.

ONR will monitor progress against the remedial action plan.

### **Assurance provided in respect of services provided through a Service Management Agreement (SMA) by HSE**

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

- carries out its duties and obligations under the agreement in accordance with its terms and that it has exercised and continues to exercise reasonable skill, care and diligence in the performance of those duties and obligations;
- monitors compliance with obligations under the agreement and notifies ONR of any issues that may have an adverse material impact on delivery; and
- has sufficient, appropriately skilled and experienced resources to enable HSE to comply with its obligations under the agreement.

The HSE Finance Director has considered the areas covered by the SMA and having reviewed the controls that have been put in place, he has determined that the arrangements provide a reasonable level of assurance and there are no significant issues arising which need to be brought to ONR's attention. This is based on assurance taken from independent reviews, notably, the advisory work undertaken by PwC in connection with the retender of HSE's IT services did not identify any significant issues.

Additionally while HSE, in common with other government departments, has been unable to comply with Public Service Network (PSN) accreditation (see below), HSE has remediated the critical issues identified in the 2017 IT Health Check and is working towards attaining cyber essential certification.

### **Other sources of assurance**

ONR's compliance with IS4 - handling of cryptographic items (Crypto) was audited by the National Cyber Security Centre in September 2017. ONR was assessed as compliant and all recommendations have now been actioned.

In respect of the IT Health Check/Public Service Network (PSN), ONR received a copy of the IT Health Check report commissioned by HSE. The Cabinet Office carried out the review in April 2017 to assess if HSE met the requirements of the PSN code of connection. HSE did not meet all the requirement; a number of critical and high priority issues, requiring immediate action, were raised.

ARAC was advised, at its meeting on 7 June 2017, that these actions had been completed. Despite the many mitigating controls being implemented, the Cabinet Office will not countenance any Windows 2003 servers (or older) on an organisation's IT estate and consequently will not issue any certificates of compliance.

However this is not unique as many government departments have legacy systems that are hosted on Windows 2003 and therefore they are also not PSN compliant but none have been denied operating on the PSN. HSE/ONR's legacy system is COIN which cannot be upgraded but is scheduled to be replaced. Considerable mitigating controls have been put in place around COIN to reduce its vulnerability and further controls will be implemented with the new Security Operations Centre in Quarter 1 and 2 of 2018/19.

Regarding security vetting, an independent audit of ONR's vetting procedures and policies was undertaken in August 2017. Some areas of improvement were identified and all of these have now been actioned. ONR's vetting processes are now effective and resilient.

HMRC conducted a VAT review and employer compliance audit of ONR during the year. In respect of the VAT review, the report confirmed that, as a result of the investigations, HMRC are satisfied that ONR is currently compliant for the purposes of VAT and no errors were identified. In respect of the employer compliance audit, HMRC has concluded their review with no findings to report.

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

ONR has adhered to the requirements of government's Security Policy Framework. We continued to monitor information security extensively and have recruited specialist IT capability (notably a Network Security Analyst and an IT Security Officer) to support IT infrastructure improvements that are being developed to enhance the security and integrity of ONR's IT systems. Formal engagement with the National Cyber Security Centre has also taken place seeking advice on our IT plans.

ONR has reported no losses of personal data that need to be recorded.

A General Data Protection Regulation (GDPR) Project has been established providing a consistent and coordinated approach to achieve organisation-wide compliance. The project facilitates appropriate governance, risk management and control over deliverables. Two key appointments have been made, a SRO for GDPR and a specialist consultant with relevant GDPR knowledge and skills to manage the project. The consultant is acting Data Protection Officer (DPO) until a permanent appointment is made from ONR staff, expected early in the new financial year. ONR will not be fully compliant with GDPR by 25 May 2018 but intends to deliver a comprehensive plan to demonstrate how compliance will be achieved within a reasonable timescale.

### **Hospitality**

A register of offers and receipts of gifts and hospitality made to staff each financial year, whether accepted or not, was maintained for sign off by the Finance Director. A mid-year and annual report was provided to EMT and ARAC. Compliance with the policy is good and staff are regularly completing and submitting the appropriate returns with evidence of approval by their line managers. All staff were reminded, periodically, of the gifts and hospitality policy.

## 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.

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

## Health and safety

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

The Health and Safety Group met three times and provided an annual report to the EMT 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

Significant work has been undertaken by the EMT over the last financial year, reflecting many improvements to the control environment and, where necessary, actions continue to be progressed. The most significant control challenges relate to addressing the risks posed by ONR's IT infrastructure and the enhanced focus to secure the required outcomes is recognised. While the material improvement in risk we forecast during 2017/18 has not been achieved, efforts in this area are being doubled to strengthen capability, governance and collaboration with our delivery partner HSE. Robust project management disciplines have been established and we will introduce regular gateway reviews to ensure we secure effective delivery outcomes and demonstrable risk mitigation during 2018/19.

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

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

## Adrienne Kelbie

Accounting Officer  
Chief Executive  
Office for Nuclear Regulation

13 June 2018

## STATEMENT OF ACCOUNTING OFFICER 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;
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that ONR will continue in operation.

The Accounting Officer for DWP has designated the Chief Executive (between 1 April 2017 and 31 March 2018) of ONR as Accounting Officer 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 for ONR, I am responsible for maintaining a sound system of internal control while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury Guidance, Managing Public Money.

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

I confirm that this 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 2017 to 31 March 2018.

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

### BOARD CHANGES

Nick Baldwin CBE continued in his role as Board Chair. He was appointed by the Secretary of State for Work and Pensions for a period of five years in April 2014, having been its Interim Chair from 1 April 2011, following the establishment of ONR as a Public Corporation.

John Crackett resigned as Non-Executive Board Member and Chair of the Audit and Risk Assurance Committee on 31 December 2017.

Oona Muirhead was reappointed for a second three-year term as a Non-Executive Board member starting 1 October 2017.

Sarika Patel was appointed as a Non-Executive Board Member on a five-year fixed term contract from 1 October 2017. She became Chair of the Audit and Risk Assurance Committee on 1 January 2018.

Simon Lister was appointed as a Non-Executive Board Member on 05 March 2018 on a four-year fixed term contract.

Clifford Shanbury's contract has been extended to 30 September 2019.

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

Richard Savage resigned in his role as Chief Nuclear Inspector on 29 October 2017. He had been formally appointed Chief Nuclear Inspector on 18 March 2016 on a three year fixed term appointment following an external competition.

Mark Foy was appointed to the role as Chief Nuclear Inspector on 30 October 2017. He took over the role previously held by Richard Savage.

David Caton was appointed as an Executive of the ONR Board on 1 April 2017.

The Secretary of State for Work and Pensions was also responsible for appointing all Non-Executive Board members, with the exception of Oona Muirhead who was appointed by the Secretary of State for BEIS and Jonathan Baume who was nominated to the ONR Board by the HSE Board and received no remuneration from ONR.

## SERVICE CONTRACTS

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

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

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

### Details of the service contracts for Board members who have served during the year

Name	Start date of contract	End date of contract	Notes
<b>Non-Executives</b>			
Nick Baldwin	1 April 2014	31 March 2019	Chair
Jonathan Baume	1 April 2014	31 December 2019	Appointed by HSE. Re-appointed 1 October 2016
Penny Boys	1 March 2016	31 January 2020	
John Crackett	1 April 2014	31 December 2017	Chair of Audit and Risk Assurance Committee to 31 December 2017
Bronwyn Hill	18 January 2016	31 January 2020	
Oona Muirhead	1 October 2014	30 September 2020	Reappointed for a second three-year term starting 1 October 2017
Sarika Patel	1 October 2017	30 September 2022	Chair of Audit and Risk Assurance Committee from 1 January 2018
Simon Lister	5 March 2018	4 March 2022	

Name	Start date of contract	End date of contract	Notes
<b>Executives</b>			
Adrienne Kelbie	18 January 2016	17 January 2019	Chief Executive
Richard Savage	18 March 2016	29 October 2017	Chief Nuclear Inspector
Mark Foy	30 October 2017	29 October 2022	Chief Nuclear Inspector
David Caton	1 April 2017	n/a	Appointed as an Executive member of the ONR Board on 1 April 2017
Sarah High	1 January 2017	n/a	Finance Director

Name	Start date of contract	End date of contract	Notes
<b>Audit and Risk Assurance Committee (ARAC) Member</b>			
Clifford Shanbury	19 March 2012	30 September 2019	Contract extended to 30 September 2019

## REMUNERATION POLICY

The Remuneration Committee has responsibility for all matters relating to the remuneration and performance of the executive members of the ONR Board and other senior staff at SCS (equivalent) levels, covering current and future years, taking into account recommendations and work programme of the Senior Salaries Review Body.

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

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

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

	Salary (£'000) FULL YEAR EQUIVALENT SHOWN IN BRACKETS WHERE APPLICABLE		Bonus payments (£'000) <sup>3</sup>		Benefits in Kind (to nearest £100) <sup>1</sup>		Pension Benefits (£'000) <sup>2</sup>		Total (£'000)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
<b>Non-Executives</b>										
<i>Board Chair</i> Nick Baldwin	35-40	35-40	-	-	3,900	3,200	-	-	40-45	40-45
Penny Boys	10-15	10-15	-	-	100	200	-	-	15-20	15-20
John Crackett (a)	10-15 (10-15)	10-15	-	-	200	600	-	-	10-15	15-20
Bronwyn Hill	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Oona Muirhead	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Jonathan Baume (b)	-	-	-	-	-	-	-	-	-	-
Sarika Patel (c)	5-10 (10-15)	-	-	-	-	-	-	-	5-10	-
Simon Lister (d)	-	-	-	-	-	-	-	-	-	-
<b>Executives</b>										
<i>Chief Executive</i> Adrienne Kelbie	145-150	140-145	10-15	10-15	-	-	58	68	215-220	225-230
<i>Chief Nuclear Inspector</i> Richard Savage (e)	85-90 (145-150)	145-150	-	0-5	-	2,200	9	227	95-100	380-385
<i>Finance Director</i> Sarah High (f)	100-105	20-25 (95-100)	5-10	5-10	-	-	38	29	145-150	60-65
<i>Chief Nuclear Inspector</i> Mark Foy (g)	55-60 (140-145)	-	5-10	-	-	-	111	-	175-180	-
<i>HR Director</i> David Caton (h)	90-95	-	5-10	-	-	-	58	-	155-160	-

1. 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.
2. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
3. The SCS Bonus payments will be made in 2018/19.

### Notes:

- a. Appointment as a Non-executive of the ONR Board ended on 31 December 2017.
- b. Appointed as a Non-Executive Director by HSE and is not remunerated by ONR.
- c. Appointed as a Non-Executive of the ONR Board on 1 October 2017.
- d. Appointed as a Non-Executive of the ONR Board on 5 March 2018 and is not remunerated by ONR.
- e. Stepped down from role as Chief Nuclear Inspector and as an Executive member of the ONR Board on 29 October 2017.
- f. The £100 – 105k salary comprises £95 – £100k annual salary and £0 - 5k payment in lieu of annual leave made in 2017/18.
- g. Appointed as Chief Nuclear Inspector and an Executive member of the ONR Board on 30 October 2017.
- h. Appointed as an Executive member of the ONR Board on 1 April 2017. The £90 – 95k salary consists of £85 – 90k annual salary and £0 – 5k responsibility allowance paid in 2017/18.

Remuneration shown is for periods of Board appointment only.

### Salary

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

### Benefits in kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. For executives, this is agreed by the Remuneration Committee. For other senior officers, this is subject to moderation by the ONR Senior Staff Pay Committee and endorsed by the Remuneration Committee. The value of bonuses is dependent upon a number of factors and is subject to the total amount of available funds. Bonuses relate to the performance in the year in which they become payable to the individuals. The bonuses reported in 2017/18 relate to performance in 2017/18.

No bonuses are paid to Non-Executive Directors.

## Fair pay disclosures

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 medium rate of pay (subject to audit).

	2017/18	2016/17
<b>Band of highest paid Director's total remuneration £'000 (excluding pension benefits)</b>	155-160	155-160
<b>Median total remuneration £</b>	71,200	68,500
<b>Ratio</b>	2.21	2.30

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 2017/18 was £155,000 to £160,000 (the comparative figure for 2016/17 was £155,000 - £160,000). This was 2.21 times the median remuneration of the workforce, which was £71,200 (for 2016/17, this was 2.30 times the median remuneration of the workforce, which was £68,500).

In 2017/18, no employees received remuneration in excess of the highest paid Director (in 2016/17, no employees received remuneration in excess of the highest paid Director). Remuneration ranged from £19,069 to £159,444 (for 2016/17, the range was £18,819 to £158,000).

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 (subject to audit)

	Accrued pension at pension age as at 31/03/18 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/18 £'000	CETV at 31/03/17 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account (nearest £100)
<b>Adrienne Kelbie</b>	15-20	2.5-5	199	156	25	-
<b>Richard Savage</b>	50-55 plus a lump sum of 160-165	0-2.5 plus a lump sum of 0-2.5	1,114	1,054	7	-
<b>Mark Foy</b>	50-55 plus a lump sum of 150-155	5-7.5 plus a lump sum of 15-17.5	1,058	941	100	-
<b>Sarah High</b>	20-25	0-2.5	316	278	16	-
<b>David Caton</b>	35-40 plus a lump sum of 110-115	2.5-5 plus a lump sum of 2.5-5	761	676	38	-

### Notes:

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

## Civil Service Pensions (CSP)

Pension benefits are provided through the CSP arrangements. Although ONR staff from 1 April 2014 were no longer civil servants, 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 service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60 and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who

were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.

All members who switch to alpha have their PCSPS benefits “banked”, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a “money purchase” stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8% 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, 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 the member’s pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

New career average pension arrangements were introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members joined the 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 (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individuals have accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### The real increase in CETV

This is the element of the increase in accrued pension funded by the Exchequer. This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Compensation for loss of office (subject to audit)

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

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

For 2017/18, fees and expenses amounting to £3,110 (compared to £3,219 for 2016/17) were paid to the independent member of the Audit and Risk Assurance Committee, as shown in the table below.

	2017/18 Total fees and expenses £'000	2016/17 Total fees and expenses £'000
Clifford Shanbury	0-5	0-5

## STAFF INFORMATION

### Senior Civil Service (equivalent)

There were 10 Senior Civil Service (equivalent) posts as at 31 March 2018. This was the same number of SCS posts as reported in the previous year.

Full-time equivalents by pay band	Pay range	31 March 2018	31 March 2017
SCS2 Equivalent (1)	£82,900 to £162,500	2	2
SCS1 Equivalent (2)	£58,200 to £117,800	8	8
<b>Total</b>		<b>10</b>	<b>10</b>

### Recruitment into leadership positions

ONR has secured individuals to key leadership roles during 2017/18; these include:

- Director of the Civil Nuclear Security (CNS) Division. Paul Fyfe was appointed to this position following the retirement of the previous Director of CNS, Adrian Freer, in August 2017;
- Chief Nuclear Inspector (Mark Foy), who was successful in securing this position following an open external competition to recruit a successor to this role following Richard Savage's departure from ONR in 2017;
- Director of the Operating Reactors Division, Donald Urquhart, who was the successor to this role following the appointment of the previous Director of the Operating Reactors Division, Mark Foy, to Chief Nuclear Inspector, in October 2017; and
- recruitment began in 2017/18 to appoint a Director of Policy and Communications (SCS1 equivalent); Katie Day was successful at securing this position following an open competition and is due to commence her appointment in early 2018/19.

### Staff numbers (subject to audit)

The average number of full-time equivalent posts was:

	Permanent staff (1)	Other staff (2)	Total
2016/17	520	3	523
2017/18	561	3	564

### Notes

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

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

## Diversity

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

We have made the robust business case for diversity and inclusion, which shows that diverse organisations make better decisions and are more productive, this includes the development of an effective communication handling plan with targeted communications and events. As a result, we have grown organisational awareness, demonstrated by the support for diversity and inclusion events including World Mental Health Day, International Day for Persons with Disabilities and International Women's Day.

ONR showed its commitment to creating an inclusive organisation by implementing mechanisms to address unacceptable behavioural issues and to provide assurances that such issues of poor behaviour would be dealt with effectively and quickly. Such mechanisms include:

- the development of a new Behavioural Framework, which sets the behavioural standards that all staff are expected to follow. This forms the basis of staff's performance to be managed against and reinforces the message that unacceptable behaviour will not be tolerated and will be dealt with accordingly. This will be embedded across all HR processes including recruitment, promotion and performance management;
- the introduction of a Confidential Advisor Network (CAN). The CAN is a support network whereby anyone, who is concerned about any form of abusive behaviour in the workplace, can raise concerns and challenge unacceptable behaviours. The CAN provides a safe space for reporting bullying and harassment and consists of 29 trained Confidential Advisors across all three ONR locations;
- the development of a stand-alone bullying and harassment policy, along with diversity and inclusion policies.

We engaged with the UK National Equality Standards (NES) to undertake an assessment of diversity and inclusion within ONR and help us deliver our vision, strategy and action plan.

The NES assessment report highlighted key areas of strength for ONR, including our focus on Science, Technology, Engineering and Mathematics (STEM) support, our gender pay for 2016/17, competency pay progression and learning and development opportunities, the launch of the ONR Academy and establishing success criteria and KPIs for measuring diversity and inclusion activity. We successfully achieved three of the seven standards following the initial National Equality Standard (NES) assessment and have plans in place for 2018/19 to achieve the resultant standards required to achieve full accreditation.

## Gender diversity

ONR's gender split of female to male staff as at 31 March 2018 has increased since 31 March 2017 (34.5% compared to 31.2%). In addition, there has also been an increase in the number of females occupying senior roles<sup>1</sup> within ONR; as at 31 March 2018, 20% of senior roles in ONR were occupied by females, compared to 18.8% at 31 March 2017.

The breakdown in headcount of our female and male cadre of staff is detailed below.

Number of staff by gender (headcount)	31 March 2018		31 March 2017	
	Male	Female	Male	Female
Directors (Non-executive)	3	4	3	3
Senior Civil Service equivalents	7	3	7	3
Permanently appointed staff (Bands 1 – 6)	394	202	382	172
<b>Total</b>	<b>404</b>	<b>209</b>	<b>392</b>	<b>178</b>

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

We have established an ONR cohort of STEM ambassadors from across the organisation and the Nuclear Institute to improve diversity of staff in the nuclear sector. We have developed a STEM strategy to increase our outreach and widening participation in STEM programmes to engage with female pupils and teachers from local schools, advising how they can apply STEM subjects to pursue interesting and rewarding careers within the nuclear industry. Supporting STEM activities through a distinct strategy will ensure that we inspire the next generation of nuclear inspectors.

Through our representation at the Nuclear Skills Strategy Group (NSSG), our ongoing support of Women in Nuclear UK (WiN UK), along with our Chief Executive being Patron of WiN UK, we are utilising existing tools and best practice, including the WiN Industry Charter, to encourage greater female representation within ONR and across the nuclear sector more widely.

To support career progression of females within the organisation, ONR have actively looked at factors that can deter or facilitate such progression; an external company, 'The Glass Lift', undertook research on behalf of ONR to determine these factors and we have used the findings to help embed actions within our diversity and inclusion action plan.

ONR have completed their gender pay report for 2017/18 and this is available to view via the ONR website ([www.onr.gov.uk](http://www.onr.gov.uk)). The Executive summary, along with resultant actions identified to address the gender pay gap in ONR, are included on page 117.

## Diversity declaration rates

During 2017/18, we had seen an encouraging increase in the declaration rates relating to sexual orientation and religious belief; however we continued to have low self-declaration rates relating to ethnicity and disability diversity characteristics, which mean we do not have an effective baseline against which our performance in these areas of diversity (with the exception of age and gender) can be assessed.

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

We will be focusing our efforts on increasing our diversity data declaration rates in 2018/19. This includes the launch of a diversity data declaration campaign to increase our diversity data declaration rates (from 43% to 60% across all areas) to ensure that we meet our duties under the Equality Act 2010 and to help us understand the diversity of our workforce, reducing any inequalities that staff may face and to better support them.

#### Self-declarations recorded against diversity characteristics at 31 March 2018:

Ethnicity	Percentage (31 March 2018)	Percentage (31 March 2017)
White	43%	41%
Minority ethnic	2%	2%
Prefer not to say	1%	0%
Not declared	54%	57%

Disability	Percentage (31 March 2018)	Percentage (31 March 2017)
Do not have a disability	35%	33%
Have a disability	2%	1%
Prefer not to say	3%	3%
Unknown	60%	63%

Sexual orientation	Percentage (31 March 2018)	Percentage (31 March 2017)
Heterosexual	51%	37%
LGBT	1%	1%
Prefer not to say	15%	16%
Unknown	33%	46%

Religious belief	Percentage (31 March 2018)	Percentage (31 March 2017)
Christian	39%	31%
Other religious belief	3%	3%
None	16%	10%
Prefer not to say	9%	9%
Not known	33%	47%

Age	Percentage (31 March 2018)	Percentage (31 March 2017)
Less than 30 years	8.6%	7.3%
30 to 39 years	17.5%	17.2%
40 to 49 years	27.9%	27.8%
50 to 59 years	34.4%	36.8%
60 to 69 years	11.4%	10.7%
70 and over	0.2%	0.2%

## Staff policies relating to disability

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

- We have successfully achieved 'Disability Confident' (DC) employer status (Level 2) in 2017/18, which is supported by Government and is a significant step in signposting ONR as an employer who has identified and addressed any barriers that may prevent or deter disabled people from applying for jobs with us.
- We have committed to attain the highest DC employer status (Level 3) in 2018/19.
- Recruitment and selection – we continued to invite candidates to notify us of any special requirements and to make adjustments to selection arrangements for individuals as appropriate.
- We supported employees with disabilities during their employment and training by proactively obtaining occupational health advice and applying suitable workplace adjustments for both new recruits and existing staff and provided ONR staff with access to a workplace disability network, as well as other minority groups.
- We continued with our programme of training in relation to diversity and inclusion, including bespoke training on recruitment and selection (which includes unconscious bias training), that is required for all panel members to support the selection of people with disabilities (and other minority groups) to join the organisation and on promotion.

## 2018 GENDER PAY REPORT

### Executive summary

This is ONR's second annual gender pay report. As a public body and a world class regulator, we welcome this opportunity to publish this information, as we are committed to openness and transparency in all areas of our work. This is why we are including our 2018 gender pay results in our 2017/18 Annual Report and Accounts.

Over the last year we have brought a fresh focus to improving diversity and inclusion to support all staff in achieving their full potential in line with our People Strategy. For this reason in this 2018 report, we are not surprised but we are disappointed, that we have seen few positive shifts in the gender pay gap indicators.

We are not surprised because we know that the challenge of securing gender pay equality in ONR faces well-established structural factors. In the main, this is because our workforce profile is an uneven distribution of men in higher paid, technical specialist and more highly graded jobs. More women work in the corporate and support functions which are generally lower paid roles, irrespective of gender. Adopting new recruitment pipelines is stimulating a shift in gender equality, but we expect this will take some years to show significant improvement.

Having said this, we are proud of the high levels of representation of women on our Board and at the most senior levels in the organisation. We also know that on pay equality we have a much more positive story to tell, having taken particular steps to improve pay progression in the last 12 months.

We are disappointed because we have made significant improvements to improve gender (and other aspects of) equality over the last 12 months. These included:

- introducing competency-based pay progression for all staff so they are able to achieve the maximum pay rate for their job in four to five years;
- paying proportionately higher levels of performance bonus payments to those in lower paid jobs;
- showing women as role models in both our internal and external communications;
- successfully recruiting from a wider range of sources with the express aim of improving diversity;
- embedding anonymised recruitment processes;
- holding ourselves up for external review through a first assessment against the National Equality Standard;
- publishing our first ONR Diversity and Inclusion Action Plan;
- undertaking an organisational capability and training needs analysis; and
- introducing new unconscious bias training which is available to all staff.

We believe we are on the right path to achieving equality improvements although it may take some time and we are committed to doing so.

The full ONR 2018 Gender Pay Report is available on the ONR website.

### Office for Nuclear Regulation 2018 Gender Pay Gap Data

<b>Mean gap</b>	<b>The difference between the mean* hourly rate of pay of men and women</b>  * average pay for all men and average for all women employees	<b>35.2%</b> (32.9%)  Difference in hourly rate of men was £26.29 (£25.58) and women was £17.05 (£17.15)
<b>Median gap</b>	<b>The difference between the median† hourly rate of pay of men and women</b>  † middle value of pay for all men and middle value for all women employees	<b>55.04%</b> (55.25%)  Difference in hourly rate of men was £27.96 (£26.48) and women £12.57 (£11.85)
<b>Mean bonus gap</b>	<b>The difference between the mean‡ bonus paid to men and women</b>  ‡ average bonus for all men and average for all women employees	<b>27.6%</b> (22.4%)  Difference in bonus payment of men was £869.26 (£1,762.72) and women was £629.19 (£1,367.36)
<b>Median bonus gap</b>	<b>The difference between the median§ bonus pay paid to men and women</b>  § middle values of bonuses paid to all men compared to all women employees	<b>32.2%</b> (9.17%)  Difference in bonus payment of men was £1,650.00 (£1,120.00) and women was £1,118.05 (£1,017.28)
<b>Bonus proportions</b>	<b>The proportion of men who were paid a bonus and women paid a bonus</b>	<b>49.5%</b> (39.4%) of men and <b>52.4%</b> (32.0%) of women received a bonus payment

### Quartile pay bands

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

	Men		Women	
	2018	(2017)	2018	(2017)
<b>Q1 Lower</b>	29.6%	(36.4%)	70.4%	(63.6%)
<b>Q2</b>	65.8%	(65.7%)	34.2%	(34.3%)
<b>Q3</b>	84.2%	(86.5%)	15.8%	(13.5%)
<b>Q4 Upper</b>	84.9%	(85.0%)	15.1%	(15.0%)
<b>Overall</b>	<b>66.1%</b>	<b>(68.4%)</b>	<b>33.9%</b>	<b>(31.6%)</b>

Note: ONR Gender Pay Report 2017 figures shown in brackets.

**Staff costs (subject to audit)**

	2017/18			2016/17
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
<b>Wages and salaries</b>	35,406	300	35,706	32,158
<b>Social security costs</b>	4,351	-	4,351	3,776
<b>Other pension costs</b>	7,926	-	7,926	7,080
<b>Total per Statement of Comprehensive Net income</b>	47,683	300	47,983	43,014
<b>Less recoveries in respect of outward secondments</b>	(65)	-	(65)	(42)
<b>Net Total</b>	<b>47,618</b>	<b>300</b>	<b>47,918</b>	<b>42,972</b>

The Principal Civil Service Pension Scheme (PCSPS)<sup>1</sup> and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but ONR is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012.

For 2017/18, employers’ contributions of £7.8 million were payable by ONR to the PCSPS (2016/17, £7.0 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £102,522 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,195, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £123,241. Contributions prepaid at that date were nil.

### Ill-health retirement

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

### Sickness absence information

Although sickness absence levels within ONR have risen slightly in comparison with 2016/17, they have remained relatively low when benchmarked against the public and wider energy sectors.

	2017/18	2016/17
<b>Average number of working days lost due to sickness absence per person</b>	3.91	3.79

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	- (-)	- (-)	- (-)
£10,000 - £25,000	- (-)	- (-)	- (-)
£25,000 - £50,000	- (-)	- (-)	- (-)
£50,000 - £100,000	- (-)	- (1)	- (1)
£100,000 - £150,000	- (-)	- (-)	- (-)
£150,000 - £200,000	- (-)	- (-)	- (-)
<b>Total number of exit packages</b>	- (-)	- (1)	- (1)
<b>Total cost /£</b>	- (-)	- (95,000)	- (95,000)

2016/17 figures shown (in brackets)

No exit packages were agreed during the period of this report and therefore there are no departure costs to be declared. Any redundancy or other departure costs incurred during the year would have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

<sup>1</sup>You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at: <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts>

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

### High paid off-payroll appointments

All off-payroll engagements as of 31 March 2018, for more than £245 per day and that have lasted longer than six months are as follows:

<b>Number of existing engagements as of 31 March 2018</b>	<b>2</b>
<b>Of which the number that have existed at the time of reporting for:</b>	
Less than one year	2
Between one and two years	0
Between two and three years	0
Between three and four years	0
Four or more years	0

Of the two engagements above:

- One engagement has 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. This assurance has been sought.
- One individual has been appointed working for a licensee and is paid directly by their department's payroll; therefore, they are deemed to be low risk of failing to meet their personal tax liabilities and no further assurance has been sought in relation to this engagement.

New off-payroll engagements or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that have lasted for longer than six months are as follows:

<b>Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018</b>	<b>3</b>
<b>Of which.....</b>	
Number assessed as caught by IR35.	1
Number assessed as not caught by IR35.	2
Number engaged directly (via PSC contracted to ONR) and are on the ONR payroll.	0
Number of engagements reassessed for consistency/assurance purposes during the year.	0
Number of engagements that saw a change to IR35 status following the consistency review.	0

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2017 and 31 March 2018:

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

## Nuclear Graduates Scheme

In relation to other off-payroll appointments, ONR has sponsored five cohorts, totalling 34 participants, on the Nuclear Graduates Scheme - this is a nuclear industry-wide scheme that is run by Energus. ONR has chosen to sponsor individuals' participation in the scheme to support its future talent pipeline.

Participants are employed by Energus for the two year programme and undertake a number of placements within the sponsoring organisation, as well as in other nuclear industry organisations. At the end of the scheme, ONR-sponsored participants are offered permanent employment with ONR (subject to successfully meeting the standards set by both the scheme and ONR).

100% of the returning graduates (20 individuals) who were offered permanent positions have returned to the organisation as Associates working towards becoming nuclear safety or nuclear security inspectors.

ONR has obtained assurance from Energus that the organisation maintains full, true and accurate sets of accounts and records in connection with the programme and all transactions related to them in accordance with generally accepted accounting principles in the United Kingdom.

## Consultancy

ONR expenditure on consultancy totalled £562,153 and was paid to nine suppliers.

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

- implementing 360 degree feedback;
- informing a pay benchmarking exercise;
- undertaking an assessment of National Equality Standards (employer accreditation scheme);
- Defining knowledge management and business process review opportunities; and
- Organisational capability and training needs analysis.

The remaining four suppliers were used for:

- the provision of capacity/capability to support the new ONR Technical Support Framework Project;
- the provision of advice and support to review the ONR Technical Assessment Guide on Computer Based Safety Systems;
- the provision of consultant services to deliver a report on the Economic Impact of Nuclear Regulation; and
- the provision of a consultant expertise to advise the ONR Safeguards UK SSAC Project following the implications of Brexit to the UK Safeguards regime.

## PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

### Regularity of expenditure (subject to audit)

The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive of the Office for Nuclear Regulation 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 DWP 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	2017/18 £'000	2016/17 £'000
Fees and charges (see below)	66,790	68,203
Grant from DWP	2,208	2,441
UK State System of Accountancy for and Control of nuclear materials *	1,203	-
Grant from Apprenticeship Fund	13	-
Other sales/income	87	88
<b>Total income</b>	<b>70,301</b>	<b>70,732</b>

\* Funded by the Department for Business, Energy and Industrial Strategy (BEIS)

Breakdown of Fees and Charges	2017/18			2016/17		
	Income	Cost	Surplus/ (deficit)	Income	Cost	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	45,754	45,754	-	40,278	40,278	-
Civil Nuclear Security	9,353	9,353	-	9,585	9,585	-
Generic Design Assessment	9,305	9,305	-	17,300	17,300	-
Radioactive Materials Transport	1,233	1,233	-	772	772	-
Advanced Nuclear Technologies **	936	936	-	-	-	-
<b>Sub Total</b>	<b>66,581</b>	<b>66,581</b>	-	<b>67,935</b>	<b>67,935</b>	-
Other Fees and Charges	209	209	-	268	268	-
<b>Total fees and charges</b>	<b>66,790</b>	<b>66,790</b>	-	<b>68,203</b>	<b>68,203</b>	-

\*\* Charged to BEIS

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

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

### Remote Contingent Liabilities (subject to audit)

ONR currently has no material contingent liabilities and no remote contingent liabilities at 31 March 2018.

### Long Term Expenditure Trends

The following table shows actual costs and income for 2017/18 and the forecast for 2018/19. 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 GDA, applications for new site licences, new nuclear construction in the civil and defence sectors and safeguarding work in respect of UK SSAC. As the work of ONR is governed by regulation activities and is also demand driven by the industry, we have not presented forecasts for future years beyond 2018/19.

	Actual 2017/18 £'000	Forecast 2018/19 £'000
<b>Costs</b>		
Staff	47,983	54,878
Other	22,318	28,058
<b>Total cost</b>	<b>70,301</b>	<b>82,936</b>
<b>Income</b>		
Charge to industry	68,080	80,572
Grants	2,221	2,364
<b>Total Income</b>	<b>70,301</b>	<b>82,936</b>

\*The forecast only includes resource expenditure and excludes capital expenditure of £964,000.

### Adrienne Kelbie

Accounting Officer  
Chief Executive  
Office for Nuclear Regulation

13 June 2018

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

### Opinion on financial statements

I certify that I have audited the financial statements of the Office for Nuclear Regulation for the year ended 31 March 2018 under the Energy Act 2013. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

#### In my opinion:

- the financial statements give a true and fair view of the state of the Office for Nuclear Regulation's affairs as at 31 March 2018 and of net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Energy Act 2013 and Secretary of State directions issued thereunder.

### Opinion on regularity

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

### Basis of opinions

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

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

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.

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

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office for Nuclear Regulation's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office for Nuclear Regulation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### **Other Information**

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

### **Opinion on other matters**

In my opinion:

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

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

### **Sir Amyas C E Morse**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

18 June 2018



## 3

## FINANCIAL STATEMENTS

## Statement of Comprehensive Net Income for the year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
<b>Expenditure</b>			
Staff costs	2	47,983	43,014
Other expenditure	3	22,318	27,718
<b>Operating costs</b>		<b>70,301</b>	<b>70,732</b>
Income	4	(70,301)	(70,732)
<b>Net operating cost / (income) for the year</b>		-	-
<b>Total Comprehensive Net Income for the year ended 31 March</b>		-	-

All income and expenditure is derived from continuing operations.

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 136-148 form part of these accounts.

## Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Non-Current Assets</b>			
Property, plant and equipment	5	396	553
Intangible assets		2	5
<b>Total non-current assets</b>		<b>398</b>	<b>558</b>
<b>Current assets</b>			
Trade and other receivables	6	11,914	15,176
Cash and cash equivalents	7	5,225	2,284
<b>Total current assets</b>		<b>17,139</b>	<b>17,460</b>
<b>Total assets</b>		<b>17,537</b>	<b>18,018</b>
<b>Current Liabilities</b>			
Trade and other payables	8	(6,256)	(6,737)
<b>Total current liabilities</b>		<b>(6,256)</b>	<b>(6,737)</b>
<b>Assets less liabilities</b>		<b>11,281</b>	<b>11,281</b>
<b>Equity</b>			
General fund		11,281	11,281
<b>Total equity</b>		<b>11,281</b>	<b>11,281</b>

The Notes on pages 136-148 form part of these accounts

### Adrienne Kelbie

Accounting Officer  
Chief Executive  
Office for Nuclear Regulation

13 June 2018

## Statement of Cash Flows for the year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		-	-
Adjustments for non-cash transactions	3	166	158
Decrease/(increase) in trade and other receivables	6	3,262	(2,657)
Less movements in receivables relating to items not passing through the Statement Of Comprehensive Net Income		(2)	(3)
(Decrease) in trade payables	8	(481)	(225)
Less movements in payables relating to items not passing through the Statement Of Comprehensive Net Income		1	(1)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,946</b>	<b>(2,728)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(119)	(112)
Proceeds of disposal of property, plant and equipment		114	51
<b>Net cash outflow from investing activities</b>		<b>(5)</b>	<b>(61)</b>
<b>Net financing</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>2,941</b>	<b>(2,789)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7</b>	<b>2,284</b>	<b>5,073</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>5,225</b>	<b>2,284</b>

The Notes on pages 136-148 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	General Fund £'000
<b>Balance at 1 April 2016</b>	11,281
<b>Comprehensive net income for the year</b>	-
<b>Balance at 31 March 2017</b>	<b>11,281</b>
<b>Comprehensive net income for the year</b>	-
<b>Balance at 31 March 2018</b>	<b>11,281</b>

The General Fund represents the total assets less liabilities of ONR to the extent that the total is not represented by other reserves and financing items.

The Notes on pages 136-148 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 2017/18 Government Financial Reporting Manual (FReM) ([www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018](http://www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018)) 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 2018, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. The following standards relevant to ONR have been issued but are not yet effective:

- IFRS 9 Financial Instruments (effective from 1 April 2018);
- IFRS 15 Revenue from Contracts with customers (effective from 1 April 2018);
- IFRS 16 Leases (effective from 1 April 2019).

ONR has carried out a review of IFRS 9 and it is anticipated that there will be no material impact upon the financial statements following the introduction of this standard. Similarly, ONR has carried out a review of IFRS 15, considering the accounting treatment for our primary revenue streams and the impacts on our financial statements. It is anticipated that there will be no material impact upon the financial statements following the introduction of this standard as recognition will largely continue on a similar basis i.e. recognising revenue over a period of time.

ONR will carry out a review of IFRS 16 during 2018/19 to assess whether it is anticipated that there will be any material impacts upon the financial statements following the introduction of this standard which will be adopted once we are required to do so by the FReM. This is expected to have a material impact as the value of operating leases to be recognised on Statement of Financial Position will be significant.

### 1.3. Accounting convention

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

### 1.4. Interest on capital

Under '*Managing Public Money*' ONR is required to charge interest on capital (cost of capital) as a percentage of net assets. The amounts generated by this charge are retained by ONR and offset against any grant requirement from the sponsoring body. The charge is shown as cost of capital and the gross grant recorded as income. Interest on capital is charged at 3.5% of net assets.

### 1.5. Government grants

ONR is partly financed by a grant from the Department for Work and Pensions which covers costs that are not statutorily recoverable from industry. The grant is credited to the Statement of Comprehensive Net Income in the year in which it is receivable from DWP. It is recognised as income due to ONR's status as a public corporation. Payments to the Apprenticeship Levy have been recorded against staff costs as social security costs. Drawdowns from the Apprenticeship Fund for training have been recorded as notional income and expenditure in accordance with IAS 20 – Accounting for Government Grants.

### 1.6. Employee benefits

In accordance with IAS 19 Employee benefits, short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that ONR has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to senior management are accrued to the extent that the total value of the bonuses can be measured reliably. If payable, general staff bonuses and bonuses relating to senior management are accrued in the year to which the performance relates and paid in the following financial year. The policy in relation to employee pensions is disclosed on page 109 in the Accountability Report.

IAS 19 requires ONR to determine true short term employee benefit liability for employee leave. ONR calculates annual leave balances using an estimate of the amount of annual and flexi leave that staff have accumulated at year end.

### 1.7. Value added tax

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

### 1.8. Service Management Agreement with the Health and Safety Executive (HSE)

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

### 1.9. Insurance

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

- employer's liability compulsory insurance;
- public liability insurance;
- motor vehicle insurance for Private User Scheme (PUS) and hire car users;
- overseas travel insurance.

Insurance costs are included in "Other" expenditure.

### 1.10. 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.

Income is split into four primary revenue streams (Note 4 refers) and regulatory costs are recovered from industry based on the following legislation for charging powers:

- Licensing of nuclear installations: the Nuclear Installations Act 1964, Section 24A gives ONR the power to recover expenses for carrying into effect any of the activities under the Act, or for nuclear research;
- Civil Nuclear Security: the Nuclear Industries Security (Fees) Regulations 2005 give ONR the power to recover fees for security activities;
- Generic Design Assessment: the Health and Safety and Nuclear Fees Regulations 2016, Regulation 16 and 17 empower ONR to charge for activities like Generic Design Assessment and pre-licensing advice, as well as all 'generic' health and safety activities on nuclear licensed sites;

- Radioactive Materials Transport: the Carriage of Dangerous Goods Regulations 2009, Regulation 27 gives ONR (and other bodies) the power to charge for packaging approvals work.

ONR complies with IAS 18 for all significant income streams and recognises revenue when earned. Earned income is calculated using time recording information based on resources consumed by each primary revenue stream together with direct and indirect costs.

## **1.11. 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.

### **1.11(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 five years or over the licence period if shorter.

### **1.11(b) Property, plant and equipment**

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

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

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

### 1.11(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 and fittings	£5,000	2 to 15 years
Motor vehicles	£5,000	3 to 5 years

### 1.11(b)(ii) 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.

## 1.12. Financial assets and liabilities

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

### Loans and receivables

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

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

### 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.

### **1.13. 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.

### **1.14. 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.

### **1.15. Going concern**

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

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

### **1.16. Contingent liabilities**

Contingent liabilities are disclosed in accordance with IAS 37.

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

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

ONR currently has no material contingent liabilities at 31 March 2018.

2. **Staff costs**

	2017/18			2016/17
	Permanently employed staff £000	Others £000	Total £000	Total £000
<b>Wages and salaries</b>	35,406	300	35,706	32,158
<b>Social security costs</b>	4,351	-	4,351	3,776
<b>Other pension costs</b>	7,926	-	7,926	7,080
<b>Total per Statement of Comprehensive Net income</b>	<b>47,683</b>	<b>300</b>	<b>47,983</b>	<b>43,014</b>
<b>Less recoveries in respect of outward secondments</b>	(65)	-	(65)	(42)
<b>Net Total</b>	<b>47,618</b>	<b>300</b>	<b>47,918</b>	<b>42,972</b>

Further details of staff costs and related expenditure can be found on page 119 in the Accountability Report.

### 3. Other expenditure

	2017/18 £'000	2016/17 £'000
Services provided by Health and Safety Executive*		
Accommodation	3,687	4,059
IT / Telecommunications	2,479	2,674
Communication services	-	41
Other corporate services	803	1,010
	6,969	7,784
Technical support	3,874	9,044
Travel and subsistence	3,412	3,250
Industry security vetting	1,418	1,722
Personnel related costs	1,176	1,328
Interest on capital	466	459
Auditors' remuneration	50	50
Other expenditure	4,787	3,923
Non-cash items		
Depreciation and amortisation	124	140
Loss on disposal	30	15
Impairment of PPE	10	-
Other non-cash	2	3
	166	158
<b>Total</b>	<b>22,318</b>	<b>27,718</b>

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

#### 4. Income

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

Income	2017/18 £'000	2016/17 £'000
Fees and charges (see below)	66,790	68,203
Grant from DWP	2,208	2,441
UK State System of Accountancy for and Control of nuclear materials *	1,203	-
Grant from Apprenticeship Fund	13	-
Other sales/income	87	88
<b>Total income</b>	<b>70,301</b>	<b>70,732</b>

\* Funded by the Department for Business, Energy and Industrial Strategy (BEIS)

Breakdown of Fees and Charges	2017/18			2016/17		
	Income	Cost	Surplus/ (deficit)	Income	Cost	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Licensing of nuclear installations	45,754	45,754	-	40,278	40,278	-
Civil Nuclear Security	9,353	9,353	-	9,585	9,585	-
Generic Design Assessment	9,305	9,305	-	17,300	17,300	-
Radioactive Materials Transport	1,233	1,233	-	772	772	-
Advanced Nuclear Technologies **	936	936	-	-	-	-
<b>Sub Total</b>	<b>66,581</b>	<b>66,581</b>	<b>-</b>	<b>67,935</b>	<b>67,935</b>	<b>-</b>
Other Fees and Charges	209	209	-	268	268	-
<b>Total fees and charges</b>	<b>66,790</b>	<b>66,790</b>	<b>-</b>	<b>68,203</b>	<b>68,203</b>	<b>-</b>

\*\* Charged to BEIS

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

Revenue	2017/18 £'000	2016/17 £'000
Customer 1	21,196	20,001
Customer 2	14,225	12,604
Customer 3	7,025	10,347
Customer 4	-	6,435

Customers are not named for reasons of commercial confidentiality.

5. **Property, plant and equipment**

2017/18	Leasehold Improvements £'000	Information Technology £'000	Motor Vehicles £'000	Furniture and Fittings £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2017	266	9	467	208	950
Additions	-	94	-	25	119
Impairments	-	-	(10)	-	(10)
Disposals	-	-	(271)	-	(271)
<b>At 31 March 2018</b>	<b>266</b>	<b>103</b>	<b>186</b>	<b>233</b>	<b>788</b>
<b>Depreciation</b>					
At 1 April 2017	155	1	196	45	397
Charged in year	51	9	36	26	122
Disposals during year	-	-	(127)	-	(127)
<b>At 31 March 2018</b>	<b>206</b>	<b>10</b>	<b>105</b>	<b>71</b>	<b>392</b>
<b>Carrying amount at 31 March 2017</b>					
	<b>111</b>	<b>8</b>	<b>271</b>	<b>163</b>	<b>553</b>
<b>Carrying amount at 31 March 2018</b>					
	<b>60</b>	<b>93</b>	<b>81</b>	<b>162</b>	<b>396</b>
<b>Asset financing</b>					
Owned	60	93	81	162	396

2016/17	Leasehold Improvements £'000	Information Technology £'000	Motor Vehicles £'000	Furniture and Fittings £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2016	266	2	569	112	949
Additions	-	9	-	104	113
Disposals	-	(2)	(102)	(8)	(112)
<b>At 31 March 2017</b>	<b>266</b>	<b>9</b>	<b>467</b>	<b>208</b>	<b>950</b>
<b>Depreciation</b>					
At 1 April 2016	104	2	168	28	302
Charged in year	51	1	70	19	141
Disposals during year	-	(2)	(42)	(2)	(46)
<b>At 31 March 2017</b>	<b>155</b>	<b>1</b>	<b>196</b>	<b>45</b>	<b>397</b>
<b>Carrying amount at 31 March 2017</b>	<b>111</b>	<b>8</b>	<b>271</b>	<b>163</b>	<b>553</b>
<b>Asset financing</b>					
<b>Owned</b>	<b>111</b>	<b>8</b>	<b>271</b>	<b>163</b>	<b>553</b>

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

Leasehold improvements refer to the capitalisation of property refurbishments at the Cheltenham 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 and other receivables

	31 March 2018 £'000	31 March 2017 £'000
<b>Amounts falling due within one year</b>		
<b>Trade receivables</b>	4,683	5,270
<b>Deposits and advances</b>	57	44
<b>Prepayments and accrued income</b>	7,174	9,860
<b>Other receivables</b>	-	2
<b>Net Receivables</b>	<b>11,914</b>	<b>15,176</b>

## 7. Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Balance at 1 April	2,284	5,073
Net change in cash and cash equivalent balances	2,941	(2,789)
<b>Balance at 31 March</b>	<b>5,225</b>	<b>2,284</b>
<b>Represented by:</b>		
Government Banking Service	5,225	2,284
<b>Balance at 31 March</b>	<b>5,225</b>	<b>2,284</b>

## 8. Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
<b>Amounts falling due within one year</b>		
Taxation and social security	1,222	1,098
Superannuation	887	814
VAT	26	107
Trade payables: non-capital	593	1,228
Capital payables and accruals	-	1
Other payables	3	4
Accruals and deferred income	3,525	3,485
<b>Total</b>	<b>6,256</b>	<b>6,737</b>

## 9. Capital commitments

There were no capital commitments at 31 March 2018.

## 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 2018 Buildings £'000	31 March 2017 Buildings £'000
Not later than 1 year	3,637	3,271
Later than 1 year and not later than 5 years	1,679	4,263
Later than 5 years	-	-
<b>Total Committed</b>	<b>5,316</b>	<b>7,534</b>

## 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 2018 £'000	31 March 2017 £'000
Not later than 1 year	4,421	4,429
Later than 1 year and not later than 5 years	831	1,130
Later than 5 years	-	-
<b>Total Committed</b>	<b>5,252</b>	<b>5,559</b>

## 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 2017/18, 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 2017/18 are set out in Note 3.

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

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

## 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. Events after the reporting period

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







