The Oil and Pipelines Agency Account 2013-14

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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 is to provide for the safe, efficient, economic and effective management of the Government Pipeline and Storage System (GPSS). This task includes the maximum development of private sector usage of the GPSS, provided this does not impinge upon its primary purpose of supplying the required fuel for defence purposes. The Agency is 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 Oil Fuel Depots (the "OFDs"). The GPSS and OFDs, strategic defence assets, are the responsibility of the Secretary of State for Defence. The Ministry of Defence (MOD) sponsors the Agency as its Managing Agent through the Assistant Chief of Defence Staff for Logistics Operation (this transferred from MOD Director Commercial on 14 October 2013). In addition to fulfilling its defence obligations, the Agency provides commercial access to the GPSS for supply of jet fuel to most major airports in England.

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 8. 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. GPSS assets are owned by the MOD and are accounted for in the MOD's Department Resource Account.

The OFDs

There are 6 Oil Fuel Depots in the UK owned by the MOD but managed and operated by the OPA. The OFDs receive, store and issue middle distillate fuels to support Naval Command. Commercial storage is utilised 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 Faslane Naval Base, whilst OFDs at Loch Striven, Loch Ewe and Campbeltown provide bulk storage and regional support to visiting Royal Fleet Auxiliary tankers and 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 and Environment 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 of these assets into the future. As part of its commitment to ensure that there is a cost-effective regime in place to provide the necessary assurance that oil pipeline and terminal operations are safe, the Agency continues to work with regulatory authorities and other interested parties.

The Agency benefits from working with a number of industry bodies, including the United Kingdom Onshore Pipeline Operators' Association, Conservation of Clean Air and Water in Europe, the Tank Storage Association 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 promote awareness amongst organisations involved in excavation of the risks of working without taking the necessary precautions in the vicinity of buried apparatus. The support that the Linewatch participants have given has resulted in more organisations undertaking the appropriate level of precautions through the www.linesearchbeforeudig.co.uk website where over 100,000 enquiries are received per month.

The final report on the Buncefield incident highlighted a number of lessons learned and changes in regulatory oversight. Commencing in Mid 2012 the OPA set in train a comprehensive improvement programme of investment, governance and training to mirror the key recommendations and to incorporate the industry guidelines for Process Safety Leadership.

This past 12 months has seen a fundamental and positive step change in OPA's COMAH compliance, taking full advantage from the programme of Competent Authority interventions (following the issue of several Enforcement Notices in the previous year) across the whole asset portfolio. This sustained focus on its Control of Major Accident Hazards (COMAH) compliance and improvement programme has seen substantial upgrading of its operating practices and asset integrity. The ongoing aggressive timetable, commitment, investment and improving mutual relationship with the Competent Authority has brought the GPSS and OFD operations and assets much in line with the rigorous application of regulation and standards across the hazardous process industries sector. The Agency and Costain, our O&M contractor, have been and continue to work closely together 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 has been revised to ensure the Agency captures risks more effectively and put in place more actionable mitigations and accountability, from operational site through to the Board.

Agency Strategy and Business Model

Strategy development for GPSS reached a significant milestone at the end of year with the adoption of a coherent 10 year plan based upon a realistic and robust commercial market assessment and future investment profile, both undertaken in this year.

The work of MOD's Asset Management Programme continues and the Agency has and will continue to co-operate fully with plans to prepare GPSS for sale and to optimise the benefit to the taxpayer that is derived from our activities.

Principal Risks

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, understood and that the systems of risk management and internal control are in place to manage these risks.

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

Regulatory Compliance
Risk Management
Procurement
Ongoing Management of OFDs
O&M Contract
Preparation for GPSS Sale
Commercial Business

Further background and detail relating to these principal risks is given in the Governance Statement which commences on page 13.

Performance during the year

Key Performance Indicators

The Board has set KPIs against which it measures its performance and which it reviews 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 £35,000 (2013: net income after taxation £150,000).

The Agency is in a position of strong liquidity. It is the opinion of management that the Agency has sufficient reserves to operate as planned for the foreseeable future and beyond. 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.

Following a regulatory and best practice gap analysis in 2012 the Agency, in 2013 following Board and MOD approval, introduced an initial 12 month programme to address the 10 key strategic priorities as raised by the Competent Authority (CA). This is reviewed at each Agency meeting and performance assessed against the targets set, during the year, significant progress has been made in these 10 key strategic areas. The programme has been designed to run over a further 36 month period to ensure the progress made to date continues and embeds the improvements in people, process and plant.

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 encourage discussion and the dissemination of information across the Agency.

Workforce by gender

Numbers as at 31 March 2014	Male	Female
Agency Members	5	0
Senior Managers	10	2
Employees*	115	31

*Senior managers are included in Employees total.

Future of the Business

In December 2013, The Energy Act 2013 received Royal Assent. This includes provisions to enable the sale of the Government Pipeline and Storage System, which the Agency manages on behalf of the MOD. Further details are included within Note 2b of the accounts (page 25). The accounts have been prepared on a going concern basis.

Conclusion

In this very demanding year the Agency staff has really focused their energy and determination to meet and achieve the challenges set and I thank them for this successful outcome, their continued commitment and support.

CJS Price 10 July 2014

Chief Executive and Accounting Officer

Directors' Report

Introduction

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 is 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 OFDs, with the transfer of the management completing on 31 December 2012. The transition process undertaken by the depots resulted 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 (appointed 14 October 2013)
	CJS Price	Chief Executive and Accounting Officer
	L Mosco	Non-executive (resigned 14 October 2013)
	P Shortt	Non-executive (resigned 17 June 2013)
	R Sims	Non-executive (appointed 28 March 2014)
	T Woolley	Non-executive
Principal Officers:	CJS Price	Chief Executive and Accounting Officer
Secretary to the Agency:	ME Edwards	

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 2014, excluding non-executive members, was 146.

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 13 to the accounts.

Accounts

These financial statements have been prepared in accordance with the 2013-14 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 is 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.

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 twelve days (2013: seventy one 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 £18,000. 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 40 and 41.

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.

CJS Price 10 July 2014
Chief Executive and Accounting Officer

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. Comparison with competitive market rates including by 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 subject to approval by the MOD and Treasury. The MOD is represented by its appointed Members.

Remuneration details (section subject to audit)

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**	**2014 Salary band £000**	2013 Salary band £000
G Ellis	Chairman	1 April 2012	31 March 2015	**25–30**	15–20
L Mosco	Member	18 November 2008	14 October 2013	**–**	–
AVM Howard	Member	14 October 2013	14 October 2015	**–**	–
P Shortt	Member	16 April 2012	17 June 2013	**–**	–
R Sims	Member	28 March 2014	28 March 2016	**–**	–
T Woolley	Member	16 July 2012	16 July 2015	**10–15**	5–10

Mr L Mosco, MOD Director Commercial, Mr P Shortt, Head of Business Strategy and Governance, 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 2013 to 31 March 2014, was £125,000. This included a non-consolidated bonus of £4,000 relating to the year ended 31 March 2013 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 per cent and 10 per cent of basic salary.

The remuneration of the highest paid director for the year was £125,000 (2013: £129,000) being a ratio of 4.3 of the median remuneration paid for the year which was £29,365 (2013: £28,158).

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

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 2014.

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 2011 and indicated that the value of the assets was at 100 per cent of the value placed upon the liabilities. A review of the options available, prompted by the valuation, resulted in the Agency and the Trustee deciding to maintain the existing defined benefits scheme and to increase the level of contributions of the Agency and employees from 20 per cent and 5 per cent to 32.8 per cent and 8 per cent respectively.

Pension costs are accounted for under International Accounting Standard 19 (notes 2(f) and 13 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 deficit before taxation at £132,000 (2013: surplus before taxation of £362,000). Separate financial statements for the plan are produced each year.

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 to make employer contributions of 35 per cent and employee contributions ranging between 2.1 per cent and 4.7 per cent according to the employee's job level.

Pension costs are accounted for under International Accounting Standard 19 (notes 2(f) and 13 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 £42,000 (2013: surplus before taxation of £79,000). 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.

CJS Price 10 July 2014

Chief Executive and Accounting Officer

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

As Accounting Officer and Chief Executive, this statement provides me with the opportunity to outline how I have discharged my responsibilities to manage and control the Oil and Pipelines Agency's (the "Agency") 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 Oil and Pipelines Agency, as a public corporation, is governed according to The Oil and Pipelines Act 1985, Cabinet Office and HM Treasury Guidelines and, where appropriate, best practice in corporate governance as represented by the Corporate Governance Code.

The Agency board seeks to drive improvements in the performance and efficiency of the Agency by providing leadership on strategic and operational issues. As such, the board seeks to comply where it is deemed relevant and practical with the 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 Terms of Reference.

Board composition

The OPA Board comprises five Members, as defined by the Oil and Pipelines Act 1985. As at 31 March our Board comprised a non-executive Chairman, three non-executive Members (two of which are representatives 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

Minister for Defence Equipment Support & Technology, 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 have been 2 Board workshops during the year to focus on specific areas of the business. The Board have discussed the effectiveness of their meetings and have agreed that Board papers and agendas should be consolidated to concentrate on larger specific business issues, given the frequency of the meetings. Further consideration will be given to Board performance focussing on roles and behaviours at board meetings.

In addition to ten meetings and 2 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. In 2013 a review was conducted into the need for a separate risk committee; the review concluded that the existing Board and its sub-committees provide the relevant level of governance for the Agency. The roles and activities of these committees are detailed below.

Responsibilities of the Agency and Agency Committees

Responsibility for assuring that high standards of corporate governance are observed at all times rests with 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 Permanent 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. Mr M Eames was appointed as a member of the Audit Committee during the year. 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 Directors 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, from which four main themes were identified which could improve the Committee's effectiveness; greater involvement in risk identification on the risk register to include commercial risks; be more proactive in the management of the internal audit process; ensuring the Committee Members, who are not Board members, are kept up to date with developments within the business and understanding the impact of the sale process on the business's activities.

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 a thorough audit of the Agency, focusing on those areas identified jointly with management that presented the highest risks to the Agency. 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 were Risk Management, which received an audit opinion of substantial assurance, the Continuous Improvement Programme which received an audit opinion of limited assurance, Procurement Processes which received an audit opinion of no assurance, GPSS Operations & Maintenance Contract Performance which received an audit opinion of limited assurance, Review of Corporate Credit Card Process which received an audit opinion of substantial assurance and Legal Aspects of Employment which received an audit opinion of limited assurance. Amongst DIA's key findings were that the audit committee is operating effectively and continuing to improve. The risk management audit, whilst providing an audit opinion of substantial assurance, highlighted a number of areas where improvement would help embed risk management within the culture and processes of the Agency. Overall the DIA have concluded that based on the audits conducted during the year, the Agency has limited assurance.

DIA also recognised that OPA management continue to drive progress in improving components of their governance framework. However, the focus of senior management appears stretched between business as usual activities, delivery of safety process improvements and GPSS sale activities. The DIA note that senior management will continue to operate within this challenging environment up to and beyond the milestone of the GPSS sale; and this may constrain the amount of additional change the organisation is able to bear.

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 2014, the HSEQ Committee comprised seven members and is chaired by non-executive Mr Stephen Pearce, who was appointed during the year. Mr. Richard Sims is appointed as the MOD's liaison with the Agency. The remaining five members are:

Charles Price – Chief Executive and Accounting Officer

Graham Moore – Assurance Manager

Simon Cook – Technical Director

Alister Walgate – Operations Director

Jonathan Garton – Costain Operations Director

The HSEQ Committee met 3 times as a formal committee and once as a workshop this year. Key improvements and activities during the year were as follows:

- The Agenda for the Committee now adopts the "Plan Do Check Act" (PDCA) approach with a specific section devoted to Compliance activities.
- Committee meetings are held on site and preceded with a leadership site tour to enhance the leadership activities on site and by Agency Staff.
- The focus 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) has resulted in improved relations with the regulator.
- The introduction of key management standards within the Agency has progressed well during the year. Further work is in hand to add to the suite of processes already in place and documented.
- An enhanced risk register process has been introduced and the output from the process is being used to identify associated elimination, reduction and mitigation measures.
- Using the Chemicals and Downstream Oil Industries Forum (CDOIF) Working Group Environmental Establishment Risk methodology to inform improvements in primary, secondary and tertiary containment is in progress and has been positively received by the Regulator.
- 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.

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 Comitteee	HSEQ Committee	Remuneration Nomination Committee
Graham Ellis	9/9			2/2
Charles Price	9/9		3/3	2/2
Les Mosco**	4/5			1/1
AVM Howard*	5/5			1/1
Peter Shortt**	3/3			1/1
Trevor Woolley	9/9	5/5		2/2
Moira Black**		1/2		
Graham Watts		5/5		
Mark Eames*		4/4		
Rosalind Roberts**			2/2	
Simon Cook			3/3	
Graham Moore*			2/2	
Alister Walgate			3/3	
Richard Sims			2/3	
Stephen Pearce*			2/2	
Jonathan Garton (Costain)*			2/2	

* 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

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 2013:

- Regulatory Compliance

  The four year High Reliability Organisation Programme (begun in January 2013) has been reframed in the short term as The Continuous Improvement Programme (CIP). The main focus of the programme is to focus delivery of improvements in People, Plant and Processes against the CA's ten key strategic priorities. The speed and quantum of delivery across a large number of geographically dispersed COMAH registered assets has been unprecedented in the history of the Agency and the progress achieved by us and our O&M contractor, Costain, has been significant and substantive progress has been recognised by the Competent Authority (CA) and has delivered major advances in compliance across the CA's key strategic priorities.

- Risk Management

  The risk management processes have been, and are still, undergoing further enhancements to not only ensure the Agency capture, mitigate and action risks more effectively but also ensure line of sight between site based risks identified in Site Improvement Plans & Safety Reports and the corporate risk register. The outcome of this is intended to deliver a more embedded understanding of risk and how we mitigate and manage risk from Operator to Board Member.

- Procurement

  Following internal reviews and audit substantial work has been completed to overhaul the long extant procurement processes to ensure compliance with public procurement regulations and good industry practice. A signed policy and procedure document has been produced which details the way in which OPA procurement will be undertaken with regards to following its obligations for managing public money. A tender register has been produced along with OPA terms and conditions and now all requirements are being directed through the new procurement department for review and issue. Tender Evaluation matrices have been produced catered to match the various different requirements across the organisation and is working effectively regarding fair and impartial evaluation of bids. Commercial risks are now registered on the OPA risk register and a commercial review group is established to evaluate proposed high value purchases. A commercial strategy document is being worked on in addition to all of the above to provide clear guidance regarding OPA procurement goals for both the present and future.

- Ongoing Management of OFDs

  As predicted the Agency was served with Enforcement Actions as a result of a historical lack of investment in both asset integrity and regulatory compliance. This is likely to continue. There will be challenges to secure funding to alleviate these shortcomings but the Agency has identified a number of opportunities to reduce the demand on infrastructure capital investment programmes and more closely match available funding. The Agency believes both regulatory compliance and assured customer capability can be delivered whilst challenging the quantum of investment. If the GPSS sale proceeds then there will be an impact on the OFDs, but this requires assessment as the Initial Gate decision to sell has yet to be made at 31 March 2014.

- O&M Contract

  The Agency has established a Board to Board relationship with Costain to focus senior leadership on the key issues facing the contract and collectively determining how mitigating actions are implemented to resolve such issues.

- Preparation for GPSS Sale

  The work continues apace on the preparation for the GPSS sale, which along with the total transformation of the GPSS and OFD businesses is putting significant demands on people's wellness. This effectively represents multiple con-concurrent changes. Cognitive of this it is essential the Agency continually considers Management of Change issues from an organisational perspective to ensure stress is managed to acceptable levels throughout the organisation. The planned sale of the GPSS has increased the uncertainty around the future of the Agency post-sale and consequently our ability to retain key staff at all levels within the organisation represents a major risk to the sale process. There are few, if any, effective measures the Agency can take compared to the private sector to counter this.

- Commercial Business

  The sanction of the Buncefield re-development and the proposed sale has led the Agency to review its competitive strategy and the likely impact on the ten year Business Plan. The re-development will allow partial or full reinstatement of the pre-Buncefield incident aviation fuel storage capacity of this node supplying Heathrow Airport. Third party commercial volumes that switched to the GPSS post-incident are highly probable to move back via this route once the rebuild work is commissioned, reducing revenue. This has led to the articulation of a more realistic set of competitive scenarios which have informed the revised Business Plan being prepared for sale, including potential rationalisation of assets to compensate for the predicted loss of revenue.

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. As mentioned earlier in this report, the DIA have conducted a number of audits during the year, in areas where I believe significant improvements can be made. Their audit findings have given the Agency limited assurance. My team and I will work with the DIA to implement the agreed recommendations from the audits completed during the year.

I have now completed my third full accounting year as Chief Executive Officer and Accounting Officer. 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.

The Framework Document between MOD and the Agency sets out the roles, responsibilities and accountability of both parties.

CJS Price 10 July 2014

Chief Executive and Accounting Officer

Statement of Comprehensive Net Expenditure year ended 31 March 2014

	Notes	2014 £000	2013 £000
Expenditure			
Staff costs	5	**(6,687)**	(4,910)
Depreciation	8 & 9	**(62)**	(51)
Other expenditures	6	**(1,924)**	(1,340)
Total Expenditure		**(8,673)**	(6,301)
Income from activities	2 (c)	**8,575**	6,406
Net income/(expenditure)		**(98)**	105
Interest receivable from bank accounts		**70**	70
Other finance income	13	**20**	16
Net income/(expenditure) after interest and other finance income		**(8)**	191
Tax on taxable net income/(expenditure) after interest and other finance income	7	**(27)**	(41)
Net income/(expenditure) after taxation		**(35)**	150

Other comprehensive expenditure

	Notes	2014 £000	2013 £000
Net gain/(loss) on revaluation of property, plant and equipment		**0**	0
Total remeasurements recognised in pension schemes	13	**(628)**	157
Deferred tax arising on (gain)/loss recognised in the pension scheme		**126**	(31)
Total comprehensive income/(expenditure) for the year		**(537)**	276

The accompanying notes on pages 25 to 38 form part of these accounts

Statement of Financial Position year ended 31 March 2014

	Notes	**2014** £000	2013 £000
Non-current assets			
Property, plant and equipment	8	**61**	45
Intangibles	9	**30**	3
Total non-current assets		**91**	48
Current assets			
Trade and other receivables	10	**1,468**	1,166
Bank short term deposit		**–**	–
Cash at bank and in hand		**4,981**	5,358
Deferred tax asset		**43**	58
Total current assets		**6,492**	6,582
Total assets		**6,583**	6,630
Current liabilities			
Corporation tax due		**(4)**	(3)
Trade and other payables	11	**(1,123)**	(1,126)
Total current liabilities		**(1,127)**	(1,129)
Total assets less current liabilities		**5,456**	5,501
Non-current assets/(liabilities)			
Pension assets/(liabilities)	13	**(140)**	352
Assets less liabilities		**5,316**	5,853
Reserves			
Contributed capital	1 (a)	**2,380**	2,380
General fund reserve	14	**2,935**	3,471
Revaluation reserve	15	**1**	2
Total Reserves		**5,316**	5,853

The accompanying notes on pages 25 to 38 form part of these accounts

CJS Price 10 July 2014
Chief Executive and Accounting Officer

Statement of Cash Flows year ended 31 March 2014

	2014	2013
	£000	£000
Cash flows from operating activities		
Net expenditure after interest before other finance income and taxation	**(28)**	175
Depreciation charges	**62**	51
(Profit)/loss on disposal of fixed assets	**0**	(6)
Revaluation of property, plant and equipment	**0**	0
Defined benefit pension fund current service cost (note 13)	**563**	308
Defined benefit pension contributions paid (note 13)	**(556)**	(480)
Taxation (paid) refunded	**(8)**	(11)
(Increase)/decrease in trade and other receivables	**(302)**	160
Increase/(decrease) in trade and other payables	**(3)**	(127)
Net cash inflow (outflow) from operating activities	**(272)**	70
Cash flow from investing activities		
Purchase of non-current assets (note 17)	**(105)**	8
Increase (decrease) in cash and equivalents	**(377)**	78
Cash and equivalents at the beginning of the year	**5,358**	5,280
Cash and equivalents at the end of the year (note 18)	**4,981**	5,358

The accompanying notes on pages 25 to 38 form part of these accounts

Statement of Changes in Taxpayers' Equity Year ended 31 March 2014

	Contributed Capital £000	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012	2,380	3,193	4	5,577
Changes in taxpayers' equity for the year ended 31 March 2013				
Net gain/(loss) on revaluation of property, plant and equipment	–	–	–	–
Net income/(expenditure)	–	150	–	150
IAS 16 transfer between reserves	–	2	(2)	–
Total remeasurements recognised in defined benefit pension funds	–	157	0	157
Deferred tax arising on gain recognised in the defined benefit pension fund	–	(31)	–	(31)
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 loss recognised in the defined benefit pension fund	–	126	0	126
Balance at 31 March 2014	2,380	2,935	1	5,316

The accompanying notes on pages 25 to 38 form part of these accounts

Notes to the Accounts Year ended 31 March 2014

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 agency agreements 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 39.

2 Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 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 result of these activities is excluded from the Agency's accounts. 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.

In December 2013, The Energy Act 2013 received Royal Assent. This includes provisions to enable the sale of the Government Pipeline and Storage System, which the Agency manages on behalf of the MOD.

It is probable that the status of the Oil and Pipelines Agency will change should a sale take place. However, the sale of GPSS is dependent on approval through the MOD Main Gate approval process. As such, the timing of any potential sale or transfer, along with the future of OPA is currently uncertain.

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, whilst there remains uncertainty about the future ownership of the organisation, in the absence of a decision in relation to the sale of GPSS, or a statutory instrument to dissolve the OPA, it is appropriate that the financial statements have been prepared on a going concern basis.

c 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:

	2014	2013
	£000	£000
Agency Fees (GPSS)	**4,629**	3,680
Agency Fees (OFD)	**3,946**	2,726
	8,575	6,406

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.

d 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.

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

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 10 and 11). 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.

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 Emoluments of Members and Chief Executive

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

	2014	2013
	£000	£000
Aggregate emoluments of non-executive Members	**40**	24

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 £125,000 including £4,000 bonus (2013: £129,000 including £9,000 bonus). No taxable benefits were derived during the year. Other pension benefits are described in the remuneration report.

5 Staff costs

The average number of permanent employees, including Members and Committee Members, during the year was 137 (2013: 108) and the number of employees at 31 March 2014 was 146 (2013: 127). The average of whole-time equivalent non-permanent persons employed during the year was 8 (2013: 2). Staffing costs were as follows:

	2014	2013
	£000	£000
Wages and salaries – to permanently employed staff	**4,965**	3,846
– to other contract and temporary staff	**190**	96
Social security costs incurred by the Agency	**499**	382
Defined benefit pension costs (note 13)	**563**	349
Defined contribution pension costs	**470**	237
	6,687	4,910

6 Other Expenditures

	2014	2013
	£000	£000
Office operating lease – buildings (note 12)	**218**	205
Other occupancy costs	**178**	166
Staff related costs*	**286**	168
Travel, subsistence and hospitality	**351**	209
Recruitment and training	**277**	213
Professional fees	**253**	131
Auditors' Remuneration: Audit (NAO)	**20**	17
Office supplies and equipment	**221**	137
Other administration costs	**120**	100
Non-cash items		
Loss on disposal of property, plant and equipment	**–**	(6)
	1,924	1,340

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

7 Tax on net taxable net income/(expenditure)

The tax charge in the Statement of Comprehensive Net Expenditure is derived as follows:

	2014	2013
Current Tax	**£000**	£000
UK corporation tax on taxable profits/(losses) for the year	**4**	4
Adjustment in respect of prior period	**5**	(1)
Total current tax	**9**	3
Deferred tax	**18**	38
Total tax on net income/(expenditure)	**27**	41

8 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	Total
	£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

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 2012	82	69	311	17	479
Revaluations	–	–	–	–	–
Additions	–	–	1	–	1
Disposals	–	–	–	(17)	(17)
At 31 March 2013	**82**	**69**	**312**	–	**463**
Depreciation:					
At 1 April 2012	49	53	278	13	393
Revaluations	–	–	–	–	–
Charge for year	14	2	22	1	39
Disposals	–	–	–	(14)	(14)
At 31 March 2013	**63**	**55**	**300**	–	**418**
Net Book Value:					
At 31 March 2013	**19**	**14**	**12**	–	**45**
At 31 March 2012	33	16	33	4	86

9 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 2013	Revaluations	Additions	Charge	C/Fwd 31 March 2014
	£000	**£000**	**£000**	**£000**	**£000**
Cost or valuation	39	–	30	–	69
Amortisation	36	–	–	3	39
Net Book Value	3	–	30	(3)	30

10 Trade and other receivables

	2014	2013
	£000	£000
Trade and other receivables falling due within one year comprise:		
Trade and other receivables	**38**	589
Accrued Income	**1,183**	370
Prepayments	**247**	174
Trade and other receivables falling due after more than one year comprise:		
Other receivables	–	33
	1,468	1,166

Included in Trade and other receivables is £689 due from the MOD relating to purchase invoices received on behalf of the OFDs (2013; £90,399).

Included in accrued income is £1,178,000 due from the MOD relating to Agency Fees in respecting of managing the GPSS and OFDs (2013: £364,000).

11 Trade and other payables

	2014	2013
	£000	£000
Trade and other payables falling due within one year comprise:		
Trade and other payables	**234**	577
Accruals and deferred income	**377**	244
Provisions	**23**	–
Other taxation and social security	**489**	305
	1,123	1,126

Included in Trade and other payables is £689 relating to purchase invoices received on behalf of the MOD relating to the OFDs (2013; £58,638)

Included in Accruals and deferred income is £41,000 regarding Defence Internal Audit costs (2013; £nil)

12 Commitments

a Capital Commitments

At the end of the year there were no capital commitments authorised (2013: Nil).

b Office Leasehold (continued)

The Agency occupies office premises under a lease that will expire in July 2014 and contains an annual commitment to pay rent of £143,000 (2013: £143,000) and a variable service charge. Rental amounts payable within 1 year and between 1 and 5 years are £39,000 and £nil respectively.

c Motor leases

The Agency operates twelve motor vehicles under leases that will expire between 2014 and 2017. Lease amounts payable under these leases due within 1 year and between 1 and 5 years are £44,000 and £46,000 respectively.

d Other leases

During the year the Agency entered into a three year operating lease agreement for six photocopiers. Rental amounts payable under the lease due within 1 year and between 1 and 5 years are £3,000 and £6,000 respectively.

13 Retirement benefits pension schemes

The Agency operates two funded pension schemes providing benefits based on final pensionable pay, which are closed to new entrants. Further information on both schemes can be found in the Agency's Remuneration Report, which is included in these accounts on Pages 10 and 11.

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 2014 and the major assumptions used were:

	2014	2013	2012
	%	%	%
Inflation rate	**3.6**	3.5	3.4
Rate of increase in salaries	**N/A**	4.5	4.4
Rate of increase in pensions in payment	**3.6**	3.5	3.4
Discount rate for liabilities	**4.4**	4.4	4.6
Mortality birth table and cohort	**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.

13 Retirement benefits pension schemes (continued)

Federated Pension Plan (FPP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2014 and the major assumptions used were:

	2014	2013
	%	%
Inflation rate (RPI)	3.60	3.60
Inflation rate (CPI)	2.85	2.85
Rate of increase in salaries	4.60	4.60
Rate of revaluation of deferred pension (CPI)	2.85	2.85
Rate of increase in pensions in payment (CPI)	2.85	2.85
Discount rate for liabilities	4.45	4.80
Mortality birth table and cohort	PNxA00	PNxA00
	Long cohort	Long cohort
Allowance for commutation of pension for cash at retirement	None	None

Charge to the statement of comprehensive net expenditure

Defined benefit costs recognised in Expenditure:

	FPP	OPA RBP	**2014**	FPP	OPA RBP	2013
	£000	£000	**£000**	£000	£000	£000
Expected return on scheme assets	54	386	**440**	8	374	382
Interest on schemes liabilities	(50)	(370)	**(420)**	(4)	(362)	(366)
Net interest income	4	16	**20**	4	12	16
Current service cost (staff costs note 5)	(542)	(21)	**(563)**	(243)	(65)	(308)
Credited/(charged) to net expenditure	(538)	(5)	**(543)**	(239)	(53)	(292)

Total remeasurements recognised in Other Comprehensive Expenditure:

	FPP	OPA RBP	**2014**	FPP	OPA RBP	2013
	£000	£000	**£000**	£000	£000	£000
Return on plan assets (excluding amounts included in net interest cost)	12	(480)	**(468)**	17	670	687
Experienced gains on liabilities	–	146	**146**	(93)	73	(20)
Changes in assumptions underlying liabilities	(149)	(157)	**(306)**	(48)	(462)	(510)
Total remeasurements	(137)	(491)	**(628)**	(124)	281	157

13 Retirement benefits pension schemes (continued)

Statement of Financial Position Pension asset

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

	2014	**2014**	2013	2013
		£000		£000
OPA Retirement Benefits Plan				
Equities	**7.6%**	**2,091**	7.1%	2,440
Government Debt	**3.6%**	**5,958**	3.1%	5,911
Corporate Bonds	**4.3%**	**231**	4.1%	283
Cash	**3.4%**	**201**	2.9%	234
Total fair value of assets		**8,481**		8,868
Present value of liabilities		**8,613**		8,506
Surplus/(deficit) in the scheme		**(132)**		362
Related deferred tax (liability)/asset		**26**		(73)
Surplus/(Deficit)		**(106)**		289
Federated Pension Plan				
Equities	**6.9%**	**1,256**	6.9%	293
Government Debt	**2.9%**	**627**	2.9%	147
Corporate Bonds		–		–
Cash	**2.7%**	**3**	2.7%	1
Total fair value of assets		**1,886**		441
Present value of liabilities		**1,928**		362
Surplus in the scheme		**(42)**		79
Related deferred tax (liability)/asset		**8**		(16)
Surplus/(Deficit)		**(34)**		63

The best estimate of contributions to be paid by the Agency to the Federated Pension Plan for the year commencing 1 April 2014 is £554,000

The Agency anticipates that no contributions will be paid to The Oil and Pipelines Agency Retirement Benefits Plan for the year commencing 1 April 2014 as there are no active members

13 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 £000	OPA RBP £000	**2014 £000**	FPP £000	OPA RBP £000	2013 £000
Opening fair value of assets at 1 April	441	8,868	**9,309**	0	8,045	8,045
Interest income	54	386	**440**	8	374	382
Employer contributions	554	2	**556**	442	38	480
Contributions by Members	44	–	**44**	30	8	38
Return on plan assets (excluding amounts included in net interest income)	12	(480)	**(468)**	17	670	687
Benefits (paid)/received *	781	(295)	**486**	(56)	(267)	(323)
Total fair value of plan assets before tax at 31 March	1886	8,481	**10,367**	441	8,868	9,309

*Benefits paid includes bulk transfers in year of £815,000, relating to pensionable service accrued by existing members of the plan prior to joining the FPP scheme as a result of past service benefits.

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

	FPP £000	OPA RBP £000	**2014 £000**	FPP £000	OPA RBP £000	2013 £000
Opening fair value of liabilities at 1 April	362	8,506	**8,868**	0	7,949	7,949
Current service cost	542	21	**563**	243	65	308
Interest cost	50	370	**420**	4	362	366
Contributions by Members	44	–	**44**	30	8	38
Remeasurements						
Change in assumptions	149	157	**306**	48	462	510
Liability experience/(gains)	0	(146)	**(146)**	93	(73)	20
Benefits (paid)/received	781	(295)	**486**	(56)	(267)	(323)
Present value of obligation before tax at 31 March	1,928	8,613	**10,541**	362	8,506	8,868

13 Retirement benefits pension schemes (continued)

Plan history

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
OPA Retirement Benefits Plan					
Fair value of assets before taxation	**8,481**	8,868	8,045	7,291	6,916
Present value of defined liabilities before taxation	**8,613**	8,506	7,949	6,843	6,889
Surplus/(deficit) before taxation	**(132)**	362	96	448	27
History of experience gains and losses					
Return on plan assets (excluding amounts included in net interest cost):	**(480)**	670	381	46	1,075
Percentage of scheme assets (%)	**(5.7)**	7.6	4.7	0.6	15.5
Experienced gains on liabilities:	**146**	73	70	93	167
Percentage of the present value of the scheme liabilities (%)	**1.7**	0.9	0.9	1.4	2.4
Changes in assumptions: (£000)	**(157)**	(462)	(860)	257	264
Total remeasurements	**(491)**	281	(409)	396	1,506
Percentage of present value of the scheme liabilities (%)	**(5.7)**	3.3	(5.1)	5.8	21.9

	2014	2013
Federated Pension Plan		
Fair value of assets before taxation	**1,886**	441
Present value of defined liabilities before taxation	**1,928**	362
Surplus/(deficit) before taxation	**(42)**	79
History of experience gains and losses		
Return on plan assets (excluding amounts included in net interest cost):	**12**	17
Percentage of scheme assets (%)	**0.6**	3.9
Experienced gains on liabilities:	**0**	(93)
Percentage of the present value of the scheme liabilities (%)	**0.0**	(25.7)
Changes in assumptions: (£000)	**(149)**	(48)
Total remeasurements	**(137)**	(124)
Percentage of present value of the scheme liabilities (%)	**(7.1)**	(34.3)

13 Retirement benefits pension schemes (continued)

Analysis of the sensitivity to principal assumptions of the present value of the defined benefit obligation

	Results at 31 March 2014	Reduce Discount%	Increase Inflation%
		0.25%	0.25%
	£000	£000	£000
The Oil and Pipelines Agency Retirement Benefits Plan	(8,613)	(9,043)	(9,025)
The Oil and Pipelines Agency Federated Pension Plan	(1,928)	(2,044)	(2,044)
Present value of defined benefit obligations	**(10,541)**	**(11,087)**	**(11,069)**

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 £470,000 (2013: £237,000).

14 General Fund Reserve

	Operating Cost	Pension Reserve	Total
	£000	£000	£000
At 31 March 2012	3,116	77	**3,193**
Changes to the general fund reserve for the previous year	3	275	**278**
At 31 March 2013	3,119	352	**3,471**
Changes to the general fund reserve for the year	(44)	(492)	**(536)**
At 31 March 2014	3,075	(140)	**2,935**

15 Revaluation Reserve

	2014	2013
	£000	£000
At 1 April	**2**	4
Revaluation of property, plant and equipment for the year	**–**	–
Revaluation of depreciation for the year	**–**	–
IAS 16 transfer to General Reserve	**(1)**	(2)
At 31 March	**1**	2

16 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 2014 there were no contingent liabilities recorded (2013: Nil).

17 Gross cash flows

	2014	2013
	£000	£000
Returns on investments and servicing of finance		
Interest received	**70**	70
Capital expenditure		
(Payments) to acquire tangible property, plant and equipment	**(75)**	(1)
(Payments) to acquire intangible computer software	**(30)**	–
Receipts from disposals of tangible property, plant and equipment	**–**	9
	(105)	8

18 Analysis of changes in net funds

	At 1 April 2013	Cash Flows	At 31 March 2014
	£000	£000	**£000**
Cash at bank and in hand	5,358	(377)	**4,981**

19 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 2c).

During the year, The Agency was charged £59,000 by the MOD for services provided by Defence Internal Audit (2013: £9,000).

During the year, four Members of the Agency were employees of the MOD; Mr L Mosco, MOD Director Commercial, Mr P Shortt, MOD head of Business Strategy and Guidance, Mr AVM Howard, Assistant Chief of Defence Staff Logistics Operations, and Mr R Sims, OPA Liaison Head.

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

Remuneration received by Members is detailed in the remuneration report, which begins on Page 9. 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.

20 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.

21 Events after the reporting date

The accounts were authorised for issue by the Accounting Officer on the date of certification by the Comptroller and Auditor General. There were no adjusting events or material non adjusting events that had an impact on these financial statements.

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

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 2014 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 2014 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.

Emphasis of Matter – Going Concern

Without qualifying my opinion, I draw attention to the disclosures made in Note 2b to the financial statements concerning the application of the going concern principle in light of the Energy Act 2013. The Act includes provisions to enable the sale of the Government Pipeline and Storage System, which the Agency manages on behalf of the MOD. It is probable that the status of the Oil and Pipelines Agency will change should a sale take place. However, the sale of GPSS is dependent on the MOD Main Gate approval process. There is therefore material uncertainty as to how long OPA will continue to operate in its current form.

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 and Directors' 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.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

15 July 2014

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