The Oil & Pipelines Agency Accounts 2021-22

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Chief Executive’s statement

I am delighted to present our Annual Report & Accounts for 2021-22. The Agency’s Executive Team and Staff have again worked successfully to deliver on our customer and shareholder commitments, whilst maintaining focus on critical compliance related project activities at all seven of our sites.

This year has seen considerable progress for OPA. Our key achievements include:

- We have continued to work safely with no significant injuries to our people and we have not had any employee to employee, or contractor to employee, spread of the COVID-19 virus.
- The OPA fully met the Royal Navy’s fuel demand requirements and safely stored product for our commercial customers. The COVID-19 pandemic has been challenging and required us to ensure the safety of our people, however, it has not reduced our ability to provide fuel receipt, storage or delivery services to our customers.
- We have continued to deliver our compliance objectives throughout 2021-22 and have passed the major milestone of no non-compliant tanks remaining in service. The Basic Process Control System (BPCS) project has also seen us commission the new systems at Loch Striven and Garelochhead.
- We have completed the recommissioning of the Thanckes NATO Tanks with the support of the Depot staff. At Gosport, we’re now close to commissioning phase 3 of the tank farm, which will see the Gosport team operating a state-of-the-art tank farm facility. We have also made significant progress on the St George’s House refurbishment and will move our head office team into their new home in the summer 2022.
- Our Apprenticeship Programme continues to be a huge success with seven individuals completing their Apprenticeships. Three are the first to have completed the new Apprenticeship that was developed for Operators in Bulk Liquid Operations, an Industry first. We still have a number of Apprentices striving to complete their apprenticeships as Mechanical Technicians, Electrical Technicians and Operators. We hope to recruit more apprentices in the New Year.
- We have seen a significant number of changes to the OPA Board, following the retirement of Graham Ellis in May 2021. Our new Chair, Kate Ellis (no relation to Graham), joined us in June 2021, with Simon Wills joining us in August 2021. Our Sponsor Representative also changed as Rachel Pearson stepped down and was replaced by Michelle Pester & Katherine Carr, who shared the Head of DSOP role until February 2022 and then in March 2022 the Sponsor Representative role was filled by Amanda McKenna. In January 2022, Trevor Woolley retired after nearly 10 years as Board Member and Chair of Audit & Risk Committee and has been succeeded by Alison White. I would like to personally thank all departing members for their service and support.

On behalf of the Board, and all the management, I would like to take the opportunity to thank all of our staff for their valued contribution over the last year.

Adrian Jackson, Chief Executive
14 July 2022

Performance Report

Purpose and activities of the OPA

Who we are

Delivering the optimal fuel storage, supply and logistic solutions for the Ministry of Defence and commercial customers

The Oil and Pipelines Agency (OPA) is a Public Corporation, formed at the end of 1985 by virtue of The Oil and Pipelines Act 1985. Its duties, powers and general functions are prescribed by this Act.

Following the sale of the Government Pipeline and Storage System (GPSS) on 30 April 2015, the OPA's focus has been on the operation and maintenance of the Naval Oil Fuel Depots (OFDs) and the MOD's two active cavern storage sites.

The OFDs are strategic defence assets and are the responsibility of the Secretary of State for Defence. The fixed assets, together with any associated liabilities, are owned by the MOD and are accounted for in the MOD's Department Resource Account. The MOD exercises its sponsorship responsibilities for the Agency through the Directorate Sponsorship & Organisational Policy (DSOP).

The OFDs

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

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

The OPA is responsible for the safe operation, security and maintenance of the UK OFDs and for delivery of the fuelling programming requirements of the UK Navy and other customers. The OPA is the Technical Authority for the OFDs and duty holder under the Control of Major Accident Hazard Regulations (COMAH). It is responsible for supporting all Defence Infrastructure Organisation (DIO) Capital Works Projects on OFD sites.

The active cavern storage sites

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

What we do

Our primary objective is to meet the storage and supply demands of Navy Command and our allies. Beyond this we seek commercial contracts that utilise spare capacity, reducing the overall costs to the Ministry of Defence and the taxpayer. Compliant and reliable assets are essential for this aspect of the business.

The Agency's statutory obligation to maintain the OFD assets and operations in line with both the COMAH regulations and the industry recommendations for Process Safety Leadership remains unchanged.

The focus of the Leadership Team has been on completing delivery of the programme to renew and refurbish the OFD sites to meet the needs of Navy Command and conform to the requirements of the regulators both now and in the future. OPA achieved the goal of full tank compliance by March 2022. Additionally, OPA now provides a fuels advisory service to Air Command and DIO. This takes the form of four regionally based 'Operations Maintenance Coordinators' [OMCs]. These OMCs can link back into OPA's technical teams for specialist advice.

Overview

Main activities in year

Provide an excellent service to our primary customer, Navy Command

An excellent working relationship has developed between the Agency and Navy Command. Navy Command have confirmed that all key deliverables, as outlined in the Service Level Agreement for 2021/22, covering marine fuel receipt, storage, delivery and jetty services, have been met with no required variations on the annual fee.

Utilise spare capacity for commercial use

Offering surplus storage capacity beyond Navy requirements to the market has reduced the annual running costs charged to MOD while retaining tanks which could be returned to Navy service if requirements change. Commercial contracts utilising irreducible capacity generate approximately £3.2m per annum. Further commercial opportunities at all sites are actively pursued with a new customer contract signed for capacity at Campbeltown and Loch Striven in June 2021 for an initial period of five years.

Capital works programme

The substantial capital works programme needed to bring the portfolio of assets to regulatory compliance has been a major focus throughout the year, not least through the continuation of the Gosport Tank Farm re-development. The commissioning of the second, and largest, phase of tank builds was delivered in March 2022 with the third phase of commission to be delivered by the end of July 2022.

The new jetty at Thanckes was due to be commissioned during 2022. However, due to delays outside of OPA control, the jetty is now expected to have initial operating capacity in March 2023 with full operating capacity by October 2023. The tank farm at Thanckes will also be re-developed by 2025/26 through a rolling programme. The obsolete tanks will be replaced with new tanks meeting current engineering standards.

The completion of the works at Gosport and Thanckes are time critical and fundamental to the Agency being able to meet its customers' demands. Both projects are delayed but the appropriate risk mitigations have been put in place to continue to service the fuel needs of the Naval fleet.

Tank inspection programme

A major focus of the Agency's compliance activity is the tank inspection programme. All tanks are being inspected to the Engineering Equipment and Materials Users Association (EEMUA) standards and where necessary remedial work undertaken to bring the assets back into operation. The target completion date of March 2022 for this programme was achieved, meeting the commitment made to the Competent Authority.

As of March 2022, OPA had 0 non-compliant tanks in use with their inspection overdue. There is still lot's more progress to be made with 21 tanks remaining in maintenance and being worked on in FY22/23. For comparison, in April 2015 we had 63 non-compliant tanks in service.

Performance Summary

How have we performed?

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

Operations

307 million litres of fuel issued*
(372 million in 2020/21)
✓

Depots available for fuelling **100%** of the time
(99% in 2020/21)
✓

0 litres of off-specification fuel issued
(0 litres 2020/21)
✓

* The Agency has continued to fully satisfy the Royal Navy's fuel demand requirements however demand for fuel has reduced due to fewer fleet movements throughout the pandemic.

Customers

The obligations of the **SLA** with **Navy Command** were **met** during the year. The SLA includes, but is not limited to, the provisions of the following services:

- COMAH safety duty holder covering emergency response, health safety, environmental, engineering compliance, planned preventative maintenance and security responsibilities at all OFDs on behalf of Navy Command.
- Issue, receipt, storage and processing of fuel and related fuel products.
- Fuel quality and testing to ensure the appropriate level of fuel quality.
- Berthing and jetty services are provided as needed.

✓

Health, Safety & Environmental Protection

*Loss of Containment
Eight incidents of less than 200 litres versus a target of less than 10.
Zero incidents of greater than 200 litres.
All incidents were identified and dealt with effectively.

*No enforcement notices issued during the year against a target of zero (None issued in 2020/21)

21 planned health and safety audits completed. (Target 25)
There were 8 overdue actions, arising from the audits, at the year end.

Zero
Employee Health and Safety reportable injuries in year
Target Zero

*Tanks - 54 compliant tanks in service. 0 non-complaint tanks in service. All tanks in service now compliant.

Performance, People and Finance

*2.77%
of hours have been lost through absence. This is below our limit of 2.9%.

*Aim for a continued reduction in legal actions issued by the Competent Authority
0 in 2021/22 (2 in 2020/21)

£123k net income after taxation in line with forecast

Agreed services delivered for agreed fees

*Major Accident Hazard Planned Preventative Maintenance
100% of these have been completed on time versus a target of 100%

Zero personal data related incident. Target Zero

OPA Risk Mapping showed SUBSTANTIAL ASSURANCE for control framework

£25.0 m in MOD fees charged for the year (£22.2m in 2020/21)

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

Commercial Contracts

The Agency continues to provide commercial storage where possible as part of its strategy to utilise spare capacity. The Agency was praised for good fuel husbandry and was deemed to have met its obligations under the contracts by its main commercial customer.

Tank Programme

At the end of the financial year, OPA had delivered on its commitment that all tanks in service be fully compliant with appropriate standards by March 2022 with 54 compliant tanks in service (2021: 41) and 0 non-compliant tanks in service (2021: 11). Despite delays as a result of the COVID-19 pandemic, the Agency delivered our commitment that all tanks in service be fully compliant with appropriate standards by March 2022.

Capital Works Programme

During FY2021/22 the OPA Gosport site has seen the continuation of a major capital works programme. The new site is designed to meet the current engineering codes and safety standards and will continue to meet the future operating needs of the Navy and Queen Elizabeth Class Aircraft Carriers based out of Portsmouth for many years to come. During the year four additional fuel tanks have been built and commissioned alongside a returns and filtration capability.
OPA are part of an Integrated Project Team (IPT) supporting Defence Infrastructure Organisation (DIO) on this project. This collaborative approach is new for DIO and is working well using the strengths from both Agencies. OPA continues to work closely with the team on site to safely deliver the capital project on-time, on-budget and to specification.

OPA are also progressing a similar project at the Thanckes site, where the tanks are a comparable age (circa 1920s). The expertise and experiences gained from the Gosport project will be utilised by OPA to underpin successful delivery at Thanckes.

People

The Agency continues to implement its recruitment and retention strategy as well as its competency management strategy to underpin the OPA's Corporate Business Plan 2017-2026. The principal challenges facing the organisation going forward are an ageing workforce, a tight labour market where employers are competing for workers and the requirement for enhanced technical skills as new control rooms, permitting the remote operation of pipes and tanks, are installed at all our operational sites over the next two years.

Over the last three years we have recruited a number of apprentices and multi-skilled some of our current Operators through recognised apprenticeship programmes to produce an effective succession planning process and fill some of the skill shortages. We have recruited local people within the locations of the Depots and we are looking to recruit a further 3 apprentices this year. Seven of our apprentices have completed their apprenticeship and are being offered full-time positions across the Depots.

Principal risks

The following risks are identified as the main risks that the OPA have managed since 1 April 2021:

Regulatory Compliance and Ongoing Management of OFDs

The Agency's commitment to "The journey to compliance" is well-documented and continued to be the priority for FY21/22. The Agency's highest risk remains the improvement and maintenance of primary and secondary containment. During this financial year, ongoing intensive work continued to focus on our primary containment (i.e., mechanical tank integrity) and the over-fill protection / safety instrumented systems project.

The primary containment works were completed by the agreed deadline of March 2022.The over-fill protection works at Loch Striven and Garelochhead were commissioned in year, with the remaining systems at Loch Ewe and Campbeltown to be commissioned in 2022/23.

The Agency continues to deliver improvements in People, Plant and Processes against the Competent Authority's ten key strategic priorities under COMAH. The CA robustly conducts interventions and OPA has had an intensive program of interventions during the year, mainly conducted remotely.

Cyber Security

The Agency has continued with the significant work to ensure its IT systems are safe and secure. During the Pandemic all non-depot staff were able to effectively work remotely. The Agency IT systems received full accreditation by Defence Assurance and Information Security (DAIS) in line with HMG and MOD policy, in 2021 and 2022.

During the year we had one cyber incident, from an internal source that was reported and investigated appropriately. The employee was found guilty of gross misconduct and dismissed. Follow up actions were suggested by an external specialist and implemented in full.

Staff Competence

OPA's assets are our people. We implemented a Competency Management System (CMS) compliant with COMAH regulations, initially focusing on safety critical roles, which met the HSE guidance and codes of practice by 2017. The CMS is continuing to be developed to cover all roles and responsibilities within the OPA from the Board down.

We invest in the training and development of our people at every level to meet not only current operational requirements but also changing business needs and to improve on safety performance. We have continued to develop and deliver a number of training and development programmes across all the business from the board level down to our apprentices.

During 2021 we continued with our people investment and our apprentice programme. We appointed three new apprentices in 2021. These apprentices are spread across all the OPA Depots and cover a range of different disciplines.

COVID-19

As part of our Crisis Management and Business Continuity Planning OPA had developed a Pandemic scenario plan which was triggered when the full extent of the COVID-19 pandemic was realised.

The focus was to keep our people, their families and the local communities safe, whilst maintaining operational resilience and meeting our SLA requirements for Navy Command and Defence Infrastructure Organisation.

We continue to reiterate Government Guidance and ensure our measures are in line with this guidance to all our personnel.

Performance analysis

Sustainability and Environmental Impact

Current Defence demand for hydrocarbon fuel has reduced by almost 40% over the last 20 years and the Climate Change and Sustainability agenda is likely to reduce the demand even further over the next two decades as MOD transition from fossil fuels to alternative bulk liquid fuels, hydrogen and electric-based energy as the source of operational energy. This transition will require careful coherence and coordination as one operational energy source is phased out and others phased in.

The OPA aims to:

- Seek to ensure resilience and security of supply through the energy transition.
- Continue to protect people and the environment from potential hazards as processes and inventories change.
- Continue to support existing initiatives, including support for increases to the Renewable Transport Fuel Obligation (RTFO).
- Use our expertise, innovation, knowledge and tools to promote the use of alternative energy sources, including biofuels, sustainable aviation fuels (SAFs) and renewable marine fuels.

The Agency works hard to consider its environmental impact. This includes recycling waste, where possible. Investment in IT has enabled much more digital working, reducing the use of paper and increasing video conferencing has lessened the environmental impact of travel.
We avoid any unnecessary travel; encouraging our staff to work from home where possible and appropriate. Over the last year, due to the pandemic, staff travel has significantly reduced as visits to site have been restricted in accordance with the local government regulations.

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

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

Finance

Our financial plan has three main objectives:

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

The financial objective of the Agency is to contain its normal operating and administrative expenses, before non-cash pension fund adjustments, within the fee it charges to Navy Command and the income it generates from other customers. A three-year fixed fee SLA has been in place with the Ministry of Defence covering the period up to March 2022, with a one-year extension signed until March 2023. Capital projects are funded by Navy Command separately.

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

After the entries for non-cash pension fund adjustments, the Agency's net income/expenditure for the year was:

	2022	**2021**
Net income (expense) after taxation	£123k	(£427k)

The net income after taxation was a planned Year 3 profit under the existing three-year SLA.

Cost budgets are set at the beginning of each year for activities on the sites. The FY2021/22 budgets are detailed below with actual expenditure for the year as a comparison.

	Budget	Actual
OFD Operations & Maintenance	£ 18.9m	£ 19.4m
Capital Infrastructure Improvements	£ 6.5m	£ 6.0m
Tank Farm Support and Cavern Maintenance	£ 1.0m	£2.2m
New Business consultancy	£0.8m	£0.5m

The actual costs were above original target due to additional works which had been programmed in the previous year but delayed due to COVID-19. This increase in cost was pre agreed with our customers and reimbursed by the MOD.

The Agency is in a position of strong liquidity with £3.2m in a long-term deposit account. These cash reserves are maintained to meet costs that could arise in the event of the Agency being wound up and/or sold, including potential commitments to meet pension liabilities.

Long term expenditure trends

Long term expenditure trends are detailed in the table below based on the annual budget cycle submissions to our main customers – Navy Command and Defence Infrastructure Organisation (DIO).

Expenditure	**21/22 £'000 Actual**	**22/23 £'000** Forecast	**23/24 £'000** Forecast	**24/25 £'000** Forecast	**25/26 £'000** Forecast	**26/27 £'000** Forecast	**27/28 £'000** Forecast	**28/29 £'000** Forecast	**29/30 £'000** Forecast
Staff costs	(9,458)	(9,670)	(9,796)	(10,024)	(9,604)	(7,517)	(7,489)	(7,657)	(7,830)
Maintenance expenditure	(15,124)	(13,633)	(18,433)	(33,919)	(14,577)	(11,376)	(6,965)	(7,240)	(7,009)
Other expenditure	(3,481)	(3,849)	(3,981)	(3,974)	(3,628)	(3,173)	(3,121)	(3,178)	(3,235)
Total Expenditure	(28,063)	(27,152)	(32,210)	(47,917)	(27,809)	(22,066)	(17,575)	(18,075)	(18,074)

This expenditure table excludes the capital costs on the Gosport Tank Farm and Thanckes Jetty projects currently paid via the DIO which is the contracting authority for these capital works. The OPA is the technical authority on the Tank Farm project and incurs staff costs associated with the design and delivery of these projects. These staff costs are recharged to the DIO which is why there is fluctuation in staff costs year by year. The staff associated with running the OFDs in steady state remains similar over the ten-year look ahead. Post compliance the staff costs will reduce to reflect the end of the period of significant investment in the OFDs.

The Agency continues to grow as we support additional activities for the MOD and increase our commercial offering. Significant investment is required for the full design of the Thanckes Tank Farm, due to complete by July 2023 with construction to commence in FY23/24 and due to complete in FY 24/25.

Retirement Benefits Pension Schemes

Information on the Agency's pension schemes can be found in the Remuneration and Staff Report, Accounting Policies note 2 g) and note 11 to the accounts.

Payment of trade and other payables

It is the policy of the Agency to negotiate terms with its suppliers and to ensure that they know the terms on which payment will take place when business is agreed. It is the Agency's policy to abide by the Better Payment Practice Code to pay within 30 days of invoice date - in FY21/22: 91.0% of invoices were paid within this target (FY20/21: 92.8%). In FY21/22: 99.8% were paid within 60 days following any dispute resolution (FY20/21: 99.6%).

	2021/22	2020/21
%age of invoices (inc. disputed paid within 30 days)	91.0%	92.8%
%age of invoices (inc. disputed paid within 60 days)	99.8%	99.6%

Going concern

The OPA provides a support service critical to the delivery of key defence and national security outputs and there are no plans for this to change. The MOD Equipment programme continues to invest in diesel powered ships so the primary service the OPA provides will not change in the near future. The OPA, as part of the Annual MOD budget cycle, has secured funding for the management and maintenance of the OFD and DIO assets under its control for the next Financial Year, and has submitted proposals for the continued service for a period of 10 years.

The Agency's management have carried out a thorough assessment of the Agency's going concern position as required by International Accounting Standard 1, Paragraph 25 (IAS 1.25) and presented the results to the Board.

As the Agency's Board or the Secretary of State has no intention for the Agency to stop trading alongside considering any external factors outside of Board control that could affect trading of the Agency, the Board have taken the decision that the accounts should be prepared on a 'going concern' basis.

The Board has assessed the impact of COVID-19 and how it may affect future government funding and does not consider it to have affected the going concern status of the agency as the OPA provides a support service critical to the delivery of key defence and national security outputs.
As a result, the financial statements have been prepared on a going concern basis.

Adrian Jackson - Chief Executive and Accounting Officer

14 July 2022

Accountability Report

Corporate Governance Report

The purpose of the corporate governance report is to explain the composition and organisation of the entity's governance structure and process and how it supports the achievement of the entity's objectives

Directors' Report

Members and Principal Officers as at 31 March 2022

Kate Ellis	Non-Executive Chair
Adrian Jackson	Chief Executive and Accounting Officer
Simon Wills	Non-Executive, Member of Audit Committee and Chair of HSEQ Committee
Alison White	Non-Executive and Chair of Audit Committee
Amanda McKenna	Non-Executive and MOD Sponsor

The following changes were made to the Board during the year under review:

- Graham Ellis resigned as Chairman with effect from 31 May 2021 and Kate Ellis was appointed as Chair with effect from 1 June 2021.
- Simon Wills was appointed as a Member with effect from 8 August 2021.
- Mark Eames resigned as a Member with effect from 8 August 2021.
- Rachel Pearson resigned as a Member with effect from 1 October 2021.
- Kathryn Carr/Michelle Pester were appointed as a Member with effect from 1 October 2021 until their resignation on 4 February 2022.
- Alison White was appointed as a Member with effect from 15 January 2022.
- Trevor Woolley resigned as a Member with effect from 15 January 2022.
- Amanda McKenna was appointed as a Member with effect from 26 March 2022.

Secretary to the Agency

Mrs Marie Edwards	Company Secretary

The MOD exercises its sponsorship responsibilities of the Agency through MOD Director of Sponsorship and Organisational Policy (DSOP). The sponsor is represented by Amanda McKenna, Head of Enabling Organisations Sponsorship.

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

Register of Interests

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

Personal data related incidents

The Agency had no reportable personal data related incidents.

Auditors

Further to the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003, which came into force on 23 May 2003, the Comptroller and Auditor General was appointed as the independent auditor to the Agency. The cost of the audit carried out by the National Audit Office (NAO) was £41,700. 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 32 to 37.

Statement of the Chief Executive and Accounting Officer's Responsibilities

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

In preparing these accounts, the Agency is required to:

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

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

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

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

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

Statement of Disclosure to Auditors

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

Governance Statement

Scope of responsibility

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

To form an opinion on our system of internal control for the period 1 April 2021 to 31 March 2022, I have relied on and received advice and assurances from various sources including:

- Defence Internal Audit
- National Audit Office
- The Health and Safety Executive
- The Environment Agency
- Other external assurance providers
- OPA internal assurance
- The Board and its sub-committees
- The Directors and senior managers through an agreed Senior Leadership Team annual assurance statement.

Details of this advice are covered further within this report.

Ownership and financial structure

The Agency was created by The Oil and Pipelines Act 1985 and came into existence on 1 December 1985. As a Public Corporation the Agency is 100% owned by the Secretary of State for Defence but has substantial day to day operating independence and is seen as a separate institutional unit from its parent department, the MOD.

The Agency financial statements, drawn up to 31st March each year, are prepared in accordance with the accounts direction March 2004 as 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.

Status and governance framework

The Framework Document between MOD and the Agency sets out the roles, responsibilities and accountability of both parties. This was modified as a result of the GPSS sale in 2016 and has since been updated in 2017 to reflect the Agency's areas of responsibility.

OPA's organisational performance is formally assessed by the MOD DSOP team as OPA's Sponsor, acting through the Director DSOP, via Performance and Risk Review (P&RR) meetings and supporting processes.

Objectives are set by Front Line Command customers via individual Service Level Agreements (SLA) to ensure overall alignment with the Defence Plan. Delivery performance is managed and monitored by the Senior Responsible Officer (SRO) through their individual SLAs.

Minister responsible for the OPA

The minister responsible for the OPA is the Minister for Defence Procurement, acting on behalf of Secretary of State for Defence. During the financial year the Minister was Jeremy Quin. There were no Ministerial Directions given to us during the year.

OPA Board

The OPA Board provides the strategic leadership for the OPA in delivering its objectives. It provides a forum for independent, non-executive, support and constructive challenge to OPA's Chief Executive and the Directors. The Board seeks to comply where it is deemed relevant and practical with the UK Corporate Governance Code (2018), which is focused on the role of boards.
Responsibility for assuring that high standards of corporate governance are observed at all times rests with the Agency Members.

The quality of management information provided to the Board is reviewed regularly. The Board is satisfied that the information provided is fit for purpose.

The Chair is appointed by The Minister for Defence Procurement, acting on behalf of Secretary of State for Defence. With effect from 1 June 2021 a new Chair of the Agency was appointed following the completion of a 9-year tenure by the previous Chair.

The effectiveness of the Board is assessed annually by the Chair. Any deficiencies in the Board's performance or composition, or those of its sub committees, are addressed by the Chair. The most recent review was conducted in May 22, which provided an early snapshot of effectiveness in the light of a number of recent appointments to the Board. The Board agreed that more focus was required in the year ahead on determining risk appetite and on long term strategy.

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.

Attendance at Board and Board committee meetings

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

	Board	Audit Committee	HSEQ Committee	Remuneration Nomination Committee
Graham Ellis**	1/1			1/1
Kate Ellis*	5/5			1/1
Trevor Woolley	4/4	3/3		1/1
Adrian Jackson	6/6		4/4	2/2
Simon Wills*	4/4	1/1	1/1	1/1
Alison White*	2/2	1/1		1/1
Rachel Pearson**	1/3			1/1
Mark Eames**	2/2	4/4		1/1
Kathryn Carr/Michelle Pester***	1/2			
Amanda McKenna	0/1			
Stephen Pearce			4/4	
Ian Lindsay			4/4	
Paul Grange			4/4	
Lisa England			4/4	

* Appointed partway during the year.

** Resigned partway during the year.

*** Appointed and resigned during the year

Remuneration Nomination Committee

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

The Senior Leadership Team (SLT)

The purpose of the SLT is to support the Chief Executive in managing the OPA. It currently comprises of six directors who are the persons in senior positions that have authority or responsibility for directing or controlling the major activities of the Agency.

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is a sub-committee of the Board. Its role is to support the OPA Board and Chief Executive, as the Accounting Officer, in providing advice about the organisation's corporate governance, control systems and risk management.
The Committee comprises three members, Alison White (Chair), Mark Eames and Simon Wills. Trevor Woolley was Chair of the Committee until his resignation on 15 January 2022 following his 9-year tenure as a Member of the Agency and was replaced by Alison White, who is a qualified accountant, with relevant experience across a number of different government departments. Simon Wills (Chair of HSEQ) was appointed as a Member of the Committee in January 2022.

The responsibility of the Committee is set out in its terms of reference which were reviewed and updated in early 2021, and subsequently approved by the Board, and this guides the advice the Committee provides.
The Chief Executive and Finance Director are not members of the Agency's Audit Committee, however, they do attend meetings, as do Defence Internal Audit (DIA) and the National Audit Office.

During the year the Committee:	
Held four meetings.	Received comprehensive reports from management and the internal and external auditors including monitoring of the implementation of audits actions.
Reviewed a selection of the Agency's key policies and received reports on key accounting issues.	Reviewed the Agency's risk register and provided advice about the effectiveness of the procedures for risk management and internal controls over financial reporting.
Discussed with management, the external auditors and internal auditor's judgements that arose on accounting policies.	
Fraud	
The Audit Committee receives updates on any instances, or suspected instances, of fraud.	Any suspected fraud is thoroughly investigated and appropriate action taken.
The Agency has a policy of zero tolerance in respect of irregularity, including fraud, theft and corruption.	All Members, Associate Members and Employees are required to adhere to the Fraud policy and to demonstrate high standards of personal honesty and integrity.
The Fraud policy is underpinned by a number of other governance policies as well as the fraud risk register.	The fraud risk register is a standing item on the Audit Committee's agenda.
There were two instances of fraud reported in year.	Following investigation, one was found to not have a case to answer, the second led to the end of the employment of the individual.
Whistleblowing:	
The Agency has a Whistleblowing policy underpinned by a strong reporting culture.	The Audit Committee receives updates on any instances of whistleblowing.
There were no instances of whistleblowing reported in year.	

The Health, Safety, Environment and Quality Committee

The role of the Committee is to provide assurance to the Board that an effective HSEQ management system is operating throughout the Agency. The Committee also provides the Board with assurance that a strong safety leadership culture is in place.

As at 31 March 2022, the HSEQ Committee comprised five members: Steve Pearce, Adrian Jackson (Chief Executive and Accounting Officer), Ian Lindsay (Asset Integrity Director), Paul Grange (Operations Director) and Lisa England (Compliance and Risk Director). The Committee was chaired by non-executive Steve Pearce, who attends all Agency board meetings in his capacity as an Associate Member. Simon Wills became the chair of the Committee in March 2022.

The Committee continue to work to an agenda that embraces performance, compliance, plans, monitoring and a review of the risk register. Committee meetings engage the local Depot Managers and provide an opportunity to review activities and challenges with site staff.
COVID-19 restrictions meant that all meetings were conducted on-line and not at Oil Fuel depots as was normally the case: the Committee intend to resume site meetings in 2022.

During the year the Committee:	
Held four meetings of the main committee, including an Annual Review, and four meetings of the HSEQ Projects sub-committee.	All meetings were held on-line.
Focused on securing and sustaining compliance with COMAH requirements.	Ensured that the close out of the actions from the Regulator have been progressed well during the year.
Worked to maintain sound relations with the Regulator.	Focused on the Continuous Improvement Plan that reflected the priorities agreed with COMAH Competent Authority.
Reviewed risks and performance in respect of Health, Safety, Environment and Quality activities throughout the year.	Used a range of data sources to monitor and review HSEQ performance. Health, Safety, Environmental and Quality performance has been maintained at a good level throughout the year.
Monitored the Tank Inspection Programme and other key improvement programmes during the year to secure compliance with legal requirements.	Reviewed and monitored action from external audits of the management of change and quality management systems.

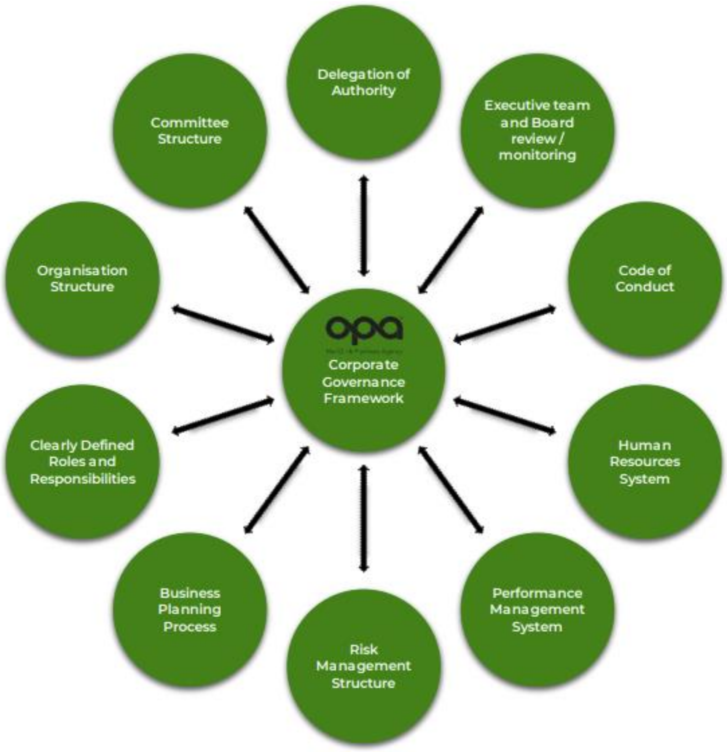
Compliance with the corporate governance code

The Agency has assessed itself against HM Treasury's corporate governance code and considers that it complies with the governance code as far as is deemed relevant and practical.
The Terms of Reference (TORs) of the Board have been updated within the last three years as required by the code and the Board consider the existing TORs to be suitable.

The risk and control framework

The Agency has continued to develop and implement formal governance and assurance arrangements which clearly set out the framework of roles, responsibilities, and detailed internal controls.

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



Internal Audit

DIA have conducted a number of risk-based audits during the year, in support of the Management and Board's own assessment of risk. It submitted regular reports, including its opinion on the adequacy and effectiveness of internal control. It made findings, which are agreed with management, which then form the basis of improvement actions. Where appropriate, the SLT monitors outstanding improvement actions to ensure they are implemented.

The overall opinion, based on the relatively small number of audit assignments completed was Substantial Assurance.

Senior Leadership Team Assurance Map

An Assurance Map was created during the year mapping all assurance sources across the 3 Lines of Defence to provide better insight, identify any problem/priority areas, improve the breadth of reporting and inform the development of the internal audit programme.

All Senior Leadership Team members gave assurance to the Accounting Officer of the position of the different functional frameworks and controls. The overall Assurance level was high, with some areas of weakness identified and prioritised for management focus in the next financial year.

Risk Management

As outlined above our governance supports a system of control designed to cost-effectively manage risk to an acceptable level, in line with our status and our corporate risk appetite. Material risks are identified, mitigated where appropriate and regularly reviewed. The main corporate risks are detailed on page 11 of this report.

Our main strategic risks are:

- Regulatory Compliance – Health Safety and Environmental
- Major Accident to the Environment [MATTE]
- The Energy Transition
- Cyber Security
- Attracting and retaining Industry Talent

With responsibility for a Major Accident Hazard, in line with COMAH regulations, we manage our risks to 'Tolerable if as Low As Reasonably Practicable' (TifALARP).

Review of Effectiveness of Risk Management and Internal Control

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

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

There were two incidents of fraud reported to the Audit Committee. Both were fully investigated. In the first instance the investigating officer ruled that there was not a case to answer on the suspected fraud. In the second instance the investigating officer ruled that there was a case to answer and the employee's employment ended. Improvement actions from the investigations were implemented in full.

The most significant improvements made during the year include the completion of the Mechanical Integrity Compliance Journey (reduction in regulatory compliance risk) in March 2022, the commissioning of the OFD Gosport tank farm phase 2 project in March 2022 and commissioning the firefighting system at OFD Thanckes. We have no recorded non compliances with key Defence Controls. There were zero Employee Health and Safety reportable injuries in year.

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

Adrian Jackson - Chief Executive and Accounting Officer

14 July 2022

Remuneration and Staff Report

The Remuneration and Nomination Committee

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

Remuneration Policy

The Agency sets its remuneration policy for all employees, including the Chief Executive, and is guided by Treasury policy, market competitiveness and inflation indices. Comparison of competitive market data including periodic review with external commercial entities in similar industries is regularly considered. Staff are subject to levels of remuneration and terms and conditions of service (including Pensions) as set by the Agency, having due regard to equal pay, job grading, retention and motivation of staff.

Remuneration details (Audited)

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

Name	Position	Appointed	Appointed to	**2021/22 Salary band £'000 (FTE)**	2020/21 Salary band £'000	**2021/22 Pension £'000**	2020/21 Pension £'000	**2021/22 Bonus £'000**	2020/21 Bonus £'000	**2021/22 Total £'000 (FTE)**	2020/21 Total £'000
K Ellis	Chair	01-Jun-21	31-May-24	**5 – 10 (25 – 30)**	-	-	-	0	0	**5 – 10 (25 – 30)**	-
G Ellis	Chairman	01-Apr-12	31-May-21	**0 – 5 (25 – 30)**	25 – 30	-	-	0	0	**0 – 5 (25 – 30)**	25 – 30
S Wills	Member	08-Aug-21	07-Aug-24	**5 – 10 (10 – 15)**						**5 – 10 (10 – 15)**	
M Eames	Member	14-Jul-20	08-Aug-21	**0 – 5 (10 – 15)**	10 – 15	-	-	0	0	**0 – 5 (10 – 15)**	10 – 15
R Pearson	Member	16-Apr-16	01-Oct-21	-	-	-	-	-	-	-	-
K Carr/M Pester	Member	01-Oct-21	04-Feb-22	-	-	-	-	-	-	-	-
A McKenna	Member	26-Mar-22	**	-	-	-	-	-	-	-	-
A White	Member	15-Jan-22	14-Jan-25	**0 – 5 (10 – 15)**						**0 – 3 (10 – 15)**	
T Woolley	Member	16-Jul-12	15-Jan-22	**5 – 10 (10 – 15)**	10 – 15	-	-	0	0	**5 – 10 (10 – 15)**	10 – 15
A Jackson	Chief Exec	01-May-15	*	**115 – 120**	115 – 120	15 – 16	15 – 16	5 – 10	5 – 10	**140 – 145**	140 – 145

* Notice period of 6 months
** appointed for the tenure of their MOD appointment.

Mrs R Pearson, Mrs K Carr/M Pester and Mrs A McKenna 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 other benefit except for the reimbursement of actual expenses.

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

Relationship between the highest paid Director and the workforce median (Audited)

	2021/22	2020/21
Remuneration of highest paid Director	£125K-£130K	£125k-130k
Median total remuneration	£35,735	£33,950
Ratio	3.6	3.8
Remuneration range for entire workforce	£11,740 to £125K-£130K	£11,000 to £125k-130K

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation’s workforce. The banded remuneration of the highest-paid director in the OPA in the financial year 2021-22 was £125k-130k (2020-21, £125k-130k). This was 3.6 times (2020-21, 3.8 times) the median remuneration of the workforce, which was £35,735 (2020-21, £33,950). This change in ratio is due to the increase in the pay and benefits of the OPA employees as a whole and is consistent with the pay, reward and progression policies.

In 2021-22, the average salary for the employees of the entity as a whole (total wage bill divided by no. of FTE) was £41,220 (2020-21: £38,145). This is an increase of 8%, the highest paid director received an increase of 0%, this is due to the higher salaries received by new starters entering professional roles as part of the Agency’s new business areas.

		25th Percentile	Median	75th Percentile
2021/22	Remuneration	£26,225	£35,735	£50,000
2021/22	Ratio	4.9 : 1	3.6 : 1	2.6 : 1
2020/21	Remuneration	£25,675	£33,950	£50,000
2020/21	Ratio	5.0 : 1	3.8 : 1	2.6 : 1

In 2021-22, no employees (2020-21, 0) received remuneration in excess of the highest-paid director. Remuneration ranged from £11,740 to £125k-£130k (2020-21 £11,000 to £125k-£130k). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Total remuneration paid by the Agency for the Board members was £160,807.78 (2020-2021: £173,767), the variance is caused by the new OPA Chair waiving their right to salary for the first six months of employment with the Agency.

The Finance Director, Operations Director, HR Director, Risk and Compliance Director, Asset Integrity Director and Capital Projects Director make up the Executive Team but are not voting members of the Board and are not disclosed above.

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

Personnel

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

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

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

The total number of personnel employed by the Agency as at 31 March 2022, excluding non-executive members, was 163 (2020-2021: 163). Staff costs were £9,458k (2020-21: £8,831k) during the year including performance pay accrued, taxes and other social security costs. (This paragraph is subject to audit).

As at 31 March 2022 there were 2 short term contract staff engaged by the Agency (2020-2021: 2) assisting with control system installations at Loch Striven and Garelochhead.

Staff Costs	2022 £000	2021 £000
Wages and salaries - to permanently employed staff	**6,914**	6,519
- to other contract and temporary staff	**190**	240
Social security costs incurred by the Agency	**739**	668
Defined benefit pension costs (note 11)	**621**	507
Defined contribution pension costs	**879**	880
Redundancy costs	**115**	17
	9,458	8,831

The increase in wages was due to the low level of vacancies throughout the year compared to previous years.

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

Workforce by gender

Numbers as at 31 March	Male 2022	Male 2021	Female 2022	Female 2021
Agency Members	**2**	4	**3**	1
Senior Managers	**5**	5	**2**	2
Employees	**129**	130	**29**	26

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 2022.

Staff Turnover

Staff turnover for the financial year was 17.7% (2020/21: 5.0%).

Sickness absence

During the financial year there were a total of 1,135 days (2020-2021: 1,060) lost due to sickness. This represented a loss percentage of 2.8% (2020-2021: 2.7%).

Compensation for loss of office (Audited)

There were 4 compensations for loss of office payments made throughout the year of £115,495. (2020-21: £16,633).

Expenditure on consultancy and contingent labour

During the year the Agency spent £108k on consultancy involving work on Process safety (2020/21: £54k). The Agency spent £0k on contingent labour (2020/21: £0k).

Retirement Benefits Pension Schemes

The Agency operates two funded defined benefits pension schemes, the Oil and Pipelines Agency Retirement Benefits Plan and the Mercer DB Master Trust (previously known as the Federated Pension Plan), providing benefits based on final pensionable pay. In September 2020, the Federated Pension Plan was renamed the Mercer DB Master Trust with the rights to use FPP as a recognised brand. Both of the defined benefits schemes are closed to new entrants and all new employees of the Agency are offered membership of the defined contribution pension scheme.

The Agency also operates a defined contribution pension scheme.

The Agency pension costs are detailed in Note 11 to the accounts.

Trade Union facility time

The Agency have a recognised Trade Union Agreement, which provides for 2 Union representatives for each of the 2 unions. 1 employee is a shop steward but the Agency continues to meet with the national officers.

	2021/22	2020/21
Relevant union officials	1	1
Percentage of time spent on facility time	0%	0%
Percentage of pay bill spent on facility time	0%	0%
Paid trade union activities	£0	£0

Parliamentary accountability and audit report

Parliamentary Accountability Disclosures [Audited]

The Oil and Pipelines Agency is mainly financed through fees charged to the Ministry of Defence in line with service level agreements. These service level agreements enable the OPA to invoice MOD for the cost of the operations and maintenance of the OFDs, capital project support, OMC support and technical consultancy.

During the financial year, the Agency charged fees to the MOD of £25.0m (2021: £22.2m).

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

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

A Jackson - Chief Executive and Accounting Officer

14 July 2022

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Oil and Pipelines Agency for the year ended 31 March 2022 under the Oil and Pipelines Act 1985.

The financial statements comprise the Oil and Pipelines Agency's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted International Accounting Standards.

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 2022 and its net income for the year then ended; and
- have been properly prepared in accordance with the Oil and Pipelines Act 1985 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Oil and Pipelines Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Oil and Pipelines Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Oil and Pipelines Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Board and the Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Oil and Pipelines Act 1985.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Oil and Pipelines Act 1985; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Oil and Pipelines Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Oil and Pipelines Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Oil and Pipelines Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Oil and Pipelines Act 1985.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Oil and Pipelines Agency's accounting policies and key performance indicators.
- Inquiring of management, Defence Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Oil and Pipelines Agency's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Oil and Pipelines Agency's compliance with the Oil and Pipelines Act 1985, the Framework document between the Agency and the Secretary of State for Defence, and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Oil and Pipelines Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, and management override of controls. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Oil and Pipelines Agency's framework of authority as well as other legal and regulatory frameworks in which the Oil and Pipelines Agency operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Oil and Pipelines Agency. The key laws and regulations I considered in this context included the Oil and Pipelines Act 1985, the Framework document between the Agency and the Secretary of State for Defence, Managing Public Money, Employment Law and Tax Legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date**
Comptroller and Auditor General

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

Financial Statements

Statement of Comprehensive Net Expenditure

STATEMENT OF COMPREHENSIVE NET EXPENDITURE AS AT 31 MARCH 2022	Notes	2022 £000	2021 £000
Expenditure			
Staff costs	**5**	**(9,458)**	(8,831)
Maintenance expenditure	**7**	**(15,124)**	(13,451)
Other expenditure	**6**	**(3,481)**	(3,246)
Total expenditure		**(28,063)**	(25,528)
Income			
Income from activities	**4**	**28,196**	25,089
Net income/(expenditure)		**133**	(439)
Interest receivable from bank accounts		**4**	10
Other finance income (cost)		**(13)**	2
Net income/(expenditure) after interest and other finance income		**124**	(427)
Net income/(expenditure) after taxation		**124**	(427)
Other Comprehensive Income			
Actuarial gain/(loss) recognised in pension scheme	**11**	**2,769**	(2,064)
Change in asset ceiling		**(2,244)**	1,734
Change in deferred tax arising on (gain)/loss in the pension scheme		**(64)**	64
Change in onerous obligation		**147**	72
Total comprehensive income/(expenditure) for the year		**732**	(621)

The accompanying notes on page 42 to 61 form part of these accounts.

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	2022 £000	2021 £000
Current assets			
Inventories		**299**	0
Trade and other receivables	**8**	**4,278**	4,480
Cash at bank and in hand	**14**	**5,400**	5,533
Total current assets		**9,977**	10,013
Total assets		**9,977**	10,013
Current liabilities			
Payables			
Trade and other payables	**9**	**(5,362)**	(5,710)
Total current liabilities		**(5,362)**	(5,710)
Total assets less current liabilities		**4,615**	4,303
Non-current assets/(liabilities)			
DB Pension schemes	**11**	**0**	(420)
Net Assets		**4,615**	3,883
Reserves			
Contributed capital	**1(a)**	**2,380**	2,380
General fund reserve	**12**	**2,235**	1,503
Total Reserves		**4,615**	3,883

The accompanying notes on page 42 to 61 form part of these accounts.

A Jackson - Chief Executive and Accounting Officer

14 July 2022

Statement of Cash Flows

STATEMENT OF CASH FLOWS
AS AT 31 MARCH 2022

	2022	2021
Cash flows from operating activities	**£000**	£000
Net income after interest before other finance income and taxation	**137**	(429)
(Increase)/decrease in inventories	**(299)**	
Defined benefit pension fund current service cost (note 11)	**621**	507
Defined benefit pension contributions paid (note 11)	**(446)**	(498)
(Increase)/decrease in trade and other receivables	**202**	(208)
Increase/(decrease) in trade and other payables	**(348)**	72
Net cash inflow (outflow) from operating activities	**(133)**	(556)
Cash and equivalents at the beginning of the year	**5,533**	6,089
Cash and equivalents at the end of the year (note 14)	**5,400**	5,533

The accompanying notes on page 42 to 61 form part of these accounts.

Statement of Changes in Taxpayers' Equity

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2022	**Contributed Capital £000**	**General Fund £000**	**Total Reserves £000**
Balance at 31 March 2020	**2,380**	**2,124**	**4,504**
Changes in taxpayers' equity for the year ended 31 March 2021			
Net gain/(loss) on revaluation of property, plant and equipment	-	-	-
Net income/(expenditure)	-	(427)	(427)
IAS 16 transfer between reserves	-	-	-
Total remeasurements recognised in defined benefit pension funds	-	(258)	(258)
Deferred tax arising on (gain)/loss recognised in the defined benefit pension fund	-	64	64
Balance at 31 March 2021	**2,380**	**1,503**	**3,883**
Changes in taxpayers' equity for the year ended 31 March 2022			
Net gain/(loss) on revaluation of property, plant and equipment			-
Net income/(expenditure)		124	124
IAS 16 transfer between reserves			-
Total remeasurements recognised in defined benefit pension funds		672	672
Deferred tax arising on (gain)/loss recognised in the defined benefit pension fund		(64)	(64)
Balance at 31 March 2022	**2,380**	**2,235**	**4,615**

The accompanying notes on page 42 to 61 form part of these accounts.

Notes to the Accounts

Year ended 31 March 2022

1. The Agency

a) The Agency was created by The Oil and Pipelines Act 1985 and came into existence on 1 December 1985 responsible for managing the Department of Energy's pipeline and fuel storage depots. The property, rights and liabilities of the British National Oil Corporation (BNOC) were vested in the Agency. The Agency's initial capital was established at £2,380,000. In 1989 the OPA was amalgamated with the Ministry of Defence spur pipelines and fuel storage depots as a strategic defence asset under the responsibility of the Secretary of State for Defence.

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

c) The accounts have been prepared in accordance with Paragraph 9 of Schedule 3 to The Oil and Pipelines Act 1985 and with the most recent related Accounts Direction as to the form of the accounts given by the Secretary of State for Defence. This Accounts Direction is reproduced on page 62.

2. Statement of accounting policies

These financial statements have been prepared in accordance with the 2021-22 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 circumstance 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.

a) Basis of preparation

Since the Agency manages the cavern sites and OFDs only as an agent of the Secretary of State for Defence, the assets of the cavern sites and OFDs are excluded from the Agency's Statement of financial position. The Agency is responsible for the management and maintenance of the OFDs and cavern sites. Note 7 provides a breakdown of OPA Expenditure which includes 'Expenditure on new assets' which are capitalised on the MOD accounts but correctly recorded within OPA accounts as operating costs.

2. Statement of accounting policies (continued)

b) Significant Judgments and Estimation Uncertainty

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

Accounting Boundary: The OPA acts as the technical authority for capital projects on behalf of the DIO. Careful consideration is applied to the delineation of these costs. The DIO are the contracting authority and, as such, any assets purchased as part of these projects are not recognised within OPA's Statement of Financial Position as they are recognised within the MOD's. However, the staff costs associated with these projects are an operational cost to OPA and as such are recognised within the OPA's Statement of Comprehensive Net Expenditure.

Pension: How management have applied the Agency's accounting policies regarding the pension liabilities is detailed in (g). Independent and qualified actuaries assess the specific factors that influence the pension fund position.

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

c) Going Concern

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

The OPA provides a support service critical to the delivery of key defence and national security outputs and there are no plans for this to change.

The Agency's management have carried out a thorough assessment of the Agency's going concern position as required by International Accounting Standard 1, Paragraph 25 (IAS 1.25) and presented the results to the Board.

As the Agency's Board or the Secretary of State has no intention for the Agency to stop trading alongside considering any external factors outside of Board control that could affect trading of the Agency, the Board have taken the decision that the accounts should be prepared on a 'going concern' basis.

2. Statement of accounting policies (continued)

d) Income

Operating income relates directly to the operating activities of the Agency, primarily the safe storage of fuel for the Navy. Income is recognised in line with the IFRS 15 five step model. The Agency has identified the service level agreement or contracts with our customers, identified the performance obligations, determined the price and recognised revenue when we have fulfilled the performance obligation.

The Agency also has long-term contracts with commercial operators. These contracts are firm price contracts when the transfer of control passes to the customer at a point in time. Each point in time reflects the transfer of a performance obligation to the customer (a contract milestone), and each performance obligation has an attributed contract price. The recognition of operating income reflects the price of an achieved performance obligation that is accepted by the customer.

Operating income is accrued as contract assets (accrued income) where there is a timing difference between income recognition and invoicing.

e) Expenditure

Expenditure is recognised on an accruals basis. The Agency is responsible for the management and maintenance of the OFDs and cavern sites. Note 7 provides a breakdown of OPA Expenditure which includes 'Expenditure on new assets' which are capitalised on the MOD accounts but correctly recorded within OPA accounts as operating costs therefore expenditure which is capital in nature, but for which Agency does not retain the risks and rewards in the future, is expensed in year.

f) Property, plant and equipment

Since the Agency manages and maintains the residual cavern sites and OFDs only as an agent of the Secretary of State for Defence, the assets of the cavern sites and OFDs are excluded from the Agency's Statement of Financial Position but shown in the Statement of Comprehensive Net Expenditure. These costs (as shown in Note 7 as 'Expenditure on new assets') are charged as a separate fee to the MOD and capitalised in the MOD accounts.

g) Pension costs

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

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

2. Statement of accounting policies (continued)

asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Scheme managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. Details of this can be found in Note 11.

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

h) Taxation

Corporation tax

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

Value Added Tax

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

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 net expenditure.

j) Financial instruments

Financial instruments are considered in accordance with IFRS 9. The Oil and Pipelines Agency does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (notes 8 and 9). Trade receivables are recognised initially at fair value

2. Statement of accounting policies (continued)

less provision for impairment. A provision for impairment is made when there is evidence that the Agency will be unable to collect an amount due in accordance with agreed terms.

k) Operating segments

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

In November 2022, the Agency is due to take on responsibility for the Senoko Oil Fuel Depot in Singapore. An analysis of revenues by geographical area will be disclosed in the next annual report and accounts as required by IFRS 8.

l) Inventory

During the year, fuel was withdrawn from long-term storage as a commercial contract came to an end. In lieu of the contractual obligation to thoroughly clean the pipework the Agency agreed to take ownership of any fuel left in the pipeline which resulted in an inventory value of £299,000.

Inventory is valued at net realisable value.

m) Impending Application of Newly Issued Accounting Standards Not Yet Effective

IFRS16 requires all assets which it leases, such as property, vehicles or equipment, to be recognised in the Statement of Financial Position as if they were owned therefore removing the distinction between an operating or a finance lease. IFRS16 is applicable for reporting periods beginning from 1 January 2019. Due to the ongoing COVID-19 pandemic, HM Treasury has delayed mandatory application of IFRS16 by government bodies until 1 April 2022. The Agency does not have any finance leases. Its operating lease rentals are charged to the statement of comprehensive net expenditure as incurred therefore there will be no impact on the agency’s financial statements.

IFRS 4 Insurance Contracts will be superseded by IFRS 17 Insurance Contracts which was issued in May 2017 with an effective date for annual reporting periods beginning on or after 1 January 2023. IFRS 17 Insurance Contracts require that insurance liabilities be measured at present value of future insurance cash flows, resulting in more uniform measurements and presentation for all insurance contracts. IFRS 17 does not address accounting by policyholders. As the Agency does not issue any insurance contracts this standard will have no impact.

IAS 1 Presentation of Financial Statements has a proposed amendment to the classification of liabilities with an effective date for annual reporting periods beginning on or after 1 January 2022. The amendment helps a company to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendment aims to clarify, not

2. Statement of accounting policies (continued)

change, existing requirements. Management have carried out an assessment and concluded that this amendment does not have an impact on the financial statements.

The International Accounting Standards Board (IASB) has proposed amendments to IFRS Standards to assist companies in providing useful information to investors about the effects of interest rate benchmark reform on financial statements. Many interbank offer rates (IBORs) are expected to be replaced by new benchmark Risk-Free Rates (RFRs) in the next few years. One of the biggest issues is the replacement effect on hedge accounting given the extensive use of interest rate benchmarks in global financial markets. This would create amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures and is effective for annual reporting periods beginning on or after 1 January 2020. As the OPA does not hold any complex financial instruments, management consider there to be no effect on the financial statements.

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. The Oil and Pipelines Agency has no such borrowings.

4. Operating income

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

	2022	2021
Operating Income	**£000**	£000
Agency Fees (DIO)	**2,198**	1,611
Agency Fees (NC)	**22,124**	20,466
Agency Fees (Strategic Command)	**342**	63
Agency Fees (Fuel Enterprise Strategy)	**61**	12
Agency Fees (Air Command)	**243**	0
Commercial receipts	**3,228**	2,937
	28,196	25,089

4. Operating income (continued)

Agency fees are calculated through apportionment of costs incurred in delivery of operation and maintenance of the cavern sites and OFD activities. The above fees represent the respective costs of managing each group of crown assets on behalf of the different top-level budgets in MOD. Income is disaggregated by type of customer.

5. Staff costs

The average number of permanent employees, including Members and Committee Members, during the year was 175 (2021: 161) and the number of employees at 31 March 2022 was 175 (2021: 168). The average of whole-time equivalent non-permanent persons employed during the year was 2 (2021: 6). Staffing costs were as follows:

	2022	2021
Staff Costs	**£000**	£000
Wages and salaries - to permanently employed staff	**6,914**	6,519
- to other contract and temporary staff	**190**	240
Social security costs incurred by the Agency	**739**	668
Defined benefit pension costs (note 11)	**621**	507
Defined contribution pension costs	**879**	880
Redundancy costs	**115**	17
	9,458	8,831

6. Other Expenditure

	2022	2021
Other Expenditure	**£000**	£000
Office operating lease - buildings	**19**	230
Other occupancy costs	**1,173**	911
Staff related costs*	**276**	388
Travel, subsistence and hospitality	**469**	236
Recruitment and training	**373**	293
Professional fees	**259**	175
Auditors' Remuneration: Audit (NAO)	**42**	70
Office supplies and equipment	**537**	523
Other administration costs	**333**	420
	3,481	3,246

6. Other Expenditure (continued)

*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.

Travel costs have almost doubled compared to the previous year due to travel restrictions throughout the pandemic.

Other administration costs include Commercial Insurance (£164k) and the cost of communications and clothing. There has been an increase in year as cost of insurance has risen due to market forces and the Agency has invested in the physical communication hardware at each of our sites to better aid remote working throughout the pandemic and beyond.

7. Maintenance Expenditure

Maintenance Expenditure	**2022 £000**	2021 £000
Tank Inspection Programme	**2,482**	3,129
Jetty maintenance	**700**	169
Infrastructure improvements	**4,184**	3,297
HSEQ investment	**261**	316
Security	**412**	410
Expenditure on new assets	**6,678**	5,676
Other costs	**407**	454
	15,124	13,451

Although locked down for part of the year due to COVID-19 an intense period of work allowed us to deliver our planned expenditure on the tank inspection program. Other non-safety critical tasks were reprioritised to ensure the safety of our contractors and workforce during the pandemic.

Other costs include pipeline inspections, planned preventative maintenance on the assets, utilities and short-term hire of plant for engineering projects.

The start of the Thanckes Tank Farm design phase resulted in an increase in Expenditure on new assets. This will increase significantly in the construction phase, planned to start in FY23/24.

8. Trade and other receivables

Trade and other receivables	**2022**	2021
Trade and other receivables falling due within one year	**£000**	£000
Trade and other receivables	**1,124**	3,394
Accrued Income	**2,855**	745
Prepayments	**299**	341
	4,278	4,480

Included in accrued income is £2,534k due from the MOD relating to Agency Fees in respect of managing the DIO Cavern sites and NC OFDs (2021; £197k). Trade and other receivables include £352k relating to Agency fees in respect of managing the DIO Cavern sites and OFDs due from the MOD (2021; £3,172k).

Receivable days at the balance sheet date were 14.5 days (2021: 49.4 days).

9. Trade and other payables

Trade and other payables	**2022**	2021
Trade and other payables falling due within one year:	**£000**	£000
Trade and other payables	**1,668**	2,830
Accruals and deferred income	**3,380**	2,524
Provisions	**0**	192
Other taxation and social security	**314**	164
	5,362	5,710

In the last financial year there was a provision for costs related to closing the London office. There are no provisions this year.

10. Commitments

a) *Capital Commitments*

At the end of the year there were no capital commitments authorised (2020: Nil).

b) *Operating Leases*

Operating Leases	2022 £000	2021 £000
Buildings:		
Not later than one year	**0**	88
Later than one year and not later than five years	**0**	0
Later than five years	**0**	0
	0	88
Other:		
Not later than one year	**13**	38
Later than one year and not later than five years	**4**	17
Later than five years	**0**	0
	17	55

The Agency exercised the break clause in the buildings lease at the London office (Clive House) and therefore there was no obligation in FY21/22. The 'Other' leases relate to seven vehicle leases, five of which come to an end in the FY22/23. The two remaining leases would be classed as a low value asset and therefore the impact of IFRS 16 in FY22/23 would have minimal effect on the financial statements.

11. Retirement benefits pension schemes

The Agency operates two funded pension schemes providing benefits based on final pensionable pay; the Retirement Benefits Plan (RBP) and the Mercer DB Master Trust (FPP). Both are now 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.

Any staff who TUPE transferred from the Ministry of Defence on 1 July 2012 had the option to join the Mercer DB Master Trust. The Mercer DB Master Trust (also known as FPP) is a Government Actuary Department (GAD) assured scheme therefore any members who transferred have reassurance from independent actuaries that the pension benefits offered is a fair deal broadly equivalent to their previous Principal Civil Service Pension Scheme. The FPP is a defined benefits multi-employer scheme managed by PAN Trustees UK LLP, a professional trustee that runs the scheme on behalf of the various organisations who participate in it. There were 32 active members on 5 April 2021.

11. Retirement benefits pension schemes (continued)

The Agency and PAN Trustees UK LLP agreed that the Agency will make employer contributions of 44.3% and employee contributions ranging between 2.1% and 4.7% according to the employee's job level.

Additional employer contributions are paid into both schemes to reduce the schemes deficit as advised by the scheme's actuaries. The Agency adopts the accounting requirements set out in IAS 19 Employee Benefits. As required under IAS 19 the Agency has used the "projected unit credit" method of valuation and uses a roll forward methodology from the last formal scheme funding assessments.

The last formal Scheme Funding Assessment of the OPA Retirement Benefits Scheme was carried out as at 5 April 2020 this showed a deficit (£105k) and a recovery plan was agreed with the Scheme's trustees. All deficit reduction contributions have been paid by the Balance sheet date.

11. Retirement benefits pension schemes (continued)

11.1 Statement of Financial Position Pension asset

The plan assets and liabilities in the schemes were:

OPA Retirement Benefit Fund (OPA RBP) **Net Assets**	**2022** **£000**	**2021** **£000**
Equities	1,821	1,458
Government Debt	11,201	11,014
Cash	156	377
Total fair value of assets	13,178	12,849
Present value of liabilities	(10,491)	(11,051)
Surplus/(deficit) in the scheme	2,687	1,798
Asset ceiling	(2,687)	(1,798)
Onerous liability	0	(147)
Surplus/(Deficit)	0	(147)

Mercer DB Master Trust (FPP) **Net Assets**	**2022** **£000**	**2021** **£000**
Equities	3,862	5,116
Government Debt	2,688	2,520
Corporate Bonds	0	0
Cash	31	40
Other	1,909	0
Total fair value of assets	8,490	7,676
Present value of liabilities	(7,097)	(8,013)
Surplus/(Deficit) in the scheme	1,393	(337)
Asset ceiling	(1,393)	0
Related deferred tax (liability) asset	0	64
Surplus/(Deficit)	0	(273)

Under the RBP and FPP Scheme rules, OPA do not have unconditional right to a refund of any surplus at the end of the plan and, therefore, IFRIC 14 does not allow a surplus to be recognised on the balance sheet. As the RBP and FPP schemes are in surplus as at 31 March 2022 a restriction has been applied to the balance sheet, and the net surplus recognised on the balance sheet has been restricted to £nil.

OPA acknowledges that the recognition of pension scheme surplus is an area of accounting judgment, which depends on the interpretation of the wording of the Scheme Rules and the relevant accounting standard, IFRIC 14.

11. Retirement benefits pension schemes (continued)

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

Reconciliation of opening & closing values of the fair value of plan assets	FPP £000	OPA RBP £000	2022 £000	FPP £000	OPA RBP £000	2021 £000
Opening fair value of assets at 1 April	7,676	12,849	20,525	6,458	12,422	18,880
Interest Income	168	242	410	156	283	439
Employer contributions	416	30	446	422	76	498
Contributions by Members	32	0	32	34	0	34
Return on plan assets (excluding amounts included in net interest in	353	369	722	707	336	1,043
Benefits (paid)	(155)	(312)	(467)	(101)	(268)	(369)
Total fair value of plan assets before tax at 31 March	8,490	13,178	21,668	7,676	12,849	20,525

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

Reconciliation of opening & closing present value of the defined benefit obligation	FPP £000	OPA RBP £000	2022 £000	FPP £000	OPA RBP £000	2021 £000
Opening fair value of liabilities at 1 April	8,013	11,051	19,064	6,112	9,313	15,425
Current service cost	621	0	621	507	0	507
Interest cost	178	207	385	149	211	360
Contributions by Members	32	0	32	34	0	34
Remeasurements						
Change in assumptions	(699)	(737)	(1,436)	1,335	1,866	3,201
Liability experience (gains)	(893)	282	(611)	(23)	(71)	(94)
Benefits (paid)	(155)	(312)	(467)	(101)	(268)	(369)
Present value of obligation before tax at 31 March	7,097	10,491	17,588	8,013	11,051	19,064

11.2 Charge to the statement of comprehensive net expenditure

Defined benefit costs recognised in Expenditure:

Total re-measurements recognised in Other Comprehensive Expenditure:

Defined Benefit costs recognised in profit or loss	FPP £000	OPA RBP £000	2022 £000	FPP £000	OPA RBP £000	2021 £000
Net interest (cost)/Income	(10)	(3)	(13)	7	(5)	2
Current service cost (staff costs note 5)	(621)	0	(621)	(507)	0	(507)
Credited/(charged) to net expenditure	(631)	(3)	(634)	(500)	(5)	(505)

Defined Benefit costs recognised in Other Comprehensive Income	FPP £000	OPA RBP £000	2022 £000	FPP £000	OPA RBP £000	2021 £000
Return on plan assets (excl. amounts included in net interest cost)	353	369	722	707	336	1,043
Experienced gains on liabilities	893	(282)	611	23	71	94
Changes in assumptions underlying liabilities	699	737	1,436	(1,335)	(1,866)	(3,201)
Change in Asset ceiling	(1,393)	(851)	(2,244)	346	1,388	1,734
Change in Onerous Liability	0	147	147	0	72	72
Total remeasurements	552	120	672	(259)	1	(258)

11. Retirement benefits pension schemes (continued)

11.3 Actuarial assumptions

OPA Retirement Benefits Fund (OPA RBP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2022 and the major assumptions used were:

OPA Retirement Benefit Fund (OPA RBP)	2022	2021
Discount Rate	2.65% p.a.	1.90% p.a.
RPI inflation	3.80% p.a.	3.45% p.a.
Deferred revaluation	Same as RPI assumption	Same as RPI assumption
Pension increase in payment	Same as RPI assumption	Same as RPI assumption
Mortality (base table)	100% of S3PXA light tables	100% of S3PXA light tables
Mortality (future improvements)	CMI_2021 projection model with a long-term improvement rate of 1.25% p.a.	CMI_2020 projection model with a long-term improvement rate of 1.25% p.a.
Cash commutation	Members are assumed to take 80% of the maximum tax free cash available at retirement	No allowance
Proportion married at retirement	90% for deferred pensioners, 85% for pensioners	90% for deferred pensioners, 85% for pensioners
GMP equalisation allowance	0.78% addition to the liabilities	0.78% addition to the liabilities
GMP equalisation allowance (past transfers)	0.78% of transfer values	0.78% of transfer values

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

Mercer DB Master Trust (FPP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2022 and the major assumptions used were:

Mercer DB Master Trust (FPP)	2022	2021
Discount Rate	2.75% p.a.	2.15% p.a.
Inflation (RPI)	3.80% p.a.	3.40% p.a.
Inflation (CPI)	3.40% p.a.	2.95% p.a.
Salary Growth	5.40% p.a.	4.95% p.a.
Mortality (base table)	130% of S3PMA tables for males 130% of S3PFA_M tables for females	100% of S2PXA tables
Mortality (future improvements)	CMI 2021 model (SK=7.5, A=0) with long term improvement rate of 1.25% p.a.	CMI 2020 model (SK=7.5, A=0) with long term improvement rate of 1.25% p.a.
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	3.40% p.a.	2.95% p.a.
Allowance for pension in payment increases of CPI	3.40% p.a.	2.95% p.a.
Allowance for commutation of pension for cash at retirement	50% of members who do not have a cash benefit assumed to commute pension to provide a cash sum of 3n/80ths x salary	50% of members who do not have a cash benefit assumed to commute pension to provide a cash sum of 3n/80ths x salary

11. Retirement benefits pension schemes (continued)

11.4 Sensitivity Analysis

The effect of changes in assumptions used on the 2022 annual defined benefit pensions are detailed below. This information has been determined by taking into account the duration of the liabilities and the overall profile of the plan memberships.

		2022	2021
OPA Retirement Benefit Fund (OPA RBP)		**£000**	£000
Effect on present value of defined benefit obligation (increase/(decrease)			
Discount Rate	-0.5%	**832**	986
Price inflation rate	+0.5%	**787**	931

		2022	2021
Mercer DB Master Trust (FPP)		**£000**	£000
Effect on present value of defined benefit obligation (increase/(decrease)			
Discount Rate	-0.25%	**366**	431
Salary increase rate	+0.25%	**82**	105
Price inflation rate	+0.25%	**376**	418
Post-retirement mortality assumption	+1 year age rating	**221**	206

The sensitivities above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes changes to the assumptions for revaluation, pension increases and salary growth. The average duration of the defined benefit obligation at the period ended 31 March 2022 is 21 years.

11. Retirement benefits pension schemes (continued)

11.5 Plan history

OPA Retirement Benefit Fund (OPA RBP)	**2022 £000**	**2021 £000**
Fair value of assets before taxation	13,178	12,849
Present value of defined liabilities before taxation	10,491	11,051
Surplus (deficit) before taxation	2,687	1,798
History of experience gains and losses		
Return on plan assets (excluding amounts included in net interest cost)	369	336
Percentage of scheme assets (%)	2.8	2.6
Experienced gains on liabilities:	(282)	71
Percentage of present value of scheme liabilities (%)	(2.7)	0.6
Changes in assumptions: (£000)	737	(1,866)
Total remeasurements	824	(1,459)
Percentage of present value of scheme liabilities (%)	7.9	(13.2)

Mercer DB Master Trust (FPP)	**2022 £000**	**2021 £000**
Fair value of assets before taxation	8,490	7,676
Present value of defined liabilities before taxation	7,097	8,013
Surplus/(deficit) before taxation	1,393	(337)
History of experience gains and losses		
Return on plan assets (excluding amounts included in net interest cost)	353	707
Percentage of scheme assets (%)	4.2	9.2
Experienced gains on liabilities:	893	23
Percentage of present value of scheme liabilities (%)	12.6	0.3
Changes in assumptions: (£000)	699	(1,335)
Total remeasurements	1,945	(605)
Percentage of present value of scheme liabilities (%)	27.4	(7.6)

11.6 Reconciliation of asset ceiling

Reconciliation of opening & closing value of asset ceiling	**FPP £000**	**OPA RBP £000**	**2022 £000**
Asset ceiling at year start	0	1,798	1,798
Interest on asset ceiling	0	38	38
Change in asset ceiling over the year	1,393	851	2,244
Asset ceiling at year end	1,393	2,687	4,080

11. Retirement benefits pension schemes (continued)

11.7 Expected Contributions

A full actuarial valuation of the Mercer DB Master Trust was carried out as at 5 April 2021 in accordance with the scheme funding requirements of the Pensions Act 2004. This actuarial valuation showed a surplus of £895,000.

OPA acknowledges that the recognition of pension scheme surplus is an area of accounting judgement, which depends on the interpretation of the wording of the Scheme Rules and the relevant accounting standard, IFRIC 14.

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

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

The Agency anticipates that no employee contributions will be paid to The Oil and Pipelines Agency Retirement Benefits Plan for the year commencing 1 April 2022 as there are no active members.

11.8 Asset liability matching

The Agency meets regularly with the Trustees of the pension schemes to ensure that the investment strategy of the pension scheme is able to meet future liabilities. Insurance policies have been purchased to provide funding to match liabilities for a number of pensioners. No additional insurance policies were purchased.

The liabilities of the OPA retirement benefit schemes are considered long term with and as a result the investment strategy is also long term to ensure future liabilities are matched by appropriate asset types.

11.9 Defined Contributions Scheme

During FY09/10 a defined contribution scheme was opened. Defined employer and employee contributions are paid into externally managed funds.

During the year employer contributions amounted to £879,000 (2021: £880,000). Pension contributions have remained stable in line with staff numbers.

12. General Fund Reserve

GENERAL FUND RESERVE	**Operating Cost £000**	**Pension Reserve £000**	**Total £000**
At 31 March 2020	3,253	(1,129)	**2,124**
Changes to the general fund reserve for the year	(427)	(194)	**(621)**
At 31 March 2021	2,826	(1,323)	**1,503**
Changes to the general fund reserve for the year	124	608	**732**
At 31 March 2022	**2,950**	**(715)**	**2,235**

13. Contingent liabilities

Under the terms of the agency agreements for the management of the cavern sites 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 2022 there were no contingent liabilities recorded (2021: Nil).

14. Cash at bank and in hand

Cash at bank and in hand	**2022 £000**	2021 £000
Balance 1 April 2021	**5,533**	6,089
Net change in cash at bank and in hand	**(133)**	(556)
Balance 31 March 2022	**5,400**	5,533

The following balances at 31 March 2022 were held at:		
Commercial bank - 95 day notice	**2,020**	2,015
Commercial bank - 10 day notice	**1,215**	1,215
Commercial bank - instant access	**2,166**	2,303
Net cash at bank and in hand	**5,400**	5,533

15. Related party transactions

The Agency is sponsored by the Ministry of Defence (MOD), through the Head Office Commercial Directorate, as its Managing Agent to manage the cavern sites 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 £28.9k by the MOD for services provided by Defence Internal Audit (2021: £26.9k). The variance being due to an additional audit this year.

During the year, four Members of the Agency were employees of the MOD; Rachel Pearson (resigned 1 October 2021), Kathyrn Carr and Michelle Pester (joint role – from 01 October 2021 to 4 February 2022) and Amanda McKenna (appointed 26 March 2022).

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 11. Neither are members of the scheme.

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

16. Financial Instruments

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. The Agency holds no financial instruments other than those detailed below.

As the duty of the Agency is to manage the cavern sites 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, at the balance sheet date, 22% of its cash deposited available on 10 days' notice and 37% deposited on 95 days' notice. Both attract 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.

16. Financial Instruments (continued)

Liquidity and Cash Flow Risk

The Agency has borrowing powers (note 3). These have not been exercised during the year. 42% of the cash funds which are deposited with its bankers are available immediately. Therefore, the Agency is not exposed to any significant liquidity risk or cash flow risk.

Credit Risk

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

17. Events after the reporting date.

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

The war in Ukraine has directly impacted the global oil markets. The Agency is not responsible for procuring fuel for the UK Navy therefore has limited financial exposure to fuel price changes.

The impact the pandemic has left behind with a surge in demand is having a global effect on inflation. Currently the UK is enduring the highest rate of inflation for 40 years. The Bank of England has warned inflation may soon reach 11%, as the prices of fuel, energy and food increase.

Many of the Agency's supplier contract prices are already agreed within frameworks so will not affect the existing SLA for FY22/23. The pricing of any further service level agreements the Agency enters in to will consider the economic conditions at the time and will be based largely on pre-agreed supplier prices.

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

Accounts Direction

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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