



Office for  
Environmental  
Protection

## Board Paper

22.12

### Date

2 February 2022

### Title

Finance Report

### Report by

Alexis Edward, Head of Finance and Corporate Services

Paper for information and decision

## Recommendation

1. The Board is recommended to:
  - a. Consider the current financial headlines and analysis.
  - b. Note the update on the establishment of the OEP finance function.
  - c. Note the progress of negotiations with Defra on its recommendations to the Secretary of State on our ring-fenced budget for the next three years and indicative budget for the next five years.

## Financial Headlines and Analysis

2. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*
3. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

## Establishment of the Finance Function

4. A new accounting system, Sage 200, has now been obtained and installed during the last week of January. Set up has commenced with the intention of the finance function being operational on 1 February.

21.52

5. As noted in the Delegation paper, the OEP financial policies and procedures, including procurement are currently being drafted and it is proposed that these will be tabled to ARAC and the Board by 31 March 2022. During the interim period (1 February to 31 March) the Board is requested to note that the Interim CEO has delegated authority to ensure sufficient financial management and control over the finance function, until such time that the policies and procedures have been agreed.

## Future years budget

6. The Board is aware that we have been in discussion with Defra's officials on the budget to be provided to the OEP in the next three to five years. These discussions have included both the arrangements through which that budget would be set, and the budget to be provided.
7. After our representations, Defra has created a bespoke governance process to evaluate the OEP's budgetary needs and make recommendations to the Secretary of State. This process aims to ensure that the scrutiny undertaken by Defra is protected from conflicts of interest which may arise through Defra's normal processes. In particular, the process is protected from other arm's-length bodies having sight of OEP's budget, or any influence on it. The process involves:
  - a. OEP's budget being scrutinised by Defra's central finance function, in a manner similar to any business case submitted for approval
  - b. The NETL Director, Edward Barker, chairs a specially convened Board to consider OEP's requests and the analysis undertaken. This Board (also attended by Defra finance) makes recommendation to the ERM DG (David Hill). OEP has rights of representation to the ERM DG, if needed
  - c. The ERM DG makes recommendations to the Secretary of State, as is established practice for all ALBs.
8. This Board will make recommendations for a budget for the OEP which is ring-fenced for three years (the current spending review period), and indicative for a further two years. The mechanisms by which the ring-fence will be operationalised is still to be confirmed. It is expected to include:
  - a. That the OEP will not participate in an annual business planning process (save for any additional funding it seeks to bid for)
  - b. That the OEP will be protected from any in year efficiency or savings Defra seeks to realise, unless it identifies an underspend it wishes to return to Defra (when it will be expected to do so).
9. The further controls to be applied to the use of this budget are also yet to be fully settled, including any constraint on the OEP's operational headcount. *This*

*section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

10. The business planning board will have convened before the Board meets. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*
11. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

## Impact Assessment

*This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

## Implementation Timescale

12. As set out in the body of the paper:
  - a. The OEP finance functions to be operational on 1 February 2022.
  - b. The OEP finance policies and procedures (including procurement) to be in place by 31 March 2022.

## Communications

13. Internal communication relating to the finance transition from Defra processes to OEP ones is being developed, to ensure minimal disruption.

## External Stakeholders

14. The overall timetable for establishment of the OEP, including the key milestones have been discussed with stakeholders in the stakeholder forum.

## Internal Stakeholders

15. Colleagues are aware of the status of the financial reporting project via various update meetings across the organisation, including SLT and cascade meetings.