

First Annual Report and Accounts 2021/22

(for the period from 17 November 2021 to 31 March 2022)



Office for
**Environmental
Protection**

First Annual Report and Accounts 2021/22

(for the period from 17 November 2021 to 31 March 2022)

Presented to Parliament pursuant to paragraphs 13(2) and 14(6) of Schedule 1
to the Environment Act 2021

Ordered by the House of Commons to be printed on 27 October 2022

Laid before the Northern Ireland Assembly
under paragraphs 13(2) and 14(6) of Schedule 1 to the Environment Act 2021
by the Office for Environmental Protection on 27 October 2022



© OEP Copyright 2022

Contains public sector information licensed under the Open Government Licence v3.0. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/version/3.

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at

The Office for Environmental Protection
Worcestershire County Hall
Spetchley Road
Worcester
WR5 2NP

www.theoep.org.uk

03300 416 581

enquiries@oep.org.uk

ISBN: 978-1-5286-3702-2

E02803138 10/22

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

| | |
|--|----|
| Foreword by the Chair | 3 |
| Foreword by the CEO | 4 |
| Performance report..... | 6 |
| About the Office for Environmental Protection..... | 6 |
| Performance Summary | 13 |
| Performance Analysis | 15 |
| Accountability report..... | 23 |
| Corporate Governance report | 23 |
| Governance Statement | 25 |
| Remuneration and staff report..... | 36 |
| Parliamentary accountability and audit report (audited)..... | 44 |
| The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Northern Ireland Assembly | 45 |
| Financial statements..... | 52 |
| Statement of Comprehensive Net Expenditure for the Period from 17 November 2021 to 31 March 2022 | 52 |
| Statement of Financial Position as at 31 March 2022 | 53 |
| Statement of Cash Flows for the Period from 17 November 2021 to 31 March 2022..... | 54 |
| Statement of Changes in Taxpayers' Equity for the Period from 17 November 2021 to 31 March 2022 | 55 |
| Notes to the Accounts | 56 |

Forewords

Foreword by the Chair



We report here our activity and performance in the nineteen weeks after the Office for Environmental Protection (OEP) was legally created. This included nine weeks after our main functions were commenced for England, and four for Northern Ireland.

We describe a formative period for the OEP, when we established our new organisation, set up the independent operations that will underpin our future work, and developed our approach to how we will use to most effect the powers and duties Parliament and the

Northern Ireland Assembly have given us. I was delighted to launch a consultation on our strategy and enforcement policy the day after our functions were confirmed and thrilled by the extensive and fruitful discussions we had with a wide range of stakeholders, to refine our approach. Many are as ambitious as we are for the role we can play to protect and improve the environment. This foundational work provides strong a strong base for the OEP, now and in future years.

There are pressing issues which demand attention now. We explain in this report, therefore, the first steps we have taken against each of our objectives in this short period.

The OEP has been created at a time of persistent trends of environmental decline in England and Northern Ireland, and yet a time with real prospect for change.

The environment and people's health, wealth and wellbeing will be best served when we at the OEP fulfil our role to greatest effect: holding government and public authorities to account strategically, purposefully and independently. In this report we describe our early work, pursuing that intent.

A handwritten signature in black ink, appearing to be 'G Stacey'.

Dame Glenys Stacey,
Chair

Foreword by the CEO



This is an unusual annual report and accounts – not only in the short period it covers, but also in describing the very initial activity of the OEP, including its establishment. We explain a period in which the OEP was created, became functionally independent, and began to take the first steps necessary to exercise our functions.

The matters we report on reflect highly active, diligent and expert work by staff that I am proud to have led: interim staff from across government who led the work to set up the organisation, and those we have recruited to deliver the OEP in reality. It is a solid body of work, but inevitably only the beginning, laying the foundations for what we aim to achieve in the longer term.

We also set out the basis of our governance, controls and infrastructure in this period. As Accounting Officer, I have ensured an effective and proportionate control environment. We recognise that we have more to do to embed and refine this as we become more established and mature as an organisation.

There is much to be proud of in this period beyond our work to build the OEP, as we quickly moved into delivery as soon as our functions were enabled in law. Our report scrutinising the UK government's progress in delivering the 25-year environment plan; our advice to government on biodiversity net gain and the environmental principles policy statement; our support for complainants, and preparations to take the next steps under our enforcement functions signal the contributions we aim to make to protect and improve the environment.

A handwritten signature in black ink, appearing to read 'N. Prosser', written in a cursive style.

Natalie Prosser,
Chief Executive

Performance report

Performance report

These accounts cover a four-and-a-half-month period between 17 November 2021 and 31 March 2022. Here we describe our organisation, mission, objectives and functions, and how we have delivered against these in the short period which is the subject of this report.

About the Office for Environmental Protection

Who we are

The Office for Environmental Protection (OEP) is an independent public body with functions to advise ministers and government departments and to hold them and other public authorities to account against their environmental responsibilities and the law. We were legally created on 17 November 2021, under the Environment Act 2021. The journey to establishment is outlined in the section 'Timeline for the establishment of the OEP' below.

Our work covers England and Northern Ireland, and environmental matters legislated for by the UK Parliament.

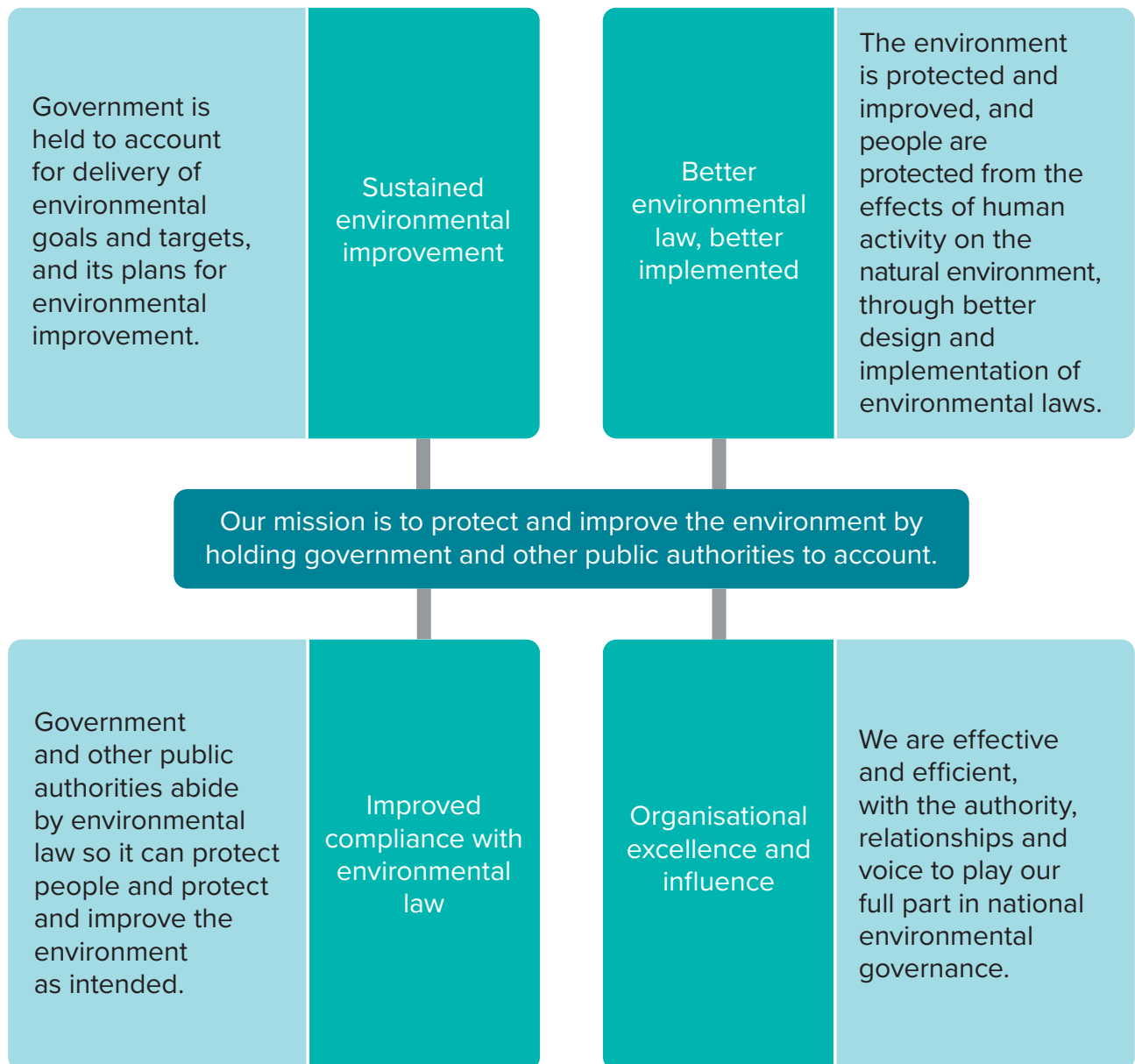
Our strategy and objectives

We are established with the principal objective to contribute to environmental protection and the improvement of the natural environment. This includes the protection of people from the effects of human activity on the environment.

Our mission

Our mission is to protect and improve the environment by holding government and other public authorities to account.

We will achieve our principal objective through our mission. Our four strategic objectives set out how we aim to do this.



Our functions

We are established with four main functions to contribute to these objectives.



[Our strategy](#) explains how we will work to deliver our mission and strategic objectives, and the approach we will take to each of our four main functions. It also sets out our enforcement policy.

Our independent role and resources

We are funded via the Department for Environment, Food and Rural Affairs (Defra) in England and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland, who oversee our use of public money. Defra and DAERA ministers are accountable in Parliament and the Northern Ireland Assembly for this, along with our work. However, we pursue our objectives and implement our functions objectively and impartially, separately from government. Our judgements are our own, formed independently.

About the period of this annual report and accounts

This report covers approximately four months from the legal creation of the OEP on 17 November 2021, to the end of the financial year 31 March 2022. It therefore describes the period in which the OEP was being operationally established and given our powers and duties. These powers and duties were enabled in law for England in two stages: enabling powers and duties on 17 November 2021 and our substantive powers and duties on 24 January 2022. For Northern Ireland, our functions were commenced on 28 February 2022.

The Environment Act 2021 requires us to consult on our strategy and enforcement policy. We launched our consultation on 25 January, and it closed on 22 March 2022.

Before the OEP was legally created, Defra and DAERA established arrangements to undertake some functions that would become the OEP's. We do not report on these interim arrangements, except where it is helpful to explain what we have done, and where our work has directly followed that of the interim bodies'.

Timeline for the establishment of the OEP

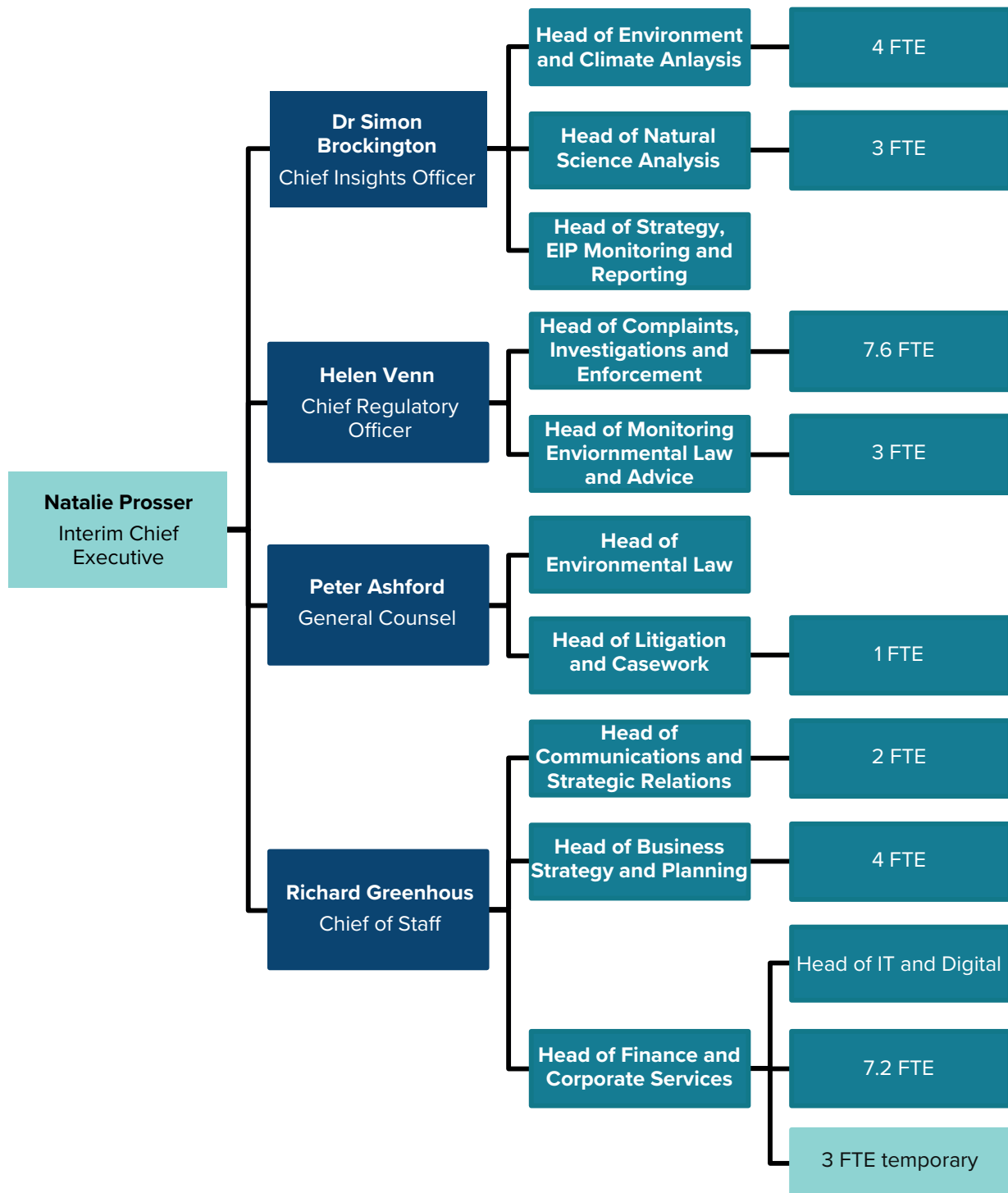
| Date | Event |
|------------------|---|
| 1 January 2021 | Defra established the Interim Environmental Governance Secretariat (IEGS) to receive complaints from the public about alleged failures to comply with environmental law by public bodies and avoid a gap in this provision after the UK left the European Union |
| 1 February 2021 | Dame Glenys Stacey appointed Chair-designate of the OEP, and Natalie Prosser appointed Interim Chief Executive-designate |
| 1 July 2021 | Four OEP board members-designate appointed |
| | Defra established the Interim OEP under the leadership of the Chair-, Interim-Chief Executive- and board members-designate to take over from the IEGS, and make preparations for the OEP |
| 9 November 2021 | Environment Act 2021 received royal assent |
| 17 November 2021 | Office for Environmental Protection legally created, with certain powers and duties commenced |
| | Chair-, Interim Chief Executive- and board members-designate confirmed as the leadership of the OEP |
| 1 December 2021 | OEP began transition from interim to independent operations |
| 1 January 2022 | Staff and assets transferred to the OEP |
| 24 January 2022 | OEP's substantive powers and duties commenced for England |
| 25 January 2022 | OEP launched consultation on our strategy and enforcement policy, setting out how we will exercise our functions for England and Northern Ireland |
| 28 February 2022 | Main phase of transition to independent operations ended |
| | OEP's substantive functions commenced for Northern Ireland |
| 23 March 2022 | Consultation on OEP strategy and enforcement policy closed |
| 1 April 2022 | Appointment of NI non-executive member |
| 23 June 2022 | OEP strategy, enforcement policy and first corporate plan published. |

Our organisation

During the period, we established the OEP's organisational structure and recruited to it. The OEP is designed to be a responsive and agile organisation. Most of our staff are recruited to posts which are flexible, in the expectation that role holders will work across the OEP's functions to organisational priorities as these are set and change. Similarly, much of the OEP's work programme is designed to be multi-disciplinary, with expertise from across the OEP coming together to scope, develop and deliver work.

We are structured in four directorates, each led by an executive director. At the 31 March 2022, recruitment to executive director and head of function roles was substantially complete, with most of the remaining posts recruited to. At 31 March 2022, we had 50.7 full-time equivalent (FTE) staff including 4 FTE employed under temporary or short-term contracts and 13.2 FTE seconded into the OEP for a range of terms.

OEP organisational structure at 31 March 2022



We continued to recruit to our organisational design after year end. Defra and DAERA have indicated that the conditions of the funding we have received for 2022/23 will allow us to grow the organisation to up to 71 FTE posts. Ten of these posts can only be appointed for the year 2022/23; a further three posts are restricted to the period to 2023/24. Defra has agreed to review our long-term resourcing needs in the business years 2022/23 and 2023/24.

EU exit and COVID-19

The OEP was established as part of a broader suite of measures to improve national environmental governance arrangements in England and Northern Ireland after the UK's departure from the European Union.

The OEP was established in November 2021. In the period, most staff and Board members worked largely remotely, including in engagement with stakeholders. We operated from temporary premises without the capacity to accommodate a majority of our staff at any one time.

We judge that EU exit, the COVID-19 pandemic and the war in Ukraine have not had a material impact on the operations of the organisation in the period. There was no expenditure directly attributable to these events.

Going concern

The OEP was established by Parliament under the Environment Act 2021 to undertake statutory functions. In line with HM Treasury's Financial Reporting Guidance, the information presented in these financial statements is based on the assumption that the OEP will continue to provide existing services in the future, with no legislation changes currently expected. In common with other non-departmental public bodies across government, the OEP's future funding is to be met by Grant in Aid. A proportion of this Grant in Aid is recharged by Defra to DAERA to fund our Northern Ireland functions. Approval of Grant in Aid for 2022/23 has already been given. The Secretary of State for Environment, Food and Rural Affairs has confirmed that Grant in Aid for the OEP's functions for England will be ring-fenced within Defra's settlement for the period of this spending review (2022/23 until 2024/25) in a [Written Ministerial Statement to Parliament on 31 March 2022](#).

Based on the above information it has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Assessment of sufficiency of funding

The Environment Act 2021 requires the OEP to make an assessment of whether the Secretary of State and DAERA have provided sufficient sums for us to carry out our functions, in the period covered by the financial statements. This provision is intended to ensure that it is transparent whether or not the resources made available to the OEP allow us to undertake our role. We will develop our approach to making this assessment over time.

We report here on the short period between our legal creation on 17 November 2021 and 31 March 2022, and the shorter period in which we were empowered to carry out our substantive functions. This reporting period is unique, as the OEP was being legally and practically established, consulting on our strategy. We did not exercise all of our functions fully.

Our assessment is that in this period, we were provided with sufficient Grant in Aid to carry out our functions. We make this judgement primarily recognising the sums made available to spend by the Secretary of State and DAERA in the period, and the sums the OEP did spend.

To provide the intended transparency of our funding arrangements, we expect in future to assess the sufficiency of our funding holistically, taking into account all relevant factors.

We will always take account of the total amount of Grant in Aid provided, but may also take into account other relevant circumstances. For example, we may consider the time at which Grant in Aid is made available, the amounts provided by each of Defra and DAERA relative to our functions in England and Northern Ireland, and any constraints on how we use the Grant in Aid such as restrictions to the number of people we are able to employ or other administrative limitations to the way in which we can use our resources.

Our aim will be to assess and report whether the sums made available, and manner in which those sums are made available, enabled us to properly carry out our functions.

Performance Summary

This report covers nineteen weeks from 17 November 2021 to 31 March 2022, including the nine weeks our functions were enabled in law for England, and the four this was true for Northern Ireland. Through the period after our functions were enabled by Parliament and the Assembly we consulted on our strategic approach, as the law requires of us.

We structure this performance summary in line with our strategic objectives against which we will report in future years. We report on the establishment of the OEP, including setting up our operationally independent functions, our recruitment and the development of our strategy under our fourth objective – organisational excellence and influence. This was a significant focus of our activity in the period, though we also explain our delivery more widely.

This report is therefore a signal of what we aim to deliver in a full financial year, when fully established.

In our objective for **sustained environmental improvement** we independently assessed the UK government's progress against its 25-year environment plan, made preparations to give advice to the Northern Ireland Executive on its draft environment strategy and responded to the UK government's consultation on its proposals for long-term environmental targets. These work programmes concluded after 31 March 2022 but were substantially complete or underway at year end.

To support **better environmental law, which is better implemented** we made recommendations to the UK government and Northern Ireland Executive in response to consultations on their joint fisheries statement, and to the UK government's proposals to introduce biodiversity net gain. We delivered these to government in the first two weeks of April, with work very substantially complete by year end. We also monitored the advice given by the Interim OEP on the UK government's draft environmental principles policy statement, including on the extent to which these recommendations were incorporated in government's final draft statement, which it published and laid before Parliament in May.

From 1 January 2021, people were able to complain to the Interim OEP or the IEGS about potential failures to comply with environmental law by public authorities on the understanding that these would be passed to the OEP when it existed. We were open to receive complaints directly through digital and other channels from the day we were legally created. To explain our work towards **improved compliance with environmental law**, we give information about the thirty-nine complaints we received from 1 January 2021 to 31 March 2022, and explain the steps we took in readiness to take decisions on each of these complaints once we had adopted our strategy and enforcement policy.

Under our objective for **organisational excellence and influence** we report on the establishment and our efforts to ensure that the OEP works in the most effective way to make the difference we intend. We also explain how we have worked with stakeholders, the public and how we have been transparent in our work.

We report on risks related to our functions in the governance statement below.

Financial performance

Total expenditure for the period amounted to £2.520m. This has been funded by Grant in Aid from Defra, of which £0.030m is recharged to DAERA to meet the salary cost of 1 FTE. Of this total, £1.172m related to permanent staff costs including secondees, and £0.166m to expenditure towards agency staff who undertook work to support the establishment of the OEP. No assets or liabilities were transferred from Defra to the OEP on legal creation of the OEP. The vast majority of the remaining expenditure during the period related to establishment activity, and in particular setting up independent corporate services operations. The total expenditure was less than the resources made available in the period largely due to uncertainty around actual establishment costs, which resulted in estimates being made that were higher than actuals, delays to recruitment and establishment work originally anticipated to be complete by the period end continuing into the 2022/23 financial year.

Funding of £11.473m has been agreed from Defra for the full year 2022/23, and a further £0.631m is agreed to be provided by Defra which it will recharge to DAERA. This total includes capital funding for the permanent office accommodation for the OEP of £2.967m.

Performance Analysis

This report outlines our performance against our priorities for the period from 17 November 2021 to 31 March 2022. It gives examples of how we are achieving our aims and highlights important events from the period. It includes key information and metrics, relevant to our work. We do not report on performance trends, given the short period of time, and an absence of historic comparative data. Our corporate plan explains how we will develop our performance framework in the year 2022/23 to monitor and strengthen our work, and the indicators we aim to develop. We expect to report on these indicators in future annual reports.

Sustained environmental improvement

The UK government and DAERA have a statutory duty to produce an annual report setting out their progress against their long-term plan for environmental improvement. This is currently the 25-year environment plan for England. The Northern Ireland environmental improvement plan is not yet adopted. We will assess and independently report on this progress each year.

Our statutory power to report on government's progress did not apply this year, given the dates our functions were enabled in law. We took opportunity to take stock and examine the system of national environmental stewardship. Our report [Taking stock: protecting, restoring and improving the environment in England](#) sets out a framework of six building blocks that need to be in place and we make sixteen recommendations to government for purposeful, coherent and decisive action so that the environment is restored, protected and improved. We published our report after the pre-election period ended on 5 May, but it was substantially complete in the reporting period.

To support this objective, we also prepared to respond to government's consultation on proposed long-term environmental targets, including those that must be set under the Environment Act 2021. We submitted [our response](#) in June. We also carried out analysis and research to develop advice to DAERA on the Northern Ireland Executive's draft environment strategy and its suitability for adoption as NI's first environmental improvement plan. We provided this advice in September.

Better environmental law, better implemented

We work towards better environmental law which is better implemented primarily through our functions to give advice, and monitor and report on the implementation of environmental law.

In the period after our functions were enabled in law, we developed [advice to the UK government on its proposals to integrate biodiversity net gain into the planning system in England](#). We delivered this to ministers on 5 April. We provided 11 main recommendations to strengthen the proposals so that they are more able to deliver government's ambitions for nature's recovery.

We also [responded to Defra's consultation on the joint fisheries statement](#) of four UK fisheries administrations on 11th April, with our conclusions drawn in the year. We identified six areas for improvement for the statement to achieve its ambitions for the marine environment.

We will develop how we monitor and report on the influence of our recommendations this year. In this period, we monitored the progress of the UK government in developing a final environmental principles policy statement, after the [OEP board-designate gave advice in response to government’s consultation in July 2021](#), at the request of ministers. We were pleased that the draft statement published in May reflected many of the recommendations in the July 2021 advice. We pressed for our other recommendations to be incorporated before the statement was finalised. We recognise that the OEP has an ongoing role to ensure the statement is properly implemented and will hold government to account for how it is embedded by departments.

Improved compliance with environmental law

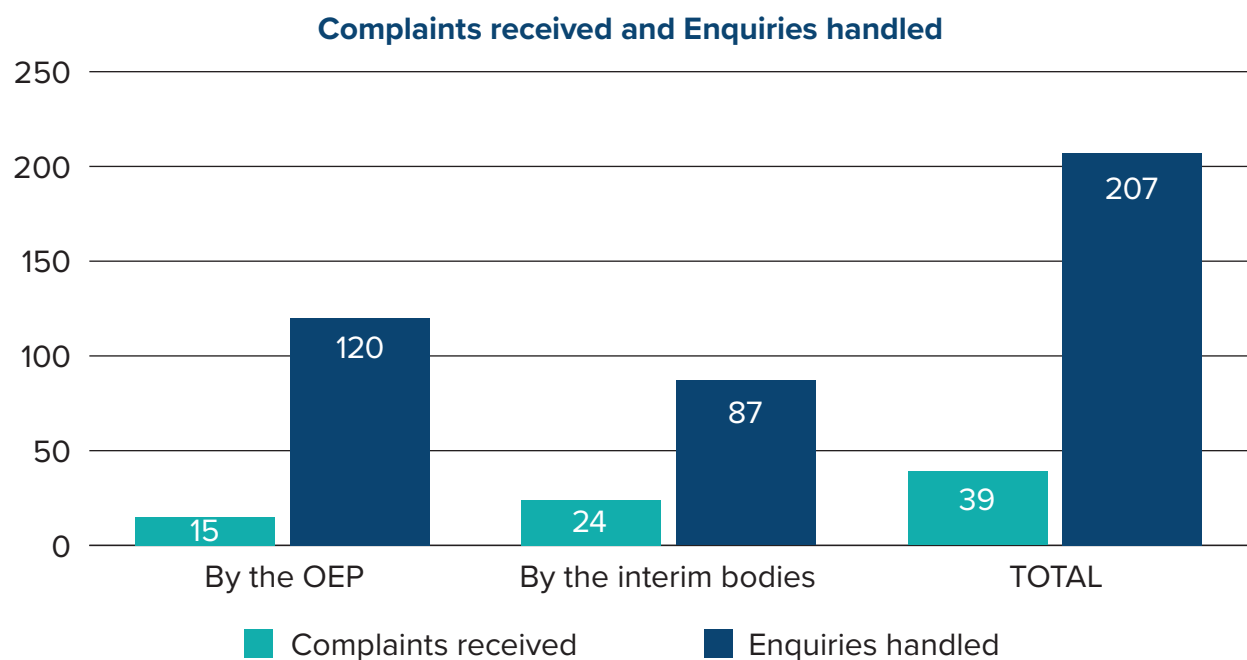
Complaints and Enquiries

Receiving and assessing complaints about potential breaches of environmental law by public authorities provides us with information that can inform all our work. We consider and respond to every complaint we receive. However, our role is not to investigate nor act in every case, nor to seek individual redress for those who complain to us, nor to provide compensation.

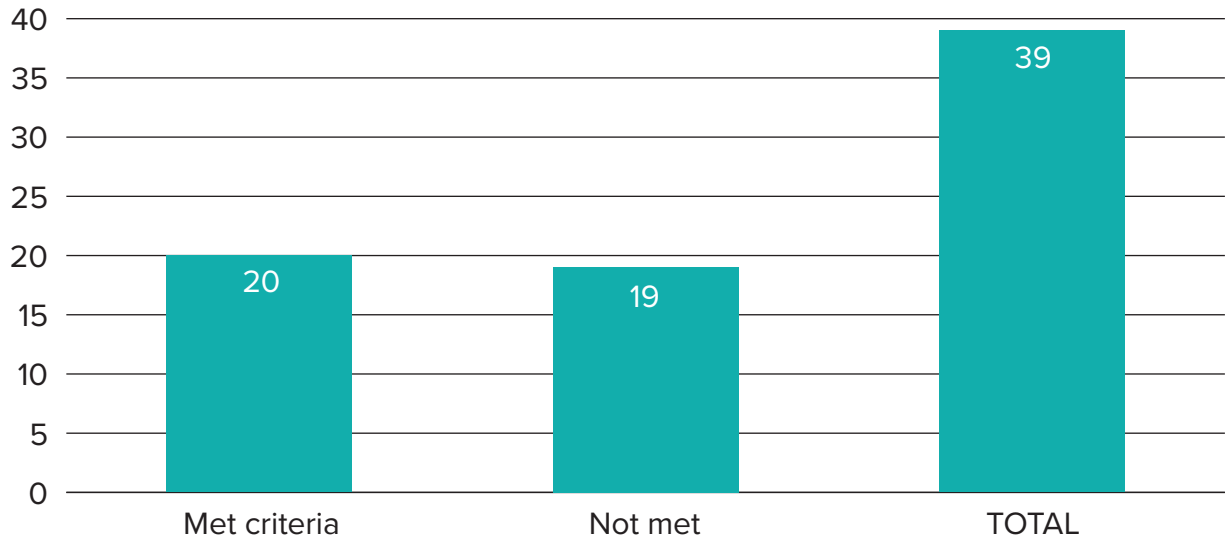
Rather, we assess the issues and analyse the evidence to identify breaches which may be serious. We can investigate serious cases which we prioritise. Where we investigate a serious case, this is to determine if a public authority has complied with the law, and if it has not, to establish what it should do to correct the failure.

We receive enquiries from the public about matters connected to potential breaches of environmental law by public authorities, and some other aspects of our remit. We aim to help all those who contact us either answering their questions directly or signposting to the best organisation to provide support or information.

Our complaints and enquiries in numbers:

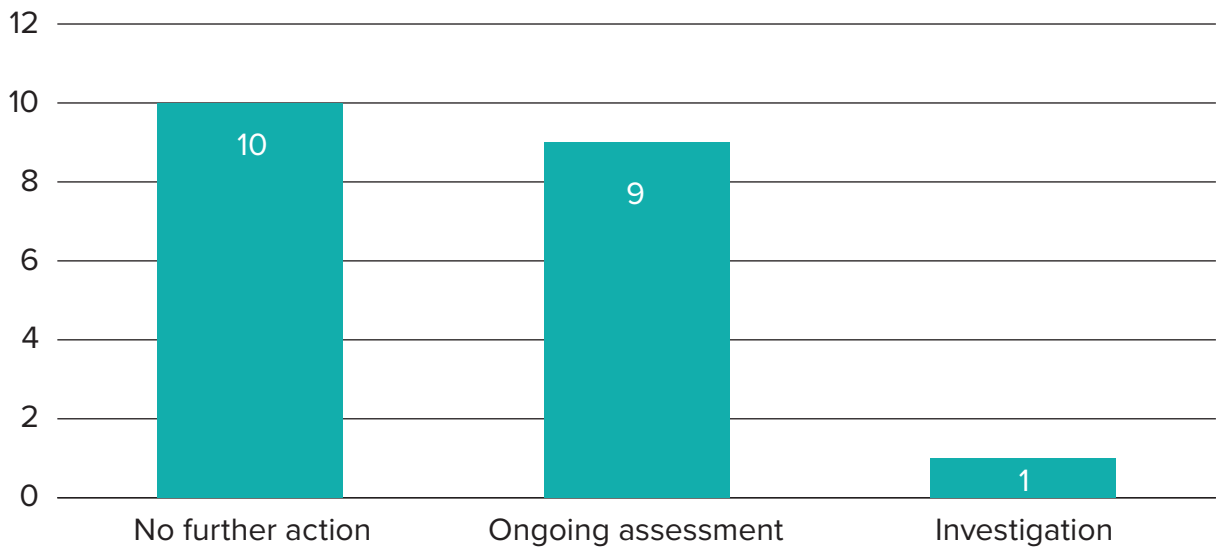


Validity* of complaints



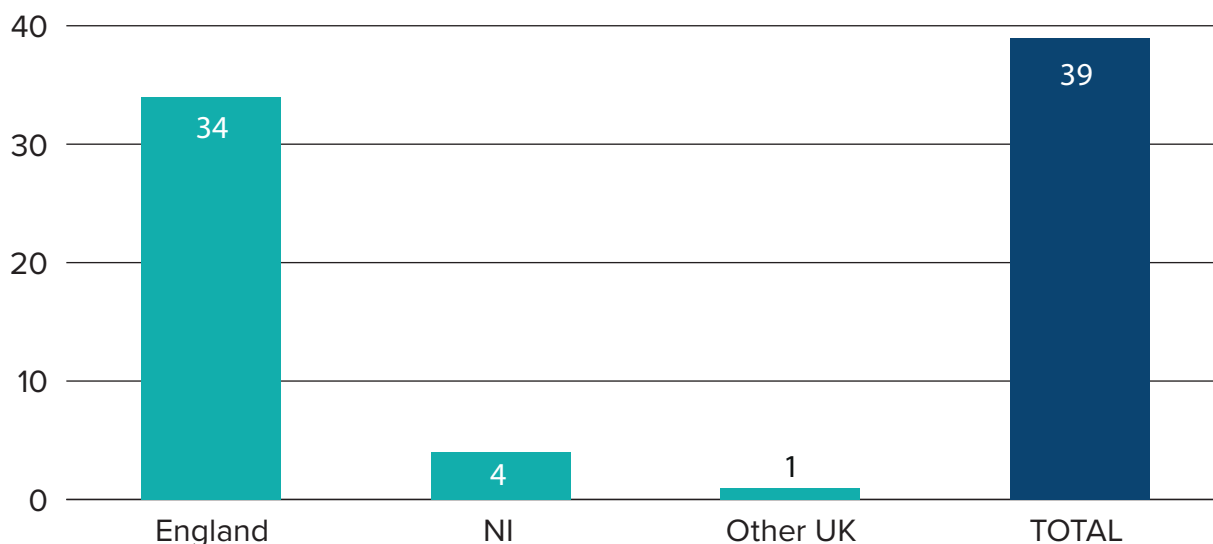
*Validity of 39 complaints received by 31 March 2022 – assessment completed during or after the period end. We judge a complaint valid where it meets each of the criteria set out in the Environment Act 2021. We explain more about these criteria on [our website](#).

Status* of Valid Complaints

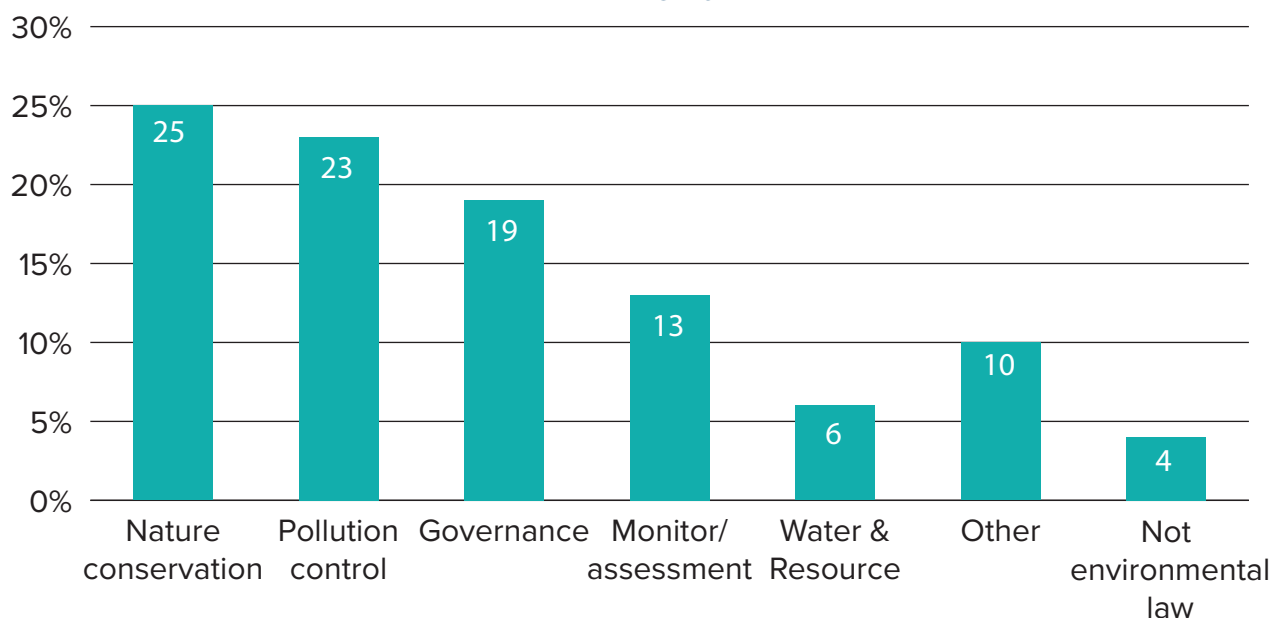


*Status at 8 September 2022 of 20 valid received by 31 March 2022

Geography



Category*



* Complaints can be placed in multiple categories.

We received 38 of 39 complaints digitally, through our web-portal or by email.

Our website, phone line, email and postal addresses were ready to accept complaints to the OEP from the day we were legally created. From 1 January 2021 to this date, people could complain to one of the interim bodies that came before us. These interim complaints were passed to us to consider when we were legally created, and we adopted them as soon as we had the powers to do so, early in 2022. Where complaints did not meet the eligibility criteria for a complaint we can consider, as set out in the Environment Act 2021, we have confirmed this to complainants.

It is important to us that our complaints process is easy to use. We have conducted user testing on the accessibility and user experience of our complaints portal, making improvements including through a series of validation checks which we finalised after year end. We aim to be as supportive as we can be to complainants. For example, we help people identify and make contact with the right public authorities where others are better placed to help, and we work with public authorities to ensure complaints can be made appropriately if the authority's complaints procedure is lacking.

We also maintain a public enquiries phonenumber and email address. We responded to 207 such enquiries after 1 January 2021. We will assess the experience the complainants and enquirers have with us, and report on this in future.

In our wider enforcement function, we have developed and tested the policies, procedures and approach we take to assessing complaints, considering how serious they are, and their priority, ready to take the next steps once our enforcement policy was adopted. We have engaged widely with stakeholders and public authorities, and developed sound relationships, which will support us resolve issues wherever possible. We have obtained and reviewed information from the European Commission on its open cases against the UK government, as well as cases closed since the UK's exit from the European Union.

We set out our approach to developing our enforcement policy below. We announced our first investigations shortly after we adopted our enforcement policy, after the end of this period.

Organisational excellence and influence

During the period from 17 November 2021 to 31 March 2022, we established our organisation. This means designing the organisation and its ways of working, recruiting people with the right talents and expertise and providing them with the tools, equipment, approaches and procedures to deliver, in an environment in which they can thrive. It also means developing the control and management arrangements which secure compliance, efficiency, effectiveness and value for public money.

Our four executive directors, and a further 30 permanent employees were recruited by 31 March, including most of our heads of function. In the period, interim staff who had enabled the OEP's establishment returned to permanent positions in Defra and other bodies, or secured long-term positions within the OEP. We worked hard to recruit a workforce representative of the communities we serve; we utilised broad reach and diverse advertising channels and ran candidate information webinars to encourage as many people as possible to apply.

Significant organisational change was managed through strong governance and leadership. Our board met 13 times from 1 July to 31 March, including in its designate form. We established the governance and control arrangements set out further in the governance statement below.

Between 1 December 2021 and 28 February 2022, we became largely operationally independent of Defra. We established and transferred to our own information management, finance, human resource and payroll systems. All relevant information is now held on OEP systems and servers, with a small number of transactions being recharged by Defra after year end. This arrangement is due to end on 31 December 2022. We had no material failure in execution or control. Our corporate services are procured and designed for us, so they are efficient and effective for our size and needs, protect our independence, and offer value for money for public funds.

We established an independent press office, website, and social media channels so that we can develop and use the power of our voice to hold government and public authorities to account and support us deliver our objectives. In this period, we issued 13 press releases giving information about the OEP's establishment and early activity, and the Chair delivered six keynote speeches to share progress and thinking publicly. In March 2022, the OEP website was visited 1,416 times, with recruitment and our strategy consultation among the most visited pages.

We developed our mission, strategic objectives and strategy and then consulted on them with a consultation that started the day after our functions were enabled in law for England. We worked with our staff to develop the culture, behaviours and values that we will need to succeed: to be independent, evidence-led, purposeful and trust one another.

Actively listening to develop our strategy and enforcement policy

We aim to be an organisation which actively listens, and is as transparent as we reasonably can be. In developing our strategic approach for consultation, we engaged extensively with a wide range of stakeholders in business, environmental organisations, public authorities, academia and the law. We held 11 engagement sessions in a range of forums to develop and test our thinking.

During the consultation on our strategy, we held a further seven workshop sessions with 140 participants to discuss our approach, or encourage them to contribute. Our consultation received 68 responses.

We commissioned research into public perceptions of the OEP, the approaches we set out for consultation and priorities for environmental protection and improvement. [We have published this](#), after the period end.

Consultancy and professional fees amount to £290k in the accounts. A large proportion of this relates to the set up of the OEP, including £53k relating to support staff establishing the OEP, £40k relating to the OEP strategy, £24k relating to the set up of a payroll system and £20k relating to legal fees to set up the OEP. Our work to establish the OEP's Northern Ireland functions is at an earlier stage, in part reflective of the fact that our remit for Northern Ireland was confirmed by the Assembly later, in February 2022. In March, we took decisions on our approach to establishment in Northern Ireland including that we will recruit locally based expertise, seek meeting and working space for these staff locally, and develop our approach to procuring external expertise to support delivery of our functions. We know that we have much more to do, to fully establish our Northern Ireland functions, influence and voice. That is an area of focus for us in 2022/23.

Sustainability Report

For the period to 31 March 2022, the OEP is exempt from sustainability reporting in line with the Greening Government Commitments (GGC) and HM Treasury's Financial Reporting Manual requirements, due to its size. We aim to report under GGC for the financial year 2022/23, once there is adequate data to report.

The environment and sustainability are intrinsic to our objectives, including managing our own impact on the environment and climate. During the period, organisational policies were developed with sustainable characteristics, for example within our travel and subsistence policy, which aim to keep the OEP's impact on the environment to a minimum. We will further develop the approach we take to environmental and climate impact, and sustainability during the year 2022/23.



Natalie Prosser

Chief Executive and Accounting Officer

21 October 2022

Accountability report

Accountability report

This accountability report contains three sections: a corporate governance report; a remuneration and staff report and a governance statement. Together they show how the OEP has been governed, controlled and managed to contribute to environmental protection, and the improvement of the natural environment.

Corporate Governance report

The Directors' report

Board and senior leadership

The OEP board has the legal authority to exercise the OEP's functions. The board was constituted on 17 November 2021 on legal creation of the OEP. The composition of the board is described within the governance statement of this report.

The board derives its authority from the Environment Act 2021. The board provides strategic leadership to the OEP, takes certain decisions and decides who is authorised to take other decisions. It operates in accordance with a [governance framework](#), which is published on the OEP website.

The board delegated authority to the Interim Chief Executive and certain other members of the OEP's staff for the leadership and management of the OEP day to day, and the exercise of specific actions in support of our functions. During the period, the board amended these delegations as the OEP's functions were commenced in law, staff were recruited to leadership roles, and operational policies, procedures and controls were established.

The board delegated authority to the Interim Chief Executive on 17 November 2021, and varied its delegations on 14 December 2021, 2 February 2022, and 17 March 2022. It continued to review delegations after the period end.

From 1 July 2021 to 17 November 2021, the Chair, Interim Chief Executive and four non-executive members were appointed to the board in a designate capacity, pending the legal creation of the OEP. During this time, they provided leadership and direction to the Interim OEP under terms of reference agreed between the Chair-designate and Defra. These [terms of reference](#) are available on the OEP website. Decisions of the interim board were governed by an interim governance framework. Relevant decisions of the interim board were confirmed as decisions of the OEP board when it was legally constituted.

Executive Leadership

The Interim Chief Executive was appointed on 17 November 2021 by the Secretary of State, at the request of the Chair. Natalie Prosser was appointed to serve a fixed term for the period to 30 June 2022 pending appointment of a permanent Chief Executive by the Chair, in the way provided for by the Environment Act 2021. A recruitment campaign to appoint the permanent Chief Executive was launched on 17 January 2022. On 1 May 2022, Natalie Prosser was appointed as the OEP's first Chief Executive.

The OEP's executive leadership team is formed by the Chief Executive or Interim Chief Executive and four executive directors. Each executive director and the Chief Executive was appointed on merit on the basis of fair and open competition, in line with the Civil Service Recruitment Code.

The executive leadership team is:

| Position | Position holder | Date of Appointment |
|--------------------------|----------------------|---------------------|
| Interim Chief Executive | Natalie Prosser | 17 November 2021 |
| General Counsel | Peter Ashford | 1 January 2022 |
| Chief of Staff | Richard Greenhous | 17 January 2022 |
| Chief Insights Officer | Dr Simon Brockington | 24 January 2022 |
| Chief Regulatory Officer | Helen Venn | 1 March 2022 |

The notice period for executive directors and senior officials is 3 months. Each executive director remained in post from the date of their appointment to 31 March 2022. Dr Simon Brockington left the post of Chief Insights Officer on 16 September 2022.

The composition of the management committees of the OEP is described in the Governance Statement of this report.

Protecting personal data

There were no personal data-related incidents in 2021/22.

Statement of Accounting Officer's Responsibilities

The Environment Act 2021 requires the OEP to prepare a statement of accounts in the form specified by the Secretary of State.

The Secretary of State for Defra has directed the OEP to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the OEP and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FrEM) and in particular to:

- observe the Accounts Direction issued by Defra, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in FrEM have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on the going concern basis

- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

The Principal Accounting Officer for Defra designated the Interim Chief Executive as Accounting Officer of the OEP. The responsibilities of an Accounting Officer are set out in *Managing Public Money* published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the OEP's assets.

Preparation and audit of the Accounts

The accounts have been prepared under a direction issued by Defra and are audited by the Comptroller and Auditor General.

Our income and expenditure were monitored under a gross control total by HM Treasury and were also incorporated into the Defra Resource Accounting total. As the Accounting Officer, I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that OEP's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

The Accounting Officer is responsible for maintaining a system of internal control that supports the achievement of the OEP's policies, aims and objectives, while safeguarding public funds and departmental assets. This is in accordance with the responsibilities assigned in the HM Treasury publication [Managing Public Money](#).

This governance statement describes how these duties have been carried out by the Accounting Officer and the supporting structure in place in the period.

The period is one where the governance arrangements and broader controls were developed as the OEP was established. The Accounting Officer ensured that proportionate controls were in place at all times, and that these were applied in a system of effective governance.

The Framework Agreement between the OEP and Defra is intended to be agreed shortly after these accounts are published. In the absence of a signed Agreement, the OEP followed *Managing Public Money*, Cabinet Office Spend Controls and other relevant guidance and standards during the period.

The Board

The board is the legal authority of the OEP.

The Chair and two to five non-executive board members are appointed by the Secretary of State for Environment, Food and Rural Affairs in England. One non-executive member is appointed by the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

The Interim Chief Executive was appointed by the Secretary of State for Environment, Food and Rural Affairs. The first permanent Chief Executive is appointed by the Chair, and future

Chief Executives are to be appointed by the board. The board must also appoint one to three executive members. The board has decided to appoint one executive member, and for that to be an executive director of the OEP. These appointments will be made for a six-month period in rotation between the executive directors, with the exception of the General Counsel.

In the period, the board was formed by:

| Appointee | Role | Term |
|-------------------------------|---|-------------------------------------|
| Dame Glenys Stacey | Chair | 1 February 2021* to 31 January 2026 |
| Natalie Prosser | Interim Chief Executive | 1 February 2021* to 30 June 2022# |
| Richard Greenhous | Executive member appointed by the OEP | 1 February 2022 to 31 July 2022 |
| Julie Hill MBE | Non-executive member appointed by Defra | 1 July 2021* to 30 June 2024 |
| Professor Dan Laffoley | Non-executive member appointed by Defra | 1 July 2021* to 30 June 2025 |
| Dr Paul Leinster CBE | Non-executive member appointed by Defra | 1 July 2021* to 30 June 2025 |
| Professor Richard Macrory CBE | Non-executive member appointed by Defra | 1 July 2021* to 30 June 2024 |

* These appointments were made on a designate basis before the OEP was legally created, and became appointments to the board of the OEP on 17 November 2021, when the OEP was legally created. Designate members served on the board of the Interim OEP from 1 July 2021 until 17 November 2021.

Natalie Prosser was appointed as permanent Chief Executive of the OEP on 1 May 2022, after a competitive recruitment process. This appointment has no determined end-date. The OEP Chief Executive is an ex-officio member of the board.

The following members were appointed to the board after 31 March 2022.

| Appointee | Role | Term |
|--------------------|---|----------------------------------|
| Malcolm Beatty OBE | Non-executive member appointed by DAERA | 1 April 2022 to 31 March 2027 |
| Helen Venn | Executive member appointed by the OEP | 1 August 2022 to 31 January 2023 |

The board-designate held four meetings and three workshops as the board of the Interim OEP in the period from 1 July 2021 to 17 November 2021. Minutes of these meetings are published on [Reports and publications | oep \(theoep.org.uk\)](https://theoep.org.uk/reports-and-publications/).

The board held three ordinary and two extraordinary meetings, and one workshop in the period from 17 November 2021 to 31 March 2022. Minutes of board meetings are also published on [Reports and publications | oep \(theoep.org.uk\)](https://theoep.org.uk/reports-and-publications/).

The business of the board included considering reports from management about finance, risk and matters escalated by the Interim Chief Executive, the development of the OEP’s strategy and enforcement policy, the approach the OEP will take to exercising its functions, each of the matters on which the OEP has provided advice to ministers, our report monitoring progress of the 25-year environment plan for England and a range of matters connected to the establishment of the OEP and its operations.

Data and information were provided to the board within the formal reports it received. The information developed during the period to 31 March as the OEP took on its statutory functions, and as the operation of those functions evolved. This included information on complaints received. All information provided to the board was scrutinised and assured by the executive leadership in advance. The board judged the information it received proportionate and of appropriate quality. The data and information provided to the board has continued to develop, after period end.

Committees of the board

In the period from 17 November 2021 to 31 March 2022 there were two committees of the board.

The audit and risk assurance committee (ARAC)

The ARAC is a permanent sub-committee of the board to support it and the Chief Executive as Accounting Officer in their responsibilities for risk, control and governance. It also oversees internal and external audit arrangements covering both financial and non-financial systems.

The ARAC was formed and met once in the period. It is chaired by Dr Paul Leinster CBE and Professor Dan Laffoley is a second non-executive board member. An independent member is also appointed to the ARAC to bring expertise relevant to the ARAC’s remit. The Head of Internal Audit and external auditor also attended and reported to the ARAC.

| Appointee | Role | Term |
|------------|---|------------------------------------|
| Kieran Rix | Independent member appointed by the OEP | 1 January 2022 to 31 December 2022 |

In its meeting, the ARAC considered the OEP’s frameworks for risk management and delegation, the appointment of internal auditors and discussed a draft internal audit plan. Subsequent to year end, the ARAC has considered the framework for financial control and related policies and procedures and these Annual Report and Accounts.

The 25-year environment plan report steering group

The steering group was established by the board on 17 November 2022 to support it to publish a report in response to the UK government’s 25-year environment plan annual progress report. It met five times in the period until it was wound up on 28 February 2022. Its business was solely related to the development of the report.

The steering group met five times prior to 17 November 2022 as a committee of the board-designate.

The steering group was formed by the Chair, the Interim Chief Executive, Dr Paul Leinster CBE and Julie Hill MBE.

Board effectiveness

The board has not reviewed its effectiveness in the period, having been established in November 2021. The board is undertaking its first effectiveness review after year end, but this is not complete at the date of publication of this report. The results of this review will be reported in the next annual report and accounts.

Board and committee attendance, and significant interests

The board has adopted a [governance framework](#) to govern its business. This includes a code of conduct for the board consistent with the seven principles of public life and the code of conduct for board members of public bodies.

Our governance framework has been designed to comply with HM Treasury's Code of Good Practice for Corporate Governance, as is appropriate for an independent non-departmental public body, and consistent with the provisions for our governance in the Environment Act 2021. We explain the limited circumstances where our arrangements differ through this governance statement. Specifically, we explain that the Board has elected not to constitute a nominations committee, and instead consider such matters itself. Our Head of Finance and Corporate Services is our senior officer responsible for finance, and holds the role of Finance Director envisaged by Managing Public Money. They have a right of attendance at all meetings of the Board, and can give advice to the Accounting Officer or the Board at their discretion at any time. The Board decided on these arrangements to reflect the size and nature of the OEP and the complexity of our operations.

The arrangements for our governance have been reviewed after year end by Defra under the Cabinet Office's Arm's-length Body Review programme. [The recommendations of this review are published here](#). Our approach to governance, strategy and performance management has also been audited by our internal auditors in the year 2022/23.

Members' attendance at the board and committees on which they served is shown below:

| Appointee | Board Meetings | Board Workshop | ARAC | Steering group |
|---------------------------|----------------|----------------|----------------|----------------|
| Dame Glenys Stacey | 5 of 6 (83%)* | 1 of 1 (100%)* | n/a | 5 of 5 (100%)* |
| Natalie Prosser | 6 of 6 (100%) | 1 of 1 (100%) | 1 of 1 (100%) | 5 of 5 (100%) |
| Richard Greenhous | 2 of 2 (100%) | 1 of 1 (100%) | n/a | n/a |
| Julie Hill MBE | 6 of 6 (100%) | 1 of 1 (100%) | n/a | 5 of 5 (100%) |
| Prof. Dan Laffoley | 6 of 6 (100%) | 1 of 1 (100%) | 1 of 1 (100%) | n/a |
| Dr. Paul Leinster CBE | 6 of 6 (100%) | 1 of 1 (100%) | 1 of 1 (100%)* | 5 of 5 (100%) |
| Prof. Richard Macrory CBE | 6 of 6 (100%) | 1 of 1 (100%) | n/a | n/a |
| Kieran Rix | n/a | n/a | 1 of 1 (100%) | n/a |

* denotes the chair.

Executive directors are invited to attend all board meetings, workshops and relevant committee meetings. The Head of Finance and Corporate Services attends all board meetings and has the right to give advice to the board on finance and related matters at any time, during or outside meetings. Other staff members attend to support the consideration of business before the board.

The directorships and other significant interests of members of the board and its committees are shown below.

| Name | Type of interest | Organisation |
|--------------------|--|---|
| Dame Glenys Stacey | Paid advisor | Ministry of Justice |
| Natalie Prosser | Lay advisor (voluntary) | Warwickshire multi-agency public protection arrangements (MAPPA) |
| Richard Greenhous | None to declare | |
| Julie Hill MBE | Chair and board member | Waste and Resources Action Programme (WRAP) |
| | Board member | Accelerating Growth Fund (subsidiary of WRAP) |
| | Vice-chair, advisory committee on social science | Food Standards Agency |
| | Chair | Institution of Environmental Sciences |
| | Associate | Green Alliance |
| | Fellow | Royal Society of Arts |
| | Chair | Expert Advisory Group to the Enhanced Rock Weathering Greenhouse Gas Removal Demonstrator |
| Prof. Dan Laffoley | Director | Ocean Innovations Ltd |
| | Director | Sargasso Sea Commission |
| | Steering committee member | International Union for Conservation of Nature World Commission on Protected Areas |
| | Fellow | Marine Biology Association |
| | Fellow | Royal Geographical Society |
| | Fellow | Linnean Society |
| | Fellow | Royal Society of Biology |
| | Overseas Fellow | The Explorers' Club |

| Name | Type of interest | Organisation |
|---------------------------|--|---|
| Dr Paul Leinster CBE | Chair | bpha Housing Association |
| | Non-executive director | Flood Re Ltd |
| | Non-executive director | Delphic HSE Ltd |
| | Chair | Water Resources East Ltd |
| | Chair | Bedfordshire Local Nature Partnership |
| | Chair | Oxford Cambridge Arc Local Natural Capital Plan |
| | Member (to December 2021) | Natural Capital Committee |
| | Fellow | Royal Society of Chemistry |
| | Fellow | Institute of Environmental Management & Assessment |
| | Trustee | Bromham Baptist Church |
| | Visiting Professor | Cranfield University |
| Prof. Richard Macrory CBE | Master of the Bench | Grays Inn |
| | Honorary Patron | UK Environmental Law Association |
| | Honorary Fellow | Chartered Institute of Waste Management |
| Malcolm Beatty OBE | Director | Field Studies Council |
| | Director | Centre Ministries |
| | Governor | St Colman's High School & Sixth Form College |
| | Fellow | Chartered Institute of Public Finance and Accountancy |
| | Fellow | Institute of Chartered Foresters |
| | Fellow | Royal Society of Biology |
| Helen Venn | None to declare | |
| Kieran Rix | Director of Finance and Corporate Services | Electoral Commission |

The directorships and other significant interests of executive directors who are not members of the board are as follows:

| Name | Type of interest | Organisation |
|-----------------------|------------------|--------------------------------|
| Peter Ashford | None to declare | |
| Dr. Simon Brockington | Director | North York Moors Railway Trust |

Executive governance

The Interim Chief Executive established a management committee to advise her in the discharge of her delegated authority from the board, to provide a forum for assurance, scrutiny and challenge of recommendations and information provided to the board and to provide leadership for the business of the OEP.

In the period before appointment of the executive directors, this management committee – known as the senior leadership team – was attended by the Chair and all heads of function then appointed to the OEP. The composition of this committee varied as the OEP recruited to its organisational design, but included those heads of function with responsibility for risk, governance, finance, and legal advice to the Interim Chief Executive as Accounting Officer or the board.

Following the appointment of the executive directors, the Interim Chief Executive has established an executive committee as the management committee of the OEP. The executive committee comprises the Interim Chief Executive, each executive director, the Head of Communications and Strategic Engagement and the Head of Business Strategy and Planning. The Head of Finance and Corporate Services regularly attends the executive committee, and has a right to attend at any time.

The business of the management committee included the assurance of information provided to the board and the analysis supporting recommendations to the board, including on the strategy of the OEP, significant policy decisions, the forward work programme, and advice to ministers. The management committee also regularly considered finance, risk, delivery and organisational performance.

In addition to the management committee, the Interim Chief Executive established a project board to support the delivery of the OEP's scrutiny of government's annual progress report for the 25-year environment plan. This project board was chaired by the Interim Chief Executive, and attended by members of staff from the OEP's Insights directorate, and OEP heads of functions responsible for risk, governance and legal advice. It considered recommendations to the steering group that the board established to support this work.

Certain aspects of the arrangements for establishment of the OEP were the responsibility of Defra. In support of this, Defra established a programme board chaired by a senior civil servant in Defra. This was attended by the Chair and the Interim Chief Executive and other OEP staff as necessary for the business of the programme board. It supported the Senior Responsible Officer in Defra to take decisions on behalf of Defra for those aspects of the operational establishment of the OEP that were Defra's responsibility. The OEP board took decisions on behalf of the OEP itself or delegated those decisions to the Interim Chief Executive.

Risk management

We have established a risk framework to define our approach to identify, manage and report on risk. This was scrutinised by the ARAC and approved by the board in January 2022. The risk framework is based on HM Treasury's [Orange Book: Management of Risk – Principles and Concepts](#). It is implemented in the OEP, with further activity to embed and improve it planned within the current business year within a planned programme to support risk management maturity.

All OEP staff have responsibility for identifying and escalating risks. All decisions of the OEP's executive committee, board and any board committee are supported by an analysis of risk.

Risks to the OEP's objectives and strategic goals are escalated to the strategic risk register. These risks are owned by a member of the executive committee, are actively monitored, have management controls in place and planned activity to reduce or control their impact or likelihood.

The executive committee considers the strategic risk register monthly. The ARAC scrutinises the register in each of its meetings, and has agreed a programme of regular deep dives of the risk management approach for specific risks. The strategic risk register has been considered by the board quarterly. This approach is designed to maintain active monitoring of key risks, and the effectiveness of mitigations.

Management of operational or delivery risks is delegated to executive directors, and recorded in operational risk registers. Operational risk registers were established between December 2021 and March 2022, and are reviewed regularly in directorate leadership teams. Risks can be escalated to the strategic risk register at any time by executive directors, or the Chief Executive, for consideration by the executive committee.

During the period, the OEP established its first strategic risk register. This included a risk identification workshop by the senior leadership team, which was validated by the board. The definitions of strategic risks evolved as we understood more about their potential consequences, and as our functions were enabled in law.

Strategic risks that have been reported at least once in the reporting period include:

Confidence in the OEP is not maintained. This is critical to our credibility and ability to influence for our objectives. It is a heightened risk as we exercise our functions for the first time and our track record is yet to be established. We control this risk through the underpinning objective and impartial quality of our work, and our stakeholder engagement and communications strategy.

The independence of the OEP is, or is seen to be, fettered. The independence of our judgements and actions is central to the confidence the public and stakeholders have in us, and the effectiveness of our activities and recommendations. The framework document we aim to agree with Defra and DAERA that sets out the governance of our relationship with government and ministers, is a key planned mitigation.

The OEP's advice is not effective. Some of our functions are advisory, meaning their impact depends on the effect they have on others. We plan to develop our approach to understanding and measuring our impact, and in the meantime mitigate this risk through stakeholder engagement, and the objective and impartial basis to our work.

A regulatory decision of the OEP is subject to successful legal challenge. We manage this risk through well defined and structured evidence gathering, judgement and governance.

Insufficient resourcing to deliver our strategy and exercise our functions. We were sufficiently funded to fulfil our functions in the period. In the medium term, this is a material risk given the planned reductions to our available resources from 2023/24 set out in the ring-fenced budget for 2022/23 to 2024/25 and indicative ring-fenced budget for 2025/26 and 2026/27 following the end of additional temporary resources made available in

financial year 2022/23. Defra's review of our long-term resourcing needs in 2022/23 and 2023/24 is a key planned mitigation.

Insufficient expertise and capabilities to deliver. In the period we have recruited to our organisational design, confirmed access to certain legal services frameworks, and developed our approach to access external expertise. Completing recruitment and developing a broader framework to access the expertise we need efficiently are key mitigations. This risk is particularly heightened in the expertise needed to deliver our Northern Ireland functions.

The wellbeing of the OEP's staff is impacted by transition between roles, and demands of the work programme. We actively monitor this and address concerns as required. Mitigation is also linked to completion of our resourcing plans.

Operational failure as we exercise functions, and undertake tasks for the first time. This strategic risk is the cumulation of individual operational risks managed under our operational risk registers. We plan to mitigate this through completion of our policy, procedure, governance and control framework, and from embedding a continuous learning approach to delivery, such as through lessons learned approaches.

Cyber security or business continuity event. We have controls in place through the contractual arrangements for our information management technology and estate. We plan to develop our business continuity management approach further in year.

Ineffective delivery of Northern Ireland remit. This risk is heightened by the confirmation of resources and other permissions we needed to recruit and establish operations after our functions had commenced, meaning our recruitment in the reporting period could not include posts with relevant expertise. We plan to mitigate by deploying our Northern Ireland operating model, and by developing our approach to stakeholder engagement and evidence collation.

25-year environment plan monitoring report lacks credibility. This was mitigated by active testing with our board, peer review and stakeholders. We closed this as a strategic risk shortly after year end.

Before establishing its own risk framework and until December 2021, the OEP identified, managed and recorded risk in accordance with Defra's risk management approach, following the approach established by the Interim OEP. Project risk registers were in place for the most material aspects of the OEP's work, which were aggregated into a programme risk register reviewed by the CEO and reported to the board, and Defra.

Financial governance and control

During the period, the governance and controls for financial propriety and regularity were subject to transition, as the finance function within the OEP was established and the financial policies and procedures developed accordingly. This transition happened on a phased basis from the 17 November 2021 and completed by 31 March 2022.

Prior to the transition to the OEP's accounting system, the administration of financial controls was undertaken by Defra on our behalf under a Partnership Agreement documenting a range of services Defra provided in the interim period while our independent operations were established. There was a brief period where financial operations operated in parallel in Defra and the OEP. All transactions for the whole period

have subsequently been recorded in the OEP's accounting system. During this exercise each transaction was reviewed to ensure accuracy, completeness, and correct accounting treatment as an additional control.

For the period from 17 November 2021 until the OEP accounting system was established on 14 February 2022, therefore, the OEP operated under Defra's financial policies and procedures. From 17 November 2021, the Chief Executive, as Accounting Officer, maintained personal control for all financial transactions. Following 14 February 2022 systems operated in tandem, while transactions were transitioned to the OEP system. At year end all transactions were recorded in the OEP's books, with the exception of transactions where contracts were not novated by the period end. The OEP held the liability for all transactions in accordance with the Asset Transfer Agreement. All contracts are expected to have been novated to the OEP from Defra by 31 December 2022.

From mid-February 2022, the OEP implemented its own suite of financial governance and control, including ensuring appropriate segregation of duties despite a small finance team. The board approved an updated Financial Scheme of Delegation and associated Finance Handbook on 17 March 2022. The policies continued to be developed during this period and were scrutinised in depth by the ARAC and further varied on 5 May 2022 following that scrutiny. Key financial controls will be subject to internal audit in 2022/23. The policies and procedures will continue to be refined and developed.

During the whole reporting period, all transactions were approved by the Chief Executive, an executive director or the Head of Finance and Corporate Services in accordance with this Financial Scheme of Delegation. The Chief Executive and Head of Finance and Corporate Services were the only authorised approvers of purchase orders in the period. The volume of transactions was low, and mostly related to establishment activity.

The Accounting Officer maintained an appropriate system of governance and control at each stage of this transition.

Internal Audit

The Government Internal Audit Agency (the GIAA) was appointed to provide the OEP's internal audit service in March 2022. Given the OEP is newly established, the internal auditors did not complete any internal audit activity in the period. An internal audit plan, informed by our risk profile, has been agreed for delivery in 2022/23 and subsequent years. We expect our first internal audit report in September, and plan an internal audit of our governance and risk management approach this year.

The Head of Internal Audit has not been able to give assurance on the adequacy and effectiveness of risk management, control and governance during the period due to fact that the GIAA were only appointed at the end of the period.

Whistleblowing

We are committed to high standards of integrity, honesty, objectivity and impartiality in all that we do. In the period to 31 December 2021, we adhered to and promoted Defra's whistleblowing policy if staff needed to raise a concern about a past, present or imminent wrongdoing. The OEP adopted its own whistleblowing policy and procedure from 1 January 2022, as staff contractual arrangements changed within our programme of operational transition. There were no whistleblowing reports in the period.

Information management and data security

For the period until 1 January 2022, we were provided services by Defra's data protection officer, under a partnership agreement in place between us. The OEP's data protection officer was in post from this time. We have established policy and procedures to ensure information assets are handled appropriately. All OEP staff were asked to complete information data handling courses within induction processes, with compliance assurance continuing beyond year end. There were no data security lapses that were deemed to be significant or critical during the period.

Business continuity plans

The OEP was established during the Covid-19 pandemic and response. We are established to operate remotely. Our core information management and technology systems are outsourced, with contractual commitments to restore in appropriate timescales in case of need. We aim to develop our approach to business continuity management in the coming year.

Business-critical analytical models

The OEP had no business-critical analytical models in the reporting period.

COVID-19 government support schemes

The OEP did not administer any COVID-19 government support schemes and there is therefore no related fraud or error to report.

Remuneration and staff report

The OEP has its own independent employment contracts, recruitment and remuneration policies, which are separate from Defra. We are a non-departmental public body accredited with the Civil Service Commission which means that while OEP staff are not civil servants, the OEP adheres to Civil Service Recruitment Principles.

Additionally, the OEP applies Senior Civil Service (SCS) terms for the remuneration of Executive Directors. Remuneration policy for grades below Executive Director has been set internally but is subject to Cabinet Office pay guidance.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made or not. While OEP staff are not civil servants but public servants we have chosen to adopt a recruitment approach which is consistent with these principles.

Unless otherwise stated below, the officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found on the [Civil Service Commission website](#).

Remuneration Policy

The remuneration of the Senior Civil Service (SCS) (and therefore the OEP's Executive Directors, as opted into this policy) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises departments in March or April each year of the government's response to the SSRB recommendations and produces guidance for departments and network bodies to follow.

The OEP develops the Executive Directors Reward Strategy within the Cabinet Office Framework, ensuring that the overall pay awards for the Executive Directors are within the cost ceiling allowed.

Executive Directors are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP), based on their performance. NCVP is paid in the financial year after that in which it was earned. NCVP values, informed by each individual's appraisal grade, are paid within Cabinet Office guidelines.

Remuneration – salary, benefits-in-kind and pensions (audited)

The following sections provide details of the remuneration and pension interests of the OEP's Directors and Chief Executive.

Single total figure of remuneration

| Officials | Salary (£'000) | Bonus payments (£'000) | Pension benefits (to nearest £1,000) | Benefits-in-kind (to nearest £1,000) | Total (£'000) |
|---|----------------|------------------------|--------------------------------------|--------------------------------------|---------------|
| | 2021/22 | 2021/22 | 2021/22 | 2021/22 | 2021/22 |
| Natalie Prosser Chief Executive | 40–45 | – | 24,000 | – | 60–65 |
| Peter Ashford General Counsel | 20–25 | – | 8,000 | – | 30–35 |
| Dr. Simon Brockington Chief Insights Officer | 15–20 | – | 6,000 | – | 20–25 |
| Richard Greenhous Chief of Staff | 15–20 | – | 15,000 | – | 30–35 |
| Helen Venn Chief Regulatory Officer | 5–10 | – | 3,000 | – | 10–15 |

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- Natalie Prosser joined the OEP on 17 November 2021 as interim Chief Executive and as Chief Executive on 1 May 2022. She was seconded from Defra for the period 17 November to 31 December 21 and employed by the OEP on short term appointment from 1 January 2022 until her permanent appointment on 1 May 22. Figures quoted are quoted for the period 17 November 2021 to 31 March 2022. The full year equivalent banding is £110,000 to £115,000.
- Peter Ashford joined the OEP on 1 January 2022. Before his appointment as an executive director, he was seconded from the Environment Agency to the OEP for the period 17 November to 31 December 2021. Figures quoted are quoted for the period 1 January to 31 March 2022. The full year equivalent banding is £85,000 to £90,000.
- Dr. Simon Brockington joined the OEP on 24 January 2022. Figures quoted are quoted for the period 24 January 2022 to 31 March 2022. The full year equivalent banding is £85,000 to £90,000.
- Richard Greenhous joined the OEP on 17 January 2022. Figures quoted are quoted for the period 17 January 2022 to 31 March 2022. The full year equivalent banding is £85,000 to £90,000.
- Helen Venn joined the OEP on 1 March 2022. Figures quoted are quoted for the period 1 March 2022 to 31 March 2022. The full year equivalent banding is £90,000 to £95,000.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the OEP and thus recorded in these accounts. None of our permanent employees are paid a London allowance.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the employer and are treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Bonuses are paid in recognition of specific exceptional performance. Bonuses paid in 2021/22 relate to performance in 2021/22. During the period no bonuses were paid to Executive Directors.

Fair Pay Disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

As this is the first year that the OEP is in operation it is not possible to include all disclosures such as the prior year comparatives in respect of the highest paid director or minister, nor the changes year on year in respect of the pay ratio.

| 2021/22 | Highest paid director £'000 | Other staff £ | Pay multiple ratio |
|---------------------------|-----------------------------|---------------|--------------------|
| 25th percentile pay ratio | 110-115 | 35,895 | 3.1 |
| Median pay ratio | 110-115 | 48,275 | 2.3 |
| 75th percentile pay ratio | 110-115 | 58,739 | 1.9 |

In 2021/22, no employees received remuneration in excess of the highest paid director. Annualised remuneration ranged from £20,000 to £25,000 to £110,000 to £115,000.

As the accounts are for the first 4.5 months of accounts, there are no non-consolidated performance-related pay and benefits-in-kind. Therefore, total remuneration equals salary. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

There have been no ex-gratia payments or amounts paid during the year in respect of compensation to former senior managers or to third parties for services of a senior manager.

No employer contributions were made to partnership pension accounts during 2021/22 in respect of the OEP's executive. Employer contributions were made to partnership pension accounts during 2021/22 in respect of 1 non-executive director (amounting to £106 in the period).

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. The Civil Servants and Others Pension Scheme or alpha, provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). Further details about the Civil Service pension features and benefits can be found in the resource accounts of the Cabinet Office: Civil Superannuation, www.civilservicepensionscheme.org.uk.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year and increased annually in line with pensions increase legislation.

Other arrangements include money purchase pensions known as a 'partnership' are available as an alternative. The employer makes an age-related basic contribution of 14.75% into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute.

Another 'partnership' is available as an alternative. The employer makes an age-related basic contribution of 3% into a stakeholder pension product chosen by the employer from a panel of providers. The employee does not have to contribute.

The pension figures quoted for officials in this report show combined pension earned in all schemes as appropriate.

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. These figures also include the value of any pension benefit in another scheme or arrangement which has been transferred to the Civil Service pension arrangements and any additional pension benefit accrued as a result of buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV (audited)

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Senior Management pension in £'000

| Officials | Accrued pension at pension age as at 31/3/22 and related lump sum | Real increase in pension and related sum at pension age | CETV at 31/3/22 | CETV at 17/11/21 | Real increase in CETV |
|--|---|---|-----------------|------------------|-----------------------|
| Natalie Prosser Chief Executive | 30-35 | 0-2.5 | 385 | 367 | 13 |
| Peter Ashford General Counsel | 0-5 | 0-2.5 | 5 | 0 | 3 |
| Dr Simon Brockington Chief Insights Officer | 5-10 | 0-2.5 | 110 | 106 | 3 |
| Richard Greenhouse Chief of Staff | 25-30 plus a lump sum of 45-50 | 0-2.5 plus a lump sum of 0-2.5 | 386 | 374 | 9 |
| Helen Venn Chief Regulatory Officer | 40-45 | 0-2.5 | 557 | 555 | 2 |

External board and ARAC members (audited)

Membership details of the board and the ARAC are detailed in the Governance Statement. The following salaries and benefits-in-kind were paid to the external members:

| Official | Salary (as defined above) £'000 | Benefits-in-kind to nearest £1000 |
|---------------------------|---------------------------------|-----------------------------------|
| Dame Glenys Stacey | 20–25 | – |
| Julie Hill MBE | 5–10 | – |
| Prof. Dan Laffoley | 5–10 | – |
| Dr Paul Leinster MBE | 5–10 | – |
| Prof. Richard Macrory CBE | 5–10 | – |
| Kieran Rix | – | – |

- Dame Glenys Stacey was appointed to the OEP prior to 17 November 2021. Figures quoted are quoted for the period 17 November 2021 to 31 March 2022. The full year equivalent banding is £55-60k.
- All other non-executive directors listed were appointed to the OEP prior to 17 November 2021. Figures quoted are quoted for the period 17 November 2021 to 31 March 2022. The full year equivalent banding is £20-25k.
- Benefits in kind relate to reimbursement of home to office travel and reimbursement.

Staff Report

Staff numbers (audited)

At 31 March 2022 we employed 52 staff (50.7 FTE) (audited value) comprising 34 permanent staff (33.5 FTE), 1 (1 FTE) Short Term Appointee, 14 secondees (13.2 FTE) supplied by other government bodies and 3 temporary staff (3 FTE) supplied by employment agencies. The number of full-time equivalent permanent and temporary staff during the period and an analysis of staff-in-post (headcount) as at 31 March 2022 by gender are shown below. All staff figures here and below are actuals, due to OEP recruitment commencing in year. In future years these numbers will be shown as averages.

We comply with the equal opportunities legislation and OEP policies on Equality, Diversity and Inclusion (including disability) and Health and Safety.

Staff recruitment

The FTE number of persons employed at 31 March 2022 was as follows:

| Staff | Permanently employed staff | Secondees | Temporary staff | 2021/2022 total |
|-----------------|----------------------------|-------------|-----------------|-----------------|
| Chief of Staff | 10.0 | 9.2 | 3.0 | 22.2 |
| General Counsel | 3.7 | – | – | 3.7 |
| Insights | 9.0 | 3.0 | – | 12.0 |
| Regulatory | 11.6 | 1.0 | – | 12.6 |
| Total staff | 34.5 | 13.2 | 3.0 | 50.7 |

The number of staff-in-post (headcount) by gender as at 31 March 2022 was as follows:

| Staff | Male | Female | 2021/2022 total |
|--|------|--------|-----------------|
| Executive members of the board (all SCS) | 1 | 1 | 2 |
| Directors (excluding executive members of the board) (all SCS) | 2 | 1 | 3 |
| Other | 23 | 24 | 47 |
| Total staff | 26 | 26 | 52 |
| Non-executive members of the board | 3 | 2 | 5 |

Early departure costs (audited)

The OEP pension benefits are provided through the Civil Service Pension Scheme. Redundancy and other departure costs are therefore paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure or earlier where a demonstrable commitment exists.

For all staff, there were no early departures in 2021/22.

For all staff, there were no compulsory exits in 2021/22.

Staff costs (audited) in £

Staff costs consists of the following:

| | Permanently employed staff | Temporary staff | 2021/22 total |
|-----------------------------|----------------------------|-----------------|------------------|
| Wages and salaries | 603,942 | 246,483 | 850,425 |
| Social security costs | 55,888 | 37,134 | 93,022 |
| Other pension costs | 176,654 | 51,872 | 228,526 |
| Total costs | 836,484 | 335,489 | 1,171,973 |
| Agency Staff | | | 166,243 |
| Non-Executive Director fees | | | 60,047 |
| Total staff costs | | | 1,398,263 |

Pensions

Pension benefits provided through the Civil Service pension arrangements are paid from an unfunded multi-employer defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details are provided in the resource accounts of the Cabinet Office: Civil Superannuation, www.civilservicepensionscheme.org.uk.

For 2021/22, employers' contributions of £174,682 were payable to the Principal Civil Service Pension Scheme (PCSPS) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme evaluation. The contribution rates are set to meet the cost of the benefits accruing during 2021/22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employers' contributions were also paid in relation to secondees and establishment support from Defra.

No individuals retired early on ill-health grounds during the year and therefore no additional pension liabilities have been accrued for this purpose.

Sickness absence data

The total full-time equivalent days lost through staff sickness absence in the year was 35. The average working days lost per employee during the year was 0.71 FTE. Short term sickness absences of 35 days or less was 0.71 days per FTE.

Tax arrangements of public sector appointees

As part of HM Treasury's review of tax arrangements of public sector appointees, departments and their arms-length bodies are required to publish information in relation to the number of off payroll engagements costing over £245 per day that were in place as at 31 March 2022.

| | |
|--|----------|
| Number of existing engagements as of 31 March 2022 | 3 |
| Of which: | |
| Number that have existed for less than one year at time of reporting | 3 |

The majority of our contractors are engaged in the establishment of the OEP and are temporarily fulfilling roles that will be on payroll once initial recruitment waves have been completed.

For all off-payroll appointments engaged at any point during the period ended 31 March and earning at least £245 per day.

| | |
|--|----------|
| Number of appointments in force during the time period | 5 |
| Of which: | |
| Number determined as in-scope of IR35 | 5 |
| Number determined as out-of-scope of IR35 | – |
| Number of engagements reassessed for compliance or assurance purposes during the period | – |

Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 17 November 2021 and 31 March 2022.

| | |
|---|--|
| Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility | nil |
| Total number of individuals on-payroll and off-payroll that have been deemed “board members, and/or senior officials with significant financial responsibility” | Board members x 2 (CEO, 1 Director) Non-Executive Directors x 6 |

Consultancy and temporary staff expenditure

| | |
|-----------------------------|----------------|
| | 2021/22 |
| Consultancy | 175,815 |
| Temporary staff expenditure | 166,243 |
| Total | 342,058 |

Additional specialised skills have been required to support the establishment of the OEP, and to exercise our functions. The OEP is a small organisation with a wide remit. Specialist expertise is required to supplement in house expertise on specific issues. Consultants are engaged when it is better value for money to do so on specific programme work and when specialised skills are required. Expenditure on temporary staff has provided additional resources to meet short term needs and cover for the backlog in filling vacancies.

Health and safety

Due to mainly low risk activities and the size of the organisation we continue to use the policies and advice services from Defra’s Safety, Health and Wellbeing team. No work-related incidents were reported by employees during 2021/22.

Parliamentary accountability and audit report (audited)

Regularity of expenditure

We have considered all our activities during the year and confirm that they are in accordance with the legislation authorising them.

Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and type to be shown where they exceed £300,000 in total, and those individually that exceed £300,000.

Losses may relate to: cash and stores losses; book-keeping losses; losses arising from failure to make adequate charge for the use of public property or services, fruitless payments, and claims abandoned as well as frauds. Special payments may relate to extra contractual, extra statutory, and ex gratia payments and compensation.

There were no losses or special payments that need to be reported in accordance with Managing Public Money.

Contingent liabilities

There were no contingent liabilities as at 31 March 2022.

Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the OEP discloses, for parliamentary reporting and accountability purposes, liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. As at 31 March 2022 there are nil to report.



Natalie Prosser

Chief Executive and Accounting Officer

21 October 2022

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Northern Ireland Assembly

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Environmental Protection for the period commencing 17 November 2021, and ending 31 March 2022 under the Environment Act 2021.

The financial statements comprise the Office for Environmental Protection's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the period then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standard.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office for Environmental Protection's affairs as at 31 March 2022 and its net expenditure for the period then ended; and
- have been properly prepared in accordance with the Environment Act 2021 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office for Environmental Protection in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office for Environmental Protection's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Environmental Protection's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office for Environmental Protection is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Environment Act 2021.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Environment Act 2021; and

- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Office for Environmental Protection and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office for Environmental Protection or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Office for Environmental Protection's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Office for Environmental Protection will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Environment Act 2021.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office for Environmental Protection's accounting policies.
- Inquiring of management, the Office for Environmental Protection's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office for Environmental Protection's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Environmental Protection's controls relating to the Office for Environmental Protection's compliance with the Environment Act 2021 and Managing Public Money.
- discussing among the engagement team and involving relevant internal specialists, including IT experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office for Environmental Protection for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Office for Environmental Protection's framework of authority as well as other legal and regulatory frameworks in which the Office for Environmental Protection operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office for Environmental Protection. The key laws and regulations I considered in this context included the Environment Act 2021, Managing Public Money, and relevant employment, taxation and pensions legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

24 October 2022

Financial statements

Financial statements

Statement of Comprehensive Net Expenditure for the Period from 17 November 2021 to 31 March 2022

| | | Period to 31 March 2022 | |
|---|------|-------------------------|------------------|
| | Note | £ | £ |
| Operating costs | | | |
| Staff | 2 | 1,398,263 | |
| Other operating costs | 3 | 1,121,301 | |
| | | 2,519,564 | |
| Total comprehensive net expenditure for the year | | | 2,519,564 |

The Notes on pages 56 to 63 form part of these accounts.

Statement of Financial Position as at 31 March 2022

31 March 2022

| | Note | £ | £ |
|--|------|-------------|--------------------|
| Current assets | | | |
| Trade and other receivables | 4 | 117,944 | |
| Cash and cash equivalents | 5 | 489,481 | |
| Total current assets | | | 607,425 |
| Total assets | | | 607,425 |
| Current liabilities | | | |
| Trade and other payables | 6 | (2,111,110) | |
| Total current liabilities | | | (2,111,110) |
| Total assets less total liabilities | | | (1,503,685) |
| Taxpayers' equity | | | |
| General fund | | | (1,503,685) |
| Total taxpayers' equity | | | (1,503,685) |

The Notes on pages 56 to 63 form part of these accounts.



Natalie Prosser

Chief Executive and Accounting Officer

21 October 2022

Statement of Cash Flows for the Period from 17 November 2021 to 31 March 2022

| | Note | Period to 31 March 2022 £ |
|--|------|------------------------------------|
| Cash flows from operating activities | | |
| Net operating cost | | (2,519,564) |
| Increase in trade and other receivables | | (117,944) |
| Increase in trade and other payables | | 2,111,110 |
| Net cash outflow from operating activities | | (526,398) |
| Cash flows from financing activities | | |
| Financing by Defra & Daera | | 1,015,879 |
| Net cash inflow from financing activities | | 1,015,879 |
| Increase in cash and cash equivalents in the period | | 489,481 |
| Cash and cash equivalents at 17 November | 5 | 0 |
| Cash and cash equivalents at 31 March | 5 | 489,481 |

The Notes on pages 56 to 63 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Period from 17 November 2021 to 31 March 2022

| | General fund | Total taxpayers' equity |
|------------------------------------|--------------------|-------------------------|
| Note | £ | £ |
| Balance at 17 November 2021 | 0 | 0 |
| Net operating cost | (2,519,564) | (2,519,564) |
| Financing by Defra & Daera | 1,015,879 | 1,015,879 |
| Balance at 31 March 2022 | (1,503,685) | (1,503,685) |

The Notes on pages 56 to 63 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the Government Financial Reporting Manual (FReM).

The accounts have been prepared under a direction issued by the Secretary of State for DEFRA under the Environment Act 2021.

Where the FReM allows a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the OEP for the purpose of giving a true and fair view has been selected.

The financial statements are prepared on a going concern basis both on a financial basis and consistent with the FReM 2021-22 continued provision of service basis.

1.1 Expenditure

Expenditure is recognised on an accruals basis. Accrued expenditure is recognised when the OEP has an obligation to pay suppliers, and is based on agreed amounts, contractually, or by another form of mutual agreement.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historic cost convention.

1.3 Leased assets

All leases are assessed using the criteria in IAS 17. The determination of a lease is based upon the substance of that arrangement, whether the arrangement is dependent upon the use of a specific asset and conveys the right to use that asset. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the OEP. All other leases are classified as operating leases.

Rental costs arising under operating leases are charged to the Statement of Comprehensive Net Expenditure in the year in which they are incurred.

The OEP leases its IT equipment and does not have any tangible fixed assets at year end.

1.4 Defra properties occupied by the OEP

For 2021-22, the full cost of occupation of buildings that are either owned or leased by Defra is reflected within the Statement of Comprehensive Net Expenditure as part of 'Corporate Services recharge', see Note 3. The costs are determined by Defra based on proportionate occupation of the properties and include rates, utilities, management overheads, and associated capital charges. For Defra leasehold properties this also includes rental costs.

The Defra Management Committee estates strategy states that the default position is that lease breaks are exercised. Defra undertakes a detailed annual review on the material lease exits to confirm this judgement holds true. This has the implication of recognising the lease commitment (and any depreciation) to the lease break date. If however, the evidence suggests that it is unlikely individual lease breaks will be exercised, the commitment is assumed to be until the end of the lease.

1.5 OEP grant in aid

Grant-in-aid is provided by Defra to finance activities and expenditure which supports the statutory and other objectives of the OEP. A portion of the amount (£29,210) that is paid by Defra to the OEP relates to funding received from Daera, that is subsequently passed onto the OEP. Activity for Defra and Daera is not invoiced or reported as income, but an authority to spend is delegated to the OEP along with deliverable objectives. The Net Parliamentary Funding is recorded as a movement in Taxpayers' Equity.

1.6 Value Added Tax (VAT)

The OEP does not provide taxable supplies and is therefore not able to register for VAT. Input tax cannot therefore be recovered and amounts are stated inclusive of VAT.

1.7 Currency

The functional and presentational currency of the OEP is sterling.

1.8 Pensions

Employees of the OEP are covered by the provisions of a career average basis scheme called alpha, which is described in Note 2.2.

The OEP recognises the expected cost of these pension schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for future benefits is a charge on the pension scheme on an accruing basis. The OEP also contributes to one defined contribution pension scheme.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of four months or less.

The carrying amount of these assets approximates their fair value. Bank overdraft amounts are included within trade and other payables in the Statement of Financial Position.

1.10 General Fund

The General Fund represents the total assets less liabilities of the OEP, to the extent that the total is not represented by other reserves.

Financing by Defra and Daera is credited to the General Fund. When the OEP makes repayments of financing these are debited to the General Fund.

1.11 Transfer by absorption

The OEP vested on 17th November 2021. Defra continued to undertake some OEP activities, such as HR and finance, on behalf of the OEP and these administrative functions were recharged to the OEP at cost. On 1st January 2022 staff, assets and liabilities were transferred to the OEP.

The transfer of these functions is accounted for as a transfer by absorption. The value of the assets and liabilities transferred at 1 January 2022 are considered to be nil value, resulting in no impact to the financial statements. In accordance with the Asset Transfer Agreement, liabilities for contracts passed over to the OEP from Defra on 1 January 2022, the novation of contracts followed, which is expected to be completed by 31 December 2022.

1.12 Adoption of new and revised standards

IFRS 16 Leases – effective from 1 April 2022

IFRS 16 (Leases) has been effective since 1 January 2019 for the private sector. Due to the impact on government departments of COVID-19, HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 across central government to 1 April 2022.

When implemented, IFRS 16 will replace IAS 17 (Leases) and will remove the previous distinction between finance leases and operating leases. As a result, former operating leases will come on to the Statement of Financial Position. As mandated by the FREM, exemptions will be applied to short term leases with full terms or outstanding terms on transition of less than 12 months. A low value exemption threshold can be applied to the cost of an underlying asset when new.

The estimated impact of IFRS at 1 April 2022 is considered to be nil. The operating leases disclosed at 31 March 2022 will meet the low value exemption under IFRS 16.

A lease is expected to be signed for OEP office space in Worcester, which will be accounted for under IFRS16 in the next reporting year.

IFRS 17 Insurance Contracts – effective from 1 April 2023

This specifies the requirements for the accounting for insurance contracts. The first set of accounts likely to include the use of the standard are 2023-24.

The current activities of the OEP do not include activities which would be classed as providing insurance. As such, no material impact is expected from the implementation of this standard.

1.13 Critical accounting judgements and key sources of estimation uncertainty

The Chief Executive Officer, in her capacity as Accounting Officer, uses judgement in making estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the accounting period in which the estimate is revised, and if the revision also affects future periods in these periods as well. In reviewing these estimates we consider the extent to which these could possibly vary and whether such a variation could indicate the need for a material adjustment to the accounts.

There is nothing in the current review to indicate that a variation of a material amount could arise.

There were no critical judgements, that the Chief Executive Officer, in her capacity as Accounting Officer, that were made in the process of applying the OEP's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.14. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of 1 entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities would be recognised in the balance sheet if the OEP became a party to the contractual provisions of an instrument.

The OEP has no borrowings and relies primarily on grant in aid from Defra and the devolved administrations for its cash requirements and is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling so it is not exposed to significant currency risk.

2. Staff numbers and related costs

2.1. Staff costs comprise:

| | Permanently employed staff | Short term/ fixed term appointments | Period to 31 March 2022 Total |
|-----------------------------|----------------------------------|---|-------------------------------------|
| | £ | £ | £ |
| Wages and salaries | 603,942 | 246,483 | 850,425 |
| Social security costs | 55,888 | 37,134 | 93,022 |
| Other pension costs | 176,654 | 51,872 | 228,526 |
| | 836,484 | 335,489 | 1,171,973 |
| Agency staff | | | 166,243 |
| Non-Executive Director fees | | | 60,047 |
| Total staff costs | | | 1,398,263 |

No staff costs have been capitalised.

Average number of persons employed

The average number of full time equivalent persons employed (including senior management and agency staff) during the year was as follows:

| | Period to 31 March 2022 |
|----------------------------|-------------------------------|
| Permanently employed staff | 39 |
| Agency | 3 |
| | 42 |

Individual contractors engaged to fill temporary or permanent vacancies, or provide additional resource are included within staff costs in Note 2.1. Where firms have been engaged to provide services, they are not considered to be employees and are excluded from staff costs in Note 2.1, and are reflected within consultancy and professional services in Note 3.

3. Other operating costs

| | Period to 31 March 2022 |
|-----------------------------|----------------------------|
| | £ |
| IT costs | 303,707 |
| Recruitment costs | 230,395 |
| Corporate service recharge* | 214,462 |
| Consultancy costs | 175,815 |
| Professional fees | 113,890 |
| Other operating costs | 27,291 |
| Audit fee | 35,000 |
| Training costs | 20,741 |
| Total | 1,121,301 |

*Services and facilities provided by Defra.

The Corporate service recharge comprises:

| | Period to 31 March 2022 |
|---|----------------------------|
| | £ |
| Estate Management costs | 104,272 |
| Human Resources services | 72,000 |
| Information Technology | 33,030 |
| Communications | 2,400 |
| Shared services including payroll and financial | 2,760 |
| | 214,462 |

During the period to 31 March 2022, the OEP received no non-audit services from the NAO.

4. Trade receivables and other current assets

Amounts falling due within one year

| | 31 March 2022 |
|--------------------------|------------------|
| | £ |
| Prepayments | 117,944 |
| Total receivables | 117,944 |

5. Cash and cash equivalents

| | 31 March 2022 |
|--|------------------|
| | £ |
| Balances held at 17 Nov | 0 |
| Net cash inflow | 489,481 |
| Total balance | 489,481 |
| The following balances were held at 31 March 2022: | |
| Government Banking Services | 489,481 |
| Total balance | 489,481 |

At 31 March 2022 the cash equivalent balance was £nil.

6. Trade payables and other current liabilities

Amounts falling due within one year

| | 31 March 2022 |
|---|------------------|
| | £ |
| Due to Defra and its agencies | 704,778 |
| Other taxation and social security | 65,654 |
| Trade payables* | 184,470 |
| Pension liability | 55,630 |
| Accruals | 1,100,578 |
| Total trade payables and other liabilities | 2,111,110 |

*Trade payables principally comprise amounts outstanding to suppliers.

The OEP considers that the carrying amount of trade and other payables approximates to their fair value.

7. Capital commitments

The OEP had nil capital commitments as at 31 March 2022.

8. Commitments under leases

8.1. Operating leases

Total future minimum lease payments at 31 March 2022 under operating leases are given in the table below for each of the following periods:

| | 31 March 2022 |
|---|------------------|
| | £ |
| Office equipment | |
| Not later than one year | 26,574 |
| Later than one year and not later than five years | 48,720 |
| Total | 75,294 |

8.2. Finance leases

At 31 March 2022, the OEP had no future minimum lease payments under non-cancellable finance leases.

9. Contingent assets and contingent liabilities disclosed under IAS 37

Contingent assets

The OEP has no contingent assets.

Contingent liabilities

The OEP has no contingent liabilities.

10. Related party transactions

The OEP is an Arm's Length Non-Departmental Public Body within the Defra group. Defra is therefore regarded as a related party. During the year the OEP has carried out a number of material transactions with Defra in the normal course of business. The OEP had material transactions with the Environment Agency, an entity within the Defra group for which Defra is regarded as the parent department and non material transactions with Natural England.

No board member, chief officer or senior manager has undertaken any material transactions with the OEP. Further information on Board members and chief officers can be found in the remuneration report.

The OEP has also had non material transactions with the other government departments; Department for Digital, Culture, Media & Sport and Cabinet Office.

11. Events after the reporting period

These accounts have been authorised for issue by the Accounting Officer on the date the audit certificate and report was signed.

A lease is expected to be signed for OEP office space in Worcester, which will be accounted for under IFRS16 in the next reporting year.

ISBN: 978-1-5286-3702-2
E02803138