

Health and Safety Executive Board		Paper No: HSE/12/18	
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<b>Chair of the Office for Nuclear Regulation Report to the HSE Board</b>			

## Summary

1. ONR's involvement in work arising from events in Fukushima Japan continued with ONR providing representatives for the European peer review, the review of Japan's process for assessing safety at its nuclear power plants, and continuing stakeholder engagement in the UK.
2. The Operational Delivery Programmes are generally on track with the exception of the delivery of routine compliance inspection at some sites in the Decommissioning, Fuel and Waste (DFW) Programme. Slippage here is due to the diversion of resource into higher priority work. Achievements this month include issuing a Consent to restart Reactor 1 at Wylfa following satisfactory completion of a statutory outage; the removal of the last fuel element from Dungeness A, Reactor 1 and, the trial of the Low Risk/Low Hazard methodology, an important step towards ONR demonstrating proportionate regulation. In addition, work on implementing a broader ONR Change programme is progressing well.
3. ONR produced its first report against the Key Performance Indicators agreed between the ONR and HSE Boards. Delivery of ONR's core activities is generally on track, although outturns in relation to the timely production of Intervention Reports are disappointing. Action is being taken to secure improvement.
4. Several investigations are in progress, the most notable of which relates to the loss of electrical power event, which occurred at Sellafield on 2 February 2012. This necessitated the mobilisation of the Redgrave Court Incident Suite. Nobody was injured in the event and there was no indication of any radiological release.
5. In relation to stakeholder engagement, ONR published its third Quarterly News Update highlighting key developments in each of the operational programmes and the ongoing corporate changes. The Chief Nuclear Inspector addressed an Industry Forum hosted by the Department of Energy and Climate Change. The aim of the event was to set out the Government's vision, priorities and strategy for nuclear security within the context of the wider national security agenda. The Forum was well received by those attending.
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7. As a result of the interim Chief Operating Officer's, and the interim Finance Director's contracts coming to an end on 31 March, it has been necessary to make the changes to the ONR Board. In addition to the changes to the executive membership, a candidate for the post of Non-Executive Director with expertise in security has been recommended for Ministerial approval.

### **Fukushima nuclear accident**

8. The first public meeting to communicate details of the stress test peer review process took place in Brussels. ONR representatives spoke at the event to explain the role of topic lead for the European peer review. ONR communications team has been leading the task force on communicating information to the public about the public meeting and the peer review process.
9. An ONR inspector has joined a team of international nuclear safety experts to review Japan's process for assessing safety at its nuclear power plants.
10. In relation to stakeholder engagement in the UK, members of the ONR senior management team which produced the Reports on Fukushima for the UK Government and for the European Council gave a public presentation and answered questions during a community forum held in Bangor, North Wales.

### **Generic Design Assessment**

11. On the 9 January 2012, the Requesting Parties advised ONR that they intend to re-prioritise their Resolution Plan programmes and have requested ONR's co-operation in providing judgements on a number of key points by the end of March 2012. Until the Requesting Parties provide their revised Resolution Plan programmes, promised in December, it is not possible to assess the impact on the target Design Acceptance Decision date of December 2012.
12. The GDA Quarterly Report for the period 1 October to 31 December was published on 21 February 2012. The report reflects on the issue of the GDA interim Design Acceptance Conformations and interim Statements of Design Acceptability, and on the shift in focus, on the French EPR, to closing out the GDA Issues resulting from the GDA Step 4 assessment phase. ONR is not expecting much media interest, although this may change when Horizon announces its technology choice, expected shortly after the GDA Quarterly Report is published.
13. Plans to close down the GDA Programme and subsume its remaining activities into the Civil Nuclear Reactors Programme are progressing. As a result, the Director of GDA will take over the role of Programme Director for the Changing ONR Programme from 1 April 2012.

## Operational delivery programmes

14. The Operational Delivery Programmes are generally on track with the exception of the delivery of routine compliance inspection at some sites in the Decommissioning, Fuel and Waste (DFW) Programme. Slippage here is due to the diversion of resource to the assessment of stress test reports and clearing the backlog of permissioning activity, both of which were considered higher priority.
15. Achievements this month include the issuing of a Consent to restart Reactor 1 at Wylfa following satisfactory completion of a statutory outage; the removal of the last fuel element from Dungeness A, Reactor 1 and the trial of the Low Risk/Low Hazard methodology, an important step towards ONR demonstrating proportionate regulation.
16. The ONR Key Performance Indicators Report has been provided as agreed between the ONR and HSE Boards. This is the first time the majority of this information has been gathered and reported so its usefulness for driving improved performance has yet to be tested. However, potential issues have been highlighted for further scrutiny and action. As mentioned when the KPIs were agreed, ONR will continue to refine its performance measures as procedures are developed/evolved through the Change Programme and, as the usefulness of this initial set of KPIs is tested through ONR's corporate performance management process. Items the Board may wish to note are:
  - The number of events reported by Licensees, judged to have the potential to challenge a nuclear safety system, remains low.
  - Of the 1504 inspections planned for the period 1 April 2011 and 31 December 2011 1157 (77%) were achieved. This reflects the diversion of resource to higher priority work eg, assessment of stress test reports post Fukushima and inspections that are either reactive or variations to plan (329)
  - 83% of Project Assessment Reports were published on time. The requirement for publication and the production process to achieve it were developed through the Transformation Programme and are still relatively new to some areas of the business. The outturn is indicative of how successfully the process has been embedded.
  - Performance in relation to the production of Intervention Reports is relatively poor with just less than half produced on time. This is due to the introduction of a new process, which includes an additional sign-off requirement. An audit of the process is being undertaken currently and recommendations for improvement are awaited.
  - Performance in the timely publication of Local Liaison Committee reports has declined from 83% on time in Quarter 1 to 64% in Quarter 3. This appears to relate largely to procedural problems encountered in one Programme. Changes have been implemented which should result in an improvement.

## **Formal enforcement**

17. In relation to the small leak of treated pond water at Sizewell A reported last month, a Project Assessment Report has been published and Magnox has been formally requested to implement the improvements from its internal review and to promulgate the learning from the event across the company. The Environment Agency has indicated that it intends to issue a warning letter.
18. Several investigations are in progress, the most notable of which relates to the loss of electrical power event, which occurred at Sellafield on 2 February 2012 when a JCB hit a high voltage cable. This necessitated the mobilisation of the Redgrave Court Incident Suite. Nobody was injured in the event and there was no indication of any radiological release.

## **Stakeholder engagement and media interest**

19. During the period, ONR published its third Quarterly News Update, as part of the commitment to carry out regulatory activity with greater openness and transparency. It highlights key developments in each of the operational programmes and the ongoing corporate changes.
20. The Chief Nuclear Inspector addressed an Industry Forum hosted by the Department of Energy and Climate Change. The aim of the event was to set out the Government's vision, priorities and strategy for nuclear security within the context of the wider national security agenda. A discussion on ONR's intention to move away from the existing prescriptive approach to security, towards a goal setting regime underpinned by licensees' security assessments was discussed as were the implications of Fukushima on emergency planning and response, and the integration of Counter Terrorism and Safety exercises. The Forum was well received by those attending.
21. On 1 February, the Chief Nuclear Inspector and the HSE CEO gave evidence to a House of Commons Science and Technology Select Committee inquiry into risk perception and energy infrastructure. The purpose of the Select Committee inquiry, which was launched on 9 November 2011, is to explore risk assessment, communication, perception and tolerability in relation to energy infrastructure, focusing on nuclear power in the light of the Fukushima nuclear accident.
22. On 13 February, a journalist from The Sun newspaper contacted ONR Press Office with specific details of an incident in which an unencrypted USB drive containing EDF's stress test report for Hartlepool power station had been lost. In response, ONR confirmed the loss, which had been reported immediately by the member of staff, and advised that the USB drive did not contain any significantly sensitive information; the use of unencrypted USB drives is not permitted by ONR for transporting documents with a security classification; and, that an internal investigation had been undertaken. EDF's position is that the immediate reporting of the incident demonstrated the correct values and is to be celebrated,

not criticised. An article regarding the incident was published in The Sun on 17 February.

## Transition to the statutory Office for Nuclear Regulation

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24. Work on implementing a broader ONR Change programme is progressing well. Staff engagement with the change process is gaining momentum and Trade Union (TU) involvement is positive with representatives being identified for each of the main elements of work. Key deliverables during the period include the start of the live rollout of How2, ONR's new Business Management System; the first audit undertaken by ONR's new Assurance Function and, the first stage of work on the Organisational Design was completed.

## Changes to the ONR Board

25. As a result of the interim Chief Operating Officer's, and the interim Finance Director's contracts coming to an end on 31 March, it has been necessary to make the changes to the ONR Board. The current Director of Strategy Policy and Governance will move into the post of Director of Finance and Corporate Services; the current Programme Director for Defence will become the Director of Regulatory Policy, Strategy and Assurance; and, the Chief Nuclear Inspector will cover the role of Chief Operating Officer temporarily until a replacement has been recruited.

26. In addition, interviews to recruit a non-executive Director with expertise in security were held. A candidate was recommended to Ministers and ONR is awaiting approval of the appointment.

## Financial summary

27. The financial summary for January is provided below.

BUDGET LINE	IN MONTH TOTAL JANUARY 2012				CUMULATIVE TOTAL APRIL – JANUARY 2012				FORECASTS 2011/12		
	ACTUAL	MIDYEAR PROFILE	VARIANCE		ACTUAL	MIDYE ARPROFI LE	VARIANCE		MIDYEAR	LATEST	VARIANC E
			£	%			£	%			
PAYROLL	2,719.5	2,807.6	(88.1)	-3.1	26,926.0	27,066.0	(140.0)	-0.5	32,706.3	32,594.3	(112.0)
GAE	495.3	384.5	110.8	28.8	5,058.8	5,014.2	44.6	0.9	6,107.4	6,404.7	297.3
PROGRAMME	352.6	735.8	(383.2)	-52.1	4,737.9	5,521.7	(783.8)	-14.2	7,561.0	7,011.2	(549.8)
OVERHEADS & CENTRAL COSTS	835.2	915.7	(80.6)	-8.8	8,345.7	8,513.1	(167.4)	-2.0	10,356.6	10,458.9	102.3
<b>TOTAL GROSS EXPENDITURE</b>	<b>4,402.6</b>	<b>4,843.7</b>	<b>(441.1)</b>	<b>-9.1</b>	<b>45,068.3</b>	<b>46,115.0</b>	<b>(1,046.7)</b>	<b>-2.3</b>	<b>56,731.3</b>	<b>56,469.1</b>	<b>(262.2)</b>

28. A review of budgets was carried out last month and forecasts were revised following current spending patterns. No profiles were set for GAE and Programme budgets following the review, except for NSS and payroll. Therefore, actual spend in January has been compared to the midyear profile. Items to note are:

- Payroll was underspent in month by £88.1k compared to mid year profile as a number of transferees to ONR in January had their pay met by their exporting Directorate, variances between pay settlement figures and, differences between forecast and actual costs for the Radioactive Materials Transport Team (RMTT) payroll. ONR are awaiting actual pay calculations for RMTT from HSE.
- GAE was overspent by £110.8k. The main contributory factors were an overspend on travel and subsistence (£38.2k) largely as a result of overseas visits approved recently that were not included in the midyear forecast, and an overspend on consultants of £90.5k due to accruing for part payment of the Ernst and Young transformation work. At mid-year the Ernst and Young contract was not profiled as part of the consultants budget as DWP approval had not been received.
- An overall underspend on Programme of £463.8k largely as a result of an underspend on Nuclear Safety Studies of £418.4k in month (£906.1k year to date) compared to the mid-year review profile. The majority of the underspend relates to contract delays, contracts being cancelled or postponed and some contracts requiring less funding than anticipated. Particularly affected were GDA contracts due to Requesting Parties being behind schedule in providing submissions to ONR.

There was no further revision in the February forecast as a number of additional new contracts and extensions not budgeted offset the reductions and Project Officers have indicated a fair degree of confidence that their contracts would still spend to the January forecast.

### **HSE Overhead and Central costs**

29. January's actual expenditure and latest forecast is a soft charge calculated by HSE Finance based on the total number of staff in post in ONR (including non chargeable and temporary staff) by location. A summary of HSE's charges is provided in Annex 1.

30. ONR and HSE Finance are continuing to meet to discuss the assumptions on which the overhead charge is based.

### **Resources**

31. Recruitment and retention forecasts were reviewed at mid year based on headcount. As at 31 January, ONR had 449 staff.

## Annex 1

## HSE costs charged to ONR

£000's

BUDGET LINE	IN MONTH TOTAL JANUARY 2012				CUMULATIVE TOTAL APRIL – JANUARY 2012				FORECASTS 2011/12		
	ACTUAL	MIDYEAR PROFILE	VARIANCE		ACTUAL	MIDYEAR PROFILE	VARIANCE		MIDYEAR	LATEST	VARIANCE
			£	%			£	%			
CORPORATE SERVICES:	216.5	244.8	(28.3)	-11.6	2,169.8	2,242.1	(72.3)	-3.2	2,734.9	2,668.5	(66.5)
HUMAN RESOURCES (HR)	47.5	57.0	(9.5)	-16.7	491.6	521.4	(29.9)	-5.7	636.2	600.1	(36.2)
BUSINESS SUPPORT DIRECTORATE (BSD)	48.3	63.0	(14.7)	-23.3	562.2	577.9	(15.7)	-2.7	704.7	709.2	4.5
INTERNAL AUDIT	7.0	6.8	0.2	3.6	62.7	61.9	0.8	1.2	75.5	77.2	1.7
PLANNING, FINANCE, & PROCUREMENT DIRECTORATE (PFPD)	36.0	40.4	(4.4)	-10.9	346.3	370.4	(24.0)	-6.5	451.7	415.5	(36.3)
SECRETARIAT	12.4	12.7	(0.3)	-2.3	114.9	115.9	(1.0)	-0.8	141.4	141.1	(0.2)
COMMUNICATION DELIVERY SERVICE (CDS)	34.7	35.7	(1.0)	-2.9	326.2	326.9	(0.7)	-0.2	398.9	402.8	3.9
COMMUNICATIONS DIRECTORATE (COMMS)	19.5	17.4	2.1	12.4	161.6	159.2	2.4	1.5	194.2	196.3	2.1
DEPUTY CHIEF EXECUTIVE OFFICE (DCEO)	11.1	11.9	(0.8)	-6.3	104.3	108.5	(4.2)	-3.9	132.4	126.3	(6.0)
ESTATES ADVISORS	(0.0)	0.1	(0.1)	-154.4	0.7	0.8	(0.1)	-10.7	0.9	1.0	0.1
OFFICE SERVICES	12.2	9.3	2.9	31.8	94.9	82.1	12.8	15.6	100.8	122.8	22.0
IT	230.3	238.9	(8.6)	-3.6	2,242.7	2,185.9	56.8	2.6	2,667.0	2,822.9	156.0
OTHER CHARGES	15.4	18.5	(3.1)	-16.9	166.0	169.1	(3.1)	-1.9	206.4	208.0	1.6
ACCOMMODATION	273.0	310.1	(37.0)	-11.9	2,746.0	2,828.3	(82.3)	-2.9	3,452.9	3,401.7	(51.2)
POOLED ASSETS (INC BUILDINGS)	30.3	29.3	1.0	3.3	246.7	254.6	(7.9)	-3.1	313.6	293.8	(19.8)
TELECOMS	13.2	10.1	3.1	30.8	111.8	92.1	19.7	21.4	112.3	147.3	34.9
<b>TOTAL</b>	<b>790.8</b>	<b>861.0</b>	<b>(70.2)</b>	<b>-8.1</b>	<b>7,778.5</b>	<b>7,855.0</b>	<b>(76.5)</b>	<b>-1.0</b>	<b>9,588.9</b>	<b>9,666.0</b>	<b>77.1</b>
COST OF CAPITAL	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0
HEALTH SURVEILLANCE COSTS	(1.5)	0.7	(2.2)	-321.7	5.6	7.6	(2.1)	-27.1	9.0	9.0	0.0
HR RECRUITMENT & ADVERTISING	(13.9)	0.0	(13.9)		23.4	122.2	(98.7)	-80.8	122.2	146.6	24.4
PPE COSTS	1.8	0.9	0.9	96.2	15.5	12.6	2.9	22.6	14.5	14.5	0.0
ESTATE COSTS	19.2	25.3	(6.1)	-24.2	224.6	224.9	(0.4)	-0.2	275.5	275.5	0.0
IMU LIBRARY BUDGET	7.1	5.9	1.2	19.4	30.0	38.1	(8.1)	-21.4	50.0	50.0	0.0
IMU GENERAL COSTS	31.2	16.0	15.3	95.6	189.4	168.1	21.3	12.7	200.0	200.0	0.0
RESEARCH PROCUREMENT COSTS	0.1	5.5	(5.4)	-98.8	73.4	79.4	(6.0)	-7.5	90.3	90.3	0.0
EMERGENCY PLANNING UNIT	0.4	0.5	(0.1)	-26.1	5.4	5.2	0.2	3.4	6.3	7.0	0.7
<b>TOTAL</b>	<b>44.4</b>	<b>54.8</b>	<b>(10.4)</b>	<b>-18.9</b>	<b>567.2</b>	<b>658.1</b>	<b>(91.0)</b>	<b>-13.8</b>	<b>767.7</b>	<b>792.9</b>	<b>25.2</b>
<b>PFPD OVERHEAD COSTS</b>	<b>835.2</b>	<b>915.7</b>	<b>(80.5)</b>	<b>-8.8</b>	<b>8,345.7</b>	<b>8,513.1</b>	<b>(167.4)</b>	<b>-2.0</b>	<b>10,356.6</b>	<b>10,458.9</b>	<b>102.3</b>