



**OGA BOARD – 1ST Meeting
29 April 2015
MINUTES AND ACTION POINTS**

Attendees (Members):

| | | |
|-----------------------|----|--|
| Sir Patrick Brown | | Chairman |
| Andy Samuel | AS | Chief Executive |
| John Ogden | JO | Chief Financial Officer (Interim) |
| Stephen Speed | SS | DECC Sponsor Director |
| Arantxa Fernandez | AF | Board Secretary (Interim) |
| James Barrett (guest) | JB | Office of Unconventional Gas and Oil (OUGO) |
| Stuart Payne (guest) | SP | Director of Change and Organisational Design |

Introductions

1. The Chair welcomed attendees to the first meeting of the OGA Board. SS introduced JB to Board members. JB, from DECC OUGO, is currently shadowing SS as part of his professional development.

Item 1: Appointment of Board Secretary

2. The Chair introduced AF as the Board Secretary, role which she will hold on an interim basis until the OGA Head of Governance has been appointed.

Item 2: OGA Board TORs

3. The Terms of Reference (TORs) for the OGA Board were circulated to Board members. No comments were raised at the meeting. SS said he would look at the TORs in more detail and would get back to the Secretary if he had any issues.
4. AF explained that the TORs had been agreed in principle by DECC Sponsorship Team and the Shareholder Executive¹ (ShEx), although the latter expressed their intention to further review in the light of other precedents.
5. **DECISION:** The OGA Board TORs were agreed in principle. **ACTION:** Any changes made subsequently (by ShEx or DECC Sponsor) will be communicated to the Board in writing for final approval.

Item 3: Health and Safety Update

¹ The Shareholder Executive's aim is to be an effective shareholder of businesses owned or part-owned by the government and to manage government's interventions in the private sector in order to secure best value for the taxpayer



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6. The Chair introduced this item as something he wanted to see as a standing item in future agendas. The Chair stressed the importance of building up awareness on H&S issues to avoid accidental hazards. Board members agreed that this was an important topic.
7. The Chair also considered it necessary that there should be an external review of H&S policy and procedures to ensure a comprehensive follow through in terms of day to day practices.
8. SS endorsed this proposal and expressed his wish that the OGA would become an exemplar in the implementation of H&S policy particularly in light of a recent incident at Whitehall Place which had exposed gaps in DECC's H&S observance of procedures.
9. AS confirmed that Stuart Payne and ultimately he will be accountable for the implementation of adequate H&S policy, including relevant training to staff. **ACTION:** Implement H&S procedures in time for the move to the new office in Aberdeen.

Item 4: Financial Update

10. A paper on Financial Reporting and Governance was circulated prior to the meeting. The item was introduced and presented by JO, the OGA Interim Chief Financial Officer. The report provided the Board with an update on three fronts:
 - i. Development and setting of financial budgets against each of the 12 OGA cost centres
 - ii. Update on the implementation of the financial controls in line with the priority areas specified in the Framework document
 - iii. Update on the recruitment of financial roles to support the CFO.

ISSUES RAISED/DISCUSSED:

11. The total figures presented were slightly different from the budget which had been previously circulated. The current version reflects a reduction of £163K in the available funding as a result of pay awards not yet delegated to departments and the inclusion of additional IT cost recoveries. With regard to the former, SS explained that no deal had yet been agreed with the Unions so no figure had been decided centrally in respect of pay awards. JO confirmed that these changes do not increase the Authority's funding risk.
12. JO updated members on the recruitment of the team to support the CFO office. An interim Management accountant had now been appointed and will start on 5 May.
13. AS mentioned that if the levy was not in place by October (as originally envisaged) the OGA could face a short-fall in funding of c£0.5m and he assured the Board that this risk had been considered and would be dealt with as necessary. SS said that the levy work was in good shape and the risk could now be downgraded to AMBER. As a mitigating factor he confirmed the Department was minded to issue a plea not to commence on the stipulated date (1st of November) if the legislation was not in place on time.
14. SS asked JO whether the relationship with DECC Finance was sufficiently comfortable or whether there were any issues that needed escalating. JO said DECC Finance colleagues had been extremely helpful, bar some minor hiccups with shared Services in relation to systems and processes. **DECISION:** Any problems or specific requirements on this front should be escalated through SS.



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15. SS made an assessment of the financial consequences on the OGA as a result of the elections potential outcomes.

ACTION: SS to discuss potential scenarios and implications with AS in a separate meeting.

Item 5: Chief Executive's Report

16. A copy of the report was circulated to Board members prior to the meeting. AS opened the presentation by saying that the position of the industry could get worse before it got better as a result of the fall in oil prices. He added that the OGA had lots of work to do and it was imperative to prioritise projects and objectives, not only within the OGA but also in DECC.

17. AS gave an update in different areas of the business:

- i. **OPERATIONS:** The presentation showed achievements and progress to date on the operational schedule. AS explained that there had been a significant reduction in exploration and appraisal activity as a result of the negative economic environment. Board members agreed that the OGA should continue to working with industry to reinvigorate technical expertise and act as a facilitator rather than a provider of technical experts.
- ii. **PEOPLE, ORGANISATION AND CULTURE:** In terms of organisation design, AS was pleased with PwC work. He added that we were also in a good place in terms of recruitment and had managed to appoint a strong PPE leader, with Andrew McCallum overlapping for the first six months. Despite the difficulties in recruiting area managers, as a result of the limited pay packages, he was optimistic that the leadership team would be ready soon and the next step would be to recruit the rest of the teams. AS confirmed that "Onshore England" would be managed by Simon Toole and Toni Harvey in conjunction with DECC but he did not rule out the possibility that this would become an issue in the future with the need to recruit further area managers.
AS explained he had experienced some delays with Cabinet Office in relation to accommodation issues and suggested **(ACTION)** to escalate the issue with SS and the Chair if no response received by Friday, 1 May on supporting signing of the agreement for Aberdeen accommodation**[approval from Cabinet Office to proceed with the Aberdeen office has now been received]**. On the issue of accommodation, SS said he had had a conversation with the new DECC Estates Director (John Brown) who had shown his concern that nobody had been allocated specifically to deal with the OGA move but he was keen to support the journey and SS had suggested **(ACTION)** a meeting between AS and John Brown to discuss how to best look for a solution in the longer term. Closing down this section, AS reminded Board members of the Industry Behaviours event planned for the 22 May in Aberdeen. AS said that this event would help emphasise the interface between stakeholders and the importance of collaboration to build up a Behaviours Code Practice.
- iii. **POLICY AND LEGISLATION:** No specific issues raised in this area other than the potential risks in the parliamentary timetable as a result of the General Election outcomes. SS confirmed that the Wood Implementation work had taken priority within DECC and the levy work was in very good shape and likely to be in place in October.
- iv. **BUILDING THE OGA:** AS felt that there had been a very good analysis of initiatives and BAU priorities to enable the OGA to get on with the most important work. He stressed that it was important to be flexible in order to re-direct resources to unexpected areas and on that basis an



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open dialogue with DECC was needed to communicate potential changes in agreed deliverables. AS acknowledged the progress to date on setting up a governance structure and internal controls in line with the Framework document's requirements. On this front, he mentioned **(ACTION)** the need to create a non-financial DOA chart to formalise responsibilities arrangements and look into the alternative procurement arrangements once the PwC contract runs out in May/June. In terms of corporate services AS highlighted the need to prioritise processes specifically in relation to the accommodation in Aberdeen and the issue of co-location with OGED. SS asked whether AS felt uncomfortable about co-location in terms of the impact on external perception. AS said that he was not worried in principle but it was important to keep separate branding and separate identities. **ACTION:** SS and AS to discuss with John Brown (DECC Estates Director) the proposition for co-location in Aberdeen given the uncertainties in relation to the DWP building.

- v. COMMUNICATIONS: AS mentioned the two-day programme event at OTC Houston in May to promote investment. SS said that it would be helpful **(ACTION)** to contact Karen Bell (appointed Counsel General in Houston) given her previous interest in the industry. The Chair suggested that AS should keep away from the press at least for the first six months expect where specifically required. SS said that decisions on how the OGA deals with the press were no longer DECC's remit unless there was Ministerial involvement.

- 18. AS wrapped up his presentation with a quick sum up of the immediate areas of work for the OGA including recruitment, draft bill, MER UK definition, introduction of levy and focus on commercial wins. On recruitment, the Chair concluded that the Board should assume the approval of Non-Executive Directors (NEDs) appointments in the absence of a Nominations Committee.

Item 6: DECC Sponsor Update

- 19. SS opened his presentation by reiterating how far the OGA had come in such a short space of time and praising the team for their efforts in achieving this.
- 20. SS focused his update on an assessment of the potential political landscape post-election and the impact on the OGA. He added that the oil and gas industry had been the centre of Ministers' attention over the last couple of years, and this had culminated with the creation of the OGA. He said that it was likely that the political spotlight would move elsewhere and that it was important to analyse how the OGA should position itself in line with the potential outcomes.

ACTIONS:

- 21. Board members and OGA Leadership Team) to consider how to brief Ministers in the event a Scottish demand for involvement in the UKCS
- 22. SS to arrange meetings between AS, Chair and Ministers (once new administration in place) to discuss OGA position.
- 23. SS to get a spot on SoS diary for his attendance at the Oil & Gas Conference in Aberdeen (Offshore Europe 2015) in September 2015.

Item 7:



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• Audit & Risk Committee TORs • Approach to NAO and Internal Auditors

24. The Audit and Risk Committee Terms of Reference (TORs) were circulated to Board members prior to the meeting. **DECISION:** These were agreed in principle. The Chair proposed that until its members were appointed the Board should adopt the role of this Committee in order to approve governance strategies and internal controls.
25. AF explained that a risk strategy was currently been designed and would be ready to be presented at the next Board meeting for approval. She explained that the Government Internal Audit Authority (GIAA) had been approached by the OGA to explore the possibility of outsourcing the Internal Audit function. AF explained that an Internal Audit Strategy was also been developed (with a proposed operating model) for approval at the next Board meeting.
26. SS suggested that as best practice and based on his previous experience, it was advisable to designate a person within the organisation to manage the interface with Internal Auditors and keeping track of the annual Internal Audit plan and ensure consistency with risk priorities in the business. AF confirmed that this would be one of the recommendations as part of the IA Strategy paper. However, who, within the organisation, would assume that role was still to be confirmed although it had been considered it should fall within the Governance Manager's responsibilities.

Item 8:

• Nominations Committee TORs • Remuneration Committee TORs

27. The TORs for both the Nominations and Remuneration Committees were circulated prior to the meeting and **(DECISION)** approved in principle by Board members.
28. AS asked if these Committees could be consolidated in the future to reduce the burden of diary commitments and avoid role duplication amongst members. The Chair agreed that this could be a possibility particularly after the first year when the Nominations Committee would lose priority.
29. SS asked whether these Committees, and particularly the Remuneration Committee, would be attended by DECC Finance. The Chair and other Board members did not oppose to this.

Item 9: OGA Director's Presentation Behaviour, Ethics and Conduct in the OGA

30. SP, Director of Change and Organisational Design, introduced this item with a proposed approach to develop a set of practices and procedures relating to the management of behaviour, ethics and conduct within the OGA. He explained this was a medium term priority which should get activated once the GovCo was in place but it was useful to get the exercise ready at the transition stage.
31. He described his proposal as a two-part model between (i) expectations the OGA would have on staff (effectively a Code of Conduct) and (ii) the commitments the OGA would make to staff (specifically in relation to a smooth transition from civil service status into a GovCo phase). Approval and support from the Board was sought on the overall approach.



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32. AS said he was comfortable with this approach and the overall direction taken during the transition stage. SS also endorsed the approach and added that the OGA had a very good opportunity to set its own pace in terms of articulating its ambitions and expectations.
33. SS added that the OGA should not consider the Civil Service code as a constraint but as a starting point. Both the Chair and AS agreed that it was not a question of significantly deviating from the code but to move away from the negative aspects of it, such as excessive bureaucracy, and streamline processes as far as possible. **ACTION:** Chair and SP to look at the Civil Service Code to conduct for the OGA.
34. On the subject of organisation design and structure, AS mentioned that it was imperative to have an early discussion on salary structure, pension scheme, pay awards etc., for the senior team and to try to create a balance between building capability for the OGA and avoiding conflicts with SCS. **ACTION:** AS to liaise with JO to review salary structure as part of the Business planning cycle.

Item 10: Calendar and Topics for Discussion (Future Meetings)

35. A paper was circulated to Board members with suggested items to be included in discussions for future meetings. Board members were happy with the proposed agenda and **DECISION:** agreed the standing items.
36. AS concluded that for the May Board, Simon Toole should introduce the Director's presentation and took the action to think about the topic. **ACTION:** AS to discuss with Simon Toole the subject of the Director's Presentation and confirm to the Secretary to include in the agenda.

No other business was raised at the meeting.

**BOARD SECRETARY – OIL AND GAS AUTHORITY
APRIL 2015**



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Action Points

| Item Number | Action | Owner | Due Date | Progress |
|-------------|---|--|------------------------|---|
| A01 | Changes in Board TORs suggested by ShEx will be incorporated in current document and circulated to Board members for approval (via correspondence) | Arantxa Fernandez (Board Secretary) | By 19 May | <i>Awaiting comments from ShEx on Board TORs</i> |
| A02 | OGA H&S procedures agreed and ready for implementation in new Aberdeen office | Stuart Payne (OGA Director) | September/October 2015 | <i>Work underway, including linking staff involvement around hazard identification and interventions (for current and new building) with Leadership Team meetings reviewing HSE monthly</i> |
| A03 | Stephen Speed and Andy Samuel to have a separate meeting to discuss financial consequences for the OGA depending on potential electoral outcomes | Stephen Speed | TBC | |
| A04 | Agreement from Cabinet Office on signing Aberdeen accommodation to be escalated to Stephen Speed and Board Chair if no decision achieved by Friday, 1 May | Andy Samuel | 1 May | COMPLETED <i>Approval from Cabinet Office to proceed with the Aberdeen office received on 1 May.</i> |



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| Item Number | Action | Owner | Due Date | Progress |
|-------------|--|---------------------------|--------------------------|---|
| A05 | To arrange meeting between Andy Samuel and John Brown (DECC Estates Director) to discuss a feasible solution for OGA London accommodation in the longer term | Andy Samuel | TBC | |
| A06 | To create a non-financial DOA chart to formalise roles and responsibilities within the OGA | OGA Implementation Team | TBC | |
| A07 | To confirm how PwC recommendations will be taken forward following the expiry of the contract. | Stuart Payne (TBC) | By end of May | <i>Handover packs of all Organisation Design work being prepared for Leadership Team members, covering their departments. June 2nd meeting set up to kick off this handover process.</i> |
| A08 | Stephen Speed and Andy Samuel to discuss with John Brown propositions for co-location with OGED in Aberdeen | Stephen Speed | Before September/October | |
| A09 | Collective thinking on advice to Ministers in relation to OGA position if a Labour/SNP coalition wins | Board and Leadership Team | Post election | N/A |



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| Item Number | Action | Owner | Due Date | Progress |
|-------------|---|---|---------------|---|
| A10 | To arrange meetings between Andy and Chair and new appointed DECC Ministers | Stephen Speed | Post election | |
| A11 | To get a spot on SoS diary for his attendance at the Oil and Gas Conference in Aberdeen (Offshore Europe 2015) in September 2-015 | Stephen Speed | Post election | |
| A12 | To look into Civil Service Code and rationalise/streamline processes in order to build into the OGA Code of Conduct | Chair and Stuart Payne | TBC | <i>No action at this stage</i> |
| A13 | To review salary structure for senior team as part of the Business planning cycle | Stuart Payne and John Ogden (interim CFO) | TBC | <i>Work underway on highest priority case, paper due for Chief Executive w/c 18th May 2015</i> |
| A14 | To decide the subject of the OGA Director's Presentation for May Meeting | Andy Samuel (in discussions with Simon Toole) | By 8 May | |



Decision Log

OGA Board Meeting 29 April 2015 Decisions

| Item Number | Decision | Agreed by | Owner | Dependencies (Impact of decision on other milestones) |
|-------------|---|-----------|------------------------------------|--|
| D01 | The OGA Board TORs were agreed by the Board | OGA Board | Sir Patrick Brown (Board Chair) | The Board will assume responsibility for the appointment of the other Committees. |
| D02 | Any problems/issues between OGA and DECC Finance to be escalated via Stephen Speed (Sponsor Director) | OGA Board | Stephen Speed | |
| D03 | OGA Audit & Risk Committee TORs were agreed in principle by the Board. | OGA Board | Sir Patrick Brown (Board Chair) | The Board will assume the role of the Committee until this is appointed in order to approve governance strategies and internal controls. |



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| Item Number | Decision | Agreed by | Owner | Dependencies (Impact of decision on other milestones) |
|-------------|--|-----------|---------------------------------|---|
| D04 | TORs for both the Nominations and Remuneration Committees were agreed in principle | OGA Board | Sir Patrick Brown (Board Chair) | To Note: in line with the Nom Com Terms of Reference, the Sponsor (Stephen) is not able to partake in these discussions. This is due to Cabinet Office controls regarding SoS influence over Board Recruitment. |
| D05 | Standing items for future agendas were agreed by the Board | OGA Board | Board Secretary | |