

Board Paper

Date

18 August 2025

Title

Annual report and accounts

Report Author

Angel Lai, Head of Finance and Corporate Services

Andy Lester, Head of Business Strategy and Planning

Responsible Executive Director

Richard Greenhous, Chief of Staff

Paper for decision

Issue

1. The Board will be asked to agree the annual report and accounts (AR&A) in October after audit, and with the benefit of the auditor's completion report. The Board's comments on the draft annual report and accounts are now sought, as the audit progresses.

Recommendation

2. The Board is recommended to
 - a. Consider and comment on the draft AR&A, in particular:
 - i. Whether it provides a fair, balanced and accurate description of the OEP's performance
 - ii. Whether it projects the right tone in respect of the OEP's delivery
 - iii. The sufficiency statement
 - b. Note that the draft AR&A has been provided to the National Audit Office after the Audit and Risk Assurance Committee's scrutiny to allow the audit to begin, and that an updated draft will be provided in light of the Board's comments.

Background

3. All public bodies publish an AR&A. The AR&A is the key mechanism of accountability to Parliament, the public and stakeholders for our spending, efficiency, effectiveness, economy and therefore value for money. It is also a platform to explain our work, choices and impact.
4. The AR&A must be trustworthy, transparent, fair, balanced and understandable. There is extensive guidance setting out expectations for annual reports, and several good practice guides. Much content is mandatory but we also have discretion, notably in the presentation of information above what is mandatory, and the structure of the performance report.
5. The requirements of our AR&A are standard, except that we must include an assessment of whether the Secretary of State and DAERA provided us with sufficient sums to carry out our functions in the year. We sought counsel's advice on how we should go about this assessment in 2022. In summary we have wide discretion as to the factors we take into account, and how we set this out.
6. The AR&A will be considered further in light of audit by the executive, Accounting Officer and ARAC before being presented for Board approval after audit in October.
7. To support the Board consider the governance statement within the AR&A, ARAC is required to produce an annual report to the Board, which the Board will consider separately on its agenda.

Analysis

Financial performance

8. As previously reported in June (CEO Report, point 35), the draft year-end outturn position is 0.4% (or £47.8k) underspend against our budget. This remains unchanged. Key considerations of the financial statements will be presented to the Board verbally. The financial statements were reviewed by ARAC in August.

Approach to performance report

9. Good practice is to design our performance report around our users' needs, and primarily those of Parliament in its scrutiny of the value for money of public expenditure. We aim to provide a balanced assessment of our delivery in the period against each of our objectives, at a level of detail appropriate to users' needs.
10. Good practice also encourages reporting against unbiased indicators of progress where these are established, and to include prior year and trend information where possible. This year, we include a broader range of information and indicators for each strategic goal, aligned to the performance framework we adopted in our strategy review after consultation. In our strategy, we set out six indicators to be trialled within our performance framework. Four are included in this report, two remain in development (relating to the change per FTE in carbon emissions and other environmental impacts, and the adoption of our recommendations).

11. We have adopted the same approach to the performance report that the Board agreed last year, including a number of 'spotlights' to provide case studies of our approach and impact, which aim to be exemplar of our delivery.

Sufficiency statement

12. We must include a statement of the sufficiency of our funding in the reporting year, which the Board must agree. Counsel advises that we are able to take into account the manner in which funding is made available, and any conditions attached as well as the sums provided. As in previous years, we judge it useful to users to set out our view on the sufficiency of funding in future years, alongside this statutory assessment.
13. The sufficiency statement was considered carefully by ARAC who recommended a firm expression of the constraints we have faced in the reporting year, and a stronger signal of the risks to our future funding. The revised draft proposed to the Board has been informed by this advice. The Board's views are sought.

Sustainability report

14. We have experienced some challenges with the business travel data in the sustainability report, as we have identified some inconsistencies in the data we hold, and have reported to Defra during the year relating to the transition between travel and expense providers in year. Work continues to resolve.
15. What is clear is that this year has seen a reasonably material increase in our environmental impacts. Some of this is because the period includes a full year's occupation of Wildwood, as against 6 months occupation last. There appears to have also been a meaningful increase in our business travel – one of the primary controllable drivers of our carbon footprint. Our resources, work and staffing in Northern Ireland each increased in year which may be a factor, as is the fact that our Northern Ireland staff grew during the prior year.
16. We will report separately to the Board on our sustainability action plan, and this increase later in the year.

Governance statement

17. ARAC has specific responsibilities to advise the Board on the governance statement, including through its report to the Board which the Board will separately consider on its agenda.
18. In the governance statement, we highlight the same deviations to good practice in our control environment as in 2023/24, notably in relation to the absence of a framework agreement, a nominations committee, a Finance Director, and in relation to the erroneous delegation of financial authority to the Chief Insights Officer as a secondee for a time limited period in 2023/24 and 2024/25. There are no new matters.

Northern Ireland

19. The draft AR&A explains our performance in Northern Ireland through our strategic objectives, and alongside our work in England. This mirrors the approach we set out in our

strategy, our 'one OEP' ways of working, and prior years. We report measures and indicators relating to our work in Northern Ireland where it is relevant and appropriate to do so.

Finance and Resource

20. We forecast up to £61k non-pay expenditure to complete the annual report which relates to the NAO's fees for providing external audit (£53k) and the production costs (£8k)
21. The preparation of our AR&A is a significant undertaking. We forecast in total 0.5 FTE, mostly in the finance team.

Impact Assessments

Risk Assessment

22. The ARAC has agreed key areas of risk on which the NAO is to focus in its audit:
 - a. The presumed risk of management override of controls.
 - b. Payroll provider transition
 - c. The overall control environment, given deficiencies in financial control identified in 2022/23
23. There is a greater risk of errors being identified during audit than for most public bodies given the very low materiality threshold which applies to the OEP's accounts (£188,000 overall, with an error reporting threshold of £3,760).
24. There are risks should the performance report not provide a fair and balanced assessment of the OEP's delivery during the year. The Board's assurance of these risks, and the nature of the report is sought.

Equality Analysis

25. No material equalities impacts have been identified.

Environmental Analysis

26. No specific contribution to our environmental duties.

Implementation Timescale

27. The audit fieldwork is planned to be completed in August and September.
28. We plan to bring the final proposed AR&A to the Committee and Board to consider in October, and lay in Parliament and the Assembly thereafter.

Communications

29. We will develop our communications plan and present this to the Board with its decision on approval of the accounts. While important, we do not envisage the AR&A being a major publication event and our plans will be proportionate in that context.

External Stakeholders

30. Our accounting treatment has been discussed with the NAO, and where relevant Defra and DAERA colleagues.
31. A draft governance statement has been provided to those in Defra completing Defra's governance statement, who provided no feedback to incorporate.
32. We will provide the draft AR&A to Defra and DAERA to review. The AR&A will be reviewed by the Responsible Minister ahead of finalisation.

ANNEXES LIST

Annex A – Annual Report and Accounts