

Board Paper

Date

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Title

Delegation Policy (Financial) and Finance Handbook

Report Author

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Responsible Executive Director

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Paper for information and decision

Open in part

Issue

1. The Board has previously agreed limited delegations of its powers to OEP staff and others, whilst delegating other powers to the Interim CEO. Our ambition is to secure the Board's agreement to delegate to staff more of its powers over time, as necessary to maximise the efficiency and effectiveness of the OEP's operations.
2. We now propose to seek the Board's agreement to further delegations to staff at a pace that 1) puts the necessary delegations in place in time to avoid the Board or Interim CEO becoming an unnecessary bottle neck to business which does not require such senior decision-making, and 2) reflects the maturity of the OEP's relevant policies, procedures and governance and their ability to mitigate risks to within the Board's risk appetite.
3. The first area in which we have identified further delegations as time critical is financial, on which further delegations are now sought.

Recommendation

4. The Board is recommended to:
 - a. approve the Annex B to this paper, an updated draft Financial Scheme of Delegation (FSoD),

- b. subject to the ARAC reviewing the supporting Finance Handbook at Annex C and associated underlying policies and procedures at paragraph 14 and advising the interim CEO that they are adequate.

Background

5. On 2 February 2022 the Board adopted its delegation policy, as required by the Environment Act. All delegations must be made to the extent, and on the terms, that the Board determines in accordance with that policy. This is reflected in the proposed approach discussed below.
6. On 2 February the Board also delegated limited functions to staff and others via financial and non-financial schemes of delegation, with most other delegable functions being confirmed as delegated to the Interim CEO.

Analysis

Delegation Approach

7. We now propose to seek the Board's agreement to further delegations to staff at a pace that 1) puts the necessary delegations in place in time to avoid the Board or Interim CEO becoming an unnecessary bottle neck to business which does not require such senior decision-making, and 2) reflects the maturity of the OEP's relevant policies, procedures and governance and their ability to mitigate risks to within the Board's risk appetite.
8. Our proposed approach is to expand on the existing schemes of delegation annexed to the delegation policy to capture delegations in a single document that can be made transparent to staff and others. Our overall approach has been tested with legal counsel (see a summary at annex A).
9. We have identified further delegations in the following areas as time critical 1) financial (to ensure adequate processes are in place as these move from Defra to the OEP and now that we have our own accounting system in place), and 2) complaints and investigations (for further developing our work on these functions following finalisation of our strategy – mid-May 2022). We therefore plan to seek the Board's agreement to further financial delegations at this meeting, and further complaints and investigations delegations at the 27 April meeting. Further delegations will then be sought in other areas at future Board meetings, until the schemes of delegation are deemed complete, and a regular review timetable agreed. This will take some months. It is desirable to do so before the OEP's first tailored review this autumn.
10. The Board will wish to be satisfied that each delegation is supported by adequate policies, procedures, governance and training to ensure that the delegation can be made safely in accordance with relevant requirements (e.g. the Environment Act, delegation policy, Managing Public Money, the OEP's Framework Document etc.) and within the Board's risk appetite.

11. ExCo have approved the updated FSoD alongside the financial policies and procedures (including Finance Handbook) discussed below.

The Finance Handbook

12. The Finance Handbook has been updated to link back to the delegation policy and reference the underlying financial policies and procedures. The document has been prepared to ensure compliance with Managing Public Money and The Government Functional Standard: Finance.
13. The Finance Handbook has been approved by the Interim CEO pursuant to her powers delegated under the Board's Governance Framework. The Finance Handbook can be found at Annex C for information.

Financial Policies and Procedures

14. The underlying financial policies and procedures that detail the information in the Finance Handbook are in various states of readiness. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

Finance Training

15. A financial training program is to be rolled out to all staff to cover the following areas:
 - a. Identifying and reporting fraud
 - b. Procurement processes
 - c. Raising and receipting Purchase Orders
 - d. Expenses
16. In addition, training will also be provided to all budget holders and finance champions on budgetary management processes, aligned with prioritisation of project work, as well as operating in line with the Finance Handbook and underlying policies and procedures.

Impact Assessment

Risk Assessment

17. If the Board retains too much of its powers, it risks becoming overwhelmed and a bottle neck to the OEP's efficient and effective operation. This is not deemed an immediate risk, but its likelihood will increase as the OEP opens fully for business and starts to exercise more of its powers more frequently. Hence these proposals to extend delegations appropriately and in advance of need.
18. If the Board delegates powers without adequate controls (e.g. policies, procedures and governance) then these risk being used in ways contrary to the Board's duties and expectations, creating legal, reputation and other risks. This

risk might be highest over the next few months during which the OEP is still building and maturing its controls, most of its staff are new, and it starts to exercise many of its powers for the first time. Hence these proposals for the Board to be assured that adequate controls are in place before agreeing each delegation.

Equality Analysis

19. It is not considered likely that differential equality impacts will emerge through this activity. We will consider an equality impact analysis on our proposed activities, as these emerge.

Environmental Analysis

20. Our proposed approach to delegations is intended to further secure that the OEP runs as an efficient and effective organisation. This will support the OEP in complying with its various environmental law duties and maximising its contribution towards protecting and improving the environment.

Implementation Timescale

21. The OEP finance policies and procedures (including procurement) to be tabled to the next ARAC meeting, alongside the Finance Handbook.

Communications

22. Internal communication relating to the finance transition from Defra processes to OEP ones is being developed, to ensure minimal disruption.
23. Colleagues are aware of the status of the financial reporting project via various update meetings across the organisation, including ExCo and cascade meetings.

External Stakeholders

24. These are largely internal matters but may be of interest to those carrying out the OEP's first tailored review in the autumn, hence the desirability of completing the delegation policy by then.
25. While arguably not an external stakeholder, the Government Internal Audit Agency are due to audit the OEP's governance in Q1 2022/23, which may usefully test and inform this work.

ANNEXES LIST

ANNEX A

This section has been redacted as it contains legally privileged advice.

ANNEX B

This section has been redacted as it contains information for future publication.

ANNEX C

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