



Department
for Environment
Food & Rural Affairs



Department of
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Introduction and background

1. Purpose of this document

- 1.1. This document (the "Framework Document") has been agreed between the Department for Environment, Food and Rural Affairs ("Defra"), in consultation with the Devolved Administration for Northern Ireland's Department for Agriculture, Environment and Rural Affairs ("DAERA"), and the Office for Environmental Protection (the "OEP"), in accordance with HM Treasury's handbook Managing Public Money (MPM). It has been approved by HM Treasury.
- 1.2. The Framework Document sets out the broad governance framework within which the OEP and Defra, in partnership with DAERA, operate. It reflects the parties' core responsibilities; describes the governance and accountability framework that applies between the parties; and sets out how the day-to-day relationship works in practice, including in relation to governance, financial matters and in light of the statutory duties of all parties set out in the founding legislation.
- 1.3. This document does not convey any legal powers or responsibilities, but all parties agree to operate within its terms.
- 1.4. The OEP is not to be regarded as a servant or agent of the Crown or as enjoying any status, immunity or privilege of the Crown. It does not carry out UK or Northern Ireland government business or perform its functions on behalf of government. Rather, the OEP is intended to scrutinise, advise, and, where necessary, take enforcement action against government and other public authorities. As such, the OEP must act objectively and impartially and be as transparent as it reasonably and lawfully can.
- 1.5. The OEP must be able to operate independently from its sponsoring departments in order to provide credible environmental governance. In exercising their statutory functions in respect of the OEP, the Secretary of State for Environment, Food and Rural Affairs (the "Secretary of State") and DAERA recognise that they must have regard to the need to protect the OEP's independence.
- 1.6. Defra and DAERA ministers must also be able, where necessary, to account to Parliament and the Assembly respectively on the OEP's performance, management of public funds and resources. This document sets out the areas of oversight necessary to achieve this consistent with upholding OEP independence as far as possible. These areas do not relate to overseeing the OEP's monitoring, reporting, enforcement, advice or complaints functions.
- 1.7. The parties recognise that on occasion some areas of oversight requested by Defra or DAERA may impinge upon the OEP's ability to carry out its statutory functions independently. All parties agree that in such areas the appropriate course of action should be agreed following an initial discussion between all parties, providing evidence and justification of any proposed course of action. In light of these discussions, the OEP shall retain the right to refuse any request from either department that compromises its ability to deliver its statutory functions independently.

- 1.8. All parties acknowledge that all subsequent matters set out in this Framework Document and Appendices should be read and considered in light of the principles set out in paragraphs 1.4 to 1.7.
- 1.9. Copies of this Framework Document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and of the Northern Ireland Assembly, and made available to members of the public on the OEP website, GOV.UK and daera-ni.gov.uk.
- 1.10. This Framework Document should be reviewed and updated at least every three years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury, Defra's Principal Accounting Officer ("PAO") and a DAERA senior official.

2. Objectives

- 2.1 Defra, DAERA and the OEP share the common objective of protecting and improving the environment through strong environmental governance. To achieve this, the parties will work together in recognition of each other's statutory duties, roles and areas of expertise, providing an effective environment for all parties to achieve their objectives in a spirit of partnership and trust. Terms of engagement are included in this document which include a description of the meetings that will take place and how any disputes will be resolved.

3. Classification

- 3.1 The OEP has been classified as a central government organisation by the HM Treasury Classifications team.
- 3.2 It has been administratively classified by the Cabinet Office as a non-departmental public body.

Purposes, aims and duties

4. Purposes

- 4.1 The OEP has been established under the Environment Act 2021 (the "Act"). Its principal objective, as set out in section 23 of the Act, is to contribute to environmental protection and the improvement of the natural environment. It does so by holding government and other public authorities to account.

5. Powers and duties

- 5.1 The OEP's principal powers and duties stem from sections 22 to 43 and 49 of, and Schedules 1 and 3 to, the Act.
- 5.2 Under the Act, the OEP is an independent public body with unique statutory functions, which include to:
 - monitor progress made in improving the natural environment in accordance with the current environmental improvement plan for

England, and towards meeting any targets or interim targets set under Part 1, Chapter 1 of the Act;

- monitor progress made in improving the natural environment in accordance with the Northern Ireland environmental improvement plan;
- monitor and report on the implementation of environmental law;
- provide advice on any proposed change to environmental law or any other matter relating to the natural environment when asked by a Minister of the Crown or Northern Ireland department;
- provide advice to a Minister of the Crown or Northern Ireland department at its own discretion, on any proposed changes to environmental law;
- investigate suspected serious failures by government and other public authorities to comply with environmental law;
- take action to enforce compliance with environmental law by government and other public authorities

5.3 The OEP may do anything it thinks appropriate for the purposes of, or in connection with, its functions apart from:

- accept gifts of money, land or other property
- form, participate in forming, or invest in, a company, partnership, joint venture or other similar form of organisation.

5.4 Subject to its legal duties and the provisions of the Environment Act 2021, the OEP has discretion over its work programme and in delivering its functions. This extends to structuring its business, delivering its activities and priorities, determining its judgements, and deciding the content of its analytical publications and work programme. These will be determined independently and free from ministerial interference.

6. Aims

6.1 The OEP's principal objective is to contribute to environmental protection and the improvement of the natural environment.

6.2 In line with sections 23 and 24 of the Act, the OEP is required to prepare and publish a strategy that sets out how it intends to exercise its functions, and more particularly:

- how it will further its principal objective;
- how it will act objectively and impartially;
- how it will have regard to the need to act proportionately and transparently
- how it will avoid overlap with the Climate Change Committee and devolved environmental governance bodies.

6.3 The OEP published its first strategy on 23 June 2022 and a revised version on 28th November 2024. This states the OEP's mission, which is to protect and improve the environment by holding government and other public authorities to account.

There are four strategic objectives, which set out how the OEP aims to pursue its principal objective and achieve its mission; these objectives are inter-related and of equal importance; the OEP will strive for:

- sustained environmental improvement – Government is held to account for delivery of environmental goals and targets, and its plans for environmental improvement;
- better environmental law, better implemented – The environment is protected and improved, and people are protected from the effects of human activity on the natural environment, through better design and implementation of environmental laws;
- improved compliance with environmental law – Government and other public authorities abide by environmental law so it can protect people and protect and improve the environment as intended;
- organisational excellence and influence – the OEP is effective and efficient, with the authority, relationships, expertise, and voice to play its full part in national environmental governance.

6.4 The OEP's strategy includes an enforcement policy. This policy sets out:

- the nature of the OEP's enforcement powers
- how the OEP will use its enforcement powers to further its principal objective
- a clear decision-making framework that will support a consistent approach to how the OEP uses its enforcement powers
- how the OEP will ensure that it is objective and impartial in its enforcement activities, and
- how the OEP will have regard to the need to act proportionately and transparently.

6.5 In addition, this enforcement policy sets out how the OEP intends to:

- determine whether failures to comply with environmental law are serious
- determine whether damage to the natural environment or to human health is serious
- exercise enforcement functions in a way that respects the integrity of other statutory regimes
- avoid any overlap between how the OEP exercises its complaints functions and similar functions undertaken by the relevant ombudsmen services, and
- prioritise cases.

Governance and accountability

7. Governance and accountability

7.1 The OEP shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this Framework Document or as otherwise may be agreed between the parties, accord with good corporate governance practice and applicable regulatory requirements and expectations.

7.2 In particular (but without limitation), the OEP should do the following as they apply to arm's length bodies:

- comply with the principles and relevant provisions of the Corporate Governance in Central Government Departments Code of Good

Practice (as amended and updated from time to time) (the "Good Practice Code") or, where the context requires, corporate governance in central government departments: code of good practice NI to the extent appropriate and in line with its statutory duties, or specify and explain any non-compliance in its annual report;

- comply with MPM;
- in line with MPM, have regard to the relevant [Functional Standards](#) as appropriate, and in particular those concerning finance, commercial matters and counter fraud; and
- comply with the codes of good practice and guidance set out in Annex A of this Framework Document as they apply to arm's length bodies.

7.3 In line with Annex 3.1 of MPM as it applies to all arm's-length bodies, the OEP shall provide an account of corporate governance in its annual governance statement, including the Board's assessment of its compliance with the Good Practice Code, as it applies to all arm's-length bodies, and explanations of any material departures. To the extent that the OEP does intend to materially depart from the Good Practice Code the Senior Sponsor and where relevant a Senior official from DAERA should be notified.

Role of Defra and DAERA

8. The Secretary of State

8.1 The OEP is directly accountable to Parliament for the reports it arranges to be laid and, through its Accounting Officer, for the way it uses public funds and quality of administration.

8.2 The OEP may arrange to lay its strategy under section 24 and any reports under sections 28 and 29 of the Act independently in the name of the Clerk of the House.

8.3 The Secretary of State for the Environment, Food and Rural Affairs ('the Secretary of State') is ultimately accountable to Parliament and will themselves account for matters concerning the OEP.

8.4 The Secretary of State shall:

- co-operate with the OEP, and give it such reasonable assistance as it requests, in connection with the exercise of its functions;
- allocate resources to the OEP as the Secretary of State considers are reasonably sufficient to enable it to carry out its functions;
- monitor, through regular reviews and reports and in consultation with the sponsorship team in DAERA, the performance and effectiveness of the OEP;
- answer Parliamentary Questions after consultation with the OEP where appropriate;
- lay before Parliament a draft of any guidance issued under section 25 of the Act, and publish it following a consultation period of 21 sitting days;
- recognise that no communications between Defra (including its Ministers) and the OEP shall seek to improperly influence the OEP's enforcement decisions or the content of its reports or advice; and

- consult with the OEP on the extent to which its strategic aims and objectives should align with those of Defra and government.
- 8.5 In exercising his or her functions in respect of the OEP, the Secretary of State shall at all times have regard to the need to protect the OEP's independence.
- 8.6 The Secretary of State's statutory powers and duties extend only to England and reserved matters. The Act sets out similar powers and duties for DAERA in respect of Northern Ireland devolved matters, which are set out in section 9 below.

Appointments to the Board

- 8.7 The Chief Executive is appointed by the non-executive members of the OEP (other than the first Chief Executive, who is to be appointed by the Chair). This appointment is to be made in consultation with the Secretary of State and DAERA.
- 8.8 The Minister shall have the following appointment and approval rights in relation to the OEP's Board:
- The Chair is appointed by the Secretary of State, acting jointly with DAERA (other than the first Chair who is appointed by the Secretary of State alone) under paragraph 2 of Schedule 1, to the Act. This appointment is subject to the Public Appointments Order in Council and is classed as a significant appointment. As such, it must comply with the Governance Code and a senior independent panel member, approved by the Commissioner for Public Appointments, must sit on the advisory assessment panel.
 - Between 3 and 6 non-executive members are appointed by the Secretary of State and DAERA in consultation with the chair. These appointments (other than of the Northern Ireland Member, made by DAERA) are subject to the Public Appointments Order in Council and as such must comply with the Governance Code. The appointment of the Northern Ireland Member should comply with the [Code of Practice for Ministerial Public Appointments in Northern Ireland](#) and will be regulated by the Commissioner for Public Appointments for NI.
 - All such appointments should have regard to the principles that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint boards which include a balance of skills and backgrounds.
 - In consultation with DAERA, to remove any non-executive member (other than the Northern Ireland member) if, without reasonable excuse, they fail to discharge their functions or if the Secretary of State considers they are unable or unfit to carry out their functions.

9. The responsible NI Department

- 9.1 The OEP is directly accountable to the Northern Ireland Assembly for the reports it produces and lays before the Assembly and, through the Accounting Officer, for the way it uses public funds and the quality of administration.
- 9.2 DAERA's principal statutory powers in respect of the OEP are set out in the Act. These are:

- to appoint the Northern Ireland non-executive member, in consultation with the Chair and Secretary of State, and in line with the Code of Practice for Ministerial Public Appointments in Northern Ireland;
- in consultation with the Secretary of State, to remove the Northern Ireland member if, without reasonable excuse, they fail to discharge their functions or if DAERA considers they are unable or unfit to carry out their functions; and
- to issue guidance to the OEP regarding its enforcement policy so far as relating to its Northern Ireland enforcement functions, which the OEP must have regard to in revising that policy and in exercising relevant functions.

9.3 DAERA shall:

- co-operate with the OEP, and give it such reasonable assistance as it requests, in connection with the exercise of its functions;
- allocate sufficient resources to the OEP as they consider are needed to enable it to carry out its functions;
- monitor, in collaboration with the OEP Sponsorship Team in Defra (the "Sponsorship Team"), the performance and effectiveness of the OEP;
- keep the Northern Ireland Assembly informed, through briefings to the AERA Committee and responses to Assembly Questions, about the performance of the OEP in respect of Northern Ireland devolved matters;
- recognise that no communications between DAERA and the OEP shall seek to improperly influence the OEP's enforcement decisions or the content of its reports or advice; and
- consult with the OEP on the extent to which its strategic aims and objectives should align with DAERA's.

9.4 In exercising its functions in respect of the OEP, DAERA shall at all times have regard to the need to protect the OEP's independence.

10. The Principal Accounting Officer (PAO)

10.1 The PAO is the Permanent Secretary of Defra.

10.2 The PAO designates the OEP's Chief Executive as its Accounting Officer and ensures that he or she is fully aware of his or her responsibilities. The PAO issues a letter appointing the Accounting Officer, setting out his or her responsibilities and delegated authorities.

10.3 The respective responsibilities of the PAO and Accounting Officers for Arm's Length Bodies are set out in Chapter 3 of MPM.

10.4 Where any of the matters in this section relate to, or impinge upon, Northern Ireland devolved matters, the PAO shall consult with the Permanent Secretary of DAERA ("the NI Accounting Officer"), who is accountable to the Northern Ireland Assembly in respect of funding of the OEP in Northern Ireland. The NI Accounting Officer may also raise with the PAO issues of concern relating to Northern Ireland devolved matters.

10.5 The PAO is accountable to Parliament for the issue of any grant-in-aid to the OEP.

10.6 The PAO is also responsible, usually via the Sponsorship Team, for advising the Secretary of State on:

- whether there is an appropriate framework of objectives and targets for the OEP in the light of the OEP's functions and Defra's strategic aims and priorities;
- any budgetary objectives and targets considered appropriate in the light of Defra's overall public expenditure priorities and the Secretary of State's duty, in conjunction with DAERA, to pay to the OEP such sums as he or she considers are reasonably sufficient to enable the OEP to carry out its functions;
- how well the OEP is achieving its strategic objectives and whether it is delivering value for money; and
- the exercise of the Secretary of State's statutory responsibilities concerning the OEP as outlined above.

10.7 The PAO, via the Sponsorship Team, is also responsible for ensuring arrangements are in place in order to:

- monitor the OEP's activities, performance and assurance mechanisms within the review process set out in section 30;
- address significant problems within the OEP, making such interventions within their powers as set out in paragraphs 10.1 to 10.6 as are judged necessary;
- periodically and at such frequency as is proportionate to the level of risk, carry out an assessment of the risks to both Defra's and the OEP's objectives and activities in line with the wider departmental risk assessment process and management;
- inform the OEP of relevant government policy in a timely manner; and
- bring Ministerial or departmental concerns about the activities of the OEP to the attention of the full OEP board (the "Board") and, as appropriate, to the Defra board, and seek explanations and assurances that appropriate action has been taken.

11. The role of the Sponsorship Team

11.1 The Sponsorship Team is the primary Defra contact for the OEP. The responsible Senior Civil Servant for this relationship will be a Defra Director (the "Senior Sponsor"). They are the main source of advice to the Secretary of State on the discharge of his or her responsibilities in respect of the OEP. They also support the PAO on his or her responsibilities toward the OEP.

11.2 Officials of the Sponsorship Team must consider the need to protect the independence of the OEP. They will liaise regularly with OEP officials to review performance against plans, achievement against agreed targets and expenditure against its departmental expenditure limit (DEL) and annually managed expenditure (AME) allocations. The Sponsorship Team will also take the opportunity to explain any wider policy context relevant to the OEP.

11.3 The Sponsorship Team will consult regularly with counterparts in DAERA, and contribute to any DAERA review of OEP performance in Northern Ireland.

11.4 The Sponsorship Team will advise the PAO, when necessary, on matters related to paragraphs 10.6 and 10.7 above.

11.5 In its approach to sponsorship, and the advice it provides to the PAO, the Sponsorship Team will seek to meet Defra's best practice standards set out in the Cabinet Office's Sponsorship Code, including a proportionate, risk-based approach under which accountability and oversight is managed collaboratively with the OEP, supported by the central Defra Public Bodies Partnership team and nominated functional experts.

11.6 The Sponsorship team should work to promote a 'no surprises' culture that develops partnership and trust between the OEP and Defra and looks to find consensus between the parties when issues arise. The Sponsorship team should work closely with the OEP in an amicable and timely manner to avoid disputes and activation of the Section 12 process wherever possible.

12. Resolution of disputes between the OEP and Defra or DAERA

12.1 Any disputes between Defra or DAERA and the OEP will be resolved in as timely a manner as possible.

12.2 Defra and the OEP will seek to resolve any disputes through an informal process in the first instance. If this is not possible, then a formal process, overseen by the Senior Sponsor, will be used to resolve the issue. Failing this, the Senior Sponsor will ask the relevant policy Director General to oversee the dispute. They may then choose to ask the Permanent Secretary to nominate a non-executive member of Defra's Board to review the dispute, mediate with both sides and reach an outcome, in consultation with the Secretary of State. Throughout the process, all parties agree to act in accordance with their duties as set out in the Act. In implementing such dispute resolution mechanisms, Defra officials, non-executive members and the Secretary of State shall have regard to the need to protect the OEP's independence.

12.3 Subject to paragraph 12.4, where a dispute arises that pertains solely to Northern Ireland devolved matters, and an informal resolution between DAERA and the OEP is not possible, then a formal process, overseen by the Deputy Secretary of Environment, Marine and Fisheries Group, DAERA, will be employed. Should this fail to resolve the issue, a request may be made to the DAERA Permanent Secretary to nominate a non-executive member of DAERA's Board to review the dispute, mediate with both sides and reach an outcome, in consultation with the DAERA Minister. Throughout the process, all parties agree to act in accordance with their duties as set out in the Act. In implementing such dispute resolution mechanisms, Defra officials, non-executive members and the Secretary of State shall have regard to the need to protect the OEP's independence.

12.4 Paragraphs 12.2 and 12.3 shall not apply to any disputes arising in connection with action taken or contemplated by the OEP pursuant to its investigative or enforcement functions under the Act, against Defra, DAERA or another UK or Northern Ireland government department, arm's length body or other crown body.

13. Freedom of information requests

13.1 Where a request for information is received by a party under the [Freedom of Information Act 2000](#), [Environmental Information Regulations 2004 \(EIR\)](#), the [UK GDPR \(General Data Protection Regulation\)](#) or the [Data Protection Act 2018](#) the party receiving the request will consult with the other parties prior to any disclosure of information that may affect the other parties' responsibilities, including an assessment of any relevant risks.

13.2 Paragraph 13.1 shall not apply to requests for information received by the OEP that relate to action taken or contemplated against Defra, DAERA or another UK or Northern Ireland government department, arm's length body or other crown body, where consultation could compromise the ability of the OEP to exercise its functions independently of government influence or interference. The OEP is also not required to share information where this is prohibited by section 43 of, or Schedule 3, paragraph 17 to, the Act (confidentiality of proceedings). The OEP may consider whether it is appropriate to notify any parties whose responsibilities are affected by the disclosure of information in these cases.

14. Reporting on legal risk and litigation

14.1 The parties recognise that the OEP must be able to exercise its functions, in particular its investigation and enforcement functions, independently. However, the parties also acknowledge the importance of ensuring that legal risks regarding potential litigation against the OEP are communicated appropriately to the Sponsorship Team in a timely manner. This reporting does not apply to any litigation brought by the OEP against other public authorities.

14.2 The OEP shall provide a quarterly update to the Sponsorship Team with the format and content to be agreed between the OEP and Defra or DAERA as applicable, on the existence of any active or threatened or reasonably anticipated litigation against the OEP.

14.3 In respect of each substantial piece of litigation against the OEP, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate protections for OEP independence and for timely reporting on the status of the litigation. Such protocols will also include protections for legally privileged information transmitted to the Sponsorship Team and/or DAERA. Until such time as a protocol is agreed, the parties will ensure that:

- appropriate protections for OEP independence are in place and material developments in the litigation are communicated to the Sponsorship Team and DAERA in an appropriate and timely manner;
- legally privileged documents and information are clearly marked as such;
- individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and
- circulation of privileged information within government occurs only as strictly necessary.

OEP governance structure

15. The Chief Executive

Responsibilities of the OEP's Chief Executive as Accounting Officer

15.1 The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the OEP. In addition, they should ensure that the OEP as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of MPM. These responsibilities include the below and those that are set in the Accounting Officer appointment letter issued by the PAO.

Responsibilities for accounting to Parliament, the Northern Ireland Assembly and the public

15.2 Responsibilities to Parliament or the Northern Ireland Assembly (as appropriate), and to the public include:

- in accordance with the Act, signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any form specified¹ by the Secretary of State;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the OEP in accordance with the Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling are established and made widely known within the OEP and published on its website;
- acting in accordance with the terms of MPM and other applicable financial management guidance issued from time to time by Defra, HM Treasury and the Cabinet Office as they apply to arm's-length bodies;
- ensuring that as part of the above compliance they are familiar with and act in accordance with:
 - the Act;
 - this Framework Document;
 - any delegation letter issued to the OEP as referred to in section 19;
 - any elements of any settlement letter issued to Defra or DAERA that is relevant to the operation of the OEP; and
 - any separate settlement letter that is issued to the OEP from Defra or DAERA;
- ensuring they have appropriate internal mechanisms for monitoring, governance and external reporting regarding compliance with any conditions arising from the above documents;
- giving evidence, normally with the PAO, when summoned before the House of Commons Public Accounts Committee on the OEP's stewardship of public funds;

¹ Environment Act 2021, Schedule 1, Paragraph 14(2)

- giving evidence before relevant Northern Ireland Assembly committees on the OEP's activities, as required; and
- making arrangements to publish and lay the OEP's reports and other documents before Parliament and the Northern Ireland Assembly as appropriate.

Responsibilities to Defra and DAERA

15.3 Responsibilities to Defra and DAERA include:

- establishing the OEP's corporate and business plans, taking account of Defra and DAERA's wider strategic aims and agreed priorities, as set out in section 26;
- to the extent relevant in relation to the OEP's corporate and business plans established in accordance with section 26, informing Defra and DAERA of progress in helping to achieve their policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensuring that Defra and DAERA receive appropriate timely forecasts and monitoring information on performance and finance required under this Framework Document; and
- ensuring Defra and DAERA are notified promptly if over or under spends are likely and of any significant problems, whether financial or otherwise and whether detected by internal audit or by other means.

Responsibilities to the Board

15.4 The Chief Executive is responsible for:

- advising the Board on the discharge of its responsibilities as set out in this Framework Document, the Act, other legislation and in any other relevant corporate guidance documents;
- advising the Board on the OEP's performance compared with its aims and objectives; and
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed.

Managing conflicts

15.5 The following section is subject to provisions for dealing with Board-Chief Executive conflicts set out in the OEP's Governance Framework. It relates only to conflicts between decisions taken by the Board and the Chief Executive's Accounting Officer duties. In practice this means they only relate to spending decisions. For example, where the Board wishes to undertake expenditure where the Accounting Officer feels the spending would not meet the requirements of Managing Public Money.

15.6 The Chief Executive should follow the advice and direction of the Board, except in very exceptional circumstances with a clear cut and transparent rationale for not doing so.

15.7 If the Board, or the Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe their accounting responsibilities and the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical, the Chief Executive in their role as Accounting Officer should reject

that course of action and ensure that the Board has a full opportunity to discuss the rationale for that rejection.

- 15.8 Such conflicts should be brought to the attention of the PAO and Secretary of State as soon as possible.
- 15.9 Furthermore, and if agreed with the Secretary of State, the Accounting Officer must write a letter of justification to the Chair setting out the rationale for not following the advice and recommendation of the Board and copy that letter to the Treasury Officer of Accounts.
- 15.10 If the Secretary of State agrees with the proposed course of action of the Board (but not otherwise) it may be appropriate for them to direct the Accounting Officer to still undertake the course of action, in the manner as set out in Managing Public Money paragraph 3.6.6.
- 15.11 This does not provide the Secretary of State with a blanket power to direct the Accounting Officer to undertake a particular course of action in any circumstance. It only provides the Secretary of State with the opportunity to direct the Accounting Officer to undertake a course of action which the Board has determined is the appropriate thing for the OEP to do, but which the Accounting Officer has judged is not consistent with Managing Public Money. For the avoidance of doubt, all spending would need to be in line with the OEP's statutory framework.

16. The Board

Composition of the Board

- 16.1 The OEP shall have a Board in line with good standards of corporate governance and as set out in the Act and in guidance in Annex A of this Framework Document. The role of the Board shall be to run the OEP, and to deliver its objectives, in accordance with the purposes as set out in the Act, their statutory, regulatory and common law duties, and their responsibilities under this framework document. Detailed responsibilities of the Board shall be set out in the Board terms of reference. Remuneration of Board members will be disclosed in line with the guidance in the Government Financial Reporting Manual ("FRM").
- 16.2 The Board will consist of the Chair, three to six other non-executive members, the Chief Executive, and one to three other executive members. These executive and non-executive members should have a balance of skills and experience appropriate to directing the OEP's business. For the OEP, there should be non-executive members who have experience of some or all of the following: law (including international law) relating to the natural environment; environmental science; environmental policy; environmental regulation; and investigatory and enforcement proceedings (all in both England and Northern Ireland). It may also be helpful to include members with experience of business, operational delivery, corporate services such as human resources, technology, property asset management, estate management, communications, and performance management. An appropriately qualified finance director, as described in Annex 4.1 of MPM, will have direct access to the Board and its committees and may at his or

her discretion give relevant advice during or outside meetings, as set out in the [OEP Board Governance Framework](#). The Board should include a majority of independent non-executive members to ensure that executive members are supported and constructively challenged in their role.

Board committees

- 16.3 The Board may set up such committees as it considers necessary. As detailed below, at a minimum this should include an Audit and Risk Assurance Committee chaired by an independent and appropriately qualified non-executive member of the Board.
- 16.4 While the Board may make use of committees to assist its consideration of appointments, succession, audit, risk and remuneration, it retains responsibility for, and endorses, final decisions in all of these areas. The Chair should ensure that sufficient time is allowed at Board meetings for committees to report on the nature and content of discussion, on recommendations, and on actions to be taken.
- 16.5 Where there is disagreement between the relevant committee and the Board, adequate time should be made available at Board meetings for discussion of the issue with a view to resolving the disagreement. Where any such disagreement cannot be resolved, the committee concerned should have the right to report the issue to the Sponsorship Team, DAERA, PAO and Secretary of State. They may also seek to ensure the disagreement or concern is reflected as part of the OEP's report on its activities in the annual report.
- 16.6 The Chair should ensure Board committees are properly structured with appropriate terms of reference. The terms of each committee should set out its responsibilities and the authority delegated to it by the Board. The Chair should ensure that committee membership is periodically refreshed and that individual independent non-executive directors are not over-burdened when deciding the chairs and membership of committees.

Duties of the Board

- 16.7 The Board is specifically responsible for:
- establishing and taking forward the strategic aims and objectives of the OEP consistent with its overall strategic direction and within the resources framework determined by the Secretary of State and DAERA;
 - ensuring the OEP acts objectively and impartially as it carries out its functions, and challenging any activity from Defra, DAERA or any other UK or Northern Ireland government departments they consider compromises its ability to act independently in the process;
 - providing effective leadership of the OEP within a framework of prudent and effective controls that enables risk to be assessed and managed;
 - helping to ensure the financial and human resources are in place for the OEP to meet its objectives;
 - reporting to Parliament and the Northern Ireland Assembly through the OEP's annual accounts where the Board considers the Secretary of State and DAERA have not provided sufficient funds for the OEP to carry out its functions;
 - reviewing management performance;
 - ensuring that it receives and reviews regular financial and management information concerning the management of the OEP;

- ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of the OEP or on the attainability of its objectives, and determining the steps needed to deal with such changes and where appropriate bringing such matters to the attention of the Secretary of State, DAERA and PAO via the executive team, Sponsorship Team, or directly;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with Defra and DAERA, and in accordance with any other conditions relating to the use of public funds; and that, in preparing its enforcement policy and exercising its enforcement functions, the board has regard to any guidance issued by the Secretary of State under section 25 or DAERA under section 25A of the Act.
- ensuring that, in reaching decisions, the Board takes into account its strategy, its corporate and business plans, and any contribution it has agreed to make towards Defra's or DAERA's policy objectives;
- ensuring that, as part of the above compliance, its members are familiar with:
 - the Act;
 - this Framework Document;
 - any delegation letter issued to the OEP as referred to in section 19;
 - any elements of any settlement letter issued to Defra or DAERA that are relevant to the operation of the OEP; and
 - any separate settlement letter that is issued to the OEP from Defra or DAERA; and
 - the need to have appropriate internal mechanisms for the monitoring of, and governance and external reporting regarding, any conditions arising from the above documents, and the need to ensure that the Chief Executive and the OEP as a whole act in accordance with their obligations under the above documents;
- demonstrating high standards of corporate governance at all times, including by using the audit and risk assurance committee to help the Board to address key financial and other risks;
- setting performance objectives and remuneration terms for the Chief Executive that give due weight to the proper management and use and utilisation of public resources, consulting with Defra where it deems appropriate;
- putting in place mechanisms for independent appraisal and annual evaluation of the performance of the Chair by the independent non-executives, taking into account the views of relevant stakeholders. The outcome of that evaluation should be made available to the Secretary of State and DAERA; and
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the OEP of its objectives.

16.8 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control.

16.9 The Board should make a strategic choice about the style, shape and quality of risk management, and should lead the assessment and management of opportunity and risk. The Board should ensure that effective arrangements are in place to provide assurance over the design and operation of risk management, governance and internal control in line with the Management of Risk – Principles and Concepts (the

"Orange Book"). The Board must set up an Audit and Risk Assurance Committee chaired by an independent and appropriately qualified non-executive member to provide independent advice and ensure that Defra's and DAERA's Audit and Risk Assurance Committees are provided with routine assurances with escalation of any relevant and appropriate significant limitations or concerns. The Board is expected to assure itself of the adequacy and effectiveness of the risk management framework and the operation of internal control.

17. The Chair's role and responsibilities

17.1 The Chair is responsible for leading the Board in the delivery of its responsibilities. Such responsibility should be exercised in the light of the Chair's duties and responsibilities as set out in their appointment letter, the annual letter setting out the Secretary of State's priorities issued to them by the sponsorship team, the statutory authority governing the OEP, this Framework Document, and the documents referred to within this Framework Document.

17.2 Communications between the Board and the Secretary of State or DAERA should normally be agreed by the Chair.

17.3 The Chair is bound by the Code of Conduct for Board Members of Public Bodies (the "Code of Conduct"), which covers conduct in the role and includes the [Nolan Principles of Public Life](#).

17.4 In addition, the Chair is responsible for ensuring, including by monitoring and engaging with appropriate governance arrangements, that the OEP's affairs are conducted with probity.

17.5 The Chair has the following leadership responsibilities:

- ensuring the OEP acts objectively and impartially as it carries out its functions, challenging any activity from Defra, DAERA or other UK or Northern Ireland departments they consider compromises its ability to act independently;
- formulating the OEP's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of any statutory or administrative requirements for the use of public funds; the limits of its statutory authority and any delegated authority agreed with Defra and DAERA; and any other relevant conditions relating to the use of public funds;
- in preparing its enforcement policy and exercising its enforcement functions, the board has regard to any guidance issued by the Secretary of State under section 25 or DAERA under section 25A of the Act
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

17.6 The Chair also has an obligation to ensure that:

- the work of the Board and its members is reviewed and is working effectively, including through ongoing assessment of the performance of individual board members with a formal annual evaluation and more in-

depth assessments of the performance of individual board members when being considered for re-appointment;

- in conducting assessments, the view of relevant stakeholders including employees and the Sponsorship Team are sought and considered;
- the Board has a balance of skills appropriate to directing the OEP's business, and that all members, including the Chair and Chief Executive, continually update their skills, knowledge and familiarity with the OEP to fulfil their roles both on the Board and committees. This will include, but not be limited to, skills and training in relation to financial management and reporting requirements, risk management and the requirements of board membership within the public sector;
- board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- they, together with the other board members, receive appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the Secretary of State or DAERA (as appropriate) is advised of the OEP's needs when Board vacancies arise;
- there is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the Good Practice Code (as applicable); and
- there is a code of practice for board members in place, consistent with the Code of Conduct.

18. Individual board members' responsibilities

18.1 Individual board members should:

- comply at all times with the Code of Conduct, which covers conduct in the role and includes the Nolan Principles of Public Life as well as rules relating to the use of public funds and to conflicts of interest;
- demonstrate adherence to the [12 Principles of Governance for all Public Body Non-Executive Directors](#) as appropriate;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the OEP;
- ensure the OEP acts objectively and impartially as it carries out its functions, challenging any activity from Defra, DAERA or any other UK or Northern Ireland government departments they consider compromises its ability to act independently; and
- ensure they are familiar with any applicable documents concerning the role of public sector non-executive directors and boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider government.

Management and financial responsibilities and controls

19. Delegated authorities

- 19.1 The OEP's delegated authorities are set out in the delegation letter. This delegation letter may be updated and superseded by later versions which may be issued by Defra in agreement with HM Treasury.
- 19.2 In line with Annex 2.2 of MPM, these delegations will be reviewed on an annual basis.
- 19.3 The OEP shall obtain Defra's and, where appropriate, HM Treasury's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the OEP's budget as approved by Defra;
 - incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by Defra;
 - making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
 - carrying out policies that go against the principles, rules, guidance and advice in MPM, as they apply to all arm's length bodies.

20. Spending authority

- 20.1 Defra will provide the OEP with an annual budget at the beginning of each financial year. Defra will also provide multi-year indicative budgets within each Spending Review period, where that Spending Review applies to more than one year. At the start of each Spending Review period, the Secretary of State will consider whether to protect the OEP's budgets for the duration of that Spending Review period.
- 20.2 DAERA will provide the OEP with an annual budget at the beginning of each financial year until such time as a longer-term approach is agreed.
- 20.3 Once the budget has been approved by Defra and DAERA, and subject to any restrictions imposed by HM Treasury settlement or delegation letters, the OEP shall have authority to incur expenditure approved in the budget without further reference to Defra and DAERA, on the following conditions:
- the OEP shall comply with the delegations set out in the delegation letter. These delegations shall not be altered without the prior agreement of Defra, in consultation with DAERA where relevant, and as agreed by HM Treasury and Cabinet Office as appropriate;
 - the OEP shall comply with MPM regarding novel, contentious or repercussive proposals;

- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- subject to paragraph 20.4, the OEP shall provide Defra and DAERA with such information related to the spending authority for its operations and individual projects, and any other expenditure, as they may reasonably require.

20.4 Defra will consider all requests for information it makes from the OEP in the light of the duty to have regard to the need to protect OEP independence. Provisions for the OEP to share such information with Defra and DAERA are set out in sections 33(10) (investigations) and 40 (involvement of the relevant minister) of, and Schedule 3, paragraphs 7 and 14 to, the Act. The OEP is also not required to share any information where this would be prohibited by section 43 of, or Schedule 3, paragraph 17 to, the Act (confidentiality of proceedings).

21. Banking and managing cash

21.1 The OEP must maximise the use of publicly procured banking services (accounts with central government commercial banks managed centrally by Government Banking).

21.2 The OEP should only hold money outside Government Banking Service accounts where a good business case can be made for doing so, and HM Treasury consent is required for each account to be established. Only commercial banks which are members of relevant UK clearing bodies may be considered for this purpose.

21.3 Commercial accounts, where approved, should be operated in line with the principles as set out in MPM.

21.4 The Accounting Officer is responsible for ensuring the OEP has a banking policy as set out in MPM and ensuring that policy is complied with.

22. Procurement

22.1 The OEP shall ensure that its procurement policies are aligned with and comply with any relevant UK or other international procurement rules, and in particular the Procurement Act 2023.

22.2 The OEP shall establish its procurement policies and document these in a Procurement Policy and Procedures Manual.

22.3 In procurement cases where the OEP is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from the Sponsorship Team.

22.4 Goods, services, and works should be acquired by competition. Proposals to let single-tender contracts shall be limited and exceptional. Justification for this

approach should be recorded by OEP in writing and notified to Defra. Defra shall consult DAERA on any procurement matter related to expenditure in Northern Ireland.

22.5 Procurement by the OEP of works, equipment, goods, and services shall be based on value for money, i.e. the optimum combination of whole-life costs and quality (fitness for purpose), and comprehensive options appraisal conducted by the OEP that is proportionate to the risk and proposed contract value.

22.6 The OEP should:

- engage with Defra and government-wide procurement initiatives that seek to achieve value for money from collaborative projects;
- comply with all relevant Procurement Policy Notes issued by Cabinet Office;
- co-operate with initiatives to improve the availability of procurement data to facilitate the achievement of value for money.

22.7 The OEP shall comply with the Commercial Operating Standards. These standards apply to the planning, delivery, and management of government commercial activity in all departments and arm's length bodies, regardless of commercial approach used and form part of a suite of functional standards that set expectations for management within government.

23. Risk management

23.1 The OEP shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the [Orange Book](#).

23.2 The Chief Executive is responsible for managing the OEP's risks with oversight from the Board. They should escalate risks to the Senior Sponsor that require engagement, or could have impact, beyond the OEP where the risk becomes greater than the OEP can effectively manage it or where it requires a cross-Defra approach to mitigate or control it. Risks may be escalated to the appropriate Director General via the relevant Executive Committee sub-committee. If agreed, this risk would form part of the Director General level risk register. Significant risks may also be further escalated to the Defra Executive Committee by the Director General. When a risk is escalated, ownership of the relevant constituent elements and their mitigations will usually be retained by the OEP.

23.3 Emerging risks and issues should form part of the regular discussions between the sponsorship team, DAERA and the OEP to support the 'no surprises' partnership approach.

23.4 The OEP's Board has a responsibility to ensure that proper internal audit arrangements are established and maintained, and for that purpose should establish an Audit and Risk Committee (ARAC). The committee should be chaired by a non-executive member of the OEP and provide regular reports to the chief executive and the board on its programme, recommendations, and their implementation.

24. Counter fraud and theft

- 24.1 The OEP should adopt and implement policies and practices to safeguard itself against fraud, bribery, corruption and theft.
- 24.2 The OEP should ensure it complies with requirements set out in the [Counter Fraud Functional Standard](#) (GovS013) and in compliance with the procedures and considerations as set out in Annex 4.9 of MPM. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract.
- 24.3 The Board should champion a fraud aware culture which encourages staff to raise concerns and provide appropriate routes to do so. It should operate in line with the procedures and considerations set out in MPM Annex 4.9 and with the [National Audit Office good practice guidance](#) on fraud and error.
- 24.4 The OEP should keep records of and prepare and forward to Defra and DAERA an annual report on fraud and theft suffered by the OEP and notify Defra and, where appropriate, DAERA, of any unusual or major incidents as soon as possible. The OEP should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud hub in Defra (fraudanderror@defra.gov.uk) in line with the agreed government definitions as set out in the Counter Fraud Functional Standard.

25. Staff

Broad responsibilities for staff

- 25.1 Within the delegated authorities set in accordance with sections 19 and 20, the OEP will have sole responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination against employees with protected characteristics under the Equality Act 2010.;
 - the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
 - the performance of its staff at all levels is satisfactorily appraised and the OEP's performance measurement systems are reviewed from time to time;
 - its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the OEP's objectives;
 - proper engagement and consultation with staff takes place on key issues affecting them;
 - adequate grievance and disciplinary procedures are in place;
 - whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 and, where applicable, the Public Interest Disclosure (Northern Ireland) Order 1998 are in place; and
 - a code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of [Executive Non-departmental Public Bodies](#).

Staff costs

25.2 Subject to its delegated authorities, reasonable ability to forecast and the impact of reasonably unexpected events, the OEP shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

Pay and conditions of service

25.3 In accordance with the provisions on staff made in the Act, the OEP may appoint employees on such terms of service, including as to pensions and remuneration, as it determines and may make such other arrangements for staffing as it determines.

25.4 Staff terms of service should be consistent across the whole organisation although it is recognised that some modification may be required for staff recruited in Northern Ireland.

25.5 The OEP shall abide by the current public sector pay controls as detailed in the [Senior Pay Guidance](#) and the [public sector pay and terms guidance](#).

25.6 The OEP shall operate a performance related pay scheme that shall form part of the annual aggregate pay budget where relevant with due regard to the senior pay guidance.

25.7 Staff terms of service should be set out in an Employee Handbook, which should be provided to Defra and DAERA together with subsequent amendments.

25.8 The travel expenses of board members shall be tied to the rates allowed to senior staff of the OEP. Reasonable actual costs shall be reimbursed.

Pensions, allowances and gratuities

25.9 The OEP is required to pay or make provision for paying to employees and ex-employees, in respect of pensions, allowances and gratuities, such sums as it may determine. In making this determination the OEP must obtain the Secretary of State's approval.

25.10 The OEP participates in the Civil service pension arrangements as a Schedule 1 body under the Superannuation Act 1972, as well as the Civil Service Compensation scheme and Civil Service injury Benefit Scheme (the "approved arrangements").

25.11 The Secretary of State has approved the OEP's participation in the approved arrangements. However, the Secretary of State's approval is still required for any payment not falling within the approved arrangements, such as the awarding of additional pensionable service or payments for breach of the CS pension scheme rules. The OEP should seek approval from the Secretary of State if they are unsure as to the nature of any payment. Proposals in respect of gratuities on severance must comply with the rules in chapter 4 of MPM.

25.12 Pension scheme rules should reflect legislative and HM Treasury's Guidance on Public Sector Exit Payments: Use of Special Severance Payments.'

Business plans, financial reporting and management information

26. Corporate and business plans

26.1 The OEP will independently determine the content of its corporate and business plans, subject to these being consistent with:

- the OEP's statutory and other duties;
- such contribution as it may agree with Defra and DAERA to their medium-term plans and priorities, and aligned performance metrics and milestones; and
- the proper, efficient and regular use of public funds.

26.2 The OEP should include the following matters in its plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- an estimate of performance in the current year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as the OEP may agree with Defra and/or DAERA.

26.3 The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by Defra and DAERA. Subject to any confidentiality considerations, a digest of the corporate plan should be published by the OEP on its website and separately be made available to staff.

26.4 By an agreed date each year, the OEP shall submit to Defra and DAERA a draft of the corporate plan covering three years ahead. Before doing so, the OEP shall discuss with Defra and DAERA the issues to be addressed in the plan, any agreed contributions to DAERA's and Defra's wider strategic objectives, plans and priorities and associated performance targets, and the timetable for its preparation. The OEP should take account of comments from both departments, including in relation to any priorities set from time to time by the Secretary of State or DAERA, but shall not be obliged to modify the plans to reflect either department's comments except where the plans are inconsistent with paragraph 26.1.

27. Budgeting procedures

27.1 The Secretary of State and DAERA must between them pay to the OEP such sums as they consider are reasonably sufficient to enable the OEP to carry out its functions. The OEP must include an assessment of the sufficiency of this funding within its annual statement of accounts.

- 27.2 Defra will provide the OEP with an annual budget at the beginning of each financial year. Defra will also provide multi-year indicative budgets within each Spending Review period, where that Spending Review applies to more than one year. At the start of each Spending Review period, the Secretary of State will consider whether to protect the OEP's budgets for the duration of that Spending Review period.
- 27.3 The OEP's budgets will be reviewed before the start of each Spending Review period. If the Secretary of State agrees to protect the OEP's budgets for the duration of that Spending Review period, the protected budgets may be reviewed only:
- by mutual agreement between the Accounting Officer and Senior Sponsor; or
 - at the request of the Accounting Officer with such evidence as Defra and the Accounting Officer agree such as an accompanying HM Treasury approved business case or;
 - following a change to the OEP's remit.
- 27.4 The OEP's Northern Ireland budget will be agreed with DAERA at the start of each financial year.
- 27.5 A Defra-DAERA-OEP budget allocation board will meet to scrutinise and assess the OEP's forecasts for its resource needs, after which the Senior Sponsor will make recommendations for the Defra budget to the Director-General, Environment and the Secretary of State for approval. Recommendations in respect of the appropriate budget for the devolved Northern Ireland functions of the OEP will be made by the DAERA Sponsor and submitted to the relevant DAERA Director and Minister for approval.
- 27.6 The OEP may request additional in-year funding from Defra or DAERA based on identified needs, that will be considered by the budget board on a case-by-case basis. In considering these requests, Defra and DAERA must have regard to their duty to protect OEP independence.
- 27.7 The Defra-DAERA-OEP budget allocation board will meet:
- at the start of each Spending Review period, to make recommendations on the Defra annual budget and the multi-year indicative budgets (where that Spending Review applies to more than one year);
 - at the beginning of each financial year to make recommendations on the DAERA annual budget;
 - within a financial year when agreed by the Accounting Officer and Senior Sponsor to make recommendations on any requests for sums in addition to the budget from DAERA or Defra and (if agreed by the Accounting Officer and Senior Sponsor) any addition to the budget; and
 - in any of the circumstances set out at 27.3 to make recommendations on changes to a protected budget.
- 27.8 Each year, Defra will issue a settlement letter to the OEP confirming the current year allocation and will also include indicative allocations for the remainder of the current Spending Review period (where the Spending Review applies to more than one year).

- 27.9 DAERA shall also separately issue a settlement letter to the OEP confirming the budget to be provided for operations in Northern Ireland.
- 27.10 Defra shall be responsible for the payment of all monies to the OEP, with the NI contributions being recharged to DAERA quarterly in arrears.
- 27.11 The OEP's annual business plan will take account of the OEP's annual budget allocation from Defra, the annual NI budget and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the OEP's business plan for the year in question.
- 27.12 During the financial year the OEP will provide financial reporting data to the department and DAERA in the form and in accordance with the processes agreed between them. This will include monthly out-turn data, contributions to periodic reviews on budget risks and opportunities, and other commissions as appropriate.
- 27.13 The OEP will have a separate line in Defra's Main supply estimate which will show an estimate of budget expenditure. The OEP will itself be able to submit an additional Memorandum to Parliament alongside that of Defra. This will protect the independence of the OEP and ensure transparency in the resources that are provided to the OEP.

28. Grant-in-aid and any ring-fenced grants

- 28.1 Any grant-in-aid provided by Defra for the year in question will be voted in Defra's Supply Estimate and be subject to Parliamentary control.
- 28.2 The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The OEP will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the OEP. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, Defra will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.
- 28.3 In the event that Defra or DAERA provide the OEP separate grants for specific (ring-fenced) purposes, they would issue the grant as and when the OEP needed it on the basis of a written request. The OEP would provide evidence that the grant was used for the purposes authorised by Defra or DAERA. The OEP shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

29. Annual report and accounts

- 29.1 The Board must publish and arrange to lay before Parliament and the Northern Ireland Assembly statements of accounts in the form specified by the Relevant

Minister, together with the OEP's annual reports. The OEP shall provide Defra its finalised (audited) accounts by a date to be agreed each year in order for the accounts to be consolidated within Defra's. A draft of the annual report should be submitted to Defra 2 weeks before the proposed publication date. The annual report and accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the [Treasury's Financial Reporting Manual](#) (FReM).

29.2 The annual report must:

- comply with the FReM and in particular have regard to the illustrative statements for a non-departmental public body;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

29.3 Information on performance against key financial targets is included in the annual report and subject to the auditor's consistency opinion. The report and accounts shall be laid in Parliament and the Northern Ireland Assembly and made available on the OEP's website, in accordance with the Act and FReM.

30. Reporting performance to Defra and DAERA

30.1 The OEP shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.

30.2 The OEP shall inform Defra and DAERA of any changes that make achievement of targets more or less difficult against the appropriate framework of objectives agreed with the PAO, to a format agreed with the Sponsorship Team, no less than ten working days prior to the formal quarterly review of performance.

30.3 The Senior Sponsor, having consulted with DAERA, shall meet the Chief Executive on a quarterly basis to formally review the OEP's performance in light of the report provided under paragraph 30.2.

30.4 The Secretary of State will meet the Chair at least once a year.

30.5 The PAO will meet the Chief Executive at least once a year.

31. Information sharing

31.1 Defra and DAERA may request access to OEP records and personnel in their role as the sponsoring departments.

31.2 The OEP shall provide Defra and DAERA with such information about its operations, performance, individual projects or other expenditure as they may reasonably require.

31.3 Defra, DAERA and HM Treasury may request the sharing of data held by the OEP in such a manner as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data-sharing relationship.

31.4 As a minimum, the OEP shall provide Defra with information monthly that will enable it satisfactorily to monitor:

- the OEP's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- other data required for the Online System for Central Accounting and Reporting (OSCAR); and
- data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter.

31.5 Nothing in paragraphs 31.1 to 31.4 above shall require the OEP to provide Defra, DAERA, HM Treasury or other UK or Northern Ireland government departments with access to personnel, records or other information if doing so may compromise the OEP's ability to exercise its functions independently or where sharing is prohibited by section 43 of, or Schedule 3, paragraph 17 to, the Act (confidentiality of proceedings).

Audit

32. Internal audit

32.1 The OEP shall:

- establish and maintain arrangements for internal audit;
- ensure that any arrangements for internal audit are in accordance with the [Public Sector Internal Audit Standards](#) ("PSIAS") as adopted by HM Treasury;
- ensure Defra is satisfied with the competence and qualifications of those appointed to undertake internal audits and the requirements for approving appointments in accordance with PSIAS;
- set up an audit and risk assurance committee of its Board in accordance with the Good Practice Code and the Audit and Risk Assurance Committee Handbook, or be represented on Defra's Audit Committee;
- forward the audit strategy, periodic audit plans and annual audit report, including the OEP internal audit opinion on risk management, control and governance as soon as possible to Defra;
- keep records of and prepare and forward to Defra an annual report on fraud and theft suffered by the OEP and notify Defra of any unusual or major incidents as soon as possible; and
- share with Defra and DAERA (as appropriate) information identified during the audit process and the Annual Audit Opinion Report (together with any other outputs) at the end of the audit, in particular on issues impacting on Defra's responsibilities in relation to financial systems within the OEP.

33. External audit

33.1 The Comptroller and Auditor General (C&AG) audits the OEP's annual accounts. The C&AG passes the audited accounts to the OEP who will arrange to lay them, together with the C&AG's report, before Parliament and the Northern Ireland Assembly.

33.2 The C&AG:

- will consult Defra and the OEP on who – the National Audit Office or a commercial auditor – shall undertake the audit(s) on his or her behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments from the OEP;
- will share with Defra and, where appropriate, DAERA information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on Defra's responsibilities in relation to financial systems within the OEP; and
- will consider requests from departments and other relevant bodies to provide Regulatory Compliance Reports and other similar reports at the commencement of the audit. Consistent with the C&AG's independent status, the provision of such reports is entirely at the C&AG's discretion.

33.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the OEP has used its resources in discharging its functions. For the purpose of these examinations, and subject to section 43 of, and Schedule 3, paragraph 17 to, the Act (confidentiality of proceedings), the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the OEP shall provide, in conditions to contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

Reviews and winding up arrangements

34. Review of the OEP's status

34.1 The OEP will be reviewed at a time determined by ministers and the PAO.

35. Arrangements in the event that the OEP is wound up

35.1 Defra and DAERA shall put in place arrangements to ensure the orderly winding up of the OEP. In particular they should ensure that the assets and liabilities of the OEP are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to Defra and DAERA. To this end, Defra and DAERA shall:

- have regard to Cabinet Office guidance on [winding up of arm's length bodies](#);
- seek to ensure that procedures are in place in the OEP to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the OEP's assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass them to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament and the Northern Ireland Assembly, together with his or her report on the accounts; and
- arrange for the most appropriate person to sign the closing accounts. In the event that another arm's length body takes on the role, responsibilities, assets and liabilities, the succeeding arm's length body Accounting Officer should sign the closing accounts. In the event that Defra and/or DAERA inherits the role, responsibilities, assets and liabilities, the PAO or DAERA permanent secretary should sign.

Signatures

Signed:

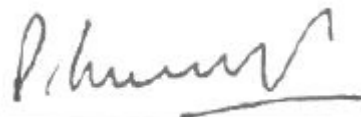


Natalie Prosser
Chief Executive Officer

Date: 10 April 2026

(On behalf of the OEP)

Signed:



Paul Kissack
Permanent Secretary

Date: 11 May 2026

(On behalf of Defra)

Annex A: Government-wide corporate guidance and instructions

The OEP, Defra and DAERA shall comply with the following guidance, documents and instructions, insofar as they are relevant and apply to ALBs generally and the OEP specifically:

Corporate governance

- This framework document
- [Corporate Governance Code for Central Government Departments](#) (relevant to Arm's Length Bodies) and supporting guidance
- [Code of conduct for Board members of Public Bodies](#)
- [Code of practice for partnerships between Departments and Arm's Length Bodies](#)

Financial management and reporting

- [Managing Public Money](#) (MPM)
- [Government Financial Reporting Manual](#) (FReM)
- [Relevant Dear Accounting Officer \(DAO\) letters](#)
- [Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts](#)
- The most recent letter setting out the delegated authorities, issued by the parent department

Management of risk

- [Management of Risk](#)
- [Public Sector Internal Audit Standards](#)
- [HM Treasury approval processes for Major Projects above delegated limits](#)
- The Government [cyber-security strategy](#) and [cyber security guidance](#)

Commercial management

- [Procurement Policy Notes](#)

- [Cabinet Office spending controls](#)
- [Transparency in supply chains - a practical guide](#)

Public appointments

The following are relevant where public bodies participate in public appointments processes.

- [Guidance from the Commissioner for Public Appointments](#)
- [Governance Code on Public Appointments](#)
- [Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees](#)

Staff and remuneration

- [HM Treasury guidance on senior pay and reward](#)
- [Civil Service pay guidance](#) (updated annually)
- [Public sector pay and terms](#)
- [Whistleblowing Guidance and Code of Practice](#)
- [The Equalities Act 2010](#)

General

- [Freedom of Information Act guidance and instructions](#)
- The Parliamentary and Health Service Ombudsman's [Principles of Good Administration](#)
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury) that all parties agree are relevant and appropriate to the OEP
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and that all parties agree are relevant and appropriate to the OEP
- [Guidance from the Public Bodies team in Cabinet Office](#)
- [The Civil Service diversity and inclusion strategy](#) (outlines the ambition, to which Arm's Length Bodies can contribute)
- Relevant guidance from the [Government Digital Service](#)

- [Relevant guidance](#) from the Government [Fraud, Error, Debt and Grant Efficiency function](#)
- [Code of Practice for Official Statistics](#)
- [Accounting Officer System Statements](#) (AOSS are produced by departments with input from ALBs)