



Annual Plan – 2014/15

Providing efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public



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Foreword



Nick Baldwin
ONR Chair

On 1 April 2014, the Energy Act 2013 and associated Commencement Order signed by authority of the Secretary of State for Work and Pensions on 10 February 2014 launched ONR as a Public Corporation.

Our changed status outside of central government elevates our profile as *the* UK regulator of nuclear safety and security¹, providing us with increased agility to address the regulatory demands of an expanding nuclear sector. Regulating in this way, in the public interest, is the central tenet of ONR's mission statement:

'To provide efficient and effective regulation of the nuclear industry, holding it to account on behalf of the public'

We are required by the Energy Act 2013 to publish an annual plan setting out our priorities for nuclear regulation for the year ahead. This is our first plan as a Public Corporation and it sets out how ONR intends to demonstrate our value to the public in regulating the nuclear sector in 2014/15. The challenges are considerable and long term, yet we are determined to capitalise on our new status and the organisational flexibilities to make more progress during 2014/15 in putting us on a sustainable footing. Those challenges include a burgeoning programme of multiple generic design assessments (GDAs) for nuclear reactor designs, regulating the Sellafield site in new, innovative ways to secure sustainable improvements in hazard reduction and safety and security standards, and raising our game throughout the remainder of our regulatory portfolio such that standards of nuclear safety and security continue to improve.

So, this is a plan to show how we will tackle these challenges this year. Preparatory to our incorporation, the permanent Executive team was established that will lead ONR to deliver both this plan and the agile, sustainable organisation necessary to address the regulatory challenges well beyond that. We appointed John Jenkins as Chief Executive Officer, Andy Hall as Chief Nuclear Inspector, and Les Philpott was appointed Deputy Chief Executive Officer. In turn, John Jenkins made permanent Deputy Chief Inspector appointments, thereby complementing senior team in readiness for our incorporation. Coupled with major innovations and improvements in nuclear

¹ For defence-related sites ONR works closely with the Defence Nuclear Safety Regulator

regulatory techniques and approaches, and in the corporate systems to support ONR as a 'going concern', the **ONR Board**² is confident that, as a Public Corporation, ONR will deliver this plan, demanding high standards of nuclear safety and security from facility operators now and in the future – in essence, calling the industry to account.

The ONR Board itself has grown in confidence and stature since our creation in April 2011, and is ready to ensure a sound system of corporate governance at ONR as a Public Corporation. My Board colleagues and I look forward to supporting the Executive team in delivering this plan. Finally I want to thank HSE for their support in helping to create ONR, and for ensuring the smoothness of our incorporation.

2 www.onr.org.uk/documents/onr-board.pdf

Our Organisation



John Jenkins
*ONR Chief
Executive Officer*

Our people

The Executive team has created the organisational environment that will deliver the new mission set by the Board in September 2013, including embedding programme working and implementing ONR's new Operating Model. Furthermore it will deliver all of the functions, procedures and processes necessary to support the new organisation.

Our new mission gives clear focus and direction for what we will achieve. It is ONR's people that will deliver the mission: our people are our greatest asset and are therefore key to our future success. I am proud to lead such talented people, and it is through their collective expertise, skills and knowledge across all disciplines that we will further build the strong, well-resourced, competent, more flexible and directly accountable organisation that the public expects and deserves. We must therefore recruit, develop and retain all of our people in an environment of an increasingly competitive global market for scarce nuclear specialist skills and existing workforce that, in line with the sector, will see shortly a significant proportion of knowledgeable and experienced specialist staff reaching retirement.

We will meet this challenge by:

- investing in our people through implementation of an ONR specific people strategy that provides a vision for the modern and flexible employer ONR is committed to be;
- implementing clear workforce plans, effective resourcing and total reward strategies for our new status as a new statutory nuclear regulator;
- further developing effective leadership at all levels to give the necessary vision, direction, inspiration and excellent people management that delivers performance improvement. In doing this, we aim to create an inclusive, transparent, fair and consistent culture which encourages openness, staff engagement, values new ideas, and is more reflective of the diversity in the society that we serve;

- continue to grow capability, ensuring up-to-date knowledge and experience is not lost;
- being innovative in how we recruit, identifying new avenues to bring in specialists, taking on direct-entry graduates, continuing to provide placements for industry specialists, and creating new specialist roles that meet changing operational needs and release inspector resource for regulatory work, all of which will help to achieve the level of unprecedented growth required;
- identifying those with high potential and providing targeted development and career opportunities for specialists at all levels. Underpinning this with effective knowledge transfer and succession planning arrangements to build organisational resilience;
- enriching the roles of, and providing development opportunities for our business support team, recognising the vital part they play in ONR's success.

Better communication

Communicating effectively through our people and others, using a range of methods, is also critical to ONR's success, which supports our reputation as a trusted, independent nuclear safety and security regulator, and source of public information. With the nation's use of nuclear technology increasing, ONR needs to have an open and honest dialogue with stakeholders, internally and externally, to secure public trust that we are demanding high standards from facility operators.

ONR's Corporate Communications Strategy³, published in 2013, sets out how we will manage our relationships with stakeholders: we place strong emphasis on internal communications to support all ONR staff to achieve our goals and priorities; externally, ONR's approach is to build 'constituencies' of opinion formers with an interest in, or who are affected by, nuclear regulation. We will:

- complete the restructuring of the ONR communications function into a high performing team, under new leadership, to deliver ONR's Corporate Communications Strategy;
- continue to implement innovative ways of communicating effectively within ONR to help staff achieve our objectives and to ensure they are fully aware of the benefits ONR brings, as a Public Corporation, to nuclear regulation;

3 www.onr.org.uk/documents/onr-corporate-communications-strategy.pdf

- devise and implement a plan for maximising ONR's external constituencies of support and influence in ways that advance the cause of efficient and effective nuclear regulation and ONR's role in holding the industry to account on this. This includes introducing a new methodology for measuring positive progress towards those ends. An important aspect of this will be a programme of engagement led by the ONR Chair to build further ONR's influence among key stakeholder communities including, international institutions, ministers and senior officials at Westminster, Whitehall and devolved administrations, other regulatory bodies, universities and research houses;
- providing information about ONR's work to the public through the most effective means such as capitalising on ONR's new website, and through our constituencies of interest.

I, and my Executive colleagues expect 2014/15 to be a demanding and exciting year for ONR, one in which we will begin to realise the benefits of our new legal status and the journey of change that has involved everyone in our organisation. We look forward with relish to leading ONR to deliver this plan.

Nuclear regulation



Dr Andy Hall
ONR Chief Nuclear
Inspector

The nuclear environment

In its *Annual Energy Statement 2013*, the UK government confirmed its energy policy to have “new low carbon energy generation”⁴ which includes nuclear power. In addition to the Government’s commitment to nuclear new build and nuclear defence, there remains a strong focus on the importance of decommissioning, safe radioactive waste management and site remediation to address the legacy from the first generation of nuclear power plants, and early days of the UK’s defence programme. ONR is not responsible for delivering a safe and secure nuclear industry, this is the responsibility of the industry itself. However, the importance of full transparency in having an independent nuclear regulator to hold the nuclear industry to account on behalf of the public has been established by the Energy Act 2013.

The regulatory issues ONR will address arise from the broad range of nuclear facilities that exist in the UK, and new technologies that continue to be developed. These include:

- appropriate regulation of the last remaining Magnox reactor at Wylfa, which is due to close in 2015; the advanced gas-cooled reactors⁵ that may continue to run over the next decade, possibly longer; the Ministry of Defence’s nuclear programme, which includes the substantial investment to replace ageing plant with new facilities built to modern standards;
- the EDF/Areva European Pressurised Reactor design, the first new nuclear power plant to be built in the UK for a generation, which is planned for construction at Hinkley Point C. It is ONR’s role to regulate the plant at all stages of its lifetime from design to decommissioning to ensure the licensee meets its obligations for nuclear safety and security in the UK;
- the Generic Design Assessment (GDA) of the Hitachi-GE Advanced Boiling Water Reactor; resumption of work on the AP1000 reactor GDA, which was paused by its requesting party; and new designs, which could come forward for assessment in the near future,

4 www.gov.uk/government/publications/annual-energy-statement-2013

5 Dungeness B, Hartlepool, Heysham 1 & 2, Hinkley Point B, Hunterston B and Torness

subject to support from the Department of Energy and Climate Change. All of these designs use technology that is new to the UK.

In setting our regulatory priorities, ONR is cognisant of its responsibility to act on behalf of the public, as highlighted by our new mission statement. We realise that nuclear energy divides public opinion and that there is a desire for a trustworthy source of independent information that is intuitively understandable. We therefore remain committed to operating a presumption of disclosure in relation to our information and strive to be an exemplar for openness and transparency in the nuclear field.

ONR's regulatory priorities for 2014/15

Hazard reduction and remediation at Sellafield

Recognising Sellafield improvement as a national priority, and the many years of slower than ideal progress to address hazard reduction, ONR will develop a strategy to proactively support the delivery by Sellafield Ltd of its high hazard and risk remediation programmes, focusing on securing accelerated, safe and secure retrievals from Legacy Ponds and Silos facilities. ONR will provide even greater challenge in this area through a targeted combination of advocacy, influencing and holding to account via the proportionate use of legal powers. Specifically:

- ONR will carry out a fundamental review of our regulatory approach to Sellafield with the aim of determining whether ONR is maximising the opportunities to facilitate quicker hazard and risk reduction on site;
- set and begin the implementation of a new regulatory strategy for Sellafield;
- undertake a review of the internal structure and ways of working of ONR's Sellafield Programme to determine whether it can be optimised to promote more consistent, effective and efficient regulation.

Regulatory assurance

The ONR Board is looking for the right amount of nuclear regulation, proportionate to the hazards and risks presented. Furthermore, it seeks nuclear regulation that is targeted appropriately and is of the right quality and cost. To achieve this, ONR has established a regulatory assurance function that, through maintaining updated standards and independent oversight, provides confidence to the ONR Board and Executive on the effectiveness of ONR's processes, decision making and other activities. This includes:

- reviewing and improving ONR’s guidance and standards for inspection and assessment, taking into account developments in international requirements, good practice, and other feedback/intelligence. For example, publishing revised and updated ONR Safety Assessment Principles;
- completing a programme of independent audit and peer review of ONR’s processes, this will provide assurance on compliance, quality and effectiveness of ONR’s regulatory decision-making and other key activities;
- further developing processes to review and provide assurance to ministers, the ONR Board, Executive and other key stakeholders on ONR’s regulatory effectiveness. Outputs will be the Chief Nuclear Inspector’s Annual Report (in future to be part of ONR’s Annual Report and Accounts) and Quarterly Assurance Reports.

Generic Design Assessments and new build

Generic Design Assessment (GDA) is the process used by the nuclear regulators (ONR and the Environment Agency) to assess the safety, security and environmental implications of the new nuclear power station designs. However, this is just the start of the regulatory process. ONR also undertakes specific regulatory activities relating to the sites where new power stations are being constructed.

ONR will complete and report the outcomes of Step 2 of the GDA of the Hitachi-GE Advanced Boiling Water Reactor by August 2014. Step 2 is a review of the fundamental acceptability of the proposed reactor design concept within the UK regulatory regime. The aim is to identify any fundamental design aspects or safety shortfalls that could prevent the proposed design from being licensed in the UK. It also provides a basis for planning subsequent assessment. The outputs from Step 2 are:

- a public statement on whether any fundamental safety issues have been identified that might prevent design acceptance in the UK or that have to be addressed to secure acceptance;
- a short report to support this statement;
- confirmation that, if there are no fundamental obstacles to licensing, ONR will move to Step 3 of the GDA⁶.

ONR will also restart work on the GDA of the Westinghouse AP1000 reactor design. Westinghouse was issued with an interim Design Acceptance Confirmation (DAC) by ONR and interim Statement of Design Acceptability (SoDA) by the Environment Agency in 2011.

⁶ GDA Step 3 is a review by ONR of the safety case arguments of the proposed reactor design and the related security aspects.

They have to complete work on the GDA Issues satisfactorily before they can be issued with a DAC and SoDA.

In relation to nuclear new build, ONR will:

- engage with Horizon Nuclear Power as a potential licensee to ensure regulatory expectations are incorporated into their organisational development and management processes;
- deliver an inspection, assessment and permissioning regime, which will provide regulatory assurance during the build of new nuclear power stations at Hinkley Point C.

GDA and new build are areas of increasing but at present unspecified demand for ONR. We will consider the prioritisation of our work and our response to the demand in year as requesting parties', potential licensees' and site licence holders' plans emerge.

Continuous improvement throughout ONR's regulatory interventions

During 2014/15 ONR will initiate a fundamental review of ONR's nuclear safety regulatory framework (Licence Conditions) to ensure it remains fit for purpose for the modern nuclear environment. This will involve establishing a strategy and agreeing a programme of work with the aim of completing the project, including consultation, by the end of 2016.

In relation to ONR's ongoing, year-to-year activities, we will seek to secure continuous improvements in nuclear health, safety, security and safeguards by:

- ensuring nuclear licensees, other duty holders and potential licensees continue to comply with the legislation relevant to their activities;
- delivering a permissioning regime for nuclear safety-significant activities of regulatory interest to ONR to ensure that the hazards have been understood and properly controlled;
- ensuring the UK complies with international obligations not to use certain nuclear materials (plutonium, uranium and thorium) from its civil nuclear programme to manufacture nuclear weapons;
- continuing regulatory activity in relation to the Materials Consolidation Project to ensure that the material is relocated safely and securely in line with government policy.

Our resources, performance and risk management



Les Philpott

ONR Deputy Chief Executive and Director of Finance & Corporate Services

For the first time, ONR has its own Accounting Officer (AO) who is the person Parliament calls to account for stewardship of resources entrusted to a public sector organisation. At ONR, the Chief Executive Officer fills this role. The AO must be able to assure Parliament and the public of high standards of probity in the management of public funds. This is a personal accountability for the Chief Executive Officer and, in discharging it, the AO is supported by the ONR Board in line with HM Treasury's **Managing Public Money**⁷. The Deputy Chief Executive's department delivers the full range of finance and allied functions set out in Managing Public Money. The Deputy Chief Executive effectively 'operationalises' the AO function for the Chief Executive Officer.

Financial strategy

ONR will recover some 98% of its costs from charges to the nuclear industry. This is an increase on 95% in 2013/14 reflecting in the main, the introduction in 2014/15 of charging for ONR's regulatory work on radioactive materials transportation. The remainder of ONR's budget is funded from grant-in-aid from the Department for Work and Pensions to cover work ONR undertakes directly for the government such as nuclear safeguards. Our financial strategy includes:

- securing income to maximise coverage of our costs from charges to the nuclear industry, but in ways that improve transparency and predictability in those charges. The ONR Deputy Chief Executive Officer will continue to engage with finance directors across the industry on this, with the aim of opening up fully the costs of nuclear regulation;
- examining the scope for new commercial income streams to ONR provided for by the provisions of the Energy Act 2013, but not at the expense of efficient and effective regulation at UK nuclear sites or the GDA programme;
- further developing the ONR Operating Model so that ONR continues to deliver value for money nuclear regulation which is at the right level, is focused on the right risks and issues, is of the

7 www.gov.uk/government/publications/managing-public-money

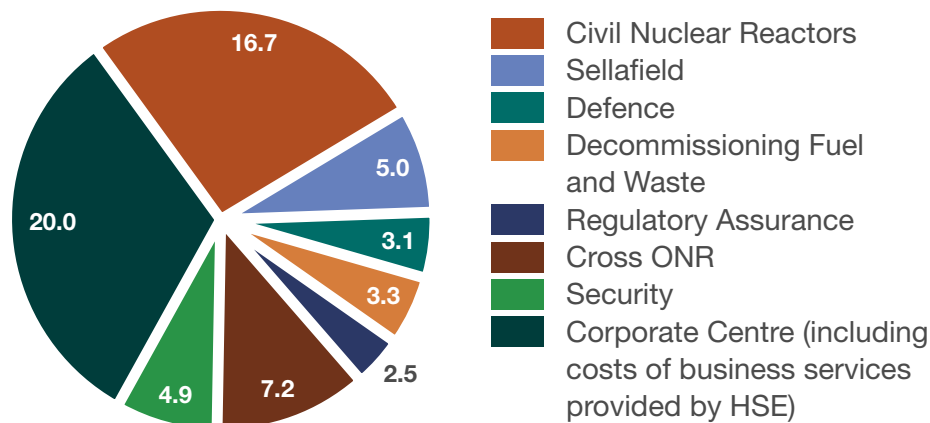
right quality, and is at the right cost;

- increasing financial management and accountability at senior management levels through devolving budgets to programme directors and holding them to account for their delivery against stretching targets aligned to ONR’s key performance indicators (KPIs) (see later);
- driving out undue costs by focusing on efficiency and building on the £1m efficiencies delivered at ONR in 2013/14. Recognising that in 2014/15 and beyond ONR will need to grow as the regulatory demand increases, efficiency will not be focused simply on shrinking ONR’s budget and reducing the overhead, but concentrated instead on increasing per capita efficiency, allied to the ability for the ONR Executive to utilise the funds so released to support value for money nuclear regulation. ONR will publish an efficiency plan to this end.

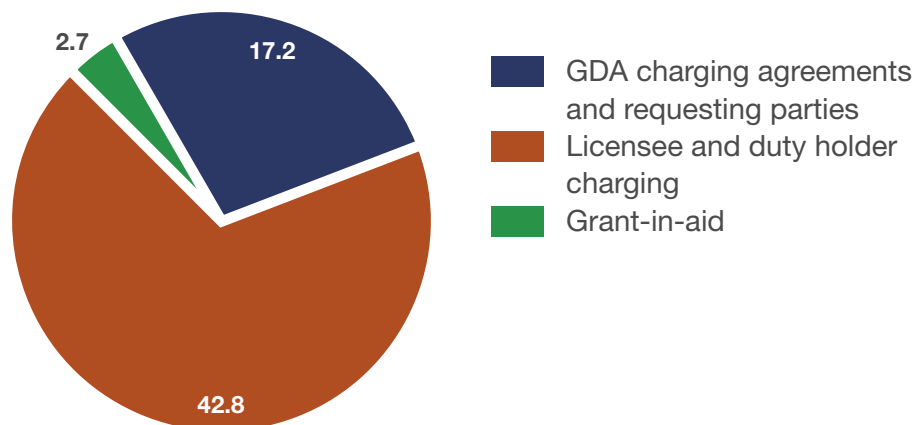
Budget for 2014/15

The budget to deliver this plan is £62.7m. The charts below show the budget by Programme and ONR’s income streams for 2014/15.

Programme Budgets (£ millions)



Income (£ millions)



Performance

It is our duty to achieve relevant outcomes, gain maximum impact from our work, and provide evidence of our achievements and improvements. During 2013/14, ONR re-focused its performance indicators, which are presented quarterly in a balanced scorecard; a strategic performance management tool that enables activities and their consequences to be monitored. We will begin publishing our balanced scorecard during 2014/15.

ONR’s key performance indicators and relevant targets for 2014/15 are:

KPI	Target
System inspections achieved to plan	100% of planned system inspections to be completed
Reports completed to deadline	95% of regulatory reports to be completed within the required deadlines
Inspections achieved compared to plan	At least 95% of planned inspections to be completed, with the aim of exceeding this target, and increasing it in later years, as ONR further improves its planning and scheduling of inspection programmes
Completion of planned objectives	This KPI reports on a wide range of regulatory interventions each with its own target
Recruitment into business critical posts	100% of business critical posts filled
Average working days lost due to sickness absence	Average of 5.5 days per employee per year
Average training days per person	Target of 7 days
Cumulative outturn spend against budget	Outturns to be within +/- 3% of approved budget
Accounts receivable – invoices raised by ONR that remain unpaid after 30 days	Less than 5% outstanding
Accounts payable – invoices received by ONR that remain unpaid after 30 days	Less than 5% unpaid
Forward Liquidity	2 months
Efficiency savings	5% in year

Progress towards delivering our objectives and achieving our outcomes is monitored through our internal governance arrangements at Programme, Leadership Team, Executive and Board levels. It will be reported quarterly and annually to the Secretary of State and ministers, and in 2014/15 will be put into the public domain.

Risk management

The ONR Audit and Risk Assurance Committee (ARAC) reviews the risk register and the actions taken by the Executive to manage risks quarterly on behalf of the ONR Board. A new risk register will be considered by the ARAC on 7 April 2014 and, in line with our commitment to greater openness and transparency, ONR will begin publishing its risk register from May 2014. This is important for us because we will be using sound risk management to drive our organisation forward.

And finally ...

This is a plan for making a difference. We will use our new status and flexibilities under the Energy Act 2013 in the right way to drive the right improvements in standards of nuclear safety and security – holding the industry to account for this in line with our mission. This is our core purpose - and we will hold ourselves to it.



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