Office for Environmental Protection

Board Paper 00.00

Title: *This should be the name of the item on the Board's agenda*	
Report Author: Angel Lai and REDACTED	**Paper for decision**
Responsible Executive Director: Richard Greenhous	**Open paper**

Summary

Issue

1. This paper seeks the Board s formal approval of the OEP 2026-27 budget and business plan, following confirmation of our funding from Defra and DAERA.

Recommendations

2. The Board is recommended to:
    a. Agree the business plan at Annex A, considering the changes made since the Board considered them in draft in March at paragraphs 14 to 16.
    b. Agree the budget and allocations to each Directorate at paragraph 17.

Intent and objectives

3. To finalise the 2026/27 annual budget and business plan, so that final budgets can be delegated to directorates, providing the funding certainty required to deliver the organisation's agreed priorities in 2026/27; and enable publication of our Corporate Plan.

Key considerations

4. This paper does not repeat the detailed explanation and analysis of the draft budget and business plan presented to it in March. Board members are therefore recommended to re-read this, which can be found at Annex B.
5. Defra and DAERA confirmed their contributions to our funding in March and June. These were flat cash, as assumed in the draft budget and business plan. Other key assumptions have also been confirmed, notably the 3.5% Civil Service pay award.
6. The recommended final budget and business plan are therefore substantially the same. But there have been minor changes and adjustments. Together these increase the budget and reduce the contingency by £11k (net of £31k less pay and £42k more non-pay costs). These are this paper's focus.
7. We have maintained the England / NI split roughly in line with their relative funding contributions (£8.8m / £1.9m). England is slightly under and NI under programmed.
8. We must retain adequate flexibility to respond to events in year, and to manage under and over spend risks. This budget and business plan, and our established processes for in year management of these and delivery risks do so.

Information and Analysis

Background

9. In March the Board considered and endorsed the draft budget and business plan at Annex B. In doing so noted that:
    a. Defra's and DAERA's funding contributions had yet to be confirmed.
    b. Flat cash funding was assumed. This was a real-terms reduction after expected increases in pay and non-pay costs. The scale of this reduction depended significantly on the pay award, which was assumed would be 3.5%, and inflation in the costs of the goods and services we buy, which might be increased by events in the Middle East. Neither were yet known. But it was estimated that it was equivalent to a real terms reduction of around £321k a year.
    c. This real-terms reduction in our resources required strategic action to maintain financial sustainability over the medium term, including to preserve an appropriate balance of resources across projects and business as usual activities, which best facilitates delivery of our mission.
    d. Improvements in financial forecasting had been made, increasing confidence in our ability to manage over and under spend risks.
    e. A £117,000 contingency was included, for known risks e.g. year-end adjustments.
    f. The business plan reflected the steers it had given in November. It remained focused on nutrient management in Northern Ireland; and on restoring nature, the associated apex targets on species abundance and 30x30, and reform initiatives in England. It also provided for reactive measures in response to emerging issues.
    g. The draft budget and plan would be finalised and implemented, when agreed by the Chief Executive, to ensure sustained delivery of our mission.
    h. The Board would consider the final budget and business plan once funding was confirmed
10. At the end of March, Defra confirmed funding of £8.845m (including £0.302m depreciation) for the three years 2026/27 to 2028/29. In June DAERA confirmed funding of £1.9m for 2026/27 only. This means that our total funding for 2026/27 is £10.743m. This matched the flat cash funding settlement that we had assumed in our draft budget and business plan.
11. In May, the Cabinet Office published the 2026-27 Civil Service pay remit guidance, with which the Board has previously decided we should align. This sets a maximum increase for Grades 6 and below at 3.5%. This also matches what we had assumed.
12. The key financial assumptions presented to the Board in March (slide three of Annex C) therefore remain unchanged.

Analysis

13. The recommended final budget and business plan at Annex A are therefore substantially the same as the drafts considered by the Board in March. This paper focuses on the minor changes and adjustments since made.

Business plan

14. A small number of minor changes to the draft business plan presented to the Board in March are proposed. These proposals do not change the overall substance and priorities of the plan the Board agreed in March. All are within the scope of the final adjustments which the Board agreed in March should be delegated to the Chief Executive. They are:
    a. The addition of a project on general legal duties and the biodiversity duty.
    b. The addition of a project to produce a synthesis of completed marine activity targeted and tactical interventions, which was not completed in 2025/26 so has been carried forward to 2026/27.
    c. Clarifying what we will do on waste:
15. The initial proposal for a project on waste crime was not agreed, given the EA's recently increased resources and focus on waste crime, which we did not wish to cut across. Though we will continue to engage with the EA to understand and be assured of their work.
        i. Instead, we have agreed two foundational evidence projects on 1) Estuarine and coastal landfills (project title: 'Resources: contaminated land'), and 2) Littering and fly tipping (project title: 'Review of waste crime').
    b. Pausing the HR recruitment system project until after 2026/27, given. Given delays and uncertainly in changes to the Civil Service recruitment system to which this is a response.
    c. Delaying the start of the Levelling Up and Regeneration Act 2023 implementation project due to external delays.

Budget adjustments

<u>Pay</u>

16. Pay costs have been updated to reflect the refined quarter one forecast prepared at the end June 2026. A £31k reduction reflects staffing changes since March, such as departures, arrivals and maternity leave. The following tables summarise these changes overall and by Directorate:

2026/27pay budget	COS	CRO	INS	LEG	**Total sum**
Mar2026 version	£2,409,722	£1,762,933	£1,810,364	£1,327,514	£7,310,533
July 2026 version (Q1 pay forecast & adjusted for YE provision in COS)	£2,416,800	£1,881,596	£1,774,337	£1,206,850	£7,279,583
Movements (+ve: increase)	£7,078	£118,663	-£36,027	-£120,664	-£30,950
Notes: Movements reflecting staffing changes between Feb26 and Jul26; and maternity pay adjustments.					

2026/27 budget FTEs (annual average)	COS (incl CEO)	CRO	INS	LEG	**Total sum**
Mar2026 budget version	27.43	21.41	21.83	14.95	**85.01**
July 2026 version - per Q1 pay forecast	26.94	21.61	22.45	13.49	**84.49**
Movements (+ve: increase)	-0.49	0.20	0.62	-1.46	**-1.13**
Note: FTE movements reflecting pay budget adjustments, and staffing changes since Feb2026.					

Non-pay

17. Non-pay costs have increased by £42k, reflecting the changes to the business plan at paragraph 13 and refined updated forecasts. These include the addition of estimated year-end adjustments for items such as Holiday and Flexi credit accruals (£60k), leaving £45k unallocated, as a contingency to help manage the risks of overspend and unexpected needs emerging in year. These changes are detailed in the following tables:

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

Budget

18. The budget has been updated to reflect all these changes and adjustments. This is summarised in the following table, overall and by Directorate:

2026/27Budget summary as at July 2026		**COS**	**CRO**	**INS**	**LEG**	**Total sum**
Pay budget (per Q1 forecast)		£2,416,800	£1,881,596	£1,774,337	£1,206,850	£7,279,583
Non-pay budget (as at July 26)		£1,652,874	£53,060	£1,092,514	£255,515	£3,053,963
Depreciation		£304,389				£304,389
Plus **Adjustments:**						
Year-end provision		£60,000				£60,000
Contingency - unallocated		£45,628				£45,628
Total budget		£4,479,690	£1,934,656	£2,866,851	£1,462,365	**£10,743,562**
Funded by:						**£10,743,562**
Defra	RDEL funding			£8,541,000	£8,843,562	
	Depreciation funding			£302,562		
DAERA funding					£1,900,000	
Variance between funding and budget						£0

Northern Ireland

19. The draft budget and business plan is for England and Northern Ireland. The draft considered by the Board in March was marginally under-programmed overall and in

England but marginally over-programmed in Northern Ireland. This remains the case. We recommend tolerating this, while we will continue to try to manage expenditure in year to match their funding contributions as closely as possible.

England and NI resources ratio - movements analysis as at July	Funding confirmed		March 2026 version		July 2026 version		Movements
	Funding	in %	Budget	%	Budget	%	in %
England	8.843	82.3%	8.675	81.6%	8.711	81.6%	0.0%
Northern Ireland	1.900	17.7%	1.951	18.4%	1.958	18.4%	0.0%

Impact Assessments

Risk

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

Environmental duties

20. This analysis remains unchanged from that when the Board considered the draft budget and business plan in March (Annex B).
21. We must take account of relevant environmental duties we hold under environmental law in forming our plan. In response to the revised biodiversity duty, the Board adopted specific objectives to ensure that biodiversity conservation and enhancement are effectively taken into account in our strategic and operational decision-making and to scrutinise delivery of the steps governments in England and Northern Ireland intend to take to achieve, respectively, the 2030 and 2042 species abundance targets and the nearest Northern Ireland equivalent, and to hold each government to account for delivering those steps and for ensuring that doing so can achieve the relevant target.
22. Scrutiny of the plans to conserve and enhance biodiversity are proposed to remain the largest component of our activities in England. In Northern Ireland, we decided our focus on nutrient management after our assessment of the drivers and pressures of biodiversity loss in Northern Ireland. We judge that our plans remain consistent with the objectives adopted by the Board.
23. We plan to reduce our work on our own sustainability to the mandatory minimum to comply with the reporting requirements of Government's Greening Commitments. Our staff naturally make good choices, and good behaviours are largely embedded across our teams, but this means we will not refresh our action plan to drive down our sustainability impacts, which largely derive from our travelling, commuting, estates and purchasing behaviours.

Finance and resource

24. Our business plan for this year includes 0.65 FTE to facilitate our multi-year budgeting and planning process, including the finance and business strategy and planning team, and the time needed across the organisation to develop business plans.

Equality

25. The EqIA (Annex D) was revisited and revised in July 2026 to support Board sign-off of the Business Plan 2026/27, including an updated review of the evidence base.
26. The assessment concluded that the Business Plan 2026/27 has a broadly neutral and stable equality impact overall, with no adverse or disproportionate negative impacts identified for people who share a protected characteristic.

27. The assessment has been refreshed using recent evidence on environmental inequalities, including access to nature, urban health inequalities, climate vulnerability and water quality, and recognises potential positive equality-relevant impacts from the OEP's continued focus on improving nature, clean water and environmental governance.
28. Equality impacts will be kept under review through delivery and assurance processes, particularly if there are material changes to priorities, delivery mechanisms, public access routes, including the complaints function, or resource allocation.

Communication and engagement

29. Our Corporate Plan is the primary vehicle for communicating our business plan to stakeholders. The Board considered this at its meeting on 18 May. It is currently with the Chair for her consideration and clearance. It has been updated to reflect the confirmation of funding from Defra and DAERA that we now have. The changes to the budget and business plan proposed in this paper are too minor to require reflecting in the Corporate Plan, which is higher level. We aim to publish this as soon as possible.
30. In the meantime, we have continued to keep our external stakeholders (including eNGO, Defra Group ALBs, Defra and DAERA) up to date on progress by engaging them in discussion of the contents of our draft Corporate Plan, while maintaining the caveat that it remains to be finally agreed. They have welcomed this as an aid to their own planning, which should in turn benefit us in securing what we need from them over the year.
31. We have also kept staff up to date, through a series of programme deep dives at our all staff cascades, setting out the key choices and activities planned in each programme.

Transparency

Paper to be published	YES
Publication date (if relevant)	With meeting minutes
If it is proposed not to publish the paper or to not publish in full please outline the reasons why with reference to the exemptions available under the Freedom of Information Act (FOIA) or Environmental Information Regulations (EIR). Please include references to specific paragraphs in your paper	• Aspects of the publication would harm the effective conduct of public affairs, including the Board's ability to receive candid advice and engage in free and frank discussion (s.36) so will be redacted. •

Implementation

26. We will adopt the final business plan, and continue to initiate the projects within it in line with our established governance for project initiation, including in consultation with the Board as appropriate.

Annexes

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

Annex B – *This section has been redacted as it contains information available elsewhere.*

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

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