The Oil and Pipelines Agency Account 2017-18

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Chief Executive's statement

I am delighted to present our Annual Report & Accounts for 2017-18 which has been another challenging but rewarding year for the Agency.

We are now in our third year of the OPA in its changed role following the sale of the GPSS. The Agency Leadership Team and Staff have shown their determination to meet the challenges arising from the historic underinvestment in the Oil Fuel Depots (OFDs) and the storage caverns, whilst delivering the performance demanded by our stakeholders: customers, regulators, the communities in which we operate and the MOD.

The organisation continues to fully engage with the Competent Authority (the Environment Agency, Scottish Environmental Protection Agency and the Health and Safety Executive) to ensure compliance with the Control of Major Accident Hazards (COMAH) regulations. The age and condition of the OFD assets represents the primary risk to our operations, and is driving an extensive programme of work to ensure that we comply with legislative requirements. Good progress has been made on this through both planned maintenance activity and capital projects. There is more detail on our primary risks in the Governance Statement.

Every aspect of our business is focussed on becoming COMAH compliant, whist fully serving the day to day requirements of the Royal Navy. We continue to improve performance through our compliance-driven Continuous Improvement Programme. Additionally, there are numerous other activities within each function which support the strategic development of the business. The result will be a reliable and resilient asset base from which we can ensure customer demand is met in full.

The Competent Authority set out 10 strategic priorities to reach compliance. The OPA continues to make significant progress against these priorities especially in the areas of Competency and Safe Systems of Work. The significant investment programme required for primary containment and safety instrumented systems has been approved with the challenge now being the delivery of the major infrastructure changes which are required.

The budgetary pressure within the whole of Defence is clearly recognised and the Leadership Team are driving efficiency and pace where possible to reduce the financial call on the MOD in future periods. The insourcing of the care and maintenance of the OFDs, storage caverns and other ex-GPSS sites, previously carried out by a 3rd party, was completed with effect from 1 April 2016. All care and maintenance is now managed in-house, which has resulted in improvements in quality and value for money.

The Agency's main asset is its people and keeping them safe on a daily basis is critical. The Leadership Team has a constant focus on safety and is developing the safety culture in the organisation through many initiatives including toolbox talks, safety newsletters, staff safety briefings and lessons learned workshops. The induction of new employees places emphasis on process and people safety.

I, along with my senior leadership team and Board members, regularly visit our sites, and we continue to be greatly encouraged by the teamwork, commitment and professionalism of our staff displayed throughout the organisation. I thank them for their fantastic effort and achievement.

Adrian Jackson 16 July 2018
Chief Executive

Performance Report

Who we are and what we do….

Our aim is to deliver the best oil storage and supply solutions for UK Defence now and in the future

The Oil and Pipelines Agency (OPA) is a Public Corporation, formed at the end of 1985 by virtue of The Oil and Pipelines Act 1985. Its duties, powers and general functions are prescribed by this Act. It has substantial day to day operating independence separate from its sponsoring department the Ministry of Defence.

Following the sale of the Government Pipeline and Storage System (GPSS) on 30 April 2015, the OPA's focus has been on the Naval Oil Fuel Depots (OFDs) together with two active cavern storage sites and six care and maintenance sites which were formerly part of the GPSS. These latter assets continue to be owned or leased by the Ministry of Defence (MOD).

The OFDs are strategic defence assets and are the responsibility of the Secretary of State for Defence. The OFD fixed assets, together with any associated liabilities, are owned by the MOD and are accounted for in the MOD's Department Resource Account. The MOD exercises its sponsorship responsibilities for the Agency through the Director of Commissioning Services.

The Agency's framework document with MOD was updated in 2016-17 to expand the remit of the Agency. The Chief Executive, as Accounting Officer, is now accountable for both the management and maintenance costs of the agency's assets. The 2016-17 and 2017-18 accounts have been prepared in full on a basis that reflects this expanded remit, including 2016-17 comparatives.

The OFDs

The six OFDs receive, store and issue middle distillate fuels for Navy Command. Commercial customers utilise storage at two sites where spare capacity is available.

The two OFDs located in Southern England, at Gosport and Thanckes, support the adjacent HM Naval Bases namely Portsmouth and Devonport. There are four OFDs located in Scotland. The site at Garelochhead supports Clyde Naval Base, whilst OFDs at Loch Striven, Loch Ewe and Campbeltown provide strategic bulk storage and regional support to Royal Fleet Auxiliary tankers, UK and visiting warships. All sites are supplied by sea.

The active cavern storage sites

The Agency has also exercised stewardship of two active storage sites (salt caverns), which are former GPSS assets. These are located in the northwest of the United Kingdom near the village of Plumley in Cheshire. The sites consist of solution mined caverns used for the storage of hydrocarbons. The Caverns were used as part of a UK strategic reserve from the 1950s to the early 1980s and still contain crude oil and fuels. The Caverns are top tier COMAH sites by virtue of their size, number and stock holding.

What we do

Our primary customer objective is to meet the supply demands of Navy Command. Secondary to this it is to optimise the value of the commercial contracts that utilise spare capacity, thereby contributing to the operation and management costs of the assets and reducing the cost to the Ministry of Defence and hence the burden on the tax payer. Compliant and reliable assets are essential for the growth of this aspect of the business

The Agency's statutory obligation to bring the OFD assets and operations in line with both the Control of Major Accident Hazard (COMAH) regulations and the Industry recommendations for Process Safety Leadership remains unchanged.

The focus of the Leadership Team has been on delivering the substantial future investment programme to renew and refurbish the OFD sites to meet the needs of Navy Command and conform to the requirements of the regulators both now and in the future. The formal acknowledgement by MOD of the regulatory non-compliant state of the OFDs and its commitment to fund fully the capital investment required has now given a sound foundation to achieve the goal of compliance by 2021.

Overview

Main activities in year

Provide an excellent service to our primary customer, Navy Command

An excellent working relationship has developed between the Agency and Navy Command. Both parties agreed that all key deliverables in regard to marine fuel receipt, storage, and delivery, and jetty services, as outlined in the Service Level Agreement for 2017-18, have been met within budget.

Utilise spare capacity for commercial use

Offering surplus storage capacity beyond Navy requirements to the market has reduced the annual running costs charged to MOD while retaining tanks which could be returned to Navy service if requirements change. Commercial contracts utilising irreducible capacity generate approximately £2.4 milion per annum. Commercial opportunities at all sites have been under review during 2017 and further consideration of these opportunities is planned.

Capital works programme

The substantial capital works programme needed to bring the portfolio of assets to regulatory compliance has been a major focus throughout the year not least through the commencement of the Gosport Tank Farm re-development. The operational life of the tanks at Gosport expires between 2018 and 2020 and their replacement before this date is essential for the site to remain in operational service and meet the needs of Navy Command. The Agency is working actively with Navy Command and the Defence Infrastructure Organisation (DIO) to commission and build the required new storage capability through joint teams that are now well established. Construction of the tank farm commenced in March 2018, and the project is currently targeted to be completed in February 2021.

The Agency is also working with DIO on a major capital project to strengthen and modernise the Gosport jetty as well as an environmental remediation plan for part of the Gosport site.

The tank farm at Thanckes will also be re-developed by 2025-26 to achieve environmental compliance, with the jetty at Thanckes replaced by 2021. The completion of the works at Gosport and Thanckes are time critical and fundamental to the Agency being able to meet its customers' demands.

Tank inspection programme

A major focus of the Agency's compliance activity is the tank inspection programme. All tanks are being inspected to the Engineering Equipment and Materials Users Association (EEMUA) standards and where necessary remedial work undertaken to bring the assets back into operation. The target completion date for this programme is 2021.

During the year six tanks were returned to service having been repaired to modern standards. A further nine were going through the commissioning process at the year-end having had all repairs completed prior to being returned to service at the start of the 2018/19 financial year.

Long term expenditure trends

Long term expenditure trends are detailed in the table below.

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure											
Staff costs	**(5,991)**	(6,552)	(6,945)	(7,3,44)	(7,503)	(7,314)	(7,471)	(7,144)	(7,265)	(7,285)	(7,450)
Depreciation	**0**	0	0	0	0	0	0	0	0	0	0
Asset impairment	**0**	0	0	0	0	0	0	0	0	0	0
Maintenance expenditure	**(9,047)**	(12,194)	(11,954)	(11,826)	(11,010)	(8,369)	(7,842)	(7,708)	(7,635)	(7,775)	(7,837)
Other expenditure	**(3,456)**	(4,115)	(3,345)	(3,401)	(3,493)	(3,839)	(3,802)	(3,549)	(3,605)	(3,643)	(3,734)
Total expenditure	**(18,494)**	(22,861)	(22,244)	(22,571)	(22,006)	(19,522)	(19,115)	(18,401)	(18,505)	(18,703)	(19,021)

How have we performed?

Performance against the Service Level Agreement

Navy Command has agreed that the challenging objectives set in the Service Level Agreement had been met or were in hand to be met. As such the Agency had delivered and met the Navy Command's requirements.

- The Agency are COMAH safety duty holder covering emergency response, health safety, environmental, engineering compliance, planned preventative maintenance and security responsibilities at all OFDs on behalf of Navy Command
- Issue, receipt, storage and processing of fuel and related fuel products
- Provisions of a Bilge Main service at OFD Garelochhead.
- Fuel quality and testing is provided to ensure the appropriate level of fuel quality
- Berthing and jetty services are provided as needed
- Management services as required
- The Agency also manages some estates and infrastructure on behalf of Navy Command.

Commercial contracts

The Agency continues to provide commercial storage where possible as part of its strategy to utilise spare capacity. The Agency was praised for good fuel husbandry and was deemed to have met its obligations under the contracts by its main commercial customer. Necessary repairs to an in-service tank during the year led to a loss of commercial receipts but this reduction was limited by the quick turnaround and recognised as a success by the customer.

Tank programme

At the end of the financial year, OPA had 32 compliant tanks in service, and has also reduced the number of non-complaint tanks in service to 25. This year OPA passed the milestone of having over half (56%) of in-service tank assets mechanically compliant. A further nine tanks are planned to be compliant early in 2019-20.

Capital Works Programme

Gosport Tank Farm Redevelopment

The Agency developed the Front-End Engineering Design (FEED) for the Tank Farm project on time and under budget allowing the Defence Infrastructure Organisation to go out to tender in June 2017. The contract was eventually awarded to J. Murphy & Sons Limited, a leading engineering and construction company, who commenced works at the end of March 2018. OPA also delivered required pre-construction works on time and under budget to reduce risk on the overall project timeline

Thanckes Tank Farm Redevelopment

The preliminary Project Initiation Document requesting approval to commence front end project works was submitted to Navy Command in year. This document details the process the OPA will go through to gain the appropriate approval for a phased replacement of the tanks at Thanckes with the goal of completion by 2025-26.

People

The Agency has been working on the development of a Corporate People Plan (CPP) derived from the OPA's Corporate Business Plan 2017-2026 which sets out the broad themes of how OPA will attract, develop and retain its people. This includes a plan to introduce Apprenticeships in a number of areas of our business in order to drive long term renewal of the work force. The first tranche of apprentices (3) are expected to have been recruited by the end of 2018.

Our performance

The Board assesses OPA's performance against its objectives by regularly reviewing the Key Performance Indicators, and the performance plans associated with each of the Agency's main objectives. The KPIs used for measuring the Agency's performance against its objectives have been agreed with the Agency Board, its primary customer Navy Command and are set out in the associated Service Level Agreement ('SLA'). Key metrics are summarised below.

***ZERO**

Employee Health and Safety reportable injuries since August 2014.

Meeting target

***Continued reduction** in legal actions issued by the Competent Authority.

(8 in 2016/17 vs 5 2017/18).

***NO e**nforcement notices issued during the year (Zero issued in 2016/17).

Meeting target

***1.7%**

of hours have been lost through absence. This is below our target of 2.9%.

***Tanks** – 32 compliant tanks in service. Reduced the number of non-complaint tanks in service to 25. 56% of tanks in service now compliant.

***Major Accident Hazard Planned Preventative Maintenance**

98% of these have been completed on time versus a target of 100%.

Zero personal data related incidents.

***100%** planned health and safety audits completed.

There were 3 overdue actions at the year end.

***Loss of Containment**

Four incidents of less than 200 litres versus a target of less than 10.

Zero incidents of greater than 200 litres.

All incidents were identified and dealt with effectively.

*The obligations of the SLA were met with additional projects completed due to an increase in the budget during the year.

£104,000 net expenditure after taxation.

* These statistics form part of the Key Performance Indicators that are reported to, and regularly reviewed by, the Board and other key stakeholders.

£20 m in MOD fees charged for the year (£15.8m in 2016-17).

Meeting target

Sustainability and Environmental Impact

The Agency takes its environmental responsibilities seriously. It has a number of policies in place to ensure that all staff are aware of the environment and that appropriate risk assessments are conducted prior to work being undertaken. Environmental risk assessments are carried out at each site in accordance with its COMAH requirements.

The Agency works hard to consider its environmental impact. This includes recycling most of its waste, where possible. Efficiencies with IT enable much more digital working thus reducing printing and the use of paper and the use of video conferences lessens the environmental impact of travel. We are mindful not to have any unnecessary travel and we encourage our staff to work from home where possible and where appropriate.

We try to be mindful of our power usage and try to make efficiencies where appropriate including the installation of energy efficient lighting when assets require replacement.

Finance

Our financial plan has three main objectives:

- To ensure OPA's Business Plan is deliverable.
- To increase value for money through tight control of our costs and utilisation of spare capacity.
- To invest in our facilities to support efficient working and provide a sustainable, compliant infrastructure that meets regulatory compliance and future needs,

The financial objective of the Agency is to contain its normal operating and administrative expenses, before non-cash pension fund adjustments, within its agreed management fees from the Secretary of State for Defence.

After adjustment for non-cash pension fund adjustments the Agency's result for the year was:

	2018	**2017**
Net income (expense) after taxation	£ (104,000)	£83,000

The Agency receives income from Navy Command, Defence Infrastructure Organisation (DIO) and commercial customers in respect of services provided to each. This income covers the Agency's actual costs.

Internal cost budgets are set at the beginning of each year for activities on the sites. These budgets are detailed below with actual expenditure for the year as a comparison:

	Budget	**Actual**
Maintenance Expenditure	£ 15.1m	£ 15.2m
Capital Improvements	£ 2.5m	£ 2.5m
Works on behalf of DIO*	£ 2.6m	£2.5m

* The Agency undertook two significant pieces of work on behalf of DIO: namely maintenance of the GPSS residual sites and support and delivery of the front-end engineering design for the Gosport Tank farm project.

Due to the non-compliant nature of the OPA Infrastructure any savings that can be made are utilised to invest further in the assets reducing the risks to the Agency. Any savings are used to accelerate the Tank Inspection Program if possible with a view to beat the 2021 compliance target.

Expenditure has risen year on year due to the increased investment on the sites: additional project works have been taken on and delivered as well as additional headcount to support these works.

The Agency is in a position of strong liquidity with £3.6 million in a long-term savings account. These cash reserves are maintained to meet costs that could arise in the event of the Agency being wound up and/or sold, including potential commitments to ensure sufficient funds are available to meet pension liabilities. Current cash levels reduced in year following significant supplier payments being made at the end of the year with customer payments being received at the start of the next financial year.

Retirement Benefits Pension Schemes

Information on the Agency's pension schemes can be found in the Remuneration Report, Accounting Policies (note 2 g) and note 13 to the accounts.

Payment of trade and other payables

It is the policy of the Agency to negotiate terms with its suppliers and to ensure that they know the terms on which payment will take place when business is agreed. It is the Agency's policy to abide by the Better Payment Practice Code.

Going concern

The OPA, as part of the Annual MOD financial cycle, has agreed funding for the management and maintenance of the OFD and GPSS assets under its control for a period of 10 years. The OPA has a status review due in 2018-19 but as the primary services it provides will not change the financial statements have been prepared on a going concern basis.

A Jackson 16 July 2018
Chief Executive and Accounting Officer

Accountability Report

Corporate governance report

The purpose of the corporate governance report is to explain the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives

Directors' Report

Members and Principal Officers as at 31 March 2018

Graham Ellis	Non-Executive Chairman	
Adrian Jackson	Chief Executive and Accounting Officer	
Rachel Pearson	Non-Executive and MOD Sponsor	
Matt Harrison	Non-Executive Director	Appointed 1 Jan 2018
Trevor Woolley	Non- Executive and Chair of Audit	

Secretary to the Agency

Mrs Marie Edwards	Company Secretary

Past Members who served during the year

Rear Admiral Richard Stokes	Non-Executive	Resigned 31 December 2017

The MOD exercises its sponsorship responsibilities of the Agency through MOD Head Office and Commissioning Services. The sponsor is Mrs Rachel Pearson, Head of Commercial.

A formal appointment procedure exists to ensure the Board contains an appropriate balance of skills to deliver its objectives.

Register of Interests

The Agency maintains a Register of Interests and requires all Members to sign a Conflict of Interest Declaration annually. There were no conflicts reported during the past year.

Personal data related incidents

The Agency had no reportable personal data related incidents.

Auditors

Further to the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003, which came into force on 23 May 2003, the Comptroller and Auditor General was appointed as the independent auditor to the Agency. The cost of the audit carried out by the National Audit Office (NAO) was £31,000. No further payments were made to the NAO for non-audit work. The Certificate and Report of the Comptroller and Auditor General is attached on pages 24, 25 and 26.

Statement of the Chief Executive and Accounting Officer's responsibilities

Under Schedule 3 paragraph 9 of The Oil and Pipelines Act 1985, the Agency is required to prepare a statement of accounts for each financial year, in the form and on the basis determined by the Secretary of State for Defence with the consent of the Treasury. The accounts are prepared to show a true and fair view of the state of the Agency's finances at the year end and of the comprehensive net expenditure and cash flows of the Agency for the financial year.

In preparing these accounts, the Agency is required to:

- Observe the accounts direction issued by the Secretary of State, including relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed and explain any material departures in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

The Chief Executive, as Accounting Officer for the Agency, is also responsible for:

- The propriety and regularity of the public finances for which he is answerable.
- The keeping of proper accounts.
- Prudent and economical administration.
- The avoidance of waste and extravagance and the effective and efficient use of all available resources.
- The maintenance of public service values within the Agency, and for the transparency and openness of its proceedings.
- The taking of appropriate action if Agency Members consider taking a course that would not comply with these requirements.

The responsibilities of the Accounting Officer are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum, issued by the Treasury and published in *Managing Public Money*.

I also confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take person responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Statement of Disclosure to Auditors

So far as I am aware there is no relevant information of which the Agency's auditors are unaware, and I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Governance Statement

The Framework Document between MOD and the Agency sets out the roles, responsibilities and accountability of both parties. This was modified as a result of the GPSS sale in 2016 and has since been updated in 2017 to reflect the Agency's areas of responsibility. As a Public Corporation the Agency has substantial day to day operating independence and is seen as a separate institutional unit from its parent department, the MOD.

This statement provides an opportunity to outline the Accounting Officer's responsibilities in managing and controlling the Agency's resources during the course of the year. I have responsibility for ensuring delivery of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. Such assets include the Oil Fuel Depots and storage caverns which are the property of the Ministry of Defence. The Agency exercises financial and technical control over the operation and maintenance of these funds and assets, within the constraints set by the Ministry of Defence, in its capacity as Managing Agent for the Secretary of State. The Agency's Finance Director assists me in this.

Accounting Officer's responsibilities

Adrian Jackson
Accounting Officer

Responsible for….

Safeguarding public funds and departmental assets in accordance with Managing Public Money.

The assets….

Oil Fuel Depots, Storage Caverns and those non-sale GPSS assets which are the property of the Ministry of Defence.

The Agency….

Exercises financial and technical control over the operation and maintenance of these funds and assets.

Best Practice

The Agency, as a public corporation, is governed by The Oil and Pipelines Act 1985, its Framework Document, Cabinet Office and HM Treasury Guidelines, and, where appropriate, best practice in corporate governance as represented by the Corporate Governance Code.

The Agency Board seeks to drive improvements in the performance and efficiency of the Agency by providing leadership on strategic and operational issues. As such, the Board seeks to comply where it is deemed relevant and practical with the 2017 Code (Corporate governance in central Government departments: Code of Good Practice), which is focused on the role of boards. The OPA Board complied with this requirement during the financial year.

The Board is made up of the Chief Executive and up to four non-executive members. The Oil and Pipelines Agency Act 1985 (the Act) dictates that the Agency shall not have more than five members. In order to comply with the Act and have an appropriate number of non-executive members and representatives of MOD on the Board, the Agency is unable to comply with the Corporate Governance in Central Government Departments: code of good practice by appointing the Finance Director as a Member of the Board. However, he does attend all Board meetings and provides financial advice and support as necessary.

Role of the Board

The Code states that every Board should agree and document its role and responsibilities. This information is detailed in our Framework Document and Board Terms of Reference. The Framework Document is reviewed and updated regularly.

The Chairman

The Minister for Defence Procurement, acting on behalf of Secretary of State for Defence, appoints the Chairman of the Agency, who is responsible for the leadership of the Agency and ensuring that the Agency discharges the responsibilities set out above.

Board effectiveness

The main activity of the Board is to challenge but also support the senior management of the OPA to ensure the Agency is run in an efficient and safe manner while also ensuring that the highest levels of honesty and integrity are maintained. The Board discussed its effectiveness during the year.

Format, content and number of the Board meetings was working well

NEW: The CE to give a brief summary of operational issues at the start of each meeting

In addition to Board meetings and workshops, the Board receives monthly CEO report and management accounts which deliver high quality information in a timely fashion.

Workshops are held when appropriate to focus on a specific operational issue or strategy update.

The management accounts are reviewed against budget and prior years in order to assess control and performance.

Risk management is a key focus of the Board, which has established the Health, Safety, Environment and Quality Committee in addition to the Audit Committee to assist the Agency in mitigating the risks it faces. The roles and activities of these committees are detailed below.

Responsibilities of the Agency and Agency Committees

Responsibility for assuring that high standards of corporate governance are observed at all times rests with the Agency Members. They are responsible for ensuring the maintenance of an internal control framework from which they can obtain assurance that risk is properly assessed and managed, that appropriate controls are in place and complied with and business performance is properly monitored. Agency Members, who are appointed by the Minister, set out the strategic framework within which the Agency operates. Matters reserved to them include:

- Establishing committees of the Agency, reviewing their activities and, where appropriate, ratifying their decisions.
- Reviewing and approving the Agency's Annual Report and Accounts and the Agency Financial Statements following review by the Audit Committee.
- Receiving and considering reports from the Audit Committee on the control framework and risk management.

The management of the Agency is delegated by the Agency to the Chief Executive, who is appointed the Accounting Officer for the Agency by the MOD Permanent Secretary.

The Audit Committee

The Audit committee of the Agency comprises two members, Trevor Woolley, and Mark Eames. Trevor Woolley, who is the Chair of the Audit Committee, is also a Member of the Agency. Mark Eames attends all the Board meetings in his capacity as Associate Member. The responsibility of the Audit Committee, is set out in its terms of reference approved by the Agency and this guides the advice the Committee provides to the Agency.

The Chief Executive and Finance Director are not members of the Agency's Audit Committee. However, they do attend meetings, as do Defence Internal Audit (DIA) and the National Audit Office.

During the year the Audit Committee:	
Held four meetings	Received comprehensive reports from management and the internal and external auditors
Received reports on such matters it deemed appropriate such as risk assurance for capital projects	Reviewed the Agency's risk register and monitored the effectiveness of the procedures for risk management and internal controls over financial reporting.
It reviewed its effectiveness during the year.	Discussed with management, the external auditors and internal auditor's judgements that arose on accounting policies.
Fraud:	
The Audit Committee receives updates on any instances, or suspected instances, of fraud.	Any suspected fraud is thoroughly investigated and appropriate action taken.
The Agency has a policy of zero tolerance in respect of irregularity, including fraud, theft and corruption.	All Members, Associate Members and Employees are required to adhere to this policy and to demonstrate high standards of personal honesty and integrity.
The Fraud policy is underpinned by a number of other governance policies as well as the fraud risk register.	The fraud risk register is a standing item on the Audit Committee's agenda.
There were no instances of fraud reported in year.	
Whistleblowing:	
The Agency has a Whistleblowing policy underpinned by a strong reporting culture.	In an instance of Whistleblowing, The Audit Committee would receive an update.
There were no instances of whistleblowing reported in year.	

DIA Audits

DIA conducted audits of the Agency and their findings were as follows:

- Competency – **Substantial Assurance**
- Information Assurance – **Confirmed good progress made to Level 2**
- E-Procurement – **Full Assurance**
- Travel and Expenses – **Substantial Assurance**

As a result of their audit programme the DIA were able to provide the Agency with an annual audit opinion of Substantial Assurance. The audit program covers many different areas of the business to ensure sufficient coverage by Internal Audit.

The Health, Safety, Environment and Quality Committee

The role of the Committee is to consider information received and provide the Board with assurance (and supporting evidence) that an effective HSEQ management system is operated throughout the Agency. The Committee also provides the Board with assurance that a strong safety leadership culture is in place within the Agency.

As at 31 March 2018, the HSEQ Committee comprised five members: Steve Pearce, Adrian Jackson (Chief Executive and Accounting Officer), Anthony Small (Capital Projects Director), Paul Grange (Operations Director) and Lisa England (Compliance and Risk Director). The Committee is chaired by non-executive Steve Pearce, who attends all Agency board meetings in his capacity as an Associate Member.

The committee continues to work to an agenda that embraces performance, compliance, plans, monitoring and a review of the risk register. Committee meetings engage the local Depot Manager and provide an opportunity to review activities and challenges with site staff.

During the year the HSEQ Committee:	
Held four meetings	All meetings were held on site and all involved a site tour.
Focused on securing and sustaining compliance with COMAH requirements.	Ensured that the close out of the actions from the Regulator have been progressed well during the year.
Maintained sound relations with the Regulator.	Focused on the Continuous Improvement Plan that reflected the priorities agreed with COMAH Competent Authority. Four site safety reports and one pre-construction safety report have been submitted on time.
Reviewed Performance for Health, Safety, and Environment and Quality activities throughout the year.	Used a range of data sources to monitor and review HSEQ performance. Safety performance has been maintained at a good level throughout the year
Monitored the Tank inspection programme during the year to secure compliance with legal requirements.	Established that substantial improvements in procedures, the competence management system and asset management performance have been achieved.

Remuneration Nomination Committee

The Remuneration Nomination Committee has been constituted and empowered as described in the Remuneration and Staff Report below.

Attendance at Board and Board committee meetings

Attendance during the year for all Board and Board committee meetings is given in the table below.

	Board	Audit Committee	HSEQ Committee	Remuneration Nomination Committee
Graham Ellis	7/7			4/4
Trevor Woolley	7/7	4/4		4/4
Rear Adm Stokes**	4/5			2/2
Adrian Jackson	7/7		4/4	
Rachel Pearson	6/7			4/4
Matt Harrison*	2/2			2/2
Mark Eames		4/4		
Stephen Pearce			4/4	
Anthony Small			4/4	
Paul Grange			4/4	
Lisa England			4/4	

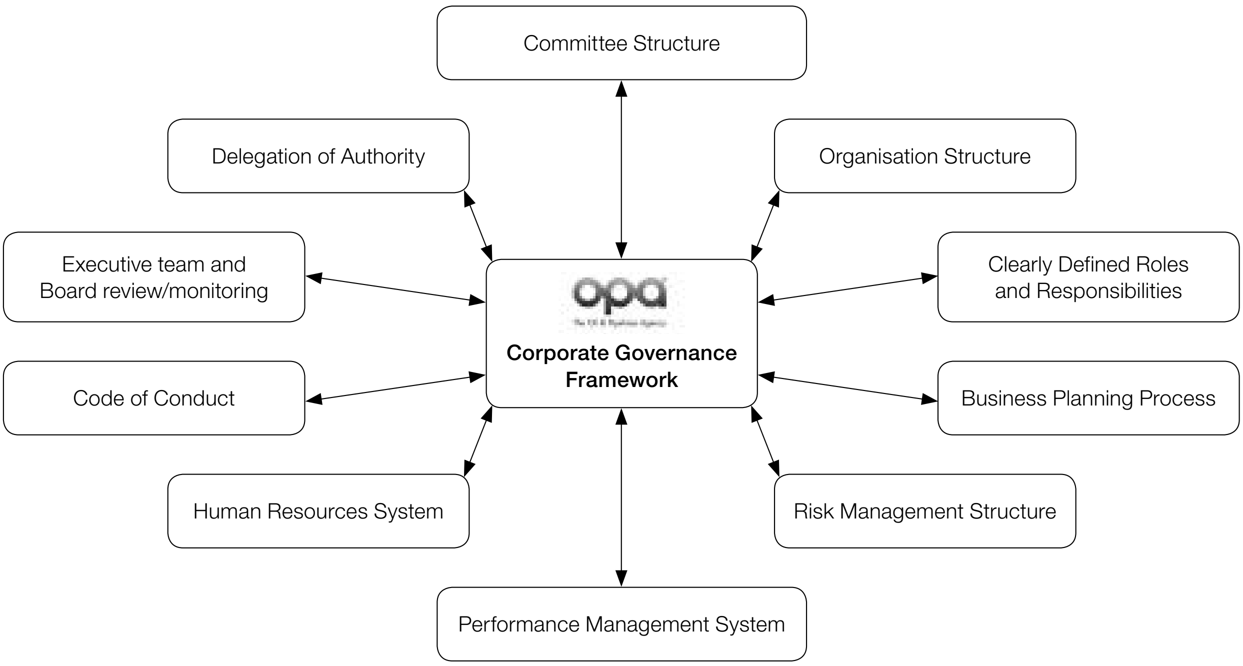
* Appointed part way through the year

** Resigned part way through the year

The risk and control framework

The Agency has continued to develop and implement formal Governance and Assurance Strategies which clearly set out the governance framework, roles, responsibilities and detailed internal controls during the year.

The Agency's corporate governance framework is a combination of various controls and processes which are in place, together with effective information and communication systems to ensure good governance at all times. The Internal Control System and Assurance System enable the Accounting Officer to ensure that the Agency is operating effectively and that objectives are being achieved.



Risk Management

One of the Board's main tasks is to ensure that the Agency, the OFDs and non-sale GPSS sites are run effectively, that material risks are identified and understood and that the systems of risk management and internal control are in place to manage these risks.

This is achieved by:-

- Regular reviews of the material risks using the Agency Risk Register and considered in the Agency's business plan (monthly by the management team usually quarterly by the HSEQ Committee, Audit Committee and Board)
- Ensuring that the approach to risk is filtered down to all employees within the Agency
- Maintaining, through the Board and its committees, clear oversight of the system of internal control and risk management established and maintained by the Accounting Officer.

The following main risks have been managed since 1 April 2017:

Regulatory Compliance and Ongoing Management of OFDs

The Agency continues with delivery of improvements in People, Plant and Processes against the Competent Authority's [CA's] ten key strategic priorities under COMAH. The CA continues to recognise the substantive progress made and has now shifted some focus on to how we intend safe delivery of our Capital Projects alongside the Agency's ability to deliver continued advances on agreed compliance work programmes.

Maintaining primary and secondary containment given the historical lack of investment remains the Agency's highest risk. OPA has developed and is continuing to implement a robust investment plan for existing infrastructure whilst supporting the major capital projects that will ensure COMAH compliant installations for the future. This past year also saw the successful submission of 4 COMAH Reports for the Scottish depots as well as a Pre-Construction COMAH Report for Gosport tank farm.

During the period the Agency has not received any 'Enforcement Actions' from CA interventions and has seen an overall reduction in the number of legal actions received. Intensive work continues to complete planned works focussed on our primary containment (i.e. mechanical tank integrity) and the over-fill protection / re-instrumentation project, against a backdrop of on-going capital works to install a new Jetty at Thanckes and the Gosport tank farm rebuild programme.

Cyber Security and Information Assurance

The Agency has continued with the significant work commenced in 2016 to ensure its IT systems are safe and secure. The Agency IT systems received full accreditation by Defence Assurance and Information Security (DAIS) in line with HMG and MOD policy, in 2017. This was revalidated in March 18 following further investment in appropriate IT hardware and security software.

The Agency has formulated an Information Assurance Strategy based on the Information Assurance Model issued by the UK government's National Technical Authority for Information Assurance. The Agency is currently at Level 2 of the maturity model and has a strategy in place to achieve Level 3 in 2018.

Review of Effectiveness of Risk Management and Internal Control

As CE and Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control with the support and advice of the Agency's Audit Committee. This review is informed by the work of external auditors, internal auditors and departmental managers within the Agency and supported by the work of the Agency's Committees. Any anomalies or unexpected outputs are investigated and discussed with Members where appropriate.

The risk management system continues to be robustly reviewed using the improved process developed during the latter part of the year and then further reviewed by the Board and its Committees.

DIA have conducted four audits during the year, in support of the Management and Board's own assessment of risk. They have given the Agency a rating of Substantial Assurance illustrating that the Agency is continuing to maintain a sound state following the sale of the GPSS.

I am pleased with the progress made to date under the direction of my senior leadership team. I believe that we have a sound internal control system in place which we will continue to monitor as the business develops.

Remuneration and Staff Report

The Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee are the Chairman, and all non executive Members of the Agency. The Committee is responsible for reviewing the level of remuneration of employees of the Agency. It is not responsible for the remuneration of the non-executive members. The Secretary of State determines the remuneration of the non-executive members on their appointment. The Chief Executive is not involved in setting his own remuneration.

Remuneration Policy

The Agency sets its remuneration policy for all employees, including the Chief Executive, and is guided by Treasury policy, market competitiveness and inflation indices. Comparison of competitive market data including periodic review with external commercial entities in similar industries is regularly considered. Staff are subject to levels of remuneration and terms and conditions of service (including Pensions) as set by the Agency, having due regard to equal pay, job grading, retention and motivation of staff. OPA employees are not civil servants.

Remuneration details (Audited)

Non-executive Members are appointed by the Secretary of State for a fixed term with no provision for compensation for early termination as follows:

	2018 Salary band £000	2017 Salary band £000	**2018 Bonus £000**	2017 Bonus £000	**2018 Pension £000**	2017 Pension £000	**2018 Total £000**	2017 Total £000
G Ellis Chairman	**25 – 30**	25 – 30	**–**	**–**	**–**	–	**25 – 30**	25 – 30
M Harrison ** Member	**–**	–	**–**	–	**–**	–	**–**	–
From 1 Jan 18 R Pearson ** Member	**–**	–	**–**	–	**–**	–	**–**	–
R Adm Stokes Member To 31 Dec 17	**–**	–	**–**	–	**–**	–	**–**	–
T Woolley Member	**10 – 15**	10 – 15	**–**	–	**–**	–	**10 – 15**	10 – 15
A Jackson * Chief Exec	**105 – 110**	105 – 110	**5 – 10**	5 – 10	**14 – 15**	12 – 13	**130 – 135**	125 – 130

* Notice period of 6 months

** appointed for the tenure of their MOD appointment.

Rear Admiral Stokes, Mrs R Pearson and Mr M Harrison as employees of MOD, were remunerated outside the Agency. The Agency has not made any pension contributions in respect of non-executive Members, who are not members of the pension schemes, nor did they receive any benefits in kind except for the reimbursement of actual expenses.

Mr Jackson is a member of the Oil and Pipelines Agency Group Pension Plan, the defined contribution pension scheme, as a result Pension CETV's are not disclosed. The OPA Defined contribution scheme is open to all employees and offers a double contribution match up to 12% of salary (6% Employee contribution = a 12% Employer contribution). The Agency meets all of its obligations under auto-enrolment.

Relationship between the highest paid Director and the workforce median

	2017-18	2016-17
Midpoint of the £5,000 band for annual equivalent remuneration of highest paid director in table above	**£117,500**	£112,500
Median total remuneration	**£29,990**	£29,575
Ratio	**3.9**	3.8
Remuneration range for entire workforce	**£18,600 to £117,500**	£18,345 to £112,500

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the OPA in the financial year 2017-18 was £115,000–120,000 (2016-17, £110,000 – 115,000). This was 3.9 times (2016-17,3.8 times) the median remuneration of the workforce, which was £29,990 (2016-17, £29,575).

In 2017-18, 0 (2016-17, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,600 to £115,000 – £120,000 (2016-17 £110,000 – £115,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Total remuneration paid by the Agency for the Executive members was £155,623 (2017: £151,855). The Finance Director, Operations Director, HR Director, Risk and Compliance Director make up the Executive Team but are not voting members of the Board and are non-disclosed above.

Cash equivalent transfer disclosures are not relevant to the OPA as no Board members are participants of the Defined Benefit Pension schemes.

Personnel

The Agency is an equal opportunity employer, fully committed to equal opportunity policies and aware of its statutory duty to support the employment of disabled persons where possible. The Agency's policy is that there should be no discrimination on any grounds whatsoever other than performance in the job. Employees are key to the ongoing performance of the Agency; access to opportunities within the Agency is based upon competence, knowledge and ability to do the work. An 'open door' policy is encouraged and employees meet regularly in various ways to enable discussion and dissemination of information across the Agency.

The Agency has an anti-bribery and corruption policy in place and all staff are required to abide by this policy. Any potential conflicts of interest are reported to HR.

The Agency employees are Public Sector Workers; there were no senior civil service staff employed by the Agency during the financial year.

The total number of personnel employed by the Agency as at 31 March 2018, excluding non-executive members, was 118. Staff costs were £6,552,000 during the year including performance pay accrued, taxes and other social security costs.

At 31 March 2018 there were 3 short term contract staff engaged by the Agency, assisting in Admin roles. These short-term contract staff are not included in the workforce figures detailed below.

Staff costs analysis (Audited)

	2018	2017
	£000	£000
Wages and salaries – to permanently employed staff	**4,800**	4,236
– to other contract and temporary staff	**155**	346
Social security costs incurred by the Agency	**523**	467
Defined benefit pension costs (note 13)	**652**	580
Defined contribution pension costs	**422**	292
Redundancy costs	**–**	70
	6,552	5,991

The increase in wages and defined contribution pension costs was due to the additional staff required by the OPA to support the MOD Capital projects and to manage the additional investment in the sites.

The staff based at the Oil Fuel Depots accounted for £2.6 million of the OPA wages and salaries. These depot staff are employed to competently operate the depots to COMAH safety and environmental standards.

The Engineering, Assurance, Business Services and Head Office staff accounted for £2.2 million and are responsible for the return to compliance of the assets, governance and assurance of the Agency, meeting all regulatory standards and effective management of the depot operations.

Social security costs include all tax and national insurance payable to HMRC. The Agency complies with all tax legislation.

Workforce by gender

Numbers as at 31 March 2018	**Male**	Male 2017	**Female**	Female 2017
Agency Members	4	4	1	1
Senior Managers	4	4	2	2
Employees*	97	89	21	19

*Senior managers are included in Employees total.

Reporting of high paid off-payroll appointments

The Agency had no engagements of senior or highly paid individuals remunerated by any means other than payroll at the reporting date or during the year ending 31 March 2018.

Sickness absence

During the financial year there were a total of 500 days (2017: 820) lost due to sickness. This represented a loss percentage of 1.7%. There was one ill health termination that was paid through the CSCS.

Compensation for loss of office (Audited)

There were no compensation for loss of office payments in the year.

Expenditure on consultancy and contingent labour

During the year the Agency spent £21,000 on consultancy involving a further review of the opportunities available at the OFDs under the OPA management (2017: £93,000). The Agency spent £0k on contingent labour (2017: £0,000).

Retirement Benefits Pension Schemes

The Agency operates two funded defined benefits pension schemes, the Oil and Pipelines Agency Retirement Benefits Plan and the Federated Pension Plan, providing benefits based on final pensionable pay. The Agency also operates a defined contribution scheme. Both of the defined benefits schemes are closed to new entrants and all new employees of the Agency are offered membership of the defined contribution pension scheme.

The Agency pension costs are detailed in Note 13 to the accounts.

Trade Union facility time

The Agency have a recognised Trade Union Agreement, which provides for 2 Union representatives for each of the 2 unions. No employees are shop stewards so the Agency meets with the national officers.

Relevant union officials	0
Percentage of time spent on facility time	0%
Percentage of pay bill spent on facility time	0%
Paid trade union activities	£0

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures [Audited]

The Oil and Pipelines Agency is financed through charges made to customers, and charges are set on a cost recovery basis. The customers are exclusively government bodies and charges are not made to the public. Income from charges and the costs incurred against those charges is set out in the Statement of Comprehensive Net Expenditure and the supporting notes to the accounts.

The OPA operates under the guidance of Managing Public Money, material expenditure is compliant with relevant legislation and delegated authority.

There are no remote contingent liabilities, gifts, fees, charges or losses and special payments requiring further disclosure that have not been reported elsewhere in these financial statements.

A Jackson 16 July 2018
Chief Executive and Accounting Officer

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

Opinion on financial statements

I have audited the financial statements of the Oil and Pipelines Agency for the year ended 31 March 2018 under the Oil and Pipelines Act 1985. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Oil and Pipelines Agency's affairs as at 31 March 2018 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Oil and Pipelines Act 1985 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Oil and Pipelines Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of the Chief Executive and Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Oil and Pipelines Act 1985.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oil and Pipelines Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Oil and Pipelines Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Oil and Pipelines Act 1985;
- in the light of the knowledge and understanding of the Oil and Pipelines Agency and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

19 July 2018

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Notes	2018 £000	2017 £000
Expenditure			
Staff costs	5	**(6,552)**	(5,991)
Maintenance expenditure	7	**(12,194)**	(9,047)
Other expenditures	6	**(4,115)**	(3,456)
Total Expenditure		**(22,861)**	(18,494)
Income from activities	4	**22,758**	18,520
Net income/(expenditure)		**(103)**	26
Interest receivable from bank accounts		**8**	**58**
Other finance income (cost)	13	**(9)**	(1)
Net income/(expenditure) after interest and other finance income		**(104)**	83
Tax on taxable net income/(expenditure) after interest and other finance income		–	–
Net income/(expenditure) after taxation		**(104)**	83

Other comprehensive expenditure

	Notes	2018 £000	2017 £000
Actuarial gain/(loss) recognised in pension schemes	13	**1,579**	(1,326)
Change in asset ceiling		**(1,437)**	929
Change in deferred tax arising on (gain)/loss in the pension scheme		**(51)**	66
Total comprehensive income/(expenditure) for the year		**(13)**	(248)

The accompanying notes on page 31 to 43 form part of these accounts.

Statement of Financial Position at 31 March 2018

	Notes	**2018** £000	2017 £000
Current assets			
Trade and other receivables	9	**5,829**	4,599
Cash at bank and in hand		**3,764**	5,241
Total current assets		**9,593**	9,840
Total assets		**9,593**	9,840
Current liabilities			
Corporation tax due		**–**	–
Trade and other payables	10	**(4,935)**	(4,966)
Total current liabilities		**(4,935)**	(4,966)
Total assets less current liabilities		**4,658**	4,874
Non-current assets/(liabilities)			
DB Pension schemes	13	**(109)**	(312)
Assets less liabilities		**4,549**	4,562
Reserves			
Contributed capital	1 (a)	**2,380**	2,380
General fund reserve	14	**2,169**	2,182
Total Reserves		**4,549**	4,562

The accompanying notes on page 31 to 43 form part of these accounts.

A Jackson 16 July 2018
Chief Executive and Accounting Officer

Statement of Cash Flows for the year ended 31 March 2018

	2018	2017
	£000	£000
Cash flows from operating activities		
Net income after interest before other finance income and taxation	(95)	84
Defined benefit pension fund current service cost (note 13)	652	580
Defined benefit pension contributions paid (note 13)	(773)	(653)
Taxation (paid) refunded	–	–
(Increase)/decrease in trade and other receivables	(1,230)	(4,022)
Increase/(decrease) in trade and other payables	(31)	3,865
Net cash inflow (outflow) from operating activities	(1477)	(146)
Cash flow from investing activities		
Sale of current assets	–	–
Increase (decrease) in cash and equivalents	(1,477)	(146)
Cash and equivalents at the beginning of the year	5,241	5,387
Cash and equivalents at the end of the year (note 8)	3,764	5,241

The accompanying notes on page 31 to 43 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2018

	Contributed Capital £000	General Fund £000	Total Reserves £000
Balance at 31 March 2016	2,380	2,430	4,810
Changes in taxpayers' equity for the year ended 31 March 2017			
Net income/(expenditure)	–	83	83
Total remeasurements recognised in defined benefit pension funds		(397)	(397)
Deferred tax arising on loss recognised in the defined benefit pension fund	–	66	66
Balance at 31 March 2017	2,380	2,182	4,562
Changes in taxpayers' equity for the year ended 31 March 2018			
Net income/(expenditure)		(104)	(104)
Total remeasurements recognised in defined benefit pension funds	–	142	142
Deferred tax arising on loss recognised in the defined benefit pension fund	–	(51)	(51)
Balance at 31 March 2018	2,380	2,169	4,549

The accompanying notes on page 31 to 43 form part of these accounts.

Notes to the Accounts year ended 31 March 18

1 The Agency

a The Agency was created by The Oil and Pipelines Act 1985 and came into existence on 1 December 1985. The Agency's initial capital was established at £2,380,000.

b The duty of the Agency is to manage residual GPSS sites and OFDs under the terms of the Framework Document between the Agency and the Secretary of State for Defence.

c The accounts have been prepared in accordance with Paragraph 9 of Schedule 3 to The Oil and Pipelines Act 1985 and with the most recent related Accounts Direction as to the form of the accounts given by the Secretary of State for Defence. This Accounts Direction is reproduced on page 44.

2 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where a FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Oil and Pipelines Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by The Oil and Pipelines Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts. No new IFRS, amendments and interpretations that are applicable after the reporting period are expected to impact the OPA financial statements

a Basis of preparation

Since the Agency manages the GPSS and OFDs only as an agent of the Secretary of State for Defence the assets of the GPSS and OFDs are excluded from the Agency's Statement of financial position.

As mentioned in the Performance Report, prior to 1 April 2016 the Agency, per the framework agreement with MOD, was responsible for the management of the OFDs, cavern sites and residual GPSS. From 1 April 2016, the framework agreement has been expanded to include the maintenance of the sites following the insourcing of operations from the previous third-party supplier. The 2016-17 and 2017-18 accounts have been prepared on a basis that reflects this expanded remit.

b Significant Judgments and Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques.

Details of the significant judgements that management have made in the process of applying the Agency's accounting policies are pension liabilities (see (g)). Independent and qualified actuaries assess the specific factors that influence the pension fund position.

Other significant judgements include the estimation of accruals. The OPA uses a qualified Quantity Surveyor to assist in these estimations so that expenditure is recognised in the correct period.

c Going Concern

These accounts have been prepared on a going concern basis. The Chief Executive as Accounting Officer has taken the view that as the primary service of the OPA will remain unchanged for the long term, storing fuel for the Navy, the OPA will continue in its current form as Managing Agent of the OFDs and GPSS residual sites. The OPA is responsible for the safe running of these facilities.

As a result, it is appropriate that the financial statements have been prepared on a going concern basis.

d Income

Operating income relates directly to the operating activities of the Agency, primarily the safe storage of fuel for the Navy. Income is recognised on an accruals basis and the amounts are recorded at fair value.

e Expenditure

Expenditure is recognised on an accruals basis. Expenditure which is capital in nature, but for which Agency does not retain the risks and rewards in the future, is expensed in year.

f Property, plant and equipment

Since the Agency manages and maintains the residual GPSS and OFDs only as an agent of the Secretary of State for Defence the assets of the GPSS and OFDs are excluded from the Agency's Statement of financial position. Capital investment expenditure is charged as a separate fee to the MOD and capitalised in the MOD resource accounts.

g Pension costs

Pension costs incurred in respect of the defined contribution pension fund are charged to the statement of comprehensive net expenditure.

Pension costs incurred in respect of the defined benefit pension funds are accounted for in accordance with IAS 19. The Agency recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Agency has a legal or constructive obligation to make good the deficit in the scheme. Conversely, the Agency recognises an asset in respect of any surplus. The net defined benefit asset is recognized at the lower of (a) the surplus in the defined benefit plan; and (b) the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

Scheme managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. Details of this can be found in Note 13.

The service costs of providing retirement benefits to employees, together with the cost of any benefits relating to past service, are charged to the statement of comprehensive expenditure. A credit equivalent to the net interest income is included in the statement of comprehensive expenditure. The return on plan assets during the year is recognised in the general reserves account in the year together with any differences arising from changes in assumptions.

h Taxation

Corporation tax
The charge for taxation is based on the taxable profit for the year and takes into account deferred taxation. In accordance with IAS 12 (Income Taxes), deferred tax is recognised as a liability or an asset if transactions have occurred during the year that may give rise to an obligation to pay more, or a right to pay less, taxation in the future. Deferred tax assets or liabilities are not discounted.

Value Added Tax
VAT is charged at the prevailing rate and where related input VAT costs are recoverable. Input VAT is also recovered on certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

2 Statement of accounting policies (continued)

i Leases

At their inception, leases are classified as operating or finance leases, based on the extent to which the risks and rewards of ownership lie with the company. Where the Agency is the lessor (when all risk and reward has been transferred to the lessee), it follows the accounting principles set out in IAS17.

The Agency does not have any finance lease. Its operating lease rentals are charged to the statement of comprehensive net expenditure as incurred.

j Staff costs

In accordance with IAS 19 (Employee Benefits), all staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave at the year end. The cost of untaken leave has been determined and charged to the statement of comprehensive expenditure.

k Financial instruments

The Oil and Pipelines Agency does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (notes 8 and 9). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Agency will be unable to collect an amount due in accordance with agreed terms (Note 17.)

l Operating segments

The Agency reports its activities as a whole and does not have any sections of business which represent separate income streams as per the definition of operating segment under IFRS 8.

m Impending application of newly issued Accounting Standards not yet effective

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to the Agency are outlined below. The Agency has not adopted any new IFRS standards early.

IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018. This standard replaces all existing IFRS guidance on revenue recognition. The Agency has undertaken the 5-point test to ensure that new revenue recognition rules are applied and believe that the new standard will not alter the way that revenue is recognised.

IFRS 9 – Financial Instruments. This is effective from 1 January 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting.

IFRS 16 – Leases. This standard is effective from 1 January 2019. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.

The Agency will apply the standards upon formal adoption in the FReM. It is not anticipated that material adjustments to the financial statements will be required following the introduction of these standards.

3 Information required by paragraph 2 of The Oil and Pipelines Agency Accounts Direction 2004

Statutory Borrowing Limit

The Secretary of State for Defence has given the Agency consent, under Paragraph 1(4) of Schedule 3 to The Oil and Pipelines Act 1985, to borrow, temporarily, from sources other than himself, up to the current limit of £20 million, which is specified in that Schedule. This limit may be raised to such greater amount, not exceeding £80 million, as the Secretary of State for Defence may specify by Order, made with the approval of the House of Commons. At no time during the year did the Agency borrow any amount.

4 Operating income

Operating income (exclusive of VAT) represents the Agency's fees received from the Secretary of State for Defence in respect of the management of the GPSS and OFDs:

	2018	2017
	£000	£000
Agency Fees (DIO)	**2,900**	1,517
Agency Fees (NC)	**17,382**	14,325
Commercial receipts	**2,390**	2,621
Post sale recharges	**86**	57
	22,758	18,520

Agency fees are calculated through apportionment of costs incurred in delivery of GPSS and OFD activities. The above fees represent the respective costs of managing each group of crown assets on behalf of the different top-level budgets in MOD.

The post-sale recharges relate to costs incurred by the OPA on behalf of CLH-PS. They mainly related to rental costs on a leasehold property. All costs incurred were recharged and paid by CLH-PS.

5 Staff costs

The average number of permanent employees, including Members and Committee Members, during the year was 127 (2017: 111) and the number of employees at 31 March 2017 was 124 (2017: 115). The average of whole-time equivalent non-permanent persons employed during the year was 3 (2017: 7). Staffing costs were as follows:

	2018	2017
	£000	£000
Wages and salaries – to permanently employed staff	**4,800**	4,236
– to other contract and temporary staff	**155**	346
Social security costs incurred by the Agency	**523**	467
Defined benefit pension costs (note 13)	**652**	580
Defined contribution pension costs	**422**	292
Redundancy costs	**–**	70
	6,552	5,991

6 Other Expenditure

	2018	2017
	£000	£000
Office operating lease – buildings	**431**	331
Other occupancy costs	**1,600**	1,235
Staff related costs*	**199**	171
Travel, subsistence and hospitality	**517**	431
Recruitment and training	**381**	359
Professional fees	**248**	310
Auditors' Remuneration: Audit (NAO)	**31**	32
Office supplies and equipment	**404**	469
Other administration costs	**304**	118
	4,115	3,456

During 17-18 the OPA moved from Aviation House to share space with another Government Agency at Clive House in Westminster. Occupancy costs will be significantly reduced going forward. In 2017-18 occupancy costs were significantly higher due to a prior year rent review being agreed on an ex-GPSS site; these costs were rebilled to DIO pre-sale and CLH-PS post-sale.

*Staff related costs include: Permanent Health and Life Assurance premiums undertaken by the Agency for the benefit of its employees; Personal Protective Equipment and untaken holiday at year end.

7 Maintenance Expenditure

	2018	2017
	£000	£000
Other costs	**819**	944
Tank inspection Programme	**2,524**	2,571
Jetty maintenance	**547**	429
Infrastructure improvements	**3,499**	2,680
HSEQ investment	**472**	423
Security	**405**	329
Capital investment	**3,928**	1,671
	12,194	9,047

Increased investment in the MOD owned OFD assets to gain COMAH compliance have seen an increase in the Infrastructure improvement cost line. Additional expenditure on supporting the capital projects and additional investment in large project works led to an increase in Capital investment. As the OPA does not own the assets of the Secretary of State, Capital investment is included as an OPA maintenance expenditure but recognised in the MOD accounts as a Capital item.

8 Cash at bank and in hand

	2017-18	2016-17
	£000	£000
Balance 1 April	**5,241**	5,387
Net change in cash at bank and in hand	**(1,477)**	(146)
Balance 31 March	**3,764**	5,241

The following balances at 31 March were held at:

Commercial banks – 10 day notice	**3,626**	3,622
Commercial banks – instant access	**138**	1,619
Net cash at bank and in hand	**3,764**	5,241

9 Trade and other receivables

	2018	2017
	£000	£000
Trade and other receivables falling due within one year comprise:		
Trade and other receivables	**4,465**	3,111
Accrued Income	**1,091**	1,268
Prepayments	**273**	220
	5,829	4,599

Included in accrued income is £917,000 due from the MOD relating to Agency Fees in respect of managing the GPSS and OFDs (2017; £962,000). Trade and other receivables includes £4,219,000 relating to Agency fees in respect of managing the GPSS and OFDs due from the MOD (2017; £2,870,000).

10 Trade and other payables

	2018	2017
	£000	£000
Trade and other payables falling due within one year comprise:		
Trade and other payables	**1,235**	1,838
Accruals and deferred income	**2,983**	2,873
Other taxation and social security	**717**	255
	4,935	4,966

Included in Accruals and deferred income is £0 regarding Internal Audit costs from MOD (2017; £4,495)

11 Commitments

a Capital commitments

At the end of the year there were no capital commitments authorised (2017: Nil).

b Operating leases

	2018	2017
	£000	£000
Buildings		
Not later than one year	**139**	150
Later than one year and not later than five years	**556**	–
Later than five years	**625**	–
	1,320	150
Other		
Not later than one year	**47**	46
Later than one year and not later than five years	**34**	80
Later than five years	**–**	–
	81	126

On the 1 October 17 a Memorandum of Terms was signed with the Ministry of Justice for office space at Clive House for a period of 10 years. This has been included as a building leasehold commitment and includes estimated total costs of the occupancy.

12 Contingent liabilities

Under the terms of the agency agreements for the management of the GPSS and OFDs, the Secretary of State for Defence indemnifies the Agency against any liabilities to third parties arising from the performance of its duties under the agreement.

At 31 March 2018 there were no contingent liabilities recorded (2017: Nil).

13 Retirement benefits pension schemes

The Agency operates two funded pension schemes providing benefits based on final pensionable pay, which are closed to new entrants.

The Oil and Pipelines Agency Retirement Benefits Plan is a defined benefits scheme managed by The OPA Pension Trustees Limited. The assets of the scheme are held separately from those of the Agency and are invested in a separate trustee administered funds. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The Oil and Pipelines Agency Retirement Benefits Plan has no active members.

The Federated Pension Plan is a Government Actuary's Department (GAD) certified defined benefits multi-employer scheme managed by PAN Trustees Limited, a professional trustee which runs the scheme on behalf of the various organisations which participate in it. This scheme is used to provide the OFD staff, who transferred into OPA on 1 July 2012, with benefits complying with the Fair Deal that are broadly equivalent to those enjoyed by members of the Principal Civil Service Pension Scheme.

The Agency sponsors the plan which is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This together with documents issued by the Pensions Regulator, and Guidance notes adopted by the Financial Reporting Council, set out the framework for funding.

The Agency may leave the plan but must continue to adhere to Fair Deal and would be required to move the assets and liabilities to an equivalent pension scheme.

The Agency and PAN Trustees Limited agreed that the Agency will make employer contributions of 46.3% and employee contributions ranging between 2.1% and 4.7% according to the employee's job level.

Additional employer contributions are paid into both schemes to reduce the scheme's deficit as advised by the scheme's actuaries.

The Agency adopts the accounting requirements set out in IAS 19 Employee Benefits.

13.1 Statement of Financial Position Pension asset

The plan assets and liabilities in the schemes were:

	2018	2017
	£000	£000
OPA Retirement Benefits Plan		
Equities	**1,411**	1,933
Government Debt	**10,526**	10,394
Corporate Bonds	**–**	–
Cash	**33**	23
Total fair value of assets	**11,970**	12,350
Present value of liabilities	**10,300**	12,123
Surplus/(deficit) in the scheme	**1,670**	227
Asset ceiling	**(1,670)**	(227)
Related deferred tax (liability)/asset	**–**	–
Surplus/(deficit)	**–**	–

	2018	2017
	£000	£000
Federated Pension Plan		
Equities	**3,434**	2,949
Government Debt	**1,717**	1,474
Corporate Bonds	**–**	–
Cash	**36**	14
Total fair value of assets	**5,187**	4,437
Present value of liabilities	**5,324**	4,828
Surplus/(deficit) in the scheme	**(137)**	(391)
Related deferred tax (liability)/asset	**28**	79
Surplus/(deficit)	**(109)**	(312)

The total value of assets before taxation has moved over the year as follows:

	FPP	OPA RBP	2018	FPP	OPA RBP	2017
	£000	£000	£000	£000	£000	£000
Opening fair value of assets at 1 April	4,437	12,350	**16,787**	3,259	10,377	13,636
Interest income	127	306	**433**	128	347	475
Employer contributions	773	–	**773**	653	–	653
Contributions by Members	43	–	**43**	47	–	47
Return on plan assets (excluding amounts included in net interest income)	(120)	(180)	**(300)**	443	1,863	2,306
Benefits (paid)	(73)	(506)	**(579)**	(93)	(237)	(330)
Total fair value of plan assets before tax at 31 March	5,187	11,970	**17,157**	4,437	12,350	16,787

Changes in present value of defined benefit obligations over the year are as follows:

	FPP	OPA RBP	2018	FPP	OPA RBP	2017
	£000	£000	£000	£000	£000	£000
Opening fair value of liabilities at 1 April	4,828	12,123	**16,951**	3,325	9,259	12,584
Current service cost	652	–	**652**	580	–	580
Interest cost	136	300	**436**	129	309	438
Contributions by Members	43	–	**43**	47	–	47
Remeasurements						–
Change in assumptions	(289)	(1,619)	**(1,908)**	856	2,662	3,518
Liability experience (gains)	27	2	**29**	(16)	130	114
Benefits (paid)	(73)	(506)	**(579)**	(93)	(237)	(330)
Present value of obligation before tax at 31 March	5,324	10,300	**15,624**	4,828	12,123	16,951

13.2 Charge to the statement of comprehensive net expenditure

	FPP	OPA RBP	2018	FPP	OPA RBP	2017
	£000	£000	£000	£000	£000	£000
Net interest income	(9)	–	**(9)**	(1)	–	(1)
Current service cost (staff costs note 5)	(652)	–	**(652)**	(580)	–	(580)
Credited/(charged) to net expenditure	(661)	–	**(661)**	(581)	–	(581)

Total re-measurements recognised in Other Comprehensive Expenditure:

	FPP	**OPA RBP**	**2018**	FPP	OPA RBP	2017
	£000	**£000**	**£000**	£000	£000 Restated	£000 Restated
Return on plan assets (excluding amounts included in net interest cost)	(120)	(180)	**(300)**	443	1,863	2,306
Experienced gains on liabilities	(27)	(2)	**(29)**	16	(130)	(114)
Changes in assumptions underlying liabilities	289	1,619	**1,908**	(856)	(2,662)	(3,518)
Total remeasurements	142	1,437	**1,579**	(397)	(929)	(1,326)

13.3 Actuarial assumptions

OPA Retirement Benefits Fund (OPA RBP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2018 and the major assumptions used were:

	2018	**2017**	**2016**
	%	%	%
Inflation rate	3.3	3.6	3.2
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pensions in payment	3.3	3.6	3.2
Discount rate for liabilities	2.6	2.5	3.4
Mortality birth table and cohort	S2PA L CMI model	S1PA L CMI model	S1PA L CMI model

No assumption is made for increases to salaries as there are no active members in the plan.

Federated Pension Plan (FPP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2018 and the major assumptions used were:

	2018	**2017**	**2016**
	%	**%**	**%**
Inflation rate (RPI)	3.25	3.4	3.3
Inflation rate (CPI)	2.25	2.4	2.3
Rate of increase in salaries	4.25	4.4	4.3
Rate of revaluation of deferred pension (CPI)	2.25	2.4	2.3
Rate of increase in pensions in payment (CPI)	2.25	2.4	2.3
Discount rate for liabilities	2.60	2.65	3.6
Mortality birth table and cohort	S2PxA	S2PxA	S2PxA
Allowance for commutation of pension for cash at retirement	50% to 3n/80ths x salary	50% to 3n/80ths x salary	50% to 3n/80ths x salary

13.4 Sensitivity Analysis

The Federated Pension Plan

Assumption	**Change in assumption**	**Change in liability**
Discount rate	Reduce discount rate by 0.25%	Increase by 4.8%
Rate of inflation	Increase inflation rate by 0.25%	Increase by 4.8%
Rate of salary growth	Increase salary rate by 0.25%	Increase by 1.0%
Rate of mortality	Increase life expectancy by 1 year	Increase by 2.6%

The Oil and Pipelines Agency
Retirement Benefits Plan

Assumption	**Change in assumption**	**Change in liability**
Discount rate	Reduce discount rate by 0.25%	Increase by 4.7%
Rate of inflation	Reduce discount rate by 0.25%	Increase by 3.8%

13.5 Plan history

	2018	2017
	£000	£000
OPA Retirement Benefits Plan		
Fair value of assets before taxation	**11,970**	12,350
Present value of defined liabilities before taxation	**10,300**	12,123
Surplus/(deficit) before taxation	**1,670**	227
History of experience gains and losses		
Return on plan assets (excluding amounts included in net interest cost):	**(180)**	1,863
Percentage of scheme assets (%)	**(1.5)**	15.1
Experienced gains on liabilities:	**(2)**	(130)
Percentage of the present value of the scheme liabilities (%)	**(0.0)**	(1.1)
Changes in assumptions: (£000)	**1,619**	(2,662)
Total remeasurements	**1,437**	(929)
Percentage of present value of the scheme liabilities (%)	**14.0**	(7.7)
Federated Pension Plan		
Fair value of assets before taxation	**5,187**	4,437
Present value of defined liabilities before taxation	**5,324**	4,828
Surplus/(deficit) before taxation	**(137)**	(391)
History of experience gains and losses		
Return on plan assets (excluding amounts included in net interest cost):	**(120)**	443
Percentage of scheme assets (%)	**(2.3)**	10.0
Experienced gains on liabilities:	**(27)**	16
Percentage of the present value of the scheme liabilities (%)	**(0.5)**	0.3
Changes in assumptions: (£000)	**289**	(856)
Total remeasurements	**142**	397
Percentage of present value of the scheme liabilities (%)	**2.7**	(8.2)

13.6 Expected Contributions

The best estimate of contributions to be paid by the Agency to the Federated Pension Plan for the year commencing 1 April 2018 is £698,000

A full actuarial valuation was carried out as at 5 April 2015 in accordance with the scheme funding requirements of the Pensions Act 2004. This actuarial valuation showed a deficit of £186,000. It was agreed with the trustees that it would aim to get the pension scheme fund into surplus over a period of three years from 6 April 2016 by paying £267,000 over 3 years. As at the balance sheet date £163,167 had been paid towards this deficit.

The Agency and Trustees of both pension schemes are in regular contact and additional funding is discussed between the trustees and the Agency on a needs basis.

The Federated Pension Plan is a multi-employer scheme. The Agency has agreed to adhere to a deed that extends the benefits of the plan to the Agency. Any amendment that materially affects the costs or liabilities of the Agency must be given prior approval by the Agency.

The Agency anticipates that no contributions will be paid to The Oil and Pipelines Agency Retirement Benefits Plan for the year commencing 1 April 2018 as there are no active members.

13.7 Asset liability matching

The Agency meets regularly with the Trustees of the pension schemes to ensure that the investment strategy of the pension scheme is able to meet future liabilities. Insurance policies have been purchased to provide funding to match liabilities for a number of pensioners. A further market test is being undertaken in the next financial year to investigate the costs of further insurance policies to match assets to liabilities.

The liabilities of the OPA Retirement benefit scheme are considered long term with deferred members ranging in age from 35–60. As a result the investment strategy is also long term to ensure future liabilities are matched by appropriate asset types.

13.8 Defined Contributions Scheme

During 2009-10 a defined contribution scheme was opened. Defined employer and employee contributions are paid into externally managed funds.

During the year employer contributions amounted to £422,000 (2017: £290,000).

14 General Fund Reserve

	Operating Cost	Pension Reserve	Total
	£000	£000	£000
At 31 March 2015	2,995	(993)	**2,002**
Changes to the general fund reserve for the year	149	279	**428**
At 31 March 2016	3,144	(714)	**2,430**
Changes to the general fund reserve for the year	83	(331)	**(248)**
At 31 March 2017	3,227	(1,045)	**2,182**
Changes to the general fund reserve for the year	(104)	91	**(13)**
At 31 March 2018	3,123	(954)	**2,169**

15 Related party transactions

The Agency is sponsored by the Ministry of Defence (MOD), through the Head Office and Commissioning Services, as its Managing Agent to manage the GPSS and OFDs, strategic defence assets, and in the MOD is regarded as a related party. The fees the Agency receives for the services it provides to the MOD are detailed in Note 2b).

During the year, The Agency was charged £24,000 by the MOD for services provided by Defence Internal Audit (2017: £12,000).

During the year, three Members of the Agency were employees of the MOD; Rear Admiral Stokes, Mr Matthew Harrison and Mrs Rachel Pearson.

The current Chairman and Chief Executive, were both Trustees of OPA Pensions Trustees Ltd. The transactions between OPA and OPA Pension Trustees Ltd are as per Note 13. Neither are members of the scheme.

During the year none of the board members, members of staff or other related parties have undertaken any material transactions with the Agency other than those disclosed in the remuneration and staff report or referenced in this note.

16 Financial Instruments

IFRS 7, Financial Instruments – Disclosures, requires disclosure of the role of financial instruments on performance during the period, the nature and extent of the risks to which the Agency is exposed and how these risks are managed.

As the duty of the Agency is to manage the GPSS and OFDs and to charge a fee that materially covers its operating costs, including actual pension contributions but not non-cash pension asset charges or credits, it is not exposed to significant financial risk. The only financial instruments relate to debtors, creditors and cash balances and therefore liquidity and cash flow risk is very low. All assets and liabilities are denominated in sterling and therefore the Agency is not exposed to currency risk. The Agency has no embedded derivatives.

Interest Rate Risk Management

The Agency has its cash deposited with its bankers that is available on 10 days' notice and attracts interest at a floating rate related to bank base rate. The Agency has no other deposits subject to market interest rate fluctuations, and is therefore subject to only limited interest rate risk.

Liquidity and Cash Flow Risk

The Agency has borrowing powers (note 3). These have not been exercised during the year. The cash funds are deposited with its bankers which are available immediately. Therefore, the Agency is not exposed to any significant liquidity risk or cash flow risk.

Credit Risk

The Agency is subject to some credit risk. The carrying amount of trade and other receivables, which is net of impairment losses, represents the Agency's maximum exposure to credit risk. Trade and other receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable.

17 Events after the reporting date.

The OPA continues in its current form concentrating on managing the Oil Fuel Depots and cavern sites on behalf of the Secretary of State for Defence.

These accounts have been authorised for issue by the Accounting Officer on the same date as the C&AG's Audit Certificate.

The Oil and Pipelines Agency accounts direction 2004

Accounts direction given by the secretary of state for defence, with the approval of the treasury, in accordance with schedule 3, paragraph 9(3), to the oil and pipelines act 1985 (the act)

1 The annual accounts shall give a true and fair view of The Oil and Pipeline Agency's profit or loss and cash flows for the financial year and the state of affairs as at the year-end. Subject to this requirement the Agency shall prepare accounts for the financial year ended 31 March 2004 and subsequent financial years in accordance with:

   a the Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance, issued by the Treasury, in force for the financial year for which the accounts are prepared;

   b other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

   c any other specific disclosures required by the Secretary of State;

   Except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

2 The notes to the accounts shall contain a statement of the position during the year and at the year-end in relation to the borrowing limit contained in the Secretary of State's consent given on 1 December 1985 pursuant to Paragraph 1(1)(b) of Schedule 3 to the Act.

3 This accounts direction supersedes The Oil and Pipelines Agency (Accounts) Notice 1992.

Signed by authority of the Secretary of State for Defence

Air Commodore AC Spinks 3 March 2004

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