

Board Paper

Date

6 August 2024

Title

Annual report and accounts

Report Author

Angel Lai, Head of Finance and Corporate Services
Rosie Candlin, Principal Finance Officer
Andy Lester, Head of Business Strategy and Planning

Responsible Executive Director

Richard Greenhous, Chief of Staff

Paper for decision

Issue

1. We are to provide our first draft of our annual report and accounts (AR&A) to the National Audit Office in August. We plan to lay our AR&A before Parliament and the Assembly in October.

Recommendation

2. The Board is recommended to:
 - a. Consider ARAC's report to the Board at Annex A.
 - b. Consider and comment on the draft AR&A at Annex B, 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. Those aspects highlighted at paragraphs 12 to 17 of this paper
 - c. Agree that the draft AR&A should be provided to the NAO.

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. Approval of the AR&A is reserved to the Board. The Board is invited to consider the draft AR&A at this meeting. It will then be considered by the executive, Accounting Officer and ARAC further before being presented for Board approval after audit in October.
7. To support the Board as it considers approval of the governance statement within the AR&A, ARAC has prepared, as required, an annual report to the Board.
8. ARAC also considered the draft AR&A at its 6 August meeting. It was content with the AR&A subject to some minor comments and amendments, most of which have been incorporated into the version here presented to the Board. Those which remain to be incorporated are all presentational and will be reflected in the finalisation of the AR&A between now and the autumn.

Analysis

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 on which we are consulting as part of our strategic review. We do not present all those indicators, but where data exists, we do.
11. The Board and NAO each provided feedback on our 2022/23 annual report that we should increasingly aim to focus on outcomes and impact, rather than outputs and activity. The Board has frequently considered some of the challenges of describing the impact of our work. It has agreed a framework to do so, which draws on case studies, certain indicators where available and independent research evidence of our impact which we will begin to

gather this year. In this light, we include ‘spotlights’ on activities we have completed to better highlight our impact.

Sufficiency statement

12. We must include a statement of the sufficiency of our funding in the reporting year. 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.
13. The sufficiency statement proposed draws out the impact from the timing of receipt of our DAERA funding. It also highlights that the sums from DAERA, whilst sufficient in the exceptional circumstances of 2023/24, would not be sufficient in a more normal year.
14. 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.

Governance statement

15. ARAC has specific responsibilities to advise the Board on the governance statement, including through its report to the Board.
16. The governance statement is more complete this year, as we are able to report more on the control environment in place, rather than the controls being implemented.
17. ARAC’s report to the Board is appended as paper Annex A . This is aligned with the content of the governance statement, and is in substantially the form of the report provided last year – updated to reflect the assurances ARAC has received during the year. It is presented to ARAC for approval.

Financial statements

18. At 29 May the total year end costs were expected to be £10,667,451, which is an £178,005 underspend against full year forecasted costs £10,845,456. This forecasted underspend was presented to the Board on 29 May.
19. Finance have completed a detailed review of the invoices received in year and post year end and updated audit schedules which has slightly reduced the full year costs for 2023/24 by £176 to £10,667,276.

	Defra Approved 2023/24 Budget (£) per R&O return	2023/24 Actuals (£)	(Over)/ Under spend (£)	(Over)/ Under Variance (%)
RDEL Pay	5,532,052	5,615,732	(83,680)	(1.5%)
RDEL Non-Pay	3,838,703	3,631,898	206,805	5.4%
Total RDEL	9,370,755	9,247,630	123,125	1.3%
Depreciation	243,000	185,236	57,764	23.8%
CDEL Capital	1,231,701	1,234,410	(2,709)	(0.2%)
Total	10,845,456	10,667,276	178,181	1.6%
Provided to Board 29th May	10,845,456	10,667,451	178,005	1.6%
Movement	0	176	(176)	

20. Civil Service Pensions have notified the OEP of exceptional delays in the calculation of pension benefits caused by the 2015 Remedy (McCloud judgment) where discrimination that occurred in the public sector pension reforms from 2014 are being 'remedied'. This will not affect the final position or performance in the year end accounts and will mean 2023/24 pension disclosures for the senior management team are not disclosed until we have received the information from CSP. CSP, HMT and the NAO have been working together to determine a way forward and it has been confirmed that the OEP will receive results on 31 August 2024. The tables titled 'Remuneration – salary, benefits-in-kind and pensions' and 'Senior Management pension in £'000 ' remain in the accounts to disclose prior year 2022/23 figures and a disclosure has been included to this effect.

Northern Ireland

21. This is the first year in which we report in substance on our work in Northern Ireland. In doing so, we considered whether the interest of users in Northern Ireland is best served by a section outlining our delivery in Northern Ireland.
22. 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.

Finance and Resource

23. We forecast up to £52k non-pay expenditure to complete the annual report which is solely the NAO's fees for providing external audit. In the prior FY22/23 year we incurred additional spend for external accountancy advice to provide specialist advice on a large amount of (possible) tangible and non tangible capital items purchased in 2022/23 and 2023/24 for the refurbishment of Wildwood. The total cost of this piece of work was £27,000 and spanned the financial years 2022/23 (£16,800) 2023/24 (£10,200). This was a one off piece of work which can be utilised for future assessments of potential capital purchases. We do not expect any similar costs to be incurred in 2024/25.
24. The preparation of our AR&A is a significant undertaking. We forecast in total 0.8 FTE, mostly in the finance team. This is broadly in line with plans.

Impact Assessments

Risk Assessment

25. The ARAC has agreed key areas of risk on which the NAO is to focus in its audit:
- a. The presumed risk of override of management controls.
 - b. The overall control environment, given deficiencies in financial control identified the prior year
 - c. IFRS16 (relating to leases), as the most complex area of the OEP's accounts.

26. 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 (£143,000 overall, with an error reporting threshold of £1,400).

Equality Analysis

27. No material equalities impacts have been identified.

Environmental Analysis

28. No specific contribution to or environmental duties.

Implementation Timescale

29. The audit fieldwork is planned to be completed in August.
30. We plan to bring the final proposed AR&A to ARAC and Board to consider at the end of September, and lay in Parliament and the Assembly in October, subject to final confirmation of the audit timetable with the NAO, which we are working with them to finalise as soon as possible.

Communications

31. 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

32. Our accounting treatment has been discussed with the NAO, and where relevant Defra and DAERA colleagues.
33. We provide drafts of the governance statement to those in Defra completing Defra's governance statement, and receive feedback to incorporate.
34. We will provide the draft AR&A to Defra and DAERA to review, after consideration by ARAC. The AR&A will be reviewed by the Responsible Minister ahead of finalisation.

ANNEXES LIST

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

This section has been redacted as it contains information available elsewhere.

