

The Oil and Pipelines Agency Account 2014-15

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Presented to Parliament pursuant to the Oil and Pipelines Act 1985, Schedule 3 paragraph 9

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Chairman's statement

The Oil and Pipelines Agency (OPA) managed the Government Pipeline and Storage System (GPSS) and the UK Naval Oil Fuel Depots (OFDs), on behalf of its Sponsor, the Secretary of State for Defence. In addition to fulfilling its defence obligations, the agency provided commercial access to the GPSS for supply of jet fuel to most major airports in England and Wales.

During the year the Agency focused on two major deliverables in addition to its normal business tempo. Firstly the Agency supported fully the process of sale by the Ministry of Defence (MOD) of the GPSS business (to Compania Logistica de Hidrocarburos) which finally completed on 30 April 2015 and, secondly it continued its commitment to bring both the GPSS and OFD assets and operations in line with both the Control of Major Accident Hazard (COMAH) regulations and the Industry recommendations for Process Safety Leadership.

The sale of the GPSS business required a huge work effort from every member of the Agency staff, especially senior management, working alongside colleagues in the MOD and its advisors. Notwithstanding this, our programme of risk prioritised investment in safety and environmental projects continued on time and on budget for GPSS and our Industry-leading Chemical and Downstream Oil Industries Forum (CDOIF) environmental protection proposals were accepted by the Environment Agency/Scottish Environment Protection Agency (SEPA).

Progress on the renewal and renovation of our OFD asset portfolio has been slow to attract the required investment to meet COMAH standards. OPA Board engagement with MOD part way through this year met with positive support and commitment which has been welcomed by the Competent Authority as a significant enhancement to MODs previous capital investment plan. Our progress to deal with compliance actions in the OFDs has been substantial with only 12 actions overdue by year end.

For both GPSS and OFDs, I am pleased to report that there have been no enforcement actions taken in the year and all outstanding improvement notices have been closed.

In this extremely active and demanding year the Agency staff demonstrated their resilience and determination to meet the challenges, whilst striving to satisfy their customers, military and civilian alike, and I thank them for this outstanding effort.

G. H. G. Ellis
Chairman

Strategic Report

Agency Overview

The 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. Its task during the financial year was to provide for the safe, efficient, economic and effective management of the Government Pipeline and Storage System (GPSS). This task included the maximum development of private sector usage of the GPSS, provided this did not impinge upon its primary purpose of supplying the required fuel for defence purposes. The Agency was the Ministry of Defence's professional expert on bulk fuels storage and transportation by pipeline. Since July 2011 the OPA has had responsibility for managing the Naval Oil Fuel Depots (the "OFDs"). The GPSS and OFDs, strategic defence assets, are the responsibility of the Secretary of State for Defence. GPSS and OFD assets during the financial year were owned by the MOD and were accounted for in the MOD's Department Resource Account. The Ministry of Defence (MOD) sponsors the Agency as its Managing Agent through the Defence Commercial Oil & Pipelines Agency (OPA) Liaison – Head (this transferred from the Assistant Chief of Defence Staff for Logistics Operation on 15 November 2014).

The GPSS

The GPSS consists of some 2,500 kilometres of underground cross-country pipelines of differing diameters, together with storage depots, salt cavities, associated pumping stations, receipt and delivery facilities and other ancillary equipment. An outline map of the GPSS is included on page 10. Most of the storage depots are connected to the pipeline ringmain, which in turn is supplied by the majority of the major refining centres and port areas in England. Other self-standing pipelines and depots are situated elsewhere in England and Scotland. The GPSS receives, stores, transports and delivers light oil petroleum products for military and civil users.

Sale of GPSS assets and business

Following the Energy Bill being given Royal Assent in December 2013 which included provisions to allow for the sale of the GPSS, the GPSS business sale agreement was signed on 19 March 2015, with the sale completing on 30 April 2015. The business was acquired by Compania Logistica de Hidrocarburos (CLH) of Spain.

Since 30 April the OPA is now responsible for the safe, efficient and effective management of the OFDs as well as 6 care and maintenance sites and 2 active storage sites formerly part of the GPSS. These assets continue to be owned or leased by the MOD.

The OFDs

The 6 OFDs receive, store and issue middle distillate fuels to support Naval 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 bulk storage and regional support to Royal Fleet Auxiliary tankers and visiting warships. All sites are supplied by sea.

Agency business activity

The GPSS continued to play a significant role in supplying major civil airports during the year. Throughputs for the year fully met the demands of the civil aviation sector upon the system. The full military fuel movement requirement has also been delivered. A number of Health, Safety & Environmental related maintenance projects on pipelines and storage facilities were undertaken and financed by additional funds provided by MOD.

GPSS technical and contractual activities

The Agency continued its programme of inspection and repair of bulk fuel storage tanks, terminal pipework and cross-country pipelines to ensure the operational integrity and regulatory compliance of these assets into the future. As part of its commitment to ensure that there was a cost-effective regime in place to provide the necessary assurance that oil pipeline and terminal operations are safe, the Agency continued to work with regulatory authorities and other interested parties.

The Agency benefitted from working with a number of industry bodies, including the United Kingdom Onshore Pipeline Operators' Association (UKOPA), Conservation of Clean Air and Water in Europe (CONCAWE), the Tank Storage Association (TSA) and the Pipeline Industries Guild where industry initiatives and good practices are developed and shared.

The Agency is also a member of the Linewatch group where, together with other members, it works to assure pipeline integrity and security as well as to promote awareness amongst organisations involved in excavation of the risks of working without taking the necessary precautions in the vicinity of buried apparatus.

Through the Agency's Continuous Improvement Programme work continued on the delivery of the post Buncefield incident actions with a significant number of workgroups completing their work. The focus on Process Safety Leadership continues as does the drive toward the longer term goal of becoming a High Reliability Organisation.

This positive step change in OPA's COMAH compliance has continued over the past 12 months. This timetable for further Control of Major Accident Hazards (COMAH) compliance is still aggressive with further investment being made to continue the upgrade of operating practices and asset integrity. The Agency continue to work closely together with the Competent Authority and are fully committed to maintaining and improving on the standards expected of a modern COMAH operation.

In line with best practice, our governance and assurance processes at Board and sub-committee levels have been reviewed and updated and OPA's risk management system has been further revised, including confirmation of the Agency's risk appetite.

Agency Strategy and Business Model

The commercially focused business strategy was updated in preparation for the GPSS sale with an updated future investment profile. This profile has been optimised through the application of the Chemical and Downstream Oil Industries Forum (CDOIF) Environmental Establishment Risk methodology.

The work of MOD's Asset Management Programme continued and the Agency has worked intensively throughout the year to achieve the sale of the GPSS to CLH. Military supply has been assured through the enduring Military Contract entered into as part of the sale.

Principal Risks

One of the Board's main tasks was to ensure that the Agency, the GPSS and the OFDs were run effectively and safely and that material risks were identified, understood and that the systems of risk management and internal control were in place to manage these risks.

The key risks facing the Agency during the financial year were:

Regulatory Compliance
Ongoing management of the OFDs and GPSS
Sale of the GPSS

Further background and detail relating to these principal risks is given in the Governance Statement which commences on page 14.

Performance during the year

Key Performance Indicators

The Board has set KPIs against which it measures OPA performance at each Agency meeting. These metrics are kept under periodic review to ensure they are relevant to the Agency's strategy.

The financial objective of the Agency is to contain its normal operating and administrative expenses, before non-cash pension fund adjustments, within its allocated budget and to recover actual costs as a management fee from the Secretary of State for Defence. As a result of recruiting additional staff with the expertise necessary to meet current and future business requirements of the Agency and industry regulators, particularly the Competent Authorities, the Agency's staff costs increased. The management fee has increased accordingly. After adjustment for non-cash pension fund adjustments the Agency's result for the year was a net expense after taxation of £80,000 (2014: net expense after taxation £35,000).

Forecast costs for next year are £6.6 million – a reduction in costs of £3.8 million. This is due to the head office staff employed to run the GPSS transferring to CLH-PS under TUPE arrangements on 30 April 2015.

During the year there has been a decrease in the number of Enforcement Notices (Prohibition & Improvement) served on both the GPSS and OFDs (7 in 13/14 and 1 in 14/15). The OPA has also seen a reduction in Legal actions being issued by the Competent Authority. The OPA is unlikely to see a significant improvement in the key areas of compliance (Containment and Ageing Plant) until there are significant physical changes on OFD sites. These plans have been submitted for approval to the Ministry of Defence.

The Agency is in a position of strong liquidity. Sufficient cash reserves are maintained in order 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.

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.

Workforce by gender

| Numbers as at 31 March 2015 | Male | Female |
|-----------------------------|------|--------|
| Agency Members | 4 | 0 |
| Senior Managers | 14 | 3 |
| Employees* | 126 | 34 |

*Senior managers are included in Employees total.

Future of the Business

In December 2013, the Energy Act 2013 received Royal Assent. This included provisions to enable the sale of the GPSS, which the Agency manages on behalf of the MOD. On 30 April 2015 the MOD completed the sale of the GPSS to CLH. The Agency will remain in place for the foreseeable future for the purpose of maintaining the OFDs.

Further details are included within Note 2b of the accounts (page 26). The accounts have been prepared on a going concern basis.

Workforce by gender who did not TUPE across to CLH PS

| Numbers as at 30 April 2015 | Male | Female |
|-----------------------------|------|--------|
| Employees | 80 | 11 |

Conclusion

In this very demanding year the Agency staff have really focused their energy and determination to meet and achieve the challenges set, focussing on business as usual whilst co-operating fully with MOD in assisting with the preparations for sale and I thank them for this successful outcome.

A Jackson
Chief Executive and Accounting Officer

7 September 2015

Directors' Report

The 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. Its task was to provide for the safe, efficient, economic and effective management of the Government Pipeline and Storage System (GPSS). During 2012 the OPA took responsibility of the Naval Oil Fuel Depots, OFDs resulting in significant change as staff, equipment, procedural systems and regulatory authorities transferred from military to civilian standards.

Crude oil supply and trading

There has been no activity in crude oil supply or crude oil trading during the year.

Members and Principal Officers

The following served as Members and as Principal Officers of the Agency during the year:

| | | |
|--------------------------|--------------|---|
| Members: | G Ellis | Chairman – Non-executive |
| | AVM G Howard | Non-executive (resigned 15 November 2014) |
| | CJS Price | Chief Executive and Accounting Officer (resigned 30 April 2015) |
| | R Sims | Non-executive and MOD Sponsor from 16 November 2014 |
| | T Woolley | Non-executive |
| Principal Officers: | CJS Price | Chief Executive and Accounting Officer (resigned 30 April 2015) |
| Secretary to the Agency: | ME Edwards | |

Mr A Jackson was appointed Chief Executive and Accounting Officer with effect from 30 April 2015. Rear Admiral R Stokes was appointed as a Member of the Agency on 1 May 2015.

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.

Agency administration

The total number of personnel employed by the Agency as at 31 March 2015, excluding non-executive members, was 160.

Retirement benefits pension schemes

Information on the Agency's pension schemes can be found in the Remuneration Report, Accounting Policies note 2 f) and note 15 to the accounts.

Accounts

These financial statements have been prepared in accordance with the 2014–15 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.

Principal activities

The principal activity of the Agency during the financial year was to manage the GPSS and OFDs on behalf of the Secretary of State in accordance with the requirements and obligations of the agreement in place between them. The report and accounts of the GPSS and OFDs are not included with those of the Agency as they are included within MOD's Department Resource Account. With effect from 30 April 2015 the GPSS business was purchased by CLH.

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. The number of days outstanding between receipt of invoices and date of payment calculated by reference to the amount owed to trade creditors at the period end as a proportion of the amounts invoiced by suppliers during the period, was four days (2014: twelve days).

Personal data related incidents

In common with other government and public bodies, MOD agencies are now required to set out in their accounts a summary of any losses (or unauthorised disclosures, or insecure disposals) of protected personal data, whether formally reported to the Information Commissioner or not but recorded centrally by the Agency. The Agency had no such reportable 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 between £28,000 and £34,000. 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 21 and 22.

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.

A Jackson
Chief Executive and Accounting Officer

7 September 2015

General outline of the GPSS and OFDs

- Oil Fuel Depot (OFD)
- Government Pipeline and Storage System (GPSS)



Remuneration Report

The Remuneration Committee

The members of the Remuneration committee are the Chairman, and the non executive Members of the Agency and 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 directors. 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 and inflation indices. Comparison with competitive market rates including periodic review with external commercial entities in similar industries is only used in exceptional circumstances. Staff are subject to levels of remuneration and terms and conditions of service (including Pensions) as set by the Agency and having due regard to equal pay, job grading, retention and motivation of staff. The MOD is represented by its appointed Members.

Remuneration details

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

| | | Appointed | Appointed to | 2015 Salary band £000 | 2014 Salary band £000 |
|------------|----------|------------------|---------------------|--------------------------------------|-----------------------------|
| G Ellis | Chairman | 1 April 2012 | 31 March 2017 | 25-30 | 25-30 |
| AVM Howard | Member | 14 October 2013 | 15 November 2014 | - | - |
| R Sims | Member | 28 March 2014 | 28 March 2016 | - | - |
| T Woolley | Member | 16 July 2012 | 16 July 2017 | 10-15 | 10-15 |

AVM Howard, Assistant Chief of Defence Staff for Logistics Operation and Mr R Sims, OPA Liaison, 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.

The remuneration during the year of Mr CJS Price, Chief Executive and executive Member from 1 April 2014 to 31 March 2015, was £128,000. This included a non-consolidated bonus of £8,400 relating to the year ended 31 March 2014 and no taxable benefits were paid. Mr CJS Price is a member of the Oil and Pipelines Agency Group Pension Plan, the defined contribution pension scheme, and during the year employer contributions of £15,000 were made on his behalf. Mr Price's contract can be terminated at any time giving six months' notice and includes a provision for a performance related bonus of between 0% and 10% of basic salary. On the 30 April 2015 Mr Price was TUPE transferred to CLH-PS.

The remuneration of the highest paid director for the year was £128,000 (2014: £125,000) being a ratio of 4.3 of the median remuneration paid for the year which was £30,000 (2014: £29,365).

The above disclosed remuneration details are all based on amounts paid in year.

This section is subject to audit.

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 2015.

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.

Oil and Pipelines Agency Retirement Benefits Plan

The Oil and Pipelines Agency Retirement Benefits Plan is a defined benefits scheme managed by The OPA Pension Trustees Limited. Separate financial statements for the Plan are produced each year which show the movements on the fund account and the value of its assets. The constitution of the Plan and the powers and duties of the Board of the Trustee are set out in the Third Definitive Trust Deed and Rules dated 13 September 2010 (together hereinafter referred to as the Trust Deed).

The Trust Deed replaced the Second Definitive Trust Deed and Rules dated 1 December 1992 as amended which in turn replaced the trust deed and rules dated 27 September 1982 (referred to in the Trust Deed as the First Definitive Trust Deed and Original Rules) as amended.

The Third Definitive Trust Deed and Rules was put in place to consolidate the Second Definitive Trust Deed and Rules with amendments to it and to ensure that the retirement benefits plan remained compliant with current pension legislation.

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. An actuarial valuation of the plan was carried out as at 5 April 2014 and revealed a funding shortfall of £779,000. A deficit payment of £802,000 (including interest) was paid to the plan in December 2014.

Pension costs are accounted for under International Accounting Standard 19 (notes 2(f) and 15 to the accounts), which require an independent qualified actuary, Mr J McCoy FIA of Capita Hartshead, to carry out an actuarial assessment of the pension scheme. At the year end, the actuary has valued the pension scheme surplus before taxation at £754,000 (2014: deficit before taxation of £132,000).

Federated Pension Plan

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

The assets of the scheme are held separately from those of the Agency and are invested in a separate trustee administered fund. The Agency and the Trustee have agreed that the Agency will make employer contributions of 35% and employee contributions ranging between 2.1% and 4.7% according to the employee's job level.

Pension costs are accounted for under International Accounting Standard 19 (notes 2(f) and 15 to the accounts), which require an independent qualified actuary, Paul Pritchard, JLT Benefit Solutions Ltd, to carry out an actuarial assessment of the pension scheme. At the year end, the actuary has valued the pension scheme deficit before taxation at £294,000 (2014: deficit before taxation of £42,000). Separate financial statements for the plan are produced each year.

Defined Contributions Scheme

The Agency operates a defined contribution scheme. Defined employer and employee contributions are paid into externally managed funds. (See note 15)

Post sale

The Agency will continue to operate both Defined Benefit schemes and the defined contribution scheme post sale. No employees in the Defined Benefit schemes transferred to CLH at sale date.

A Jackson
Chief Executive and Accounting Officer

7 September 2015

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 on 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, Agency Members are 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:
- and 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*.

Governance Statement

The Framework Document between MOD and the Agency sets out the roles, responsibilities and accountability of both parties. This will be modified as a result of the GPSS sale.

As at 30 April 2015, when the GPSS assets were sold to CLH, Charles Price stepped down as Accounting Officer and Chief Executive of the Oil and Pipelines Agency (the "Agency"). Having been appointed as Accounting Officer and Chief Executive on 30 April 2015, I have worked closely with Charles over the last few months to ensure a smooth transition of responsibilities and in preparation of this Governance Statement. I have received suitable assurances from him to have informed my opinion.

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 funds and assets include those relating to the Government Pipeline and Storage System ("GPSS") and Oil Fuel Depots ("OFDs"), 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.

Best Practice

The Agency, as a public corporation, is governed according to The Oil and Pipelines Act 1985, Cabinet Office and HM Treasury Guidelines, its Framework Document 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 2011 Code (Corporate governance in central Government departments: Code of Good Practice), which is focused on the role of boards.

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.

Board composition

The OPA Board comprises four Members, as defined by the Oil and Pipelines Act 1985. As at 31 March our Board comprised a non-executive Chairman, two non-executive Members (one of which is a representative from MOD) and one executive director.

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

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

In addition to regular Board meetings there has been 1 Board workshop during the year which focussed on GPSS sale specific areas. The Board has discussed its effectiveness in March 2015, particularly given the proposed changes to the Board and the business itself following the sale of the GPSS. It was concluded that for the time being the Board would continue to meet on a monthly basis until such time as it feels that the business has reached a more steady state and post-sale issues have been addressed. It was felt that the volume of board papers could reduce, these could be consolidated, be more concise and clearly state any decisions required of the Board. A new suite of KPIs have been agreed with the various stakeholders of the business and following the sale of the GPSS.

In addition to meetings and Board workshops, the Board receives management accounts which deliver high quality information in a timely fashion. The management accounts are reviewed against budget and prior years in order to assess performance. This assists in identifying any potential areas of weakness as well as in decision making.

Risk management is a key focus of the Board, which has established the Health, Safety, Environment and Quality ("HSEQ") 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.

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.

Responsibilities of the Agency and Agency Committees

Responsibility for assuring that high standards of corporate governance are observed at all times rests with Agency Members who are responsible for ensuring the maintenance of a control framework in which they can obtain assurance that risk is properly assessed and managed, appropriate internal 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 and 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 GPSS and OFD 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 Under Secretary.

The Audit Committee

The Audit committee of the Agency comprises three members, Mr T Woolley, Mr M Eames and Mr G Watts. Mr T Woolley who is the Chair of the Audit Committee, is also a Member of the Agency. Messrs Eames and Watts regularly attend the Board meetings in their capacity as associate members. The responsibility of the Audit Committee, as set out in terms of reference approved by the Agency, is to provide advice to the Agency on:

- Strategy for corporate governance, risk management and internal controls.
- Governance Statement.
- Accounting policies, financial statements, including the annual report and accounts, as well as matters arising from external audit.
- Status of control framework, with actions arising from the control framework questionnaire and any related issues.
- Follow-up to external auditor's management letter and other external reviews of the Agency.
- Adequacy of the assurances provided through external and internal audit

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 and the National Audit Office.

During the year the Audit Committee held 5 meetings and received comprehensive reports from management and the internal and external auditors. In particular, it reviewed the Agency's risk register and monitored the effectiveness of the procedures for identifying and mitigating risks and internal control over financial reporting. It also discussed with management, the external auditors and internal auditors issues that arose on accounting policies. The Audit Committee also requests reports on such matters it deems appropriate. A thorough review of the Audit Committee's effectiveness was conducted during the year. To ensure the audit committee members, who were not Board members, were kept up to date with developments within the business and understood the impact of the sale process on the business's activities, they were invited to attend all Board meetings and were duly appointed as associate members.

The Audit Committee reviews the annual accounts of the Agency and the GPSS, together with the plans and reports of The Agency's internal and external auditors. The external auditors are the National Audit Office, which provides an audit opinion on the financial accounts of the Agency. The internal auditors are Defence Internal Audit (DIA), who provide regular assurance on the adequacy and effectiveness of the Agency's arrangements for risk management, internal controls and corporate governance.

Throughout the year, DIA conducted an audit of the Agency, focusing on those areas identified jointly with management that had previously presented the highest risks to the Agency and that required further follow up work. As a result of the audit findings the Agency has put in place a programme of rectification which is ongoing. Those areas which were identified as the main risk areas for this financial year which needed re-visiting were: Continuity of Product Supply – Follow On, which received an audit opinion of limited assurance, the Procurement Processes - Follow On which received an audit opinion of limited assurance, OFD Fuels Quality – Follow Up which received an audit opinion of unsatisfactory, and Continuous Improvement Programme – Follow Up which received an audit opinion of satisfactory. DIA identified that whilst some areas were making significant progress in addressing the issues identified in the original audits there was still some progress to be made. It was recognised that the management team had been particularly stretched in this financial year due to the additional demands of the sale process.

In addition to the audits conducted by DIA the Agency's business has undergone a thorough review of all areas of its business as part of the due diligence exercise due to the sale of the GPSS business. The Board were suitably assured by the fact that this process did not identify any significant issues for the Agency.

In addition to the planned audit programme the Board requested that DIA conduct a review of the management of the Agency's most significant contract, particularly focussing on its authorisation and controls. DIA recognised that OPA management continue to drive progress in improving components of their governance framework. However, the focus of senior management was stretched between business as usual activities, delivery of safety process improvements and GPSS sale activities.

The Health, Safety, Environment and Quality ("HSEQ") Committee

The Agency has established a Health, Safety, Environment and Quality (HSEQ) Committee as a Committee of the Board to support them in their responsibilities for issues of Health, Safety, Environment and Quality. 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. Information received includes HS&E performance data, the outputs of the assurance process and external audits and reports. The Committee shall also provide the Board with assurance that a strong safety culture and leadership is in place within the Agency.

As at 31 March 2015, the HSEQ Committee comprised seven members and is chaired by non-executive Mr. Stephen Pearce, who was appointed during the year; Mr Pearce does not have a position on the Agency Board.

The remaining members are:

Charles Price – Chief Executive and Accounting Officer

Steve Land – Operations Director (GPSS)

Adrian Jackson – Operations Director (OFDs)

Graham Moore – Assurance Manager (OFDs)

Alan Edwards – Assurance Manager (GPSS)

Anthony Small – Engineering Manager (OFDs)

Simon Cook – Technical Director (GPSS)

Jonathan Garton – Costain Operations Director

Mike Linley – Costain, Operations Director

The HSEQ Committee met five times as a formal committee this year. Four meetings were held on site and involved a site tour and review of local improvement plans.

The committee continues to work to an agenda that embraces Performance, Compliance, Plans, Monitoring and a review of the risk register.

Key improvements and activities during the year were as follows:

- Focusing on securing compliance with COMAH requirements has been sustained during the year. The Continuous Improvement Plan focus on priorities agreed with COMAH Competent Authority (CA), sound relations have been maintained with the regulator. Particular focus has been on delivering the Continuous Improvement Plan linked to the priorities agreed with the Regulator and closing out actions and recommendations stemming from CA visits.
- Monitoring and review of key indicators from a range of sources to assess HSEQ performance
- Understanding the impact of the sales process on the management of HSEQ in the Agency
- Continuing use of the Chemicals and Downstream Oil Industries Forum (CDOIF) Working Group Environmental Establishment Risk methodology to inform improvements in primary, secondary and tertiary containment, has been progressed during the year
- Seeking to be viewed as an industry exemplar by the Competent Authority for the improved structure of the COMAH Safety Reports, the Agency's Overfill Protection Policy and the application of the CDOIF methodology noted above.

Remuneration Nomination Committee

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

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 | 9/9 | | | 4/4 |
| Charles Price | 9/9 | | | |
| AVM Howard** | 5/5 | | | 3/3 |
| Trevor Woolley | 9/9 | 5/5 | | 4/4 |
| Richard Sims | 8/9 | | | 3/3 |
| Graham Watts | | 5/5 | | |
| Mark Eames | | 5/5 | | |
| Stephen Pearce | | | 5/5 | |
| Adrian Jackson* | | | 2/2 | |
| Simon Cook | | | 3/5 | |
| Alan Edwards* | | | 2/2 | |
| Jonathan Garton | | | 5/5 | |
| Steve Land* | | | 2/2 | |
| Mike Linley | | | 2/2 | |
| Graham Moore | | | 4/5 | |
| Anthony Small* | | | 1/1 | |
| Alister Walgate** | | | 3/3 | |

* Appointed part way through the year

** Term of appointment ended 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 Code of Conduct takes into consideration both the principles by which members of staff should abide, roles and responsibilities are clearly defined by structure charts, delegations of authority, job descriptions, terms of references etc. The Risk Management System is embedded and working effectively across the organisation. 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.

The Agency's Internal Control Framework comprises:

- Committee Structure (Agency, Audit, HSEQ and Remuneration Nomination Committees)
- Organisation structure and reporting lines
- Business Planning Process
- Risk Management System
- Performance Management System

- Human Resources System
- Review
- Monitoring
- Table of Delegated Authority

Risk assessment

One of the Board's main tasks is to ensure that the Agency, the GPSS and the OFDs are run effectively and 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 done 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 and at least 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 Board has also conducted a thorough review of the Agency's risk management framework. It was agreed that the next steps in developing the risk management system was to set and formally approve the Agency's risk appetite statement. The Board aims to ensure the risk management system is in line with best practice as part of the Continuous Improvement Programme.

The following main risks have been identified since 1 April 2014:

- **Regulatory Compliance**
The four year Continuous Improvement Programme (CIP) continues apace with delivery of improvements in People, Plant and Processes against the CA's ten key strategic priorities. Progress, despite the sale process, achieved by us and our O&M contractor, Costain, remains significant and substantive progress has been recognised by the Competent Authority (CA) and continues to deliver major advances in compliance across the CA's key strategic priorities.
- **Ongoing Management of OFDs**
The Agency has now completed a significant number of actions arising from Enforcement Actions from Competent Authority interventions. There is still some work to complete but over the year there has been a 90% reduction in our action log. It is inevitable that further CA interventions will produce further actions as a result of a historical lack of investment in both asset integrity and regulatory compliance over many decades. There will be challenges to secure funding to alleviate these shortcomings but the Agency in conjunction with MOD has recognised this at the highest levels and there is significant ongoing work to secure the necessary strategic investment to assure capability in the long term. The completion of the GPSS sale will now allow the remaining Agency team to focus on the OFD assets to secure their future.
- **Sale of the GPSS**
The Sale and Purchase Agreement was signed with CLH Group of Spain on 19th March, 2015. Whilst the closure of the sale straddled year end, completion was achieved on the 30 April 2015 and the bulk of the Agency staff transferred successfully to CLH Pipeline System (CLH-PS) Ltd. The mitigating actions identified through the Management of Organisational Change (MoOC) for the sale process were delivered resulting in none of the potential risks being realised. The Agency will continue to operate and manage the operation of the OFDs and the residual sites as excluded from the sale perimeter.

Review of Effectiveness of Risk Management and Internal Control

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 and departmental managers within the Agency and supported by the work of the Agency's Audit Committee itself. 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 Audit Committee and the Agency Board.

This year has been particularly challenging due to the additional demands of the GPSS sale, the move of head office and the pace of change needed for regulatory compliance. I would like to thank Charles Price and his team for working to achieve this successful outcome and I look forward to the challenges ahead for the remaining business.

A Jackson
Chief Executive and Accounting Officer

7 September 2015

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

I certify that I have audited the financial statements of the Oil and Pipelines Agency for the year ended 31 March 2015 under the Oil and Pipelines Act 1985. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive and Auditor

As explained more fully in the Statement of Chief Executive and Accounting Officer's Responsibilities, the Agency and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Oil and Pipelines Act 1985. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

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 2015 and of the 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 directions issued thereunder by the Secretary of State.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Oil and Pipelines Act 1985; and
- the information given in the Strategic Report, Directors' Report, Governance Statement and the unaudited part of the Remuneration 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
- the financial statements and the part of the Remuneration 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

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

14 September 2015

Statement of Comprehensive Net Expenditure year ended 31 March 2015

| | Notes | 2015 £000 | 2014 £000 |
|---|---------|-----------------|--------------|
| Expenditure | | | |
| Staff costs | 7 | (8,346) | (6,687) |
| Depreciation | 10 & 11 | (42) | (62) |
| Other expenditures | 8 | (2,027) | (1,924) |
| Total Expenditure | | (10,415) | (8,672) |
| Income from activities | 6 | 10,318 | 8,575 |
| Net income/(expenditure) | | (97) | (98) |
| Interest receivable from bank accounts | | 67 | 70 |
| Other finance income | 15 | (8) | 20 |
| Net income/(expenditure) after interest and other finance income | | (38) | (8) |
| Tax on taxable net income/(expenditure) after interest and other finance income | 9 | (42) | (27) |
| Net income/(expenditure) after taxation | | (80) | (35) |

Other comprehensive expenditure

| | | | |
|--|----|--------------|-------|
| Net gain/(loss) on revaluation of property, plant and equipment | | 0 | 0 |
| Actuarial gain/(loss) recognised in pension schemes | 15 | (878) | (628) |
| Deferred tax arising on (gain)/loss recognised in the pension scheme | | 25 | 126 |
| Total comprehensive income/(expenditure) for the year | | (933) | (537) |

The accompanying notes on page 27 to 41 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.

Statement of Financial Position year ended 31 March 2015

| | Notes | 2015 £000 | 2014 £000 |
|--|-------|-----------------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | – | 61 |
| Intangibles | 11 | <u>25</u> | <u>30</u> |
| Total non-current assets | | <u>25</u> | <u>91</u> |
| Current assets | | | |
| Assets Held for Sale | 10 | 46 | – |
| Trade and other receivables | 12 | 1,767 | 1,468 |
| Cash at bank and in hand | | 4,116 | 4,981 |
| Deferred tax asset | | – | 43 |
| Total current assets | | <u>5,929</u> | <u>6,492</u> |
| Total assets | | <u>5,995</u> | <u>6,583</u> |
| Current liabilities | | | |
| Corporation tax due | | 0 | (4) |
| Trade and other payables | 13 | <u>(1,337)</u> | <u>(1,123)</u> |
| Total current liabilities | | <u>(1,337)</u> | <u>(1,127)</u> |
| Total assets less current liabilities | | <u>4,618</u> | <u>5,456</u> |
| Non-current assets/(liabilities) | | | |
| DB Pension Scheme | 15 | <u>(235)</u> | <u>(140)</u> |
| Assets less liabilities | | <u>4,383</u> | <u>5,316</u> |
| Reserves | | | |
| Contributed capital | 1 (a) | 2,380 | 2,380 |
| General fund reserve | 16 | 2,002 | 2,935 |
| Revaluation reserve | 17 | 1 | 1 |
| Total Reserves | | <u>4,383</u> | <u>5,316</u> |

The accompanying notes on page 27 to 41 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.

A Jackson
Chief Executive and Accounting Officer

7 September 2015

Statement of Cash Flows year ended 31 March 2015

| | 2015 | 2014 |
|---|---------------------|--------------|
| | £000 | £000 |
| Cash flows from operating activities | | |
| Net expenditure after interest before other finance income and taxation | (30) | (28) |
| Depreciation charges | 42 | 62 |
| (Profit)/loss on disposal of fixed assets | 20 | 0 |
| Revaluation of property, plant and equipment | 0 | 0 |
| Defined benefit pension fund current service cost (note 15) | 605 | 563 |
| Defined benefit pension contributions paid (note 15) | (1,371) | (556) |
| Taxation (paid) refunded | (3) | (8) |
| (Increase)/decrease in trade and other receivables | (298) | (302) |
| Increase/(decrease) in trade and other payables | 213 | (2) |
| Net cash inflow (outflow) from operating activities | <u>(822)</u> | <u>(272)</u> |
| Cash flow from investing activities | | |
| Purchase of non-current assets (note 19) | (44) | (105) |
| Increase (decrease) in cash and equivalents | (866) | (376) |
| Cash and equivalents at the beginning of the year | 4,981 | 5,358 |
| Cash and equivalents at the end of the year (note 20) | <u>4,116</u> | <u>4,981</u> |

The accompanying notes on page 27 to 41 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.

Statement of Changes in Taxpayers' Equity year ended 31 March 2015

| | Contributed Capital £000 | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|--|---|----------------------------------|---|------------------------------------|
| Balance at 31 March 2013 | 2,380 | 3,471 | 2 | 5,853 |
| Changes in taxpayers' equity for the year ended 31 March 2014 | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | – | – | – | – |
| Net income/(expenditure) | – | (35) | – | (35) |
| IAS 16 transfer between reserves | – | 1 | (1) | – |
| Total remeasurements recognised in defined benefit pension funds | – | (628) | 0 | (628) |
| Deferred tax arising on gain recognised in the defined benefit pension fund | – | 126 | 0 | 126 |
| Balance at 31 March 2014 | <u>2,380</u> | <u>2,935</u> | <u>1</u> | <u>5,316</u> |
| Changes in taxpayers' equity for the year ended 31 March 2015 | | | | |
| Net gain/(loss) on revaluation of property, plant and equipment | – | – | – | – |
| Net income/(expenditure) | – | (80) | 0 | (80) |
| IAS 16 transfer between reserves | – | – | – | 0 |
| Total remeasurements recognised in defined benefit pension funds | – | (878) | 0 | (878) |
| Deferred tax arising on loss recognised in the defined benefit pension fund | – | 25 | 0 | 25 |
| Balance at 31 March 2014 | <u>2,380</u> | <u>2,002</u> | <u>1</u> | <u>4,383</u> |

The accompanying notes on page 27 to 41 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.

Notes to the Accounts Year ended 31 March 2015

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 the GPSS 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 42.

2 Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 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

The accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment to reflect their fair value to the business by reference to their current costs and in accordance with applicable accounting standards.

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.

b Going Concern

These accounts have been prepared on a going concern basis.

Following the Energy Bill being given Royal Assent in December 2013 which included provisions to allow for the sale of the GPSS, the GPSS business sale agreement was signed on 19 March 2015, with the sale completing on 30 April 2015. The business was acquired by Compania Logistica de Hidrocarburos (CLH) of Spain.

Please see note 4 in regard to IFRS Discontinued Operations.

The Chief Executive as Accounting Officer has considered the impact of the announcement and associated separation on OPA's ability to continue as a going concern. In his view, the OPA will continue in its current form as Managing Agent of the OFDs and GPSS assets outside of the sale perimeter. These assets outside of the sale perimeter include the care and maintenance of 6 abandoned sites and 2 active storage facilities, one of which is a higher tier COMAH facility. 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.

c Property, plant and equipment

IAS 16 requires measurement of property, plant and equipment at fair value. Expenditure on property, plant and equipment of £1,000 or more is capitalised.

d Intangibles

The OPA has invested in a new Human Resources software system that has been capitalised as an intangible asset in line with IAS 38.

e Depreciation

Property, plant and equipment at cost or valuation, less estimated residual values, are depreciated on a straight line basis over their estimated useful economic lives, as follows:

Estimated useful economic life – Years

| | |
|----------------------------|---|
| Leasehold Improvements | Over the lesser of ten years and the life of the lease. |
| Other Office Furniture | 10 |
| Computers | 3 |
| Other electronic equipment | 4 |
| Motor Vehicles | 4 |

Intangible assets are depreciated on a case by case basis in line with their estimated useful economic life.

The assets are not revalued on an annual basis due to the scale and make-up of the asset base, the revaluation would not make a material change to the OPA results.

f 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 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.

g Taxation

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 has been 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.

h Leases

Operating lease rentals are charged to the statement of comprehensive net expenditure as incurred.

i 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.

j 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 12 and 13). 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 22)

k 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.

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 Discontinued operations

On 19 March 2015 the MOD signed a binding contract with CLH for the GPSS element of the business. The financial statement below has been included to show the effect of the sale of the GPSS to the Agency Financial Statements.

Statement of Comprehensive Net Expenditure - GPSS

| | 2015 | 2014 |
|---|----------------|---------|
| | £000 | £000 |
| Expenditure | | |
| Staff costs | (4,427) | (3,183) |
| Depreciation | (15) | (24) |
| Other expenditures | (1,458) | (1,479) |
| Total Expenditure | (5,900) | (4,686) |
| Income from activities | 5,844 | 4,629 |
| Net income/(expenditure) | (56) | (57) |
| Interest receivable from bank accounts | 56 | 57 |
| Other finance income (expense) | 0 | 0 |
| Net income/(expenditure) after interest and other finance income | 0 | 0 |
| Tax on taxable net income/(expenditure) after interest and other finance income | 0 | 0 |
| Net income/(expenditure) after taxation | 0 | 0 |

As the income charged by the Agency is entity specific the income and costs will offset to make no effect to profit. The GPSS is a cash generating unit with the fee charged monthly. Cash flows are for operating activity as investment activity is nil therefore cash flow will remain consistent – cash from fees will offset any costs in the financial year.

The assets transferring to CLH have been reclassified as Assets Held for Sale in the Agency Fixed Asset Register (Note 10).

As the fee is adjusted to cover any costs there are no tax implications. The Defined Benefit Pension schemes will remain with the Agency so there are no deferred tax implications.

5 Emoluments of Members and Chief Executive

The aggregate emoluments of non-executive Members were as follows:

| | 2015 | 2014 |
|---|-------------|------|
| | £000 | £000 |
| Aggregate emoluments of non-executive Members | 44 | 40 |

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. Other emolument details are shown in the remuneration report.

The remuneration, excluding pension contributions, during the year of the Chief Executive and Executive Member was £128,000 including £8,400 bonus (2014: £125,000 including £4,000 bonus). No taxable benefits were derived during the year. Other pension benefits are described in the remuneration report.

6 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:

| | 2015 | 2014 |
|--------------------|----------------------|--------------|
| | £000 | £000 |
| Agency Fees (GPSS) | 5,844 | 4,629 |
| Agency Fees (OFD) | 4,474 | 3,946 |
| | <u>10,318</u> | <u>8,575</u> |

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.

7 Staff costs

The average number of permanent employees, including Members and Committee Members, during the year was 162 (2014: 137) and the number of employees at 31 March 2015 was 166 (2014: 146). The average of whole-time equivalent non-permanent persons employed during the year was 8 (2014: 8). Staffing costs were as follows:

| | 2015 | 2014 |
|--|---------------------|--------------|
| | £000 | £000 |
| Wages and salaries – to permanently employed staff | 6,335 | 4,965 |
| – to other contract and temporary staff | 101 | 190 |
| Social security costs incurred by the Agency | 643 | 499 |
| Defined benefit pension costs (note 15) | 605 | 563 |
| Defined contribution pension costs | 630 | 470 |
| Redundancy costs | 32 | – |
| | <u>8,346</u> | <u>6,687</u> |

8 Other Expenditures

| | 2015 | 2014 |
|---|---------------------|--------------|
| | £000 | £000 |
| Office operating lease – buildings (note 14) | 338 | 218 |
| Other occupancy costs | 122 | 178 |
| Staff related costs* | 359 | 286 |
| Travel, subsistence and hospitality | 511 | 351 |
| Recruitment and training | 187 | 277 |
| Professional fees | 133 | 253 |
| Auditors' Remuneration: Audit (NAO) | 18 | 20 |
| Office supplies and equipment | 220 | 221 |
| Other administration costs | 119 | 120 |
| Non-cash items | | |
| Revaluation of property, plant and equipment | – | – |
| Loss on disposal of property, plant and equipment | 20 | – |
| | <u>2,027</u> | <u>1,924</u> |

During the financial year the Agency relocated to larger premises due to the requirements for more space in the run up to sale and the termination of the lease at York House. Some assets were written off at this time as furniture was not relocated.

*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.

9 Tax on net taxable net income/(expenditure)

The tax charge in the statement of comprehensive net expenditure is derived as follows:

| | 2015 | 2014 |
|---|--------------------|-----------|
| | £000 | £000 |
| Current Tax | | |
| UK corporation tax on taxable profits/(losses) for the year | – | 4 |
| Adjustment in respect of prior period | – | 5 |
| Total current tax | – | 9 |
| Deferred tax | (42) | 18 |
| Total tax on net income/(expenditure) | <u>(42)</u> | <u>27</u> |

The deferred tax asset was written off during the financial year following management discussions about the likelihood of taxable profits in future years.

10 Tangible assets – property, plant and equipment

The movement in property, plant and equipment and accumulated depreciation during the year is shown below:

| | Leasehold Improvements | Office Furniture | Computers and Office Equipment | Motor Vehicles | Total |
|-------------------------|-----------------------------------|-----------------------------|---|---------------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation: | | | | | |
| At 1 April 2014 | 116 | 77 | 345 | – | 538 |
| Reclassification* | (12) | (24) | (342) | – | (378) |
| Additions | 9 | 17 | 18 | – | 44 |
| Disposals | (113) | (71) | (21) | – | (205) |
| At 31 March 2015 | – | – | – | – | – |
| Depreciation: | | | | | |
| At 1 April 2014 | 99 | 58 | 320 | – | 477 |
| Reclassification* | (0) | (10) | (320) | – | (330) |
| Charge for year | 11 | 5 | 21 | – | 37 |
| Disposals | (110) | (54) | (21) | – | (185) |
| At 31 March 2015 | – | – | – | – | – |
| Net Book Value: | | | | | |
| At 31 March 2015 | – | – | – | – | – |
| At 31 March 2014 | 17 | 19 | 25 | – | 61 |
| Asset held for sale* | 6 | 15 | 25 | – | 46 |

*The assets held for sale include the furniture at Fetter Lane and the leasehold improvements and the computer hardware for the CLH-PS employees and the computer server equipment at Fetter Lane.

The movement in property, plant and equipment and accumulated depreciation during the prior year is shown below:

| | Leasehold Improvements | Office Furniture | Computers and Office Equipment | Motor Vehicles | Total |
|-------------------------|-----------------------------------|-----------------------------|---|---------------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation: | | | | | |
| At 1 April 2013 | 82 | 69 | 312 | – | 463 |
| Revaluations | – | – | – | – | – |
| Additions | 34 | 8 | 33 | – | 75 |
| Disposals | – | – | – | – | – |
| At 31 March 2014 | 116 | 77 | 345 | – | 538 |
| Depreciation: | | | | | |
| At 1 April 2013 | 63 | 55 | 300 | – | 418 |
| Revaluations | – | – | – | – | – |
| Charge for year | 36 | 3 | 20 | – | 59 |
| Disposals | – | – | – | – | – |
| At 31 March 2014 | 99 | 58 | 320 | – | 477 |
| Net Book Value: | | | | | |
| At 31 March 2014 | 17 | 19 | 25 | – | 61 |
| At 31 March 2013 | 19 | 14 | 12 | – | 45 |

11 Intangible assets – computer software

Intangible net current assets comprise purchased software licences and other software. The movement in computer software and accumulated amortisation during the year is shown below:

| | B/Fwd 1 April 2014 £000 | Revaluations £000 | Additions £000 | Charge £000 | C/Fwd 31 March 2015 £000 |
|-------------------|-------------------------------|----------------------|-------------------|----------------|--------------------------------|
| Cost or valuation | 69 | – | – | – | 69 |
| Amortisation | 39 | – | – | 5 | 44 |
| Net Book Value | 30 | – | – | (5) | 25 |

12 Trade and other receivables

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Trade and other receivables falling due within one year comprise: | | |
| Trade and other receivables | 23 | 38 |
| Accrued Income | 1,498 | 1,183 |
| Prepayments | 246 | 247 |
| Trade and other receivables falling due after more than one year comprise: | | |
| Other receivables | – | – |
| | <u>1,767</u> | <u>1,468</u> |

Included in Trade and other receivables is Nil due from the MOD relating to purchase invoices received on behalf of the OFDs (2014; £689,000).

Included in accrued income is £1,498,093 due from the MOD relating to Agency Fees in respect of managing the GPSS and OFDs (2014; £1,178,000).

13 Trade and other payables

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Trade and other payables falling due within one year comprise: | | |
| Trade and other payables | 220 | 234 |
| Accruals and deferred income | 536 | 377 |
| Provisions | – | 23 |
| Other taxation and social security | 581 | 489 |
| | <u>1,337</u> | <u>1,123</u> |

Included in Trade and other payables is £0 relating to purchase invoices received on behalf of the MOD relating to the OFDs. (2014; £689,000)

Included in Accruals and deferred income is £4,218 regarding Defence Internal Audit costs (2014; £41,000).

14 Commitments**a Capital Commitments**

At the end of the year there were no capital commitments authorised (2014: Nil).

b Leases

| | 0-1yr | 1-5yrs |
|-----------------------------|-------------------|------------|
| | £000 | £000 |
| Office leaseholds | 207 | 99 |
| Motor Leases | 51 | 59 |
| Other leases (Photocopiers) | 3 | 3 |
| | <u>261</u> | <u>161</u> |

On 31 March 2015 the lease for the office premises was expected to novate to CLH PS at sale completion. The OPA will continue to have a licence to operate in the head office under the terms of the transitional services agreement.

On 31 March 2015 9 motor vehicles were identified for transfer to CLH-PS, this occurred on 30 April 2015. The 1yr OPA motor leases remaining total £12,000 and £8,000 for 1-5yrs.

On 31 March 2015 the head office photocopiers were identified for transfer to CLH-PS at sale completion. The OPA will continue to have use of the photocopiers under the terms of the transitional services agreement.

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

The Agency and PAN Trustees Limited agreed that the Agency will make employer contributions of 35% 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 schemes deficit as advised by the scheme's actuaries. In December 2014 £802,000 was contributed to the Oil and Pipelines Agency Retirement Benefits Plan following actuarial advice of a deficit.

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

Actuarial assumptions

OPA Retirement Benefits Fund (OPA RBP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2015 and the major assumptions used were:

| | 2015 | 2014 | 2013 | 2012 |
|---|---------------------|----------------------|----------------------|----------------------|
| | % | % | % | % |
| Inflation rate | 3.2 | 3.6 | 3.5 | 3.4 |
| Rate of increase in salaries | N/A | N/A | 4.5 | 4.4 |
| Rate of increase in pensions in payment | 3.2 | 3.6 | 3.5 | 3.4 |
| Discount rate for liabilities | 3.2 | 4.4 | 4.4 | 4.6 |
| Mortality birth table and cohort | S1PA L CMI model | PNA00 Long cohort | PNA00 Long cohort | PNA00 Long cohort |

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 2015 and the major assumptions used were:

| | 2015 | 2014 | 2013 |
|---|--------|--------|--------|
| | % | % | % |
| Inflation rate (RPI) | 3.30 | 3.60 | 3.60 |
| Inflation rate (CPI) | 2.30 | 2.85 | 2.85 |
| Rate of increase in salaries | 4.30 | 4.60 | 4.60 |
| Rate of revaluation of deferred pension (CPI) | 2.30 | 2.85 | 2.85 |
| Rate of increase in pensions in payment (CPI) | 2.30 | 2.85 | 2.85 |
| Discount rate for liabilities | 3.30 | 4.45 | 4.80 |
| Mortality birth table and cohort | PXNA01 | PXNA00 | PXNA00 |
| Allowance for commutation of pension for cash at retirement | None | None | None |

Charge to the statement of comprehensive net expenditure

Defined benefit costs recognised in Expenditure:

| | FPP | OPA RBP | 2015 | FPP | OPA RBP | 2014 |
|---|-------|---------|-------|-------|---------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Net interest (cost)/Income | (2) | (6) | (8) | 4 | 16 | 20 |
| Current service cost (staff costs note 5) | (605) | 0 | (605) | (542) | (21) | (563) |
| Credited/(charged) to net expenditure | (607) | (6) | (613) | (538) | (5) | (543) |

15 Retirement benefits pension schemes (continued)

Total remeasurements recognised in Other Comprehensive Expenditure:

| | FPP £000 | OPA RBP £000 | 2015 £000 | FPP £000 | OPA RBP £000 | 2014 £000 |
|---|--------------|-----------------|---------------------|--------------|-----------------|--------------|
| Return on plan assets (excluding amounts included in net interest cost) | 222 | 1,130 | 1,352 | 12 | (480) | (468) |
| Experienced gains on liabilities | – | 175 | 175 | – | 146 | 146 |
| Changes in assumptions underlying liabilities | (436) | (1,215) | (1,651) | (149) | (157) | (306) |
| Change in Asset ceiling | | (754) | (754) | | | |
| Total remeasurements | <u>(214)</u> | <u>(664)</u> | <u>(878)</u> | <u>(137)</u> | <u>(491)</u> | <u>(628)</u> |

Statement of Financial Position Pension asset

The plan assets and liabilities in the schemes and the expected rates of returns were:

| | 2015 | 2015 £000 | 2014 | 2014 £000 |
|--|-------------|---------------|------|--------------|
| OPA Retirement Benefits Plan | | | | |
| Equities | 6.3% | 2,606 | 7.6% | 2,091 |
| Government Debt | 2.3% | 7,897 | 3.6% | 5,958 |
| Corporate Bonds | 3.1% | – | 4.3% | 231 |
| Cash | 2.0% | (11) | 3.4% | 201 |
| Total fair value of assets | | 10,492 | | 8,481 |
| Present value of liabilities | | 9,738 | | 8,613 |
| Surplus/(deficit) in the scheme | | 754 | | (132) |
| Asset ceiling | | (754) | | |
| Related deferred tax (liability)/asset | | – | | 26 |
| Surplus/(Deficit) | | – | | (106) |
| Federated Pension Plan | | | | |
| Equities | 6.9% | 1,855 | 6.9% | 1,256 |
| Government Debt | 2.9% | 928 | 2.9% | 627 |
| Corporate Bonds | | – | | – |
| Cash | | – | 2.7% | 3 |
| Total fair value of assets | | 2,783 | | 1,886 |
| Present value of liabilities | | 3,077 | | 1,928 |
| Deficit in the scheme | | (294) | | (42) |
| Related deferred tax (liability)/asset | | 59 | | 8 |
| Surplus/(Deficit) | | (235) | | (34) |

The best estimate of contributions to be paid by the Agency to the Federated Pension Plan for the year commencing 1 April 2015 is £569,000

The Agency anticipates that no contributions will be paid to The Oil and Pipelines Agency Retirement Benefits Plan for the year commencing 1 April 2015 as there are no active members

15 Retirement benefits pension schemes (continued)**Statement of Financial Position Pension asset (continued)**

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

| | FPP | OPA RBP | 2015 | FPP | OPA RBP | 2014 |
|---|--------------|---------------|----------------------|-------------|--------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening fair value of assets at 1 April | 1,886 | 8,481 | 10,367 | 441 | 8,868 | 9,309 |
| Interest income | 97 | 367 | 464 | 54 | 386 | 440 |
| Employer contributions | 569 | 802 | 1,371 | 554 | 2 | 556 |
| Contributions by Members | 48 | – | 48 | 44 | – | 44 |
| Return on plan assets (excluding amounts included in net interest income) | 222 | 1,130 | 1,352 | 12 | (480) | (468) |
| Benefits (paid) | (39) | (288) | (327) | 781 | (295) | 486 |
| Total fair value of plan assets before tax at 31 March | <u>2,783</u> | <u>10,492</u> | <u>13,275</u> | <u>1886</u> | <u>8,481</u> | <u>10,367</u> |

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

| | FPP | OPA RBP | 2015 | FPP | OPA RBP | 2014 |
|--|--------------|---------------|----------------------|--------------|--------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening fair value of liabilities at 1 April | 1,928 | 8,613 | 10,541 | 362 | 8,506 | 8,868 |
| Current service cost | 605 | – | 605 | 542 | 21 | 563 |
| Interest cost | 99 | 373 | 472 | 50 | 370 | 420 |
| Contributions by Members | 48 | – | 48 | 44 | – | 44 |
| Remeasurements | | | | | | |
| Change in assumptions | 436 | 1,215 | 1,651 | 149 | 157 | 306 |
| Liability experience/(gains) | 0 | (175) | (175) | 0 | (146) | (146) |
| Benefits (paid)/received | (39) | (288) | (327) | 781 | (295) | 486 |
| Asset Ceiling | | 754 | 754 | | | |
| Present value of obligation before tax at 31 March | <u>3,077</u> | <u>10,492</u> | <u>13,569</u> | <u>1,928</u> | <u>8,613</u> | <u>10,541</u> |

15 Retirement benefits pension schemes (continued)**Plan history**

| | 2015 | 2014 | 2013 |
|--|----------------|--------------|------------|
| | £000 | £000 | £000 |
| OPA Retirement Benefits Plan | | | |
| Fair value of assets before taxation | 10,492 | 8,481 | 8,868 |
| Present value of defined liabilities before taxation | 10,492 | 8,613 | 8,506 |
| Surplus/(deficit) before taxation | <u>-</u> | <u>(132)</u> | <u>362</u> |
| History of experience gains and losses | | | |
| Return on plan assets (excluding amounts included in net interest cost): | 1,130 | (480) | 670 |
| Percentage of scheme assets (%) | 10.8 | (5.7) | 7.6 |
| Experienced gains on liabilities: | 175 | 146 | 73 |
| Percentage of the present value of the scheme liabilities (%) | 1.7 | 1.7 | 0.9 |
| Changes in assumptions: (£000) | (1,215) | (157) | (462) |
| Total remeasurements | 90 | (491) | 281 |
| Percentage of present value of the scheme liabilities (%) | 0.9 | (5.7) | 3.3 |
| Federated Pension Plan | | | |
| Fair value of assets before taxation | 2,783 | 1,886 | 441 |
| Present value of defined liabilities before taxation | 3,077 | 1,928 | 362 |
| Surplus/(deficit) before taxation | <u>(294)</u> | <u>(42)</u> | <u>79</u> |
| History of experience gains and losses | | | |
| Return on plan assets (excluding amounts included in net interest cost): | 222 | 12 | 17 |
| Percentage of scheme assets (%) | 8.0 | 0.6 | 3.9 |
| Experienced gains on liabilities: | 0 | 0 | (93) |
| Percentage of the present value of the scheme liabilities (%) | 0.0 | 0.0 | (25.7) |
| Changes in assumptions: (£000) | (436) | (149) | (48) |
| Total remeasurements | (214) | (137) | (124) |
| Percentage of present value of the scheme liabilities (%) | (7.0) | (7.1) | (34.3) |

Analysis of the sensitivity to principal assumptions of the present value of the defined benefit obligation**15 Retirement benefits pension schemes (continued)**

| | Results at | | | Results at | | |
|---|------------------|------------------------------|---------------------------------|------------------|------------------------------|---------------------------------|
| | 31 March 2015 | Reduce Discount% 0.25% | Increase Inflation% 0.25% | 31 March 2014 | Reduce Discount% 0.25% | Increase Inflation% 0.25% |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| The Oil and Pipelines Agency Retirement Benefits Plan | 754 | (277) | (225) | (132) | (562) | (544) |

| | Change in assumption | Change in Liability |
|------------------------|----------------------|---------------------|
| Federated Pension Plan | | |
| Discount Rate | Decrease 0.25% | Increase 6% |
| Rate of inflation | Increase 0.25% | Increase 6% |
| Rate of Salary growth | Increase 0.25% | Increase 1.8% |
| Rate of mortality | Increase of 1 year | Increase 2.4% |

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 £630,000 (2014:£470,000).

16 General Fund Reserve

| | Operating Cost £000 | Pension Reserve £000 | Total £000 |
|---|---------------------------|----------------------------|---------------|
| At 31 March 2013 | 3,119 | 352 | 3,471 |
| Changes to the general fund reserve for the previous year | (44) | (492) | (536) |
| At 31 March 2014 | 3,075 | (140) | 2,935 |
| Changes to the general fund reserve for the year | (80) | (853) | (933) |
| At 31 March 2015 | 2,995 | (993) | 2,002 |

17 Revaluation Reserve

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| At 1 April | 1 | 2 |
| Revaluation of property, plant and equipment for the year | - | - |
| Revaluation of depreciation for the year | - | - |
| IAS 16 transfer to General Reserve | - | (1) |
| At 31 March | 1 | 1 |

18 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 2015 there were no contingent liabilities recorded (2014: Nil).

19 Gross cash flows

| | 2015 | 2014 |
|---|-------------|-------|
| | £000 | £000 |
| Returns on investments and servicing of finance | | |
| Interest received | 67 | 70 |
| Capital expenditure | | |
| (Payments) to acquire tangible property, plant and equipment | (44) | (75) |
| (Payments) to acquire intangible computer software | – | (30) |
| Receipts from disposals of tangible property, plant and equipment | – | – |
| | (44) | (105) |

20 Analysis of changes in net funds

| | At 1 April 2014 £000 | Cash Flows £000 | At 31 March 2015 £000 |
|--------------------------|----------------------------|-----------------------|--------------------------------------|
| Cash at bank and in hand | <u>4,981</u> | <u>(865)</u> | <u>4,116</u> |

21 Related party transactions

The Agency is sponsored by the Ministry of Defence (MOD), through the Defence Equipment and Support Commercial Directorate, 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 6).

During the year, The Agency was charged £47k by the MOD for services provided by Defence Internal Audit (2014: £59,000).

During the year, two Members of the Agency were employees of the MOD; AVM. Howard, Assistant Chief of Defence Staff Logistics Operations, and Mr R. Sims, OPA Liaison Head.

The current Chairman and now resigned Chief Executive, who held office during the financial year, were both Trustees of OPA Pensions Trustees Ltd. The transactions between OPA and OPA Pension Trustees Ltd are as per Note 15. 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 or referenced in this note.

22 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.

23 Events after the reporting date

Following the Energy Bill being given Royal Assent in December 2013 which included provisions to allow for the sale of the GPSS, the GPSS business sale agreement was signed on 19 March 2015, with the sale completing on 30 April 2015. The business was acquired by Compania Logistica de Hidrocarburos (CLH) of Spain. On the 30 April 87 staff were TUPE transferred across to CLH-PS to run the GPSS.

The OPA continues in its current form concentrating on managing the Oil Fuel Depots 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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