

# The Oil and Pipelines Agency Account 2015-16

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## Chairman's statement

The first month of the financial year saw completion of the sale by the Ministry of Defence (MOD) of the Government Pipeline Storage System (GPSS) business to CLH (Compania Logistica de Hidrocarburos) on 30 April 2015. Following the sale OPA has continued to operate and maintain the UK Naval Fuel Depots (OFDs) on behalf of its Sponsor, the Secretary of State for Defence, working closely with its principal customer, the Royal Navy. Since the sale, the Agency has also been given responsibility for 2 active storage sites (salt caverns) and other non-sale GPSS Assets.

The Agency's obligation to bring the OFD assets and operations in line with both the Control of Major Accident Hazard (COMAH) regulations and the Industry recommendations for Process Safety Leadership remains unchanged. The addition of the caverns (by virtue of their size, number and stock holding) under COMAH has increased the challenge.

Whilst the scope of the Agency's portfolio has changed considerably, the focus of the newly formed leadership team has been not only on this COMAH obligation but also on ensuring that the substantial future investment programme to renew and refurbish the OFD sites meets the needs of the Navy and conforms to the requirements of the regulators.

During this year of substantial change and activity, I am pleased to report that our progress in ensuring that the OFDs comply with regulations has been substantial. There has been no enforcement action by the regulatory authorities and almost all of the outstanding improvement and legal notices have been closed. The Board has visited a number of sites during the year to hear from the staff and to see at first hand the challenges they have faced and discuss with them the depot plans for the future. We have been greatly encouraged by the teamwork, commitment and professionalism displayed throughout the organisation.

The weakness in the oil price has meant that the planned extraction of product from the caverns has been put on hold. Therefore, for the foreseeable future, the OPA will maintain the whole caverns estate within the COMAH legislation.

In this extremely active and demanding first year in its changed role, the Agency leadership team and staff have shown their determination to meet the challenges, whilst striving to satisfy their customers, regulators and the MOD. I thank them for their fantastic effort and achievement.

*G H G Ellis*  
Chairman

14 July 2016

# Performance Report

## Chief Executive's Overview

Following the sale of the GPSS to Compañía Logística de Hidrocarburos on 30 April 2015, safe operation of the OFD sites has been the OPA's primary focus. Hence the organisation continues to fully engage with the Competent Authority (CA) (the Environment Agency, SEPA and the Health and Safety executive) to ensure compliance with the Control of Major Accident Hazards (COMAH) regulations. The age and condition of the OFD assets represents the primary risk to our operations, and is driving an extensive legislative compliance programme of works. Good progress has been made on this through both maintenance activity and capital projects.

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. After adjustment for non-cash pension fund adjustments the Agency's result for the year was a net income after taxation of £149,000 (2015: net expense after taxation £80,000). Additional funding has been secured to implement improvements to the OFD infrastructure to ensure legislative compliance.

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.

## The key issues and risks facing the Oil and Pipelines Agency

The Agency maintains the OFD sites under the COMAH regulations. The number of legal actions being issued by the CA to the OPA was relatively low (12 in 2015-16) compared to previous years and held steady throughout the year. During 2015-16 there has been no Enforcement Notice (Prohibition & Improvement) served on the OFDs compared to 1 in 2014-15. The OPA received a Warning Letter from the CA with regard to a loss of containment at one of the GPSS sites that occurred prior to sale and was in relation to GPSS assets that have now been sold.

Whilst the OPA has seen improvement in the areas of compliance, such as competency systems and Safe System of Work/Permit to Work, there remains a legacy issue in the key areas of compliance of Containment and Ageing Plant which will remain until there are significant physical changes on OFD sites. These areas of work are now fully funded. In particular, in order to meet the requirements of Navy Command's future fuel requirement strategy, the OFD site at Gosport is to be redeveloped. The Agency is working closely with Defence Infrastructure Organisation (DIO) as the Technical Authority and will put forward a delivery option for the construction of new tanks.

## Principal Risks

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

- Regulatory Compliance and Ongoing management of the OFDs
- Retained GPSS Sites
- Capabilities and GPSS Separation

Further background and detail relating to these principal risks is given in the Governance Statement.

## Agency Strategy and Business Model

The Agency's strategy has been formulated for the next 5 years and appropriate funding has been secured to ensure that the OFDs can work towards being fully compliant with COMAH. The Agency's primary customer objective is to meet the supply demands of Navy Command, as well as the existing commercial contracts operated within the OFDs. The Agency also seeks to increase commercial revenue within its irreducible spare capacity to aid the funding requirements for the operation and management of the assets, thus reducing the budgetary demands on the MOD.

## Going concern basis

The OPA has secured funding for the management and maintenance of the OFD and GPSS assets under its control for the period of 10 years. The OPA will continue in its current form and as a result the financial statements have been prepared on a going concern basis.

## Expansion of OPA remit

During the year the OPA management received agreement from all of its key stakeholders that from 2016-17 the OPA accounts would be expanded to encompass the maintenance of the sites under the Agency's control as well as the management costs. The fees charged to MOD will be adjusted to reflect the true costs of the Oil Fuel Depots and the two cavern sites.

## Other challenges

The key challenge for the Agency continues to be regulatory compliance with COMAH as already described. The competent authority set out 10 strategic priorities to reach compliance. The OPA management continues to make significant progress against these priorities especially in the areas of competency, Safe System of Work and Permit to Work. The significant investment required in containment and safety instrumented systems has been approved with the challenge now being the delivery of the infrastructure changes required to reach COMAH compliance.

The budgetary pressure within the whole of Defence is clearly recognised and the OPA management are driving efficiency and pace where possible to reduce the call on the MOD in future periods.

The Agency's main asset is its people and keeping them safe on a daily basis is critical. The OPA management focus continuously on safety and the safety culture in the organisation through a number of initiatives including toolbox talks, safety focus newsletters, staff safety briefings and lesson learned workshops. New employees have been recruited with a key focus on process safety and people safety.

## Performance Summary

In a demanding year of change, the Agency staff have applied their energy and determination to meet and achieve the challenges set. Following the sale of the GPSS, the new senior leadership team has brought renewed focus onto the OFDs, whilst formulating a clearer strategy for the new business and working closely with the MOD to secure the required funding to enable the Agency to work towards full compliance with COMAH. Our relationship with the Competent Authority has improved significantly over the year and we are pleased with the progress against the strategic priorities communicated to us.

### Purpose and activities of the OPA

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.

Following the sale of the GPSS, since 30 April 2015 the OPA's focus has been on the Naval Oil Fuel Depots (OFDs), six care and maintenance sites and two active storage sites formerly part of the GPSS. These assets continue to be owned or leased by the MOD. The care and maintenance sites were returned to MOD on 1 June 2016 and are no longer the responsibility of the OPA.

The Ministry of Defence (MOD) sponsors the Agency as its Managing Agent through the Director of Commissioning Services (this transferred from the Head of Defence Commercial Oil & Pipelines Agency on 1 September 2015). The OFDs are strategic defence assets and, are the responsibility of the Secretary of State for Defence. GPSS, up until the point of sale, and OFD assets, during the financial year, were owned by the MOD and were accounted for in the MOD's Department Resource Account.

### The OFDs

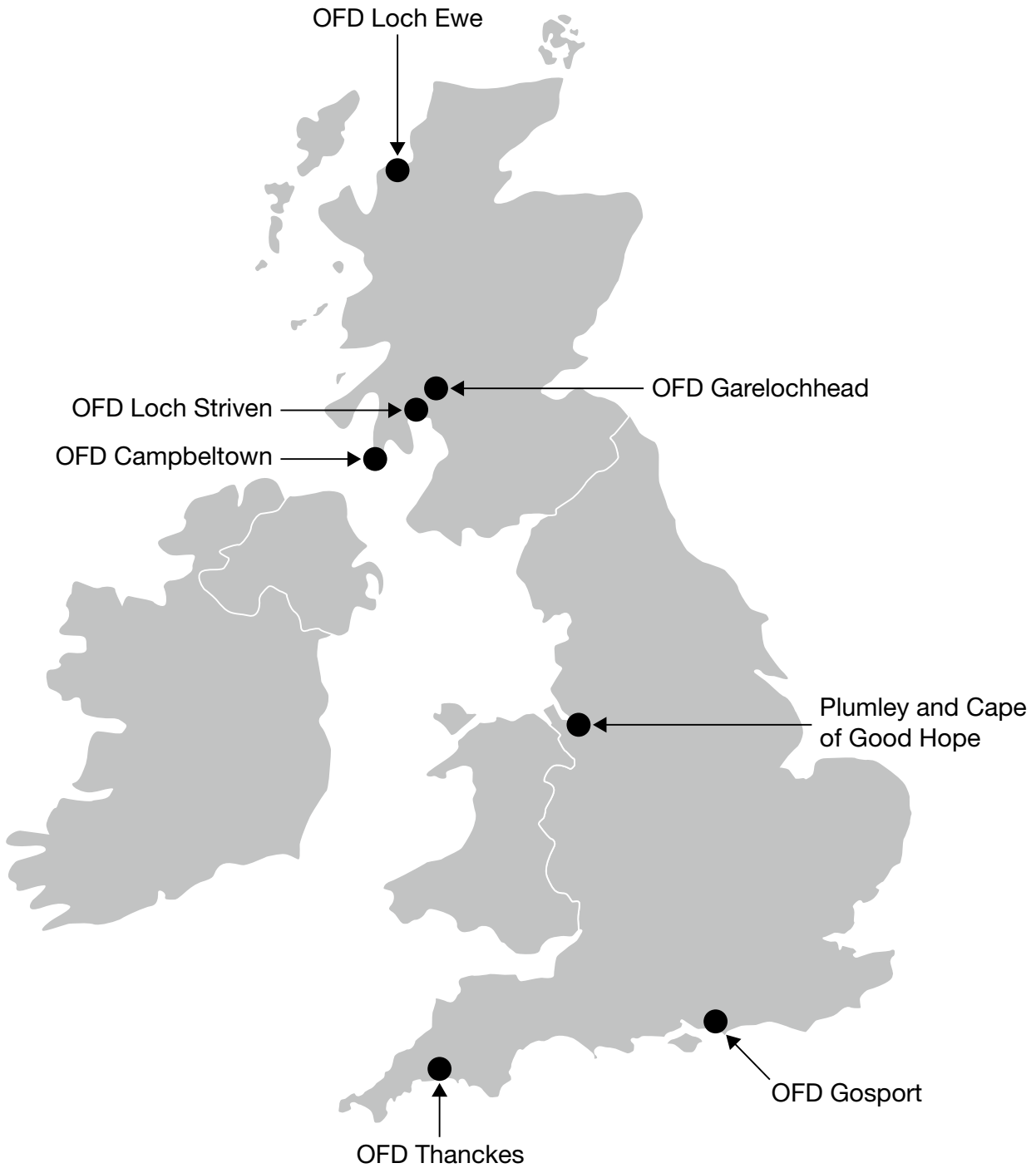
The six OFDs receive, store and issue middle distillate fuels to support Navy Command. Commercial customers utilise storage at two sites where spare capacity is available. The two OFDs located in Southern England, at Gosport and Thanckes, support the adjacent HM Naval Bases namely Portsmouth and Devonport. There are four OFDs located in Scotland. The site at Garelochhead supports Clyde Naval Base, whilst OFDs at Loch Striven, Loch Ewe and Campbeltown provide bulk storage and regional support to Royal Fleet Auxiliary tankers and visiting warships. All sites are supplied by sea.



## The GPSS residual sites

The two active storage sites that were formerly part of the GPSS are located in the northwest of the United Kingdom near the village of Plumley in Cheshire. The sites consist of solution mined caverns used for the storage of hydrocarbons. Six care and maintenance sites located around the UK were maintained by the OPA during the financial year and were transferred to Defence Infrastructure Organisation (DIO) for disposal on 1 June 2016.

### Location map of the OFDs and storage caverns



## Performance analysis

### How the OPA measures performance

The Board assesses its performance against its objectives by regularly reviewing the KPIs and the performance plans associated with each of the Agency's main objectives. These are to:

- meet the service requirements as defined in the SLA;
- work with customers to develop COMAH compliant plant and processes;
- manage corporate risk and demonstrate reduction of risks via movement on risk register;
- be seen as a safe and reliable operator;
- meet allocated budget;
- progress the accelerated programme of tank inspections to reduce the backlog of overdue tank inspections;
- assure compliance through monitoring and review; and
- target 'zero' personal injuries

The KPIs used for measuring the Agency's performance against its objectives have been agreed with the Agency Board, its primary customer Navy Command and are set out in the associated SLA. They are:-

- 1 Governance. This focusses on reporting the number of Quality, Health, Safety and Environment Audits or Defence Internal Audit actions overdue, which aids the management of risks and assurance of compliance through monitoring and review. On the whole the performance for this KPI during the year has been positive by achieving the planned number of audits and reducing the number of open actions.
- 2 Compliance with the Competent Authority. This is clearly a significant and important objective of the Agency for the purposes of continuing to operate the business as a safe and reliable operator. The relationship with the CA has been good during the year and they are pleased with the progress being made.
- 3 Health Safety Security Environment and Quality. This KPI concentrates on the number of containment losses, third party injuries or security breaches and other HSSEQ related incidents. This focusses the management team's attention on targeting zero personal injuries with no reportable incidents during the year.
- 4 Financials. This KPI looks at commercial revenue and operating costs vs target in order that the budget allocation objective can be kept under review. The Agency contained expenditure to budget for the year.
- 5 Commercial. Utilisation of spare capacity to meet customer needs. For those sites that have had their usable capacity contracted out, this has generally performed well against the KPI set for the year.
- 6 Operations. This considers operational capacity. This is an important objective to enable the Agency to meet the fuel requirements of Navy Command in accordance with the SLA. There is a significant focus and investment in the assets to ensure that operations can run smoothly. At present an accelerated tank inspection programme is underway to reduce the backlog of overdue tank inspections. Once this has been completed operational efficiency and storage will improve.
- 7 Asset integrity. This focusses on defects rectified or planned preventative maintenance activities to ensure COMAH compliant assets and processes. It also includes the tank inspection programme as mentioned above.
- 8 People. Considers the number training days and absence rate. A small number of long term absences have impacted the performance against KPIs for the year.

The KPIs are issued to the OPA Board and to Navy Command on a monthly basis and include target, previous month, year to date, RAG, trend analysis and comments.

There is a detailed finance report issued each month that details performance vs plan for year to date and full year forecast vs plan. This is discussed at each Board meeting.

## Financial and other performance of the Oil and Pipelines Agency

As the sale of the GPSS was delayed by a period of one month, the OPA incurred £0.5 million of costs running the GPSS. These costs were recovered with an OPA fee charged to the GPSS.

With the reverse synergy experienced when the entities split, the start of the year found the OPA significantly under staffed. The strategy of employing only the best candidates meant that the OPA continued to be under resourced for a large part of the year. This meant that savings were made in staff costs that were able to be returned to MOD as a reduction in the annual fee. There were increases in costs specifically on harmonisation of payroll following negotiations with the OPA workforce.

The original budget was for the OPA to spend the year at a new London office. As part of the transitional services agreement, however, the Agency shared a facility in Fetter Lane with CLH-PS, the purchaser of the GPSS, which led to savings in occupancy costs. These were partially offset by investment in new IT infrastructure and increased professional fees as the OPA invested in governance.

Overall the Agency was able to return savings of £188,000 at year end as a reduction in the annual fee; this saving was reported in the MOD resource accounts.

## Agency administration

The total number of personnel employed by the Agency as at 31 March 2016, excluding non-executive members, was 101.

## Retirement benefits pension schemes

Information on the Agency's pension schemes can be found in the Remuneration Report, Accounting Policies note f) and note 14 to the accounts.

## Accounts

These financial statements have been prepared in accordance with the 2015-16 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.

## 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 11 days (2015: 4 days).

*A Jackson*  
Chief Executive and Accounting Officer

14 July 2016

# Accountability Report

## Corporate governance report

### 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.

### 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
	Dr D Marsh	Non-executive and MOD Sponsor (appointed 1 September 2016 and resigned 15 April 2016)
	A Jackson	Chief Executive and Accounting Officer (appointed 1 May 2015)
	CJS Price	Chief Executive and Accounting Officer (resigned 30 April 2015)
	R Sims	Non-executive and MOD Sponsor (resigned 31 August 2015)
	Rear Admiral Stokes	Non-executive (appointed 1 May 2015)
Principal Officers:	T Woolley	Non-executive
	Adrian Jackson	Chief Executive and Accounting Officer (appointed 1 May 2015)
	CJS Price	Chief Executive and Accounting Officer (resigned 30 April 2015)
Secretary to the Agency:	ME Edwards	

The MOD sponsors the Agency as its Managing Agent through the Director of Commissioning Services (this transferred from the Defence Commercial Oil & Pipelines Agency (OPA) Liaison – Head on 1 September 2015). The sponsor to 31 March 2016 was Dr. David Marsh – Director of Commissioning Services. The current sponsor is now Mrs Rachel Pearson (MOD Departmental Representative).

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, one non-executive Member, two MOD appointed Members and one executive director.

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

### Register of Interests

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

### Personal data related incidents

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 estimated as £22,000. No further payments were made to the NAO for non-audit work. The Certificate and Report of the Comptroller and Auditor General is attached on pages 24 and 25.

## 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.

## 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.
- 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 was modified as a result of the GPSS sale and has been redrafted in 2016 to better cover the areas of responsibility exercised by the Agency.

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 worked closely with Charles prior to the sale to ensure a smooth transition of responsibilities and in preparation of this Governance Statement.

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 the Oil Fuel Depots ("OFDs") and those non-sale Government Pipeline and Storage System ("GPSS") assets, which are the property of the Ministry of Defence. The Agency exercises financial and technical control over the operation and maintenance of these funds and assets, 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. The OPA Board complied with this requirement during the financial year.

### Role of the Board

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

### The 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 one Board workshop during the year which focussed on the Agency's strategic plan, following the sale of the GPSS. The Board has discussed its effectiveness in May 2016. It was concluded that the format of the Board meetings was working well. A recent reduction to bi-monthly meetings was agreed to be the right decision at present as the Agency has reached a steadier state, although this will be kept under constant review.

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 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 Secretary.

## The Audit Committee

The Audit committee of the Agency comprises two members, Mr T Woolley, and Mr M Eames. Mr G Watts was also a member of the Audit committee until his resignation in September 2015. Mr T Woolley, who is the Chair of the Audit Committee, is also a Member of the Agency. Mr Eames regularly attends the Board meetings in his capacity as associate member. 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 four 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. It concluded that the audit committee has sufficient sight of the business for it to be satisfied that it could confirm that the system of internal control within the Agency worked well.



The Audit Committee reviews the annual accounts of the Agency, 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 their audit programme the DIA were able to provide the Agency with an annual audit opinion of substantial assurance, recognising that following the sale of the GPSS, the Agency has returned to a more stable and sustainable business tempo.

## The Health, Safety, Environment and Quality 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. 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 2016, the HSEQ Committee comprised five members and is chaired by non-executive Chairman Mr S Pearce. Mr Pearce attends all Agency board meetings in his capacity as an associate member.

The current members are:

Adrian Jackson – Chief Executive and Accounting Officer

Anthony Small – Engineering Manager

Paul Grange – Operations Director

Lisa England – Assurance Manager

The HSEQ Committee met three times as a formal committee this year. All 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. Committee meetings are generally held on site, involve the local Depot Manager and provide an opportunity to review activities and challenges with site staff.

Key improvements and activities during the year were as follows:

- Focusing on securing compliance with COMAH requirements has been sustained during the year. Close out of the actions from the Regulator have been progressed well during the year.
- Sound relations have been sustained with the Regulator
- The committee has focused on the Continuous Improvement Plan that reflects the priorities agreed with COMAH Competent Authority (CA).
- Performance has been reviewed for Health, Safety, Environment and Q activities throughout the year. Safety performance has been maintained at a very good level throughout the year.
- A range of data sources have been used to monitor and review HSEQ performance
- Tank inspection has been carefully monitored during the year to secure compliance with legal requirements.
- Substantial improvements in procedures and asset management performance have been noted.

## Remuneration Nomination Committee

The Remuneration Nomination Committee has been constituted and empowered as described in the Remuneration and staff report below.

### Attendance at Board and Board committee meetings

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

	<b>Board</b>	<b>Audit Committee</b>	<b>HSEQ Committee</b>	<b>Remuneration Nomination Committee</b>
<b>Graham Ellis</b>	12/12			2/2
<b>Charles Price**</b>	1/1			
<b>Trevor Woolley</b>	12/12	4/4		2/2
<b>Rear Adm Stokes*</b>	10/11			2/2
<b>Dr D Marsh* **</b>	6/7			2/2
<b>Richard Sims**</b>	4/4	1/1		
<b>Adrian Jackson*</b>	11/11		3/3	
<b>Graham Watts</b>		1/2		
<b>Mark Eames</b>		3/4		
<b>Stephen Pearce</b>			3/3	
<b>Anthony Small</b>			3/3	
<b>Paul Grange</b>			3/3	
<b>Lisa England</b>			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 following main risks have been managed since 1 April 2015:

### ■ Regulatory Compliance and Ongoing Management of OFDs

The Continuous Improvement Programme (CIP) continues with delivery of improvements in People, Plant and Processes against the CA's ten key strategic priorities. The CA has recognised the substantive progress made but remains vigilant regarding the Agency's continued ability to deliver major advances in compliance across the CA's key strategic priorities.

The Agency has seen a significant reduction in the number of actions arising from Enforcement Actions from CA interventions. There is still some work to complete due to a historical lack of investment in both asset integrity and regulatory compliance over many decades. Predominately the CA are focussed on our primary containment (i.e. tank integrity) and the lack of assurance of integrity based on previous tank inspections. OPA has a robust remediation plan, which is now fully funded and resourced. Furthermore the remediation plan is designed around maintaining the current capacity. However, since the tanks are our primary source of containment and do not have industry/regulatory compliant safety instrumented systems to protect against overfill or chronic leaks, this remains the Agency's highest risk. The completion of the GPSS sale has allowed the remaining Agency team to focus on the OFD assets to secure their future. It is inevitable that further CA interventions will produce further actions until the compliance packages are completed.

### ■ Retained GPSS Sites

The Sale of the GPSS saw the OPA retain eight care and maintenance sites. There are ongoing risks associated with lease agreements, third-party trespass, etc. The two cavern sites at Plumley and CoGH have product stored within some of the caverns which could, if not adequately monitored, become an environmental risk. Whilst oil prices remain low, it is not cost effective to remove the product, thus extending the longevity of the need to adequately maintain the sites. The Agency continued to operate and manage the other six residual sites excluded from the sale until they were handed over to DIO on 1 June 2016.

### ■ Capabilities and GPSS Separation

The sale process for the GPSS inevitably resulted in organisational gaps within the OPA head office function. The management focus on this gap, has resulted in the successful recruitment of high calibre professionals to fill all the vacancies.

## 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 which I believe posed significant risks. Their audit findings have given the Agency substantial assurance illustrating that the Agency is returning to a more stable state following the sale of the GPSS. My team and I will work with the DIA to implement the agreed recommendations from the audits completed during the year

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 has been my first year as Chief Executive Officer and Accounting Officer and I am pleased with the progress made to date, with the support of my senior leadership team I believe that we have a good internal control system in place, which we will continue to monitor as the business develops.

*A Jackson*

14 July 2016

Chief Executive and Accounting Officer

## Remuneration and Staff 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 also made. 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.

### 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:

		<b>Appointed</b>	<b>Appointed to</b>	<b>2016 Salary band £000</b>	2015 Salary band £000
G Ellis	Chairman	1 April 2012	31 March 2017	<b>25 – 30</b>	25 - 30
Dr D Marsh	Member	1 September 2015	15 April 2016	-	-
R Sims	Member	28 March 2014	31 August 2015	-	-
R Adm Stokes	Member	1 May 2015	1 May 2018	-	-
T Woolley	Member	16 July 2012	16 July 2017	<b>10 - 15</b>	10 - 15

During the financial year Non-executive Members received bonuses as follows:

		<b>Appointed</b>	<b>Appointed to</b>	<b>2016 Bonus £000</b>	2015 Bonus £000
G Ellis	Chairman	1 April 2012	31 March 2017	<b>10-15</b>	0
T Woolley	Member	16 July 2012	16 July 2017	<b>0-5</b>	0

Dr D Marsh, Mr Sims and Rear Admiral Stokes, 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 for the month of April 2015 of Mr CJS Price, Chief Executive and executive Member from 1 April 2015 to 30 April 2015, was £9,329. Mr CJS Price was a member of the Oil and Pipelines Agency Group Pension Plan, the defined contribution pension scheme, until 30 April 2015 and for that month the employer contributions of £2,217 were made on his behalf. On the 30 April 2015 Mr Price was TUPE transferred to CLH-PS. Mr Price had a full time equivalent salary of £128,000.

The remuneration paid during the year for Mr A Jackson, Chief Executive and executive Member was £98,238 including a performance bonus of £1,500. No taxable benefits were paid. Mr Jackson is a member of the Oil and Pipelines Agency Group Pension Plan, the defined contribution pension scheme, and during that year the employer contributions of £18,936 were made on his behalf. Mr Jackson'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. Mr Jackson had a full time equivalent salary of £104,000.

As Mr Jackson is not a member of the defined benefit pension scheme there is no cash equivalent transfer of pensions to report.

The remuneration of the highest paid director for the year was £105,500 (2015: £128,000). This was calculated as follows – Mr A Jackson: FTE salary of £104,000 and performance bonus of £1,500. This remuneration was a ratio of 4.5 (2015: 4.3) of the median remuneration paid for the year which was £23,220 (2015: £30,000).

In 2015-16 no employee received remuneration in excess of the highest paid director. Remuneration ranged from £16,900 to £105,500. (2015: £16,900 to £128,000).

Unless stated the above disclosed remuneration details are all based on amounts paid in year and includes non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Total remuneration paid for the directors was £166,567 including the remuneration of a past director who was remunerated £9,329.

CETV disclosures are not relevant to the OPA as no directors are members of the Defined Benefit Pension schemes.

There has been no loss of office payments made during the year.

This remuneration details section is subject to audit.

## Personnel

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

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

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.

There have been no exit packages offered or accepted during the year.

The total number of personnel employed by the Agency as at 31 March 2016, excluding non-executive members, was 101. Staff costs were £5,282,000 during the year including performance pay accrued, taxes and other social security costs.

At 31 March 2016 there were two short term contract staff engaged by the Agency, one as maternity leave cover and one working on a three month additional project, these are not included in the workforce figures detailed below.

## Workforce by gender

Numbers as at 31 March 2016	Male	Female
Agency Members	4	0
Senior Managers	6	2
Employees*	84	17

\*Senior managers are included in Employees total.

## Reporting of high paid off-payroll appointments

The Agency had no engagements of senior or highly paid individuals remunerated by any means other than payroll at the reporting date or during the year ending 31 March 2016.

## Sickness absence

During the financial year there were a total of 575 days lost due to sickness. This represented a loss percentage of 2.4%. Two members of staff were on long-term sick throughout the year that were covered by the Agency's permanent health insurance policy. There was one ill health retirement that was also covered by permanent health insurance.

## Compensation for loss of office

There were no redundancies made during the financial year.

## Staff cost analysis

	2016 £000
Wages and salaries – to permanently employed staff	3,984
– to other contract and temporary staff	62
Social security costs incurred by the Agency	374
Defined benefit pension costs (note 15)	648
Defined contribution pension costs	214
Redundancy costs	–
	<u>5,282</u>

The staff based at the Oil Fuel Depots accounted for £2.0 million of the OPA wages and salaries. These depot staff are employed to operate the depots as safely and efficiently as possible.

The Engineering, Assurance, Business Services and Head Office staff accounted for £1.6 million and are responsible for the compliance of the assets, governance of the Agency and effective management of the depots.

In the first month of the year the GPSS staff that TUPE transferred to CLH accounted for £0.4 million. The costs of the GPSS in month one are detailed in Note 4 of the accounts – Discontinued operations.

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

The defined benefit pension costs are detailed in Note 14 to the accounts.

This staff costs analysis section is subject to audit.

## 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 fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Pension costs are accounted for under IAS 19 (notes 2(f) and 14 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 £1,118,000 (2015: surplus before taxation of £754,000).

There were no active members of the Oil and Pipelines Agency Retirement Benefits Plan before the sale of the GPSS so the sale resulted in no costs of transfer.

### 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.

As all of the members of the scheme were associated with the Oil Fuel Depots there was no effect on the scheme or the members of the scheme by the sale of the GPSS.

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 14 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 £66,000 (2015: deficit before taxation of £294,000) this change was mainly due to changes in actuarial assumptions. 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 14). During the financial year contributions were made totalling £214,000 (2015: £630,000). This large decrease was due to the reduced number of participants in the scheme following the sale of the GPSS. There was an average of 42 members per month in this financial year compared to 68 in the previous financial year.

## Post sale

The Agency continued 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 or left the OPA.

## Parliamentary Accountability and Audit Report

The Oil and Pipelines Agency is financed through a fee charged to the Ministry of Defence in line with a service level agreement. This service level agreement enables the OPA to invoice MOD for the cost of staff necessarily employed for the operations and maintenance of the OFDs.

During the financial year the Agency charged fees to the MOD of £6.860 million.

The OPA operates under the guidance of Managing Public Money, all expenditure is compliant with relevant legislation and delegated authority. Expenditure is efficient, economic, effective and prudent so that the Agency secures value for public money.

The Oil and Pipelines annual accounts do not include a disclosure on long term expenditure trends due to the inclusion of discontinued operations in this financial year and the expansion of the contractual relationship with MOD to include maintenance activities from FY16-17. This would result in forecasts not being comparable to current year spend.

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

This Parliamentary accountability and audit report is subject to audit.

*A Jackson*  
Chief Executive and Accounting Officer

14 July 2016

# 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 2016 under the Oil and Pipelines Act 1985. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report, and the Parliamentary accountability and audit 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 the 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 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 2016 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Oil and Pipelines Act 1985 and Secretary of State directions issued thereunder.

## Opinion on other matters

### In my opinion:

- the parts of the Remuneration and Staff Report, and the the Parliamentary accountability and audit report to be audited have been properly prepared in accordance with Secretary of State directions made under the Oil and Pipelines Act 1985; and
- the information given in Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report, and the Parliamentary accountability and audit 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

18 July 2016

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

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
<b>Expenditure</b>			
Staff costs	6	<b>(5,282)</b>	(8,346)
Depreciation		<b>0</b>	(42)
Asset Impairment	10	<b>(25)</b>	0
Other expenditures	7	<b>(1,593)</b>	(2,027)
<b>Total Expenditure</b>		<b>(6,900)</b>	(10,415)
Income from activities	5	<b>6,991</b>	10,318
<b>Net income/(expenditure)</b>		<b>91</b>	(97)
Interest receivable from bank accounts		<b>68</b>	67
Other finance income (expenditure)	14	<b>(10)</b>	(8)
<b>Net income/(expenditure) after interest and other finance income</b>		<b>149</b>	(38)
Tax on taxable net income/(expenditure) after interest and other finance income	8	<b>0</b>	(42)
<b>Net income/(expenditure) after taxation</b>		<b>(149)</b>	(80)

## Other comprehensive expenditure

IAS 16 transfer to General Reserve	16	<b>(1)</b>	0
Actuarial gain/(loss) recognised in pension schemes	14	<b>324</b>	(878)
Deferred tax arising on (gain)/loss recognised in the pension scheme		<b>(45)</b>	25
<b>Total comprehensive income/(expenditure) for the year</b>		<b>427</b>	(933)

*The accompanying notes on page 30 to 46 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.*

## Statement of Financial Position at 31 March 2016

	Notes	2016 £000	2015 £000
<b>Non-current assets</b>			
Property, plant and equipment	9	0	0
Intangibles	10	0	25
<b>Total non-current assets</b>		<b>0</b>	<b>25</b>
<b>Current assets</b>			
Assets Held for Sale	9	0	46
Trade and other receivables	11	577	1,767
Cash at bank and in hand		5,387	4,116
Deferred tax asset		0	1
<b>Total current assets</b>		<b>5,964</b>	<b>5,930</b>
<b>Total assets</b>		<b>5,964</b>	<b>5,955</b>
<b>Current liabilities</b>			
Corporation tax due		0	0
Trade and other payables	12	(1,101)	(1,337)
<b>Total current liabilities</b>		<b>(1,101)</b>	<b>(1,337)</b>
<b>Total assets less current liabilities</b>		<b>4,863</b>	<b>4,618</b>
<b>Non-current assets/(liabilities)</b>			
DB Pension Scheme	14	(53)	(235)
<b>Assets less liabilities</b>		<b>4,810</b>	<b>4,383</b>
<b>Reserves</b>			
Contributed capital	1 (a)	2,380	2,380
General fund reserve	15	2,430	2,002
Revaluation reserve	16	0	1
<b>Total Reserves</b>		<b>4,810</b>	<b>4,383</b>

The accompanying notes on page 30 to 46 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.

A Jackson  
Chief Executive and Accounting Officer

14 July 2016

## Statement of Cash Flows for the year ended 31 March 2016

	<b>2016</b>	2015
	<b>£000</b>	£000
Cash flows from operating activities		
Net income after interest before other finance income and taxation	<b>159</b>	(30)
Depreciation charges	<b>0</b>	42
Impairment charges (note 10)	<b>25</b>	
(Profit)/loss on disposal of fixed assets	<b>0</b>	20
Defined benefit pension fund current service cost (note 14)	<b>648</b>	605
Defined benefit pension contributions paid (note 14)	<b>(562)</b>	(1,371)
Taxation (paid) refunded	<b>0</b>	(3)
(Increase)/decrease in trade and other receivables	<b>1,190</b>	(298)
Increase/(decrease) in trade and other payables	<b>(236)</b>	213
Net cash inflow (outflow) from operating activities	<b>1,224</b>	(822)
Cash flow from investing activities		
Sale of current assets (note 9)	<b>47</b>	
Purchase of non-current assets (note 18)	<b>0</b>	(44)
Increase (decrease) in cash and equivalents	<b>1,271</b>	(866)
Cash and equivalents at the beginning of the year	<b>4,116</b>	4,981
Cash and equivalents at the end of the year (note 19)	<b>5,387</b>	4,116

*The accompanying notes on page 30 to 45 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.*

## Statement of Changes in Taxpayers' Equity for the Year ended 31 March 2016

	<b>Contributed Capital £000</b>	<b>General Fund £000</b>	<b>Revaluation Reserve £000</b>	<b>Total Reserves £000</b>
Balance at 31 March 2014	2,380	2,935	1	5,316
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)	-	(80)
IAS 16 transfer between reserves	-	0	0	-
Total remeasurements recognised in defined benefit pension funds	-	(878)	0	(878)
Deferred tax arising on gain recognised in the defined benefit pension fund	-	25	-	25
Balance at 31 March 2015	<u>2,380</u>	<u>2,002</u>	<u>1</u>	<u>4,383</u>
Changes in taxpayers' equity for the year ended 31 March 2016				
Net gain/(loss) on revaluation of property, plant and equipment	-	-	-	-
Net income/(expenditure)	-	149	-	149
IAS 16 transfer between reserves	-	-	(1)	(1)
Total remeasurements recognised in defined benefit pension funds	-	324	-	324
Deferred tax arising on loss recognised in the defined benefit pension fund	-	(45)	-	(45)
Balance at 31 March 2016	<u>2,380</u>	<u>2,430</u>	<u>-</u>	<u>4,810</u>

*The accompanying notes on page 30 to 45 form part of these accounts including note 4 in relation to IFRS Discontinued Operations.*



# Notes to the Accounts Year ended 31 March 2016

## 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 care and maintenance GPSS sites and OFDs under the terms of the Framework Document between the Agency and the Secretary of State for Defence.
- c The accounts have been prepared in accordance with Paragraph 9 of Schedule 3 to The Oil and Pipelines Act 1985 and with the most recent related Accounts Direction as to the form of the accounts given by the Secretary of State for Defence. This Accounts Direction is reproduced on page 50.

## 2 Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 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.

All Property, plant and equipment of the Oil and Pipelines Agency was disposed of as part of the sale of the GPSS to CLH Spain.

*d Intangibles*

The OPA management in consultation with the OPA Audit Committee has judged that the recognition of intangible assets is not appropriate for The Oil and Pipelines Agency and has expensed the investment of the Human Resources software system that had been capitalised as an intangible asset in line with IAS 38 in FY13-14 as management concluded the assets did not provide OPA with economic benefit.

*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

Following the sale of the GPSS to CLH Spain the OPA has no non-current assets as at 31 March 2016.

*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 11 and 12). 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 21)

*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 30 April 2015 the MOD sold the GPSS element of the business to Compania Logistica de Hidrocarburos for £82 million. 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 – for the year ended 31 March 2016*

	<b>2016</b>	2015
	<b>£000</b>	£000
Expenditure		
Staff costs	<b>(400)</b>	(4,427)
Depreciation	<b>0</b>	(15)
Other expenditures	<b>(59)</b>	(1,458)
Total Expenditure	<b>(459)</b>	(5,900)
Income from activities	<b>459</b>	5,844
Net income/(expenditure)	<b>0</b>	(56)
Interest receivable from bank accounts	<b>0</b>	56
Other finance income (expense)	<b>0</b>	0
Net income/(expenditure) after interest and other finance income	<b>0</b>	0
Tax on taxable net income/(expenditure) after interest and other finance income	<b>0</b>	0
Net income/(expenditure) after taxation	<b>0</b>	0

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 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:

	<b>2016</b>	2015
	<b>£000</b>	£000
Agency Fees (GPSS)	<b>459</b>	5,844
Agency Fees (OFD)	<b>6,401</b>	4,474
Post sale recharges	<b>131</b>	–
	<b><u>6,991</u></b>	<u>10,318</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.

The post-sale recharges relate to costs incurred by the OPA on behalf of CLH. They mainly related to credit card expenditure on travel bookings as CLH-PS did not have a credit facility and the first months pension contributions as the CLH-PS scheme was not set up until the sale had completed. All costs incurred were recharged and paid by CLH-PS.

## 6 Staff costs

The average number of permanent employees, including Members and Committee Members, during the year was 97 (2015: 162) and the number of employees at 31 March 2016 was 105 (2015: 166). The average of whole-time equivalent non-permanent persons employed during the year was 4 (2015: 8). Staffing costs were as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Wages and salaries – to permanently employed staff	<b>3,984</b>	6,335
– to other contract and temporary staff	<b>62</b>	101
Social security costs incurred by the Agency	<b>374</b>	643
Defined benefit pension costs (note 15)	<b>648</b>	605
Defined contribution pension costs	<b>214</b>	630
Redundancy costs	<b>–</b>	32
	<b><u>5,282</u></b>	<u>8,346</u>

**7 Other Expenditure**

	<b>2016</b>	2015
	<b>£000</b>	£000
Office operating lease – buildings	<b>87</b>	338
Other occupancy costs	<b>67</b>	122
Staff related costs*	<b>217</b>	359
Travel, subsistence and hospitality	<b>393</b>	511
Recruitment and training	<b>183</b>	187
Professional fees	<b>189</b>	133
Auditors' Remuneration: Audit (NAO)	<b>22</b>	18
Office supplies and equipment	<b>251</b>	220
Other administration costs	<b>184</b>	119
Non-cash items		
Revaluation of property, plant and equipment	<b>0</b>	0
Loss on disposal of property, plant and equipment	<b>0</b>	20
	<b><u>1,593</u></b>	<u>2,027</u>

Under the terms of the Transitional Services Agreement with CLH-PS, the Agency shared the office at Fetter Lane. Agreement was based off usage, as a result the Agency paid one fifth of all running costs.

During the year the Agency also relocated staff at Fort Blockhouse, Gosport in close proximity to the Gosport OFD, as part of the Naval base estate there were no occupancy costs incurred.

\*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.

**8 Tax on net taxable net income/(expenditure)**

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

	<b>2016</b>	2015
	<b>£000</b>	£000
Current Tax		
UK corporation tax on taxable profits/(losses) for the year	–	–
Adjustment in respect of prior period	–	–
<b>Total current tax</b>	–	–
Deferred tax	–	(42)
<b>Total tax on net income/(expenditure)</b>	–	<u>(42)</u>

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

## 9 Tangible assets – property, plant and equipment

Following the sale of the GPSS business to CLH-PS the Agency held no non-current assets. There was no movement in property, plant and equipment and accumulated depreciation during the year as all balances were transferred to assets held for resale as at 31 March 2015.

The assets held for sale included 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.

	Leasehold Improvements £000	Office Furniture £000	Computers and Office Equipment £000	Motor Vehicles £000	Total £000
<b>Assets held for Sale at March 15</b>	6	15	25	–	46
Additions	–	–	1	–	1
Contribution from sale	(6)	(15)	(26)	–	(47)
<b>Assets held for Sale at March 16</b>	–	–	–	–	–

## 10 Intangible assets – computer software

Intangible net current assets comprised purchased software licences and other software. Following a management decision to adjust the accounting policy of the OPA to expense software as incurred, as management concluded the assets did not provide OPA with economic benefit, the movement in computer software and accumulated amortisation during the year is shown below:

	1 April 2015 £000	Revaluations £000	Impairment £000	Charge for the year £000	At 31 March 2016 £000
Cost or valuation	69	–	(25)	–	44
Amortisation	(44)	–	–	–	(44)
Net Book Value	25	–	(25)	–	–

**11 Trade and other receivables**

	<b>2016</b>	2015
	<b>£000</b>	£000
Trade and other receivables falling due within one year comprise:		
Trade and other receivables	<b>450</b>	23
Accrued Income	<b>4</b>	1,498
Prepayments	<b>123</b>	246
Trade and other receivables falling due after more than one year comprise:		
Other receivables	–	–
	<u><b>577</b></u>	<u>1,767</u>

Included in accrued income is £0 due from the MOD relating to Agency Fees in respect of managing the GPSS and OFDs (2015; £1,498,093). Trade and other receivables includes £433,900 relating to Agency fees in respect of managing the GPSS and OFDs (2015; £0).

**12 Trade and other payables**

	<b>2016</b>	2015
	<b>£000</b>	£000
Trade and other payables falling due within one year comprise:		
Trade and other payables	<b>254</b>	220
Accruals and deferred income	<b>439</b>	536
Provisions	–	–
Other taxation and social security	<b>408</b>	581
	<u><b>1,101</b></u>	<u>1,337</u>

Included in Accruals and deferred income is £12,750 regarding Defence Internal Audit costs (2015; £4,218)

**13 Commitments****a Capital Commitments**

At the end of the year there were no capital commitments authorised (2015: Nil).

**b Operating Leases**

	<b>0-1yr</b>	1-5yrs
	<b>£000</b>	£000
Office leaseholds	<b>174</b>	150
Motor Leases	<b>13</b>	<b>5</b>
Other leases (Photocopiers)	<b>2</b>	<b>1</b>
	<u><b>189</b></u>	<u>156</u>

At the end of the year the Agency had one month remaining on their occupation under the TSA of the office at Fetter Lane. On the 7 March a Memorandum of Terms was signed with the Food Standards Agency for office space at Aviation House for a period of 22 months. This has been included as an office leasehold commitment.

On 1 April 2016 5 new vehicles were leased for use by the OPA staff, these costs have not been included in the lease commitments as they could have been cancelled before delivery.

## 14 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.

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:

	2016	2015	2014	2013
	%	%	%	%
Inflation rate	3.2	3.2	3.6	3.5
Rate of increase in salaries	N/A	N/A	N/A	4.5
Rate of increase in pensions in payment	3.2	3.2	3.6	3.5
Discount rate for liabilities	3.4	3.2	4.4	4.4
Mortality birth table and cohort	S1PAL	S1PAL	PXNA00	PXNA00
	CMI Model	CMI Model	Long cohort	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 2016 and the major assumptions used were:

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	%	%	%	%
Inflation rate (RPI)	3.3	3.30	3.60	3.60
Inflation rate (CPI)	2.3	2.30	2.85	2.85
Rate of increase in salaries	4.3	4.30	4.60	4.60
Rate of revaluation of deferred pension (CPI)	2.3	2.30	2.85	2.85
Rate of increase in pensions in payment (CPI)	2.3	2.30	2.85	2.85
Discount rate for liabilities	3.6	3.30	4.45	4.80
Mortality birth table and cohort	S2PXA	PXNA01	PXNA00	PXNA00
Allowance for commutation of pension for cash at retirement	50% to 3n/80ths x salary	None	None	None

**Charge to the statement of comprehensive net expenditure**

Defined benefit costs recognised in Expenditure:

	<b>FPP</b>	<b>OPA RBP</b>	<b>2016</b>	FPP	OPA RBP	2015
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000
Net interest income	(10)	0	<b>(10)</b>	(2)	(6)	(8)
Current service cost (staff costs note 5)	(648)	0	<b>(648)</b>	(605)	0	(605)
Credited/(charged) to net expenditure	<u>(658)</u>	<u>0</u>	<b><u>(658)</u></b>	<u>(607)</u>	<u>(6)</u>	<u>(613)</u>

**Total measurements recognised in other comprehensive expenditure**

	<b>FPP</b>	<b>OPA RBP</b>	<b>2015</b>	FPP	OPA RBP	2015
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000
Return on plan assets (excluding amounts included in net interest cost)	(158)	(106)	<b>(264)</b>	222	1,130	1,352
Experienced gains on liabilities	126	87	<b>213</b>	0	175	175
Changes in assumptions underlying liabilities	356	359	<b>715</b>	(436)	(1,215)	(1,651)
Change in Asset ceiling	0	(340)	<b>(340)</b>	0	(754)	(754)
Total remeasurements	<u>324</u>	<u>(0)</u>	<b><u>324</u></b>	<u>(214)</u>	<u>(664)</u>	<u>(878)</u>

**Statement of Financial Position Pension asset**

The plan assets and liabilities in the schemes were:

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>OPA Retirement Benefits Plan</b>		
Equities	<b>2,044</b>	2,606
Government Debt	<b>8,319</b>	7,897
Corporate Bonds	<b>0</b>	0
Cash	<b>14</b>	(11)
Total fair value of assets	<b>10,377</b>	10,492
Present value of liabilities	<b>(9,259)</b>	(9,738)
Surplus/(deficit) in the scheme	<b>1,118</b>	754
Asset ceiling	<b>(1,118)</b>	(754)
Related deferred tax (liability)/asset	<b>0</b>	0
Surplus/(Deficit)	<b>0</b>	0
	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>Federated Pension Plan</b>		
Equities	<b>2,172</b>	1,855
Government Debt	<b>1,086</b>	928
Corporate Bonds	<b>0</b>	0
Cash	<b>1</b>	0
Total fair value of assets	<b>3,259</b>	2,783
Present value of liabilities	<b>(3,325)</b>	(3,077)
Surplus in the scheme	<b>(66)</b>	(294)
Related deferred tax (liability)/asset	<b>13</b>	59
Surplus/(Deficit)	<b>(53)</b>	(235)

The best estimate of contributions to be paid by the Agency to the Federated Pension Plan for the year commencing 1 April 2016 is £562,000

The Agency anticipates that no contributions will be paid to The Oil and Pipelines Agency Retirement Benefits Plan for the year commencing 1 April 2016 as there are no active members

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

	<b>FPP</b>	<b>OPA RBP</b>	<b>2016</b>	FPP	OPA RBP	2015
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000
Opening fair value of assets at 1 April	2,783	10,492	<b>13,275</b>	1,886	8,481	10,367
Interest income	101	329	<b>430</b>	97	367	464
Employer contributions	562	0	<b>562</b>	569	802	1,371
Contributions by Members	49	0	<b>49</b>	48	–	48
Return on plan assets (excluding amounts included in net interest income)	(158)	(106)	<b>(264)</b>	222	1,130	1,352
Benefits (paid)	(78)	(338)	<b>(416)</b>	(39)	(288)	(327)
Total fair value of plan assets before tax at 31 March	<u>3,259</u>	<u>10,377</u>	<b><u>13,636</u></b>	<u>2,783</u>	<u>10,492</u>	<u>13,275</u>

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

	<b>FPP</b>	<b>OPA RBP</b>	<b>2016</b>	FPP	OPA RBP	2015
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000
Opening fair value of liabilities at 1 April	3,077	9,738	<b>12,815</b>	1,928	8,613	10,541
Current service cost	648	0	<b>648</b>	605	0	605
Interest cost	111	305	<b>416</b>	99	373	472
Contributions by Members	49	0	<b>49</b>	48	0	48
Remenasurements	0	0	<b>0</b>	0	0	0
Change in assumptions	(356)	(359)	<b>(715)</b>	436	1,215	1,651
Liability experience (gains)	(126)	(87)	<b>(213)</b>	0	(175)	(175)
Benefits (paid)	(78)	(338)	<b>(416)</b>	(39)	(288)	(327)
Present value of obligation before tax at 31 March	<u>3,325</u>	<u>9,259</u>	<b><u>12,584</u></b>	<u>3,077</u>	<u>9,738</u>	<u>12,815</u>

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

	<b>2016</b>	2015	2014
	<b>£000</b>	£000	£000
<b>OPA Retirement Benefits Plan</b>			
Fair value of assets before taxation	<b>10,377</b>	10,492	8,481
Present value of defined liabilities before taxation	<b>(9,259)</b>	(9,738)	(8,613)
Surplus/(deficit) before taxation	<b>1,118</b>	754	(132)
<b>History of experience gains and losses</b>			
Return on plan assets (excluding amounts included in net interest cost):	<b>(106)</b>	1,130	(480)
Percentage of scheme assets (%)	<b>(1.0)</b>	10.8	(5.7)
Experienced gains on liabilities:	<b>87</b>	175	146
Percentage of the present value of the scheme liabilities (%)	<b>0.9</b>	1.8	1.7
Changes in assumptions: (£000)	<b>359</b>	(1,215)	(157)
Total remeasurements	<b>340</b>	90	(491)
Percentage of present value of the scheme liabilities (%)	<b>3.7</b>	0.9	(5.7)
	<b>2016</b>	2015	2014
	<b>£000</b>	£000	£000
<b>Federated Pension Plan</b>			
Fair value of assets before taxation	<b>3,259</b>	2,783	1,886
Present value of defined liabilities before taxation	<b>(3,325)</b>	(3,077)	(1,928)
Surplus/(deficit) before taxation	<b>(66)</b>	(294)	(42)
<b>History of experience gains and losses</b>			
Return on plan assets (excluding amounts included in net interest cost):	<b>(158)</b>	222	12
Percentage of scheme assets (%)	<b>(4.8)</b>	8.0	0.6
Experienced gains on liabilities:	<b>126</b>	0	0
Percentage of the present value of the scheme liabilities (%)	<b>3.8</b>	0.0	0.0
Changes in assumptions: (£000)	<b>356</b>	(436)	(149)
Total remeasurements	<b>324</b>	(214)	(137)
Percentage of present value of the scheme liabilities (%)	<b>9.7</b>	(7.0)	(7.1)

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

## The Oil and Pipelines Agency Retirement Benefits Plan

Assumption	Change in assumption	Change in Liability
Discount rate	Reduce discount rate by 0.25%	Increase by 5.1%
Rate of inflation	Reduce discount rate by 0.25%	Increase by 4.8%

## Federated Pension Plan

Assumption	Change in assumption	Change in liability
Discount rate	Reduce discount rate by 0.25%	Increase by 5.0%
Rate of inflation	Reduce discount rate by 0.25%	Increase by 5.1%
Rate of salary growth	Increase inflation rate by 0.25%	Increase by 1.3%
Rate of mortality	Increase life expectancy by 1 year	Increase by 2.1%

**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 £214,000 (2014: £630,000).

**15 General Fund Reserve**

	Operating Cost £000	Pension Reserve £000	Total £000
At 31 March 2014	3,075	(140)	<b>2,935</b>
Changes to the general fund reserve for the year	(80)	(853)	<b>(933)</b>
At 31 March 2015	<u>2,995</u>	<u>(993)</u>	<u><b>2,002</b></u>
Changes to the general fund reserve for the year	149	279	<b>428</b>
At 31 March 2016	<u>3,144</u>	<u>(714)</u>	<u><b>2,430</b></u>

**16 Revaluation Reserve**

	2016 £000	2015 £000
At 1 April 2015	1	1
Revaluation of property, plant and equipment for the year	-	-
Revaluation of depreciation for the year	-	-
IAS 16 transfer to General Reserve	<u>(1)</u>	-
At 31 March 2016	<u>-</u>	<u>1</u>

**17 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 2016 there were no contingent liabilities recorded (2015: Nil).

**18 Gross cash flows**

	<b>2016</b>	2015
	<b>£000</b>	£000
Returns on investments and servicing of finance		
Interest received	<u>68</u>	<u>67</u>
Capital expenditure		
(Payments) to acquire tangible property, plant and equipment	-	(44)
(Payments) to acquire intangible computer software	-	-
Receipts from disposals of tangible property, plant and equipment	-	-
Receipts from sale of assets held for sale	<u>47</u>	<u>-</u>
	<u>47</u>	<u>(44)</u>

**19 Analysis of changes in net funds**

	At 1 April 2015 £000	Cash Flows £000	<b>At 31 March 2016 £000</b>
Cash at bank and in hand	<u>4,116</u>	<u>1,271</u>	<u>5,387</u>

**20 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 2b).

During the year, The Agency was charged £17,000 by the MOD for services provided by Defence Internal Audit (2015: £47,000).

During the year, two Members of the Agency were employees of the MOD; Rear Admiral Stokes and Dr David Marsh.

The current Chairman and Chief Executive, were both Trustees of OPA Pensions Trustees Ltd. The transactions between OPA and OPA Pension Trustees Ltd are as per Note 14. Neither are members of the scheme.

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

## 21 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.

## 22 Events after the reporting date

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

During the year the OPA management received agreement from all of its key stakeholders that from 2016-17 the contractual arrangement with MOD would be expanded to include all expenditure for the maintenance of the sites under the Agency's control as well as the management costs of the Oil Fuel Depots and the 2 cavern sites.

On the 1st April 2016 the third party provision for maintainers on the Oil Fuel Depots was terminated and the staff TUPE transferred to the OPA. This increased the headcount by 9 from 101 employees to 110 employees (not including Agency members).

*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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