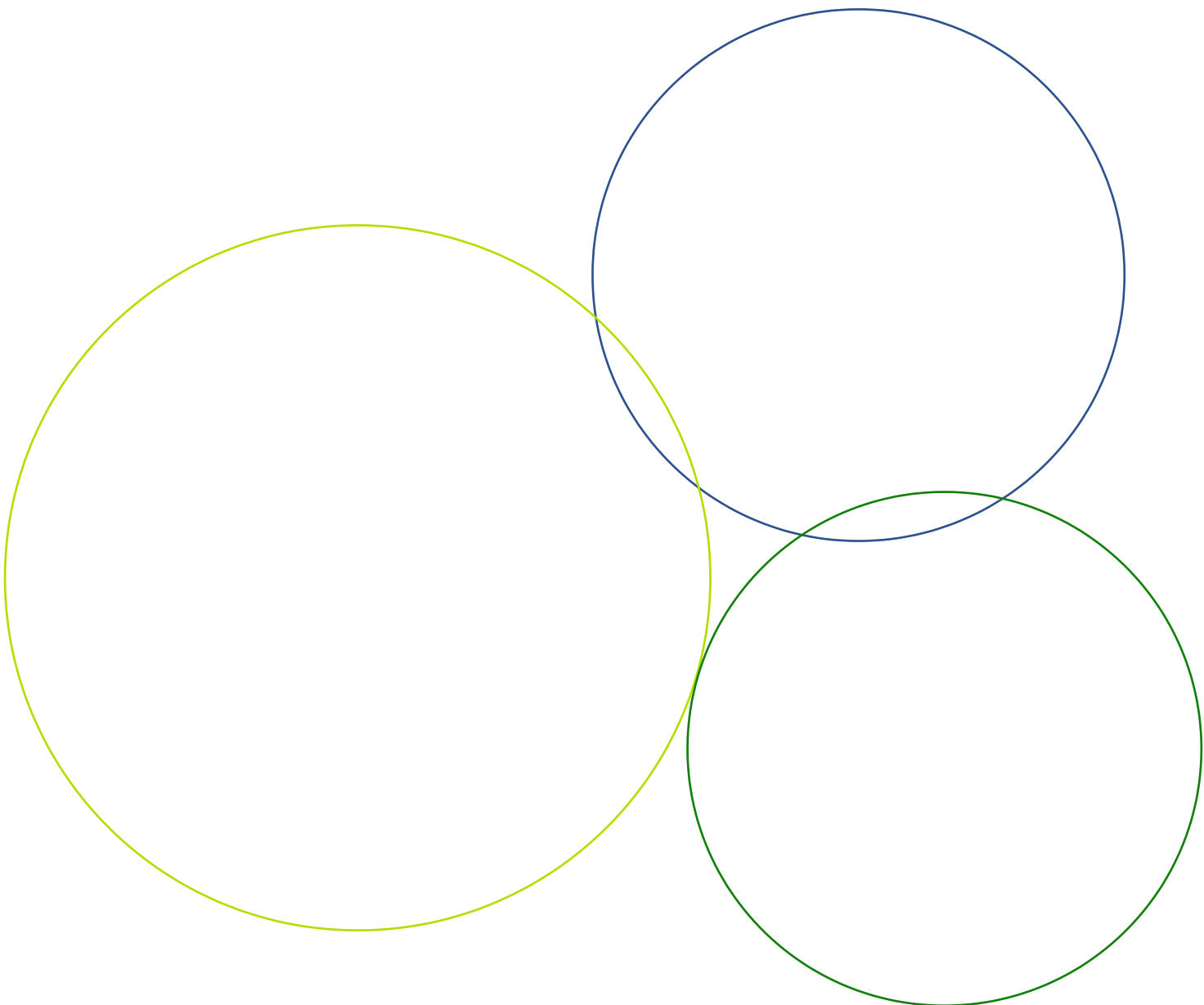


The Oil & Pipelines Agency Accounts 2022-23



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The Oil and Pipelines Agency **Accounts** 2022-23

Presented to Parliament pursuant to the Oil and Pipelines Act 1985, Schedule 3
paragraph 9 Ordered by the House of Commons to be printed 17 JULY 2023

HC1735

17 JULY 2023



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This publication is available at: www.gov.uk/official-documents.
ISBN: 978-1-915287-22-9

Printed in the UK on behalf of the Controller of His Majesty's Stationery Office

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Chief Executive's statement

I am delighted to present our Annual Report & Accounts for 2022-23. The Agency's Executive Team and Staff have again worked successfully to deliver on our customer and shareholder commitments, whilst maintaining focus on safety critical compliance project activities at all seven of our UK sites. We have also delivered on a transition plan with UK Strategic Command to take on Operations and Maintenance responsibility for the Senoko Oil Fuel Depot in Singapore.



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. The impact of the COVID-19 virus reduced significantly this year and had no operational impact on the business.
- The OPA fully met the Royal Navy's fuel demand requirements and safely stored product for our commercial customers.
- We have continued to deliver our compliance objectives throughout 2022-23 and have passed the major milestone of no non-compliant storage tanks remaining in service. 12 large tanks have returned from maintenance increasing the capacity and therefore the capability for our customers.
- Our Operations Maintenance Coordinators are providing valuable technical support to Air Command.
- Our team worked well with MOD's Defence Infrastructure Organisation (DIO) to safely commission the upgraded depot at Gosport.
- The handover of the Thanckes Jetty was completed in May 2023.
- Our Apprenticeship Programme continues to be a huge success with several individuals completing their Apprenticeships. We still have a number working to complete their apprenticeships as Mechanical Technicians, Electrical Technicians and Process Operators. We plan to recruit more apprentices in the coming year.
- We have seen a small change to the OPA Board in January 2023 when our Sponsor Representative changed from Amanda McKenna to Fay Sandford.

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.

A handwritten signature in black ink, appearing to read 'A. Jackson', written in a cursive style.

Adrian Jackson, Chief Executive
17 July 2023

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 when spare capacity is available.

The two OFDs located in Southern England, at Gosport and at 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 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 Executive 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 in 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 2022/23, 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 generated approximately £2.7m in the financial year. Further commercial opportunities at all sites are actively pursued.

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, with the completion of the Gosport Tank Farm re-development.

The new jetty at Thanckes has been completed and was commissioned in May 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.

Tank inspection programme

A major focus of the Agency's compliance activity has been the tank inspection programme. All tanks in service have been inspected to the Engineering Equipment and Materials Users Association (EEMUA) standards and where necessary remedial work undertaken to bring the assets back into operation.

Fuel Support

The Agency has been developing the best fuel support and supply solutions for Defence; we have been fully engaged with the Fuels Transformation Programme (FTP), Navy Command, UK StratCom, Air Command, DIO, Defence Equipment and Support (DE&S) and other fuel users to identify areas of opportunity to provide a more effective, resilient, and affordable fuel service to the Front-Line Commands. OPA will continue to develop proposals for operational and maintenance opportunities following demand across the Defence Fuel estate as well as supporting the MOD Energy Transition.

Specific Issues

The Agency has been directly impacted by the conflict in Ukraine. Volatility in energy price has reduced the commercial market for long-term hydrocarbon storage but the fuel requirements of NATO Members has increased significantly so the Oil Fuel Depots are at full capacity, with more fuel evolutions at every site than ever before. This increased demand is expected to continue until there is a peaceful resolution.

As with most businesses, the Agency was impacted by inflationary pressures in the year which peaked in October 2022. Despite the challenges that this caused, the Agency was able to deliver on all projects.

Future plans

Our vision is to surpass the strategic and operational fuel requirements for our customer base, and to be trusted to do more by expanding our service offering and geographical scope. The OPA is poised for growth and our aim is to be the preferred partner for all our customers' existing and emerging fuel needs.

In the next 5 years, our plans include: the reconstruction of the Thanckes Tank Farm, significant investment in our Scottish jetties, continued work on the fuel cells in Gibraltar and helping MOD on any fuel/energy transition work streams.


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


304 million litres of fuel issued to NC
(307 million in 2021/22)



Depots available for fuelling
99.7% of the time
(100% in 2021/22)




0 litres of off-specification fuel issued
(0 litres 2021/22)



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** Six incidents of less than 200 litres versus a target of less than 10.
One incident 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 2021/22)

24 planned health and safety audits completed. (Target 24)
There were 11 overdue actions, arising from the audits, at the year end.

Zero
Employee Health and Safety reportable injuries in year
Target Zero

***Tanks** - 80 compliant tanks in service (54 in 2021-2022). 0 non-complaint tanks in service. All tanks in service now compliant.

Performance, People and Finance

***3.32%**
of hours have been lost through absence. This exceeds our limit of 2.9%.

Agreed services delivered for agreed fees

Zero personal data related incident. Target Zero

***Aim for a continued reduction** in legal actions issued by the Competent Authority
0 in 2022/23 (0 in 2021/22)

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

OPA Risk Mapping showed **SUBSTANTIAL ASSURANCE** for control framework

£122k net income after taxation in line with forecast

£24m in MOD fees charged for the year (£25m in 2021/22)

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

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. Two of our apprentices that joined in 2020/2021 have completed their apprenticeship and have been offered and accepted 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 2022:

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 FY22/23. 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 (SIS) 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 FY23/24.

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. The Agency IT systems received full accreditation by Defence Assurance and Information Security (DAIS) in line with HMG and MOD policy, in 2022 and 2023.

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.

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 apprentices up to board level.

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

The Agency works hard to consider its environmental impact. This includes recycling waste, where possible. Investment in IT has enabled much more digital working, upgraded hardware for energy efficiency, disposing of obsolete equipment ethically 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. When staff are required to travel, we use ULEV compliant vehicles and offer an employee electric car scheme.

We work with ethical suppliers and will be making this part of our tender process whilst reviewing our supply chain to reduce carbon footprint. We consider social value at all stages of the project delivery process. For example, we have made decisions during our engineering process to avoid hydro testing tanks (if possible) to reduce water waste, and encourage the use of local contractors to reduce our environmental impact.

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 intends to engage with an expert to help reduce our carbon footprint further. We have planted trees at two of our sites Loch Striven and Loch Ewe for carbon credits.

As a public corporation of the MOD, our Greening Commitments in sustainability reporting are met via a single MOD report covering all in-scope associated bodies. Our activities are recorded through Navy Command and/or Defence Infrastructure Organisation.

Due to the de minimis size of the OPA estate and the fact that the reporting requirements are covered by Navy Command and/or the Defence Infrastructure Organisation, who are the landlords of the MOD estates, the Agency has not included sustainability reporting in this annual report.

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 2023, with a one-year extension signed until March 2024. Capital projects are funded by Navy Command separately.

The Agency receives income from Navy Command, Defence Infrastructure Organisation (DIO), Strategic Command 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:

	2023	2022
Net income (expense) after taxation	£122k	£124k

Cost budgets are set at the beginning of each year for activities on the sites. The FY22/23 budgets are detailed below with actual expenditure for the year as a comparison.

	Budget	Actual
OFD Operations & Maintenance	£ 17.6m	£ 18.6m
Capital Infrastructure Improvements	£ 5.2m	£ 4.7m
Tank Farm Support and Cavern Maintenance	£ 1.5m	£1.1m
New Business consultancy	£1.6m	£2.1m

New business consultancy consisted of FTP, support to Air Command and to overseas bases. The Agency is in a position of strong liquidity with £2.1m 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 DIO.

	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Staff Costs	(9,568)	(10,936)	(10,648)	(9,662)	(8,794)	(8,246)	(8,068)	(8,068)	(8,068)	(8,068)
Maintenance Expenditure	(12,712)	(16,960)	(13,793)	(22,792)	(13,230)	(5,770)	(5,519)	(5,519)	(5,519)	(5,519)
Other Expenditure	(4,355)	(4,947)	(5,003)	(4,049)	(4,049)	(4,049)	(3,980)	(3,980)	(3,980)	(3,980)
Total Expenditure	(26,635)	(32,843)	(29,444)	(36,503)	(26,073)	(18,065)	(17,567)	(17,567)	(17,567)	(17,567)

This expenditure table includes all approved funding for the OPA under their service level agreements as submitted in the annual budget cycle (ABC23). The staff associated with running the OFDs in steady state remains similar over the ten-year look ahead.

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 2024 with construction to commence in FY24/25 and due to complete in FY25/26.

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 FY22/23: 91.6% of invoices were paid within this target (FY21/22: 91.0%). In FY22/23: 99.3% were paid within 60 days following any dispute resolution (FY21/22: 99.8%).

	2022/23	2021/22
%age of invoices (inc. disputed paid within 30 days)	91.60%	91.00%
%age of invoices (inc. disputed paid within 60 days)	99.30%	99.80%

Going concern

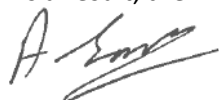
The OPA provides a support service critical to the delivery of key defence and national security outputs and there are no plans for this to change. The MOD Equipment programme continues to invest in diesel powered ships so the primary service the OPA provides will not change in the near future. The OPA, 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 has taken the decision that the accounts should be prepared on a 'going concern' basis.

The Board has assessed the impact of the external market place, the status of the Agency as a Public Corporation and does not consider them 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

17 July 2023

Corporate Governance Report

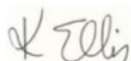
The purpose of the corporate governance report is to explain the composition and organisation of the entity's governance structure and process and how it supports the achievement of the entity's objectives.

Chair's Statement

This has been a year of positive milestones for the OPA, during which we completed work on two major infrastructure projects in the UK while taking over the operation of a major overseas site for the first time. It was with great pleasure that we hosted the formal opening ceremony of our refurbished Gosport tank farm in December, incorporating state of the art technology; work has also recently been completed on the brand-new jetty at our Thanckes site, which will enable us to continue serving our clients safely and efficiently.









Meanwhile the OPA has taken over the operation and maintenance of the Senoko Oil Fuel Depot in Singapore. The handover proceeded smoothly and has presented the team with an excellent opportunity to adapt and apply our expertise and standards in a new environment. We look forward to this being the first of many new opportunities to support and add value to MOD and allied forces, in diverse settings.

This growth must of course be underpinned by excellent performance in existing operations: 2022-23 has seen the OPA continue to deliver against all its core objectives, and we look forward to maintaining these high standards even as we take on new challenges.



Kate Ellis – Chair of the Board
17 July 2023

Members, Principal Officers and Associate Members as at 31 March 2023

	Kate Ellis Non-Executive Chair of the Board and the Remuneration Committee		Adrian Jackson Chief Executive and Accounting Officer
	Alison White Non-Executive Chair of Audit Committee		Simon Wills Non-Executive Member of the Audit Committee Chair of HSEQ Committee
	Fay Sandford Non-Executive MOD Sponsor		Tim Backhouse Chief Financial Officer and Associate Member
	Mark Eames Associate Member Member of the Audit Committee		Trevor Thomson Associate Member

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

Amanda McKenna was replaced by Fay Sandford with effect from 23 January 2023 and Steve Pearce resigned as a Member with effect from 21 November 2022.

Secretary to the Agency:

Samantha Luxon	Company Secretary
-----------------------	-------------------

The MOD exercises its sponsorship responsibilities of the Agency through MOD Director of DSOP. The sponsor is represented by Fay Sandford, Deputy Director, Enabling Organisation Sponsorship.

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

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	HSEQ	Remuneration
Kate Ellis	6/6			4/4
Adrian Jackson	6/6			4/4
Amanda McKenna**	4/4			3/4
Simon Wills	6/6	3/3	4/4	4/4
Alison White	6/6	3/3		4/4
Fay Sandford*	2/2			1/1
Tim Backhouse	6/6			
Mark Eames	6/6	3/3		
Trevor Thomson	3/6			
Steve Pearce**	4/4		3/3	

* Appointed partway during the year.

** Resigned partway during the year.

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.

[Register of Interests](#)

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 £47k. 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 31 to 35.

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 personal 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 Chief Financial Officer assists me in this.

To form an opinion on our system of internal control for the period 1 April 2022 to 31 March 2023, 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 Alex Chalk. 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 effectiveness of the Board is assessed annually by the Chair and any deficiencies in the Board's performance or composition, or those of its sub committees, are addressed by the Chair.

The roles and activities of these committees are detailed below.

Remuneration Nomination Committee

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

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is a committee of the Board. Its role is to support the OPA Board, and the 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.

The responsibility of the Committee is set out in its terms of reference which were reviewed and updated in April 2022, and subsequently approved by the Board. In summary, those changes included a wider role for the Committee in respect of risk management and a more explicit role in regard to corporate governance and assurance. A further review will be conducted in summer 2023.

The Chief Executive and Chief Financial Officer are not members of the Committee: however, they do attend meetings, as do Defence Internal Audit (DIA), National Audit Office and the Departmental Sponsor.

During the year the Committee:

- Held four meetings (the fourth meeting of the year took place on 5 April).
- Received comprehensive reports from management and the internal and external auditors, including reviewing the implementation of audit recommendations.
- Reviewed a selection of the Agency's key policies and received reports on key accounting issues.

- Discussed with management and the external auditors' judgements that arose on accounting policies.
- Reviewed the Agency's risk register and provided advice about the effectiveness of the procedures for risk management and internal controls, including for the new business stream in Singapore.
- Received reports about issues arising from historical allegations of fraud and safety malpractice (none of which were found to be proven), and ensured that there was appropriate governance and where necessary, management action in response;
- Received updates on any instances of whistleblowing: there were no reports of whistleblowing.

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 2023, the HSEQ Committee comprised six members: Simon Wills (Non-Executive Director), Adrian Jackson (Chief Executive and Accounting Officer), Ian Lindsay (Asset Integrity Director), Paul Grange (Operations Director), Lisa England (Compliance and Risk Director) and Andrew Munns (acting Capital Projects Director). Steve Pearce (Associate Non-Executive Director) attended the committee until the end of 2022. The Committee was chaired by Simon Wills, who attends all Agency board meetings in his capacity as a Non-Executive Director.

The operation of the committee was reviewed in the second half of 2022. As a result, the main HSEQ meeting and Projects HSEQ meetings were combined to better facilitate sharing of HSEQ information and learnings between projects and operational business and the standing agenda was revised. The Committee works to an agenda that embraces specific topics for review, a risk review, a Major Projects review, controls and assurance (including performance KPIs), audit (internal and external) and an event review. Post COVID, most Committee meetings are typically held on site and engage the local Depot Managers and provide an opportunity to review activities and challenges with site staff.

During the year the Committee

- Held four meetings of the main committee.
- Three meetings were held at site, one on-line.
- Reviewed, using a range of KPIs and data sources, risks and performance in respect of Health, Safety, Environment and Quality activities throughout the year.
- Reviewed specific HSEQ issues, including, CDM, Singapore Legislation and historic HSE allegations at the Thanckes site.
- Reviewed and recommended the 2023/24 safety audit plans to the ARAC who then approved as part of the overall audit schedule.
- Conducted four "deep dive" event reviews, looking at the quality of the investigations, actions and lateral learnings.
- Focused on securing and sustaining compliance with COMAH requirements.
- Ensured that the close out of any actions from the Regulator have progressed well during the year.
- Ensured HSEQ at Singapore is integrated into all aspects of the committee's reports and activities.

- Reviewed internal safety audit results and external compliance activity undertaken by the Competent Authority to provide overall assurance to the ARAC, the Board and the Accounting Officer of the coverage and quality of HSEQ assurance within the OPA.
- Ensured Health, Safety, Environmental and Quality performance has been maintained at a good level throughout the year.

The Executive Team (ET)

The purpose of the ET 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.

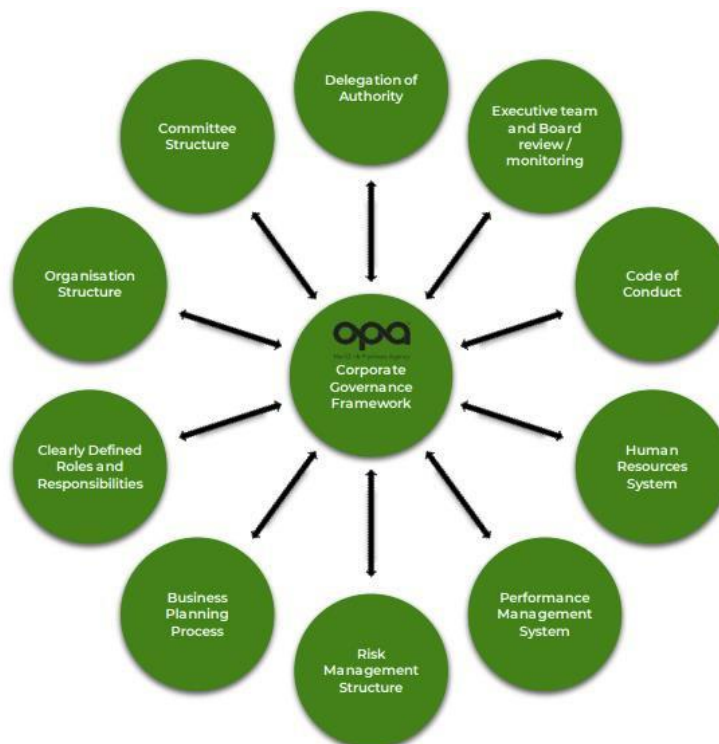
Compliance with the corporate governance code

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 ET 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.

On 3 April 2023 DIA transferred into the Government Internal Audit Agency (GIAA) with the aim that all central UK government departments to take their internal audit service from GIAA.

Functional Standards

The mandate for use of functional standards is provided by Managing Public Money (MPM) and endorsed by ministers through the Declaration on Government Reform. The standards support accounting officers to oversee functional work effectively and efficiently, and to target improvement. The default scope of functional standards mirrors that of MPM (departments and their arm's length bodies).

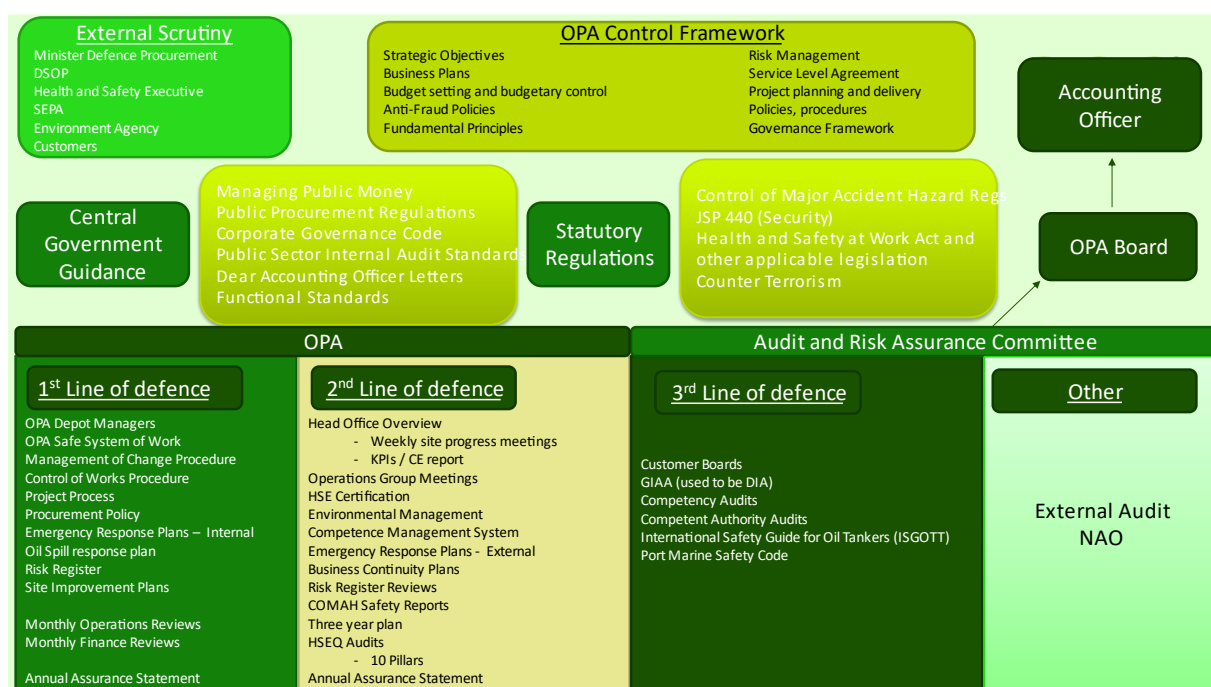
The OPA as a Public Corporation is exempt from following the functional standards unless through mutual agreement with our parent department. (Reference DAO 05/21 Mandating Functional Standards from end September 2021).

OPA's strategies, policies, standards, and processes are not inconsistent with, and take account of those set by both Government and MOD Functional Owners in order to secure a key part of the Agency's system of internal control.

Executive 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.

Our main strategic risks are:

- Regulatory Compliance – Health Safety and Environmental
- Major Accident to the Environment [MATTE]
- 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

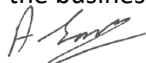
As CE and Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control with the support and advice of the Agency's Audit Committee. This review is informed by the work of external auditors and departmental managers within the Agency and supported by the work 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 no incidents of fraud reported to the Audit Committee.

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 executive 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

17 July 2023

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	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
				Salary band £'000	Salary band £'000 (FTE)	Pension £'000	Pension £'000	Bonus £'000	Bonus £'000	Total £'000	Total £'000 (FTE)
K Ellis	Chair	01-Jun-21	31-May-24	25-30	5-10 (25-30)	-	-	-	-	25-30	5-10 (25-30)
S Wills	Member	08-Aug-21	07-Aug-24	10-15	5-10 (10-15)	-	-	-	-	10-15	5-10 (10-15)
A McKenna	Member	26-Mar-22	23-Jan-23	-	-	-	-	-	-	-	-
F Sandford	Member	23-Jan-23	**	-	-	-	-	-	-	-	-
A White	Member	15-Jan-22	14-Jan-25	10-15	0-5 (10-15)	-	-	-	-	10-15	0-5 (10-15)
A Jackson	Chief Exec	01-May-15	*	120-125	115-120	15	14	5-10	5-10	145-150	140-145

* Notice period of 6 months

** appointed for the tenure of their MOD appointment.

Mrs A McKenna and Ms Fay Sandford as employees of MOD, were remunerated outside the Agency. The Agency has not made any pension contributions in respect of non-executive Members, 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)

	2022/23	2021/22
Remuneration of highest paid Director	£130K-£135K	£125K-£130K
Median total remuneration	£37,000	£35,735
Ratio	3.6	3.6
Remuneration range for entire workforce	£11,740 to £130K-£135K	£11,740 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 2022-23 was £130k-135k (2021-22, £125k-130k) a percentage rise of 4.0%. This was 3.6 times (2021-22, 3.6 times) the median remuneration of the workforce, which was £37,000 (2021-22, £35,375).

In 2022-23, the average salary for the employees of the entity as a whole (total wage bill divided by no. of FTE) was £40,902 (2020-21: £41,220). This represents a change of 0% as more employees were bought into the business at lower salary levels. The average bonus, for the eligible employees of the entity as a whole, increased by 9%. The annual pay review was consistent across all employees. The highest paid director received a salary increase of 4% from the previous year. The bonus for the highest paid director increased by 6% from the previous financial year.

The ratio between the highest paid director's remuneration and the pay and benefits of the employee on the 25th and 75th percentile of pay and benefit is disclosed below.

		25th Percentile	Median	75th Percentile
2022/23	Remuneration	£27,550	£37,600	£54,250
2022/23	Remuneration Ratio	4.8 : 1	3.5 : 1	2.4 : 1
2022/23	Salary only	£27,000	£37,000	£52,000
2021/22	Remuneration	£27,375	£36,745	£51,340
2021/22	Remuneration Ratio	4.7 : 1	3.5 : 1	2.5 : 1
2021/22	Salary only	£26,225	£35,735	£50,000

In 2022-23, no employees (2021-22, 0) received remuneration in excess of the highest-paid director. Remuneration ranged from £11,740 to £130k-£135k (2021-22 £11,740 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 £182,568 (2021-2022: £160,808), the variance was caused by the new OPA Chair waiving their right to salary for the first six months of employment with the Agency.

The Chief Financial Officer, Chief Operating Officer, HR Director, Risk and Compliance Director, Engineering Director and Programme 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.

Staff Report

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 2023, excluding non-executive members, was 170 (2021-2022: 165). Staff costs were £9,568k (2021-22: £9,458k) during the year including performance pay accrued, taxes and other social security costs. (This paragraph is subject to audit).

As at 31 March 2023, one staff member was on a short-term contract with the Agency (2021-2022:2) assisting with the control system installation at Campbeltown.

Staff costs analysis (Audited)

	2023	2022
Staff Costs	£000	£000
Wages and salaries - to permanently employed staff	6,982	6,914
- to other contract and temporary staff	359	190
Social security costs incurred by the Agency	779	739
Defined benefit pension costs (note 11)	511	621
Defined contribution pension costs	920	879
Redundancy costs	18	115
	9,568	9,458

The increase in temporary staff was due to the requirement for Electricians in our Scottish facilities due to shortages in the long-term labour market.

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 2023	Male 2022	Female 2023	Female 2022
Agency Members	2	2	3	3
Senior Managers	5	5	2	2
Employees	132	129	31	29

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 2023.

Staff Turnover

Staff turnover for the financial year was 14.6% (2021/22: 17.7%).

Sickness absence

During the financial year there were a total of 1,307 days (2021-2022: 1,135) lost due to sickness. This represented a loss percentage of 3.32% (2020-2021: 2.8%).

Compensation for loss of office (Audited)

There was 1 compensation for loss of office payment made throughout the year of £17,750. (2021-22: £115,495).

Expenditure on consultancy and contingent labour

During the year the Agency spent £66k on consultancy involving work on Process safety (2021/22: £108k). The Agency spent £0k on contingent labour (2021/22: £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. Both 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. Since the previous union official has left, no other employee has currently come forward as a representative. The Agency continues to meet with the national officers.

	2023	2022
Relevant union officials	0	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

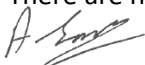
Parliamentary Accountability Disclosures [Audited]

The Oil and Pipelines Agency receives income from Navy Command, DIO and Strategic Command. This income covers the agency's actual costs. All work with the Ministry of Defence is covered 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 £24.0m (2022: £25.0m).

The OPA operates under the guidance of Managing Public Money, material expenditure is compliant with relevant legislation and delegated authority. The Agency ensures the regularity and propriety of expenditure of public finances which is subject to audit.

There are no remote contingent liabilities, gifts, charges or losses and special payments.



A Jackson - Chief Executive and Accounting Officer

17 July 2023

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 2023 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 2023;
- 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 2023 and its net income after taxation 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 and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 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 the information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Board and Accounting Officer is 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.

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:

- 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
- I have not received all of the information and explanations I require for my audit; 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 the Chief Executive and Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Oil and Pipelines Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Oil and Pipelines Act 1985;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Oil and Pipelines Act 1985; 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 audit, 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, I:

- considered 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.
- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of 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 controls relating to 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;
- inquired of management, Defence Internal Audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with 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, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Oil and Pipelines Agency's framework of authority and other legal and regulatory frameworks in which the Oil and Pipelines Agency operates. I focused 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

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I communicated relevant identified laws and regulations and potential risks of fraud 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 expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

17 JULY 2023

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
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Financial Statements

Statement of Comprehensive Net Expenditure

STATEMENT OF COMPREHENSIVE NET EXPENDITURE			
YEAR ENDING 31 MARCH 2023			
	Notes	2023	2022
		£000	£000
Expenditure			
Staff costs	5	(9,568)	(9,458)
Maintenance expenditure	7	(12,712)	(15,124)
Depreciation and impairment charges		(8)	-
Other expenditure	6	(4,347)	(3,481)
Total expenditure		(26,635)	(28,063)
Income			
Income from activities	4	26,669	28,196
Net income/(expenditure)		34	133
Interest receivable from bank accounts		51	4
Other finance income (cost)		37	(13)
Net income/(expenditure) after interest and other finance income		122	124
Tax on taxable net income/(expenditure) after interest and other finance income			
Net income/(expenditure) after taxation		122	124
Other Comprehensive Income			
Actuarial gain/(loss) recognised in pension scheme	11	2,879	2,769
Change in asset ceiling		(2,822)	(2,244)
Change in deferred tax arising on (gain)/loss in the pension scheme		0	(64)
Change in onerous obligation		0	147
Remeasurement of adoption of IFRS16		6	-
Total comprehensive income/(expenditure) for the year		185	732

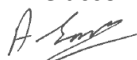
The accompanying notes on page 40 to 60 form part of these accounts.

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Right-of-use asset	2(m)	25	-
Total non-current assets		25	-
Current assets			
Inventories	2(l)	0	299
Trade and other receivables	8	5,136	4,278
Cash at bank and in hand	14	3,770	5,400
Total current assets		8,906	9,977
Total assets		8,931	9,977
Current liabilities			
Trade and other payables	9	(4,111)	(5,362)
Total current liabilities		(4,111)	(5,362)
Total assets less current liabilities		4,820	4,615
Non-current assets/(liabilities)			
Right-of-use liabilities		(20)	-
DB Pension schemes	11	0	0
Net Assets		4,800	4,615
Reserves			
Contributed capital	1(a)	2,380	2,380
General fund reserve	12	2,420	2,235
Total Reserves		4,800	4,615

The accompanying notes on page 40 to 60 form part of these accounts.



A Jackson - Chief Executive and Accounting Officer

17 July 2023

Statement of Cash Flows

STATEMENT OF CASH FLOWS YEAR ENDING 31 MARCH 2023

	2023	2022
	£000	£000
Cash flows from operating activities		
Net income after interest before other finance income and taxation	85	137
(Increase)/decrease in inventories	299	(299)
Defined benefit pension fund current service cost (note 11)	511	621
Defined benefit pension contributions paid (note 11)	(416)	(446)
(Increase)/decrease in trade and other receivables	(858)	202
Increase/(decrease) in trade and other payables	(1,251)	(348)
Net cash inflow (outflow) from operating activities	(1,630)	(133)
Cash and equivalents at the beginning of the year	5,400	5,533
Cash and equivalents at the end of the year (note 14)	3,770	5,400

The accompanying notes on page 40 to 60 form part of these accounts.

Statement of Changes in Taxpayers' Equity

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY YEAR ENDING 31 MARCH 2023	Notes	Contributed Capital £000	General Fund £000	Total Reserves £000
Balance at 1 April 2021		2,380	1,503	3,883
Net gain/(loss) on revaluation of property, plant and equipment		-	-	-
Net income/(expenditure)		-	124	124
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	12	2,380	2,235	4,615
Initial adoption of IFRS16 on 1 April 2022		-	6	6
Balance at 1 April 2022		2,380	2,241	4,621
Net gain/(loss) on revaluation of property, plant and equipment		-	-	-
Net income/(expenditure)		-	122	122
Total remeasurements recognised in defined benefit pension funds		-	57	57
Deferred tax arising on (gain)/loss recognised in the defined benefit pension fund		-	0	0
Balance at 31 March 2023	12	2,380	2,420	4,800

The accompanying notes on page 40 to 60 form part of these accounts.

Notes to the Accounts

Year ending 31 March 2023

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 2022-23 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.

Notes to the Accounts (continued)

Year ending 31 March 2023

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. 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.

Notes to the Accounts (continued)

Year ending 31 March 2023

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

Notes to the Accounts (continued)

Year ending 31 March 2023

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.

Notes to the Accounts (continued)

Year ending 31 March 2023

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

In November 2022, the Agency took on responsibility for the Senoko Oil Fuel Depot in Singapore. An analysis of revenues by geographical area is disclosed below as required by IFRS 8.

	2023	2022
Operating Segments	£000	£000
Expenditure		
Europe	25,639	28,072
Singapore	908	-
Income		
Europe	(25,685)	(28,196)
Singapore	(984)	-
Total net expenditure per the Statement of Comprehensive Net Expenditure	(122)	(124)

l) Inventory

During the prior 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. The inventory was sold in full in year and the value was predated in deferred income.

m) Right-of-use assets

IFRS 16 introduces new requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases (except for short-term leases and leases of low value assets). The FREM 2022-23, however applies that there are no adjustments for leases for which the underlying asset is of low value that will be accounted for applying IFRS 16 nor an adjustment for leases for which the lease term ends within 12 months of the date of initial application.

On transition to IFRS 16 on April 2022 the Agency had three vehicle leases which have been recognised as right of use assets of £25k and a lease liability of £20k, two of which are due to expire within 12 months of the balance sheet date. In February 2023 there was a new vehicle lease as a result from the agency offering a salary sacrifice scheme for electric vehicles. Within the terms of the scheme the employer leases the vehicle and provides it to the employee in exchange for salary sacrifice. The liability of the lease therefore falls on the Agency and thus it is required to be included on the Agency's balance sheet as a right-of-use asset. The right-of-use asset measurement was calculated on the present value of lease payments of the vehicle at the time of commencement of the lease and depreciated on a straight-line basis across the term of the lease.

Notes to the Accounts (continued)

Year ending 31 March 2023

2. Statement of accounting policies (continued)

The lease liability was measured at the present value of lease payments, discounted using the implied borrowing rate at the date of the start of the lease.

In accordance with the FREM 2022-23 the Agency has recognised the cumulative effects of initially applying IFRS 16 recognised at the date of initial application as an adjustment to the opening balances of taxpayers' equity.

n) Leases

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

o) *Impending Application of Newly Issued Accounting Standards Not Yet Effective*

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.

Amendments to IAS 1, Practice statement 2 and IAS 8 amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The effective date is for annual reporting periods beginning on or after 1 January 2023.

Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The effective date is for annual reporting periods beginning on or after 1 January 2023.

Amendment to IFRS 16 - Leases on sale and leaseback amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The effective date is for annual reporting periods beginning on or after 1 January 2024.

Notes to the Accounts (continued)

Year ending 31 March 2023

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:

	2023	2022
	£000	£000
Operating Income		
Agency Fees (DIO)	1,119	2,198
Agency Fees (NC)	21,376	22,124
Agency Fees (Strategic Command)	1,013	342
Agency Fees (Fuel Enterprise Strategy)	60	61
Agency Fees (Air Command)	442	243
Commercial receipts	2,659	3,228
	26,669	28,196

Agency fees are calculated through apportionment of costs incurred in delivery of operation and maintenance of the cavern sites, OFDs and overseas bases 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.

Notes to the Accounts (continued)

Year ending 31 March 2023

5. Staff costs

The average number of permanent employees plus Members and Committee Members, during the year was 171 (2022: 175) and the number of employees at 31 March 2023 was 175 (2022: 170). The average of whole-time equivalent non-permanent persons employed during the year was 3 (2022: 2). Staffing costs were as follows:

Staff Costs	2023	2022
	£000	£000
Wages and salaries - to permanently employed staff	6,981	6,914
- to other contract and temporary staff	359	190
Social security costs incurred by the Agency	779	739
Defined benefit pension costs (note 11)	511	621
Defined contribution pension costs	920	879
Redundancy costs	18	115
	9,568	9,458

6. Other Expenditure

Other Expenditure	2023	2022
	£000	£000
Office operating lease - buildings	0	19
Other occupancy costs	1,391	1,173
Staff related costs*	294	276
Travel, subsistence and hospitality	792	469
Recruitment and training	397	373
Professional fees	418	260
Auditors' Remuneration: Audit (NAO)	47	41
Office supplies and equipment	625	537
Other administration costs	383	333
	4,347	3,481

*Staff related costs include: Permanent Health and Life Assurance premiums undertaken by the Agency for the benefit of its employees and untaken holiday at year end. Travel costs have increased significantly compared to the previous year due to travel to Singapore and other overseas MOD bases. Other administration costs include Commercial Insurance (£172k), telecommunications (£144k) and Personal Protective Equipment.

Notes to the Accounts (continued)

Year ending 31 March 2023

7. Maintenance Expenditure

	2023	2022
Maintenance Expenditure	£000	£000
Tank Inspection Programme	2,542	2,482
Jetty maintenance	281	700
Infrastructure improvements	3,427	4,184
HSEQ investment	392	261
Security	441	412
Expenditure on new assets	4,448	6,678
Other costs	1,181	407
	12,712	15,124

The amount of expenditure spent on infrastructure improvement reduced during the year as we had built a mobile skid for hydrocarbon recovery at Cape of Good Hope in 2022. This expenditure was one-off in nature and was not replicated in 2023.

Expenditure on new assets reduced as the additional project investment to re-life four out of use tanks at Thanckes in 2022 (£2.2m) was not repeated in 2023 (£0.6m).

8. Trade and other receivables

Trade and other receivables	2023	2022
Trade and other receivables falling due within one year	£000	£000
Trade and other receivables	1,451	1,124
Accrued Income	2,960	2,855
Prepayments	725	299
	5,136	4,278

Included in accrued income is £2,057k due from the MOD relating to Agency Fees in respect of managing the DIO Cavern sites and NC OFDs (2022; £2,534k). Trade and other receivables include £306k relating to Agency fees in respect of managing the DIO Cavern sites and OFDs due from the MOD (2022; £352k).

Receivable days have increased due to the introduction of new customers and therefore the time taken to establish agreed payment processes. At the balance sheet date our receivables days were 30.2 days (2022: 14.5 days).

Notes to the Accounts (continued)

Year ending 31 March 2023

9. Trade and other payables

Trade and other payables	2023	2022
Trade and other payables falling due within one year:	£000	£000
Trade and other payables	820	1,668
Accruals and deferred income	2,336	3,380
Provisions	0	0
Other taxation and social security	955	314
	4,111	5,362

10. Commitments

Capital Commitments

At the end of the year there were no capital commitments authorised (2022: Nil).

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 25 active members on 5 April 2023.

The Agency and PAN Trustees UK LLP agreed that the Agency will make employer contributions of 53.0% and employee contributions ranging between 2.1% and 4.7% according to the employee's job level.

Notes to the Accounts (continued)

Year ending 31 March 2023

11. Retirement benefits pension schemes (continued)

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 IAS19 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. The next formal Scheme Funding Assessment is due in July 2023. All deficit reduction contributions have been paid by the Balance sheet date.

11.1 Statement of Financial Position Pension asset

The plan assets and liabilities in the schemes were:

OPA Retirement Benefit Fund (OPA RBP)	2023	2022
Net Assets	£000	£000
Equities	1,741	1,821
Government Debt	7,452	11,201
Cash	289	156
Total fair value of assets	9,482	13,178
Present value of liabilities	(8,255)	(10,491)
Surplus/(deficit) in the scheme	1,227	2,687
Asset ceiling	(1,227)	(2,687)
Onerous liability	0	0
Surplus/(Deficit)	0	0

Mercer DB Master Trust (FPP)	2023	2022
Net Assets	£000	£000
Equities	3,186	3,862
Government Debt	0	2,688
Corporate Bonds	0	0
Cash	20	31
Other	7,699	1,909
Total fair value of assets	10,905	8,490
Present value of liabilities	(5,159)	(7,097)
Surplus/(Deficit) in the scheme	5,746	1,393
Asset ceiling	(5,746)	(1,393)
Related deferred tax (liability) asset	0	0
Surplus/(Deficit)	0	0

Notes to the Accounts (continued)

Year ending 31 March 2023

11. Retirement benefits pension schemes (continued)

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 2023, 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.

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	2023 £000	FPP £000	OPA RBP £000	2022 £000
Opening fair value of assets at 1 April	8,490	13,178	21,668	7,676	12,849	20,525
Interest Income	238	345	583	168	242	410
Employer contributions	416	0	416	416	30	446
Contributions by Members	9	0	9	32	0	32
Return on plan assets (excluding amounts:	1,876	(3,813)	(1,937)	353	369	722
Benefits (paid)	(124)	(228)	(352)	(155)	(312)	(467)
Total fair value of plan assets before tax at 31 March	10,905	9,482	20,387	8,490	13,178	21,668

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

Reconciliation of opening & closing present value of the defined benefit	FPP £000	OPA RBP £000	2023 £000	FPP £000	OPA RBP £000	2022 £000
Opening fair value of liabilities at 1 April	7,097	10,491	17,588	8,013	11,051	19,064
Current service cost	511	0	511	621	0	621
Interest cost	200	274	474	178	207	385
Contributions by Members	9	0	9	32	0	32
Remeasurements						
Change in assumptions	(2,711)	(3,017)	(5,728)	(699)	(737)	(1,436)
Liability experience (gains)	177	735	912	(893)	282	(611)
Benefits (paid)	(124)	(228)	(352)	(155)	(312)	(467)
Present value of obligation before tax at 31 March	5,159	8,255	13,414	7,097	10,491	17,588

Notes to the Accounts (continued)

Year ending 31 March 2023

11. Retirement benefits pension schemes (continued)

11.2 Charge to the statement of comprehensive net expenditure

Defined benefit costs recognised in Expenditure:

Total re-measurements recognised in Other Comprehensive Expenditure:

	FPP £000	OPA RBP £000	2023 £000	FPP £000	OPA RBP £000	2022 £000
Defined Benefit costs recognised in profit or loss						
Net interest (cost)/Income	38	0	38	(10)	(3)	(13)
Current service cost (staff costs note 5)	(511)	0	(511)	(621)	0	(621)
Credited/(charged) to net expenditure	(473)	0	(473)	(631)	(3)	(634)

	FPP £000	OPA RBP £000	2023 £000	FPP £000	OPA RBP £000	2022 £000
Defined Benefit costs recognised in Other Comprehensive Income						
Return on plan assets (excl. amounts included in net interest cost)	1,876	(3,813)	(1,937)	353	369	722
Experienced gains on liabilities	(177)	(735)	(912)	893	(282)	611
Changes in assumptions underlying liabilities	2,711	3,017	5,728	699	737	1,436
Change in Asset ceiling	(4,353)	1,531	(2,822)	(1,393)	(851)	(2,244)
Change in Onerous Liability	0	0	0	0	147	147
Total remeasurements	57	0	57	552	120	672

11.3 Actuarial assumptions

OPA Retirement Benefits Fund (OPA RBP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2023 and the major assumptions used were:

OPA Retirement Benefit Fund (OPA RBP)	2023	2022
Discount Rate	4.70% p.a.	2.65% p.a.
RPI inflation	3.35% p.a.	3.80% 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 CMI_2021 projection	100% of S3PXA light tables CMI_2021 projection
Mortality (future improvements)	model with a long-term improvement rate of 1.25% p.a.	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 90% for deferred pensioners, 85% for pensioners	Members are assumed to take 80% of the maximum tax free cash available at retirement 90% for deferred pensioners, 85% for pensioners
Proportion married at retirement	0.78% addition to the liabilities	0.78% addition to the liabilities
GMP equalisation allowance	0.78% of transfer values	0.78% of transfer values
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.

Notes to the Accounts (continued)

Year ending 31 March 2023

11. Retirement benefits pension schemes (continued)

Mercer DB Master Trust (FPP)

A qualified independent actuary carried out an actuarial assessment as at 31 March 2023 and the major assumptions used were:

Mercer DB Master Trust (FPP)	2023	2022
Discount Rate	4.80% p.a.	2.75% p.a.
Inflation (RPI)	3.35% p.a.	3.80% p.a.
Inflation (CPI)	3.00% p.a.	3.40% p.a.
Salary Growth	5.00% p.a.	5.40% p.a.
Mortality (base table)	135% of S3PMA tables for males	130% of S3PMA tables for males
Mortality (future improvements)	135% of S3PFA_M tables for females CMI 2021 model (SK=7.5, A=0) with long term improvement rate of 1.25% p.a.	130% of S3PFA_M tables for females CMI 2021 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	3.00% p.a.	3.40% p.a.
Allowance for pension in payment increases of CPI	3.00% p.a.	3.40% p.a.
Allowance for commutation of pension for cash at retirement	50% of members who do not have a cash benefit assumed to take 25% of their pension as cash	50% of members who do not have a cash benefit assumed to take 25% of their pension as cash

Notes to the Accounts (continued)

Year ending 31 March 2023

11. Retirement benefits pension schemes (continued)

11.4 Sensitivity Analysis

The effect of changes in assumptions used on the 2023 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.

		2023	2022
		£000	£000
OPA Retirement Benefit Fund (OPA RBP)			
<i>Effect on present value of defined benefit obligation (increase/(decrease))</i>			
Discount Rate	-0.5%	538	832
Price inflation rate	+0.5%	513	787
Mercer DB Master Trust (FPP)			
<i>Effect on present value of defined benefit obligation (increase/(decrease))</i>			
Discount Rate	-0.25%	208	366
Salary increase rate	+0.25%	44	82
Price inflation rate	+0.25%	203	376
Post-retirement mortality assumption	+1 year age rating	117	221

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 2023 is 17 years.

Notes to the Accounts (continued)

Year ending 31 March 2023

11. Retirement benefits pension schemes (continued)

11.5 Plan History

OPA Retirement Benefit Fund (OPA RBP)	2023	2022
	£000	£000
Fair value of assets before taxation	9,482	13,178
Present value of defined liabilities before taxation	8,255	10,491
Surplus (deficit) before taxation	1,227	2,687

History of experience gains and losses

Return on plan assets (excluding amounts included in net interest cost)	(3,813)	369
<i>Percentage of scheme assets (%)</i>	<i>(40.2)</i>	<i>2.8</i>
Experienced gains on liabilities:	(735)	(282)
<i>Percentage of present value of scheme liabilities (%)</i>	<i>(9)</i>	<i>(3)</i>
Changes in assumptions: (£000)	3,017	737
Total remeasurements	(1,531)	824
<i>Percentage of present value of scheme liabilities (%)</i>	<i>(19)</i>	<i>8</i>

Mercer DB Master Trust (FPP)	2023	2022
	£000	£000
Fair value of assets before taxation	10,905	8,490
Present value of defined liabilities before taxation	5,159	7,097
Surplus/(deficit) before taxation	5,746	1,393

History of experience gains and losses

Return on plan assets (excluding amounts included in net interest cost)	1,876	353
<i>Percentage of scheme assets (%)</i>	<i>17.2</i>	<i>4.2</i>
Experienced gains on liabilities:	(177)	893
<i>Percentage of present value of scheme liabilities (%)</i>	<i>(3)</i>	<i>13</i>
Changes in assumptions: (£000)	2,711	699
Total remeasurements	4,410	1,945
<i>Percentage of present value of scheme liabilities (%)</i>	<i>85</i>	<i>27</i>

11.6 Reconciliation of asset ceiling

Reconciliation of opening & closing value of asset ceiling	FPP	OPA RBP	2023
	£000	£000	£000
Asset ceiling at year start	1,393	2,687	4,080
Interest on asset ceiling	0	71	71
Change in asset ceiling over the year	4,353	(1,531)	2,822
Asset ceiling at year end	5,746	1,227	6,973

Notes to the Accounts (continued)

Year ending 31 March 2023

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 2023 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 £920,000 (2022: £879,000). Pension contributions have remained stable in line with staff numbers.

Notes to the Accounts (continued)

Year ending 31 March 2023

12. General Fund Reserve

GENERAL FUND RESERVE	Operating Cost £000	Pension Reserve £000	Total £000
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
Changes to the general fund reserve for the year	127	57	184
At 31 March 2023	3,077	(658)	2,419

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 2023 there were no contingent liabilities recorded (2022: Nil).

14. Cash at bank and in hand

	2023 £000	2022 £000
Cash at bank and in hand		
Balance 1 April 2022	5,400	5,533
Net change in cash at bank and in hand	(1,630)	(133)
Balance 31 March 2023	3,770	5,400

The following balances at 31 March 2022 were held at:

Commercial bank - 95 day notice	2,062	2,020
Commercial bank - 10 day notice	18	1,215
Commercial bank - instant access	1,690	2,166
Net cash at bank and in hand	3,770	5,400

Notes to the Accounts (continued)

Year ending 31 March 2023

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 £32.4k by the MOD for services provided by Defence Internal Audit (2022: £28.9k). The variance being due to an additional audit this year.

During the year, two members of the Agency were employees of the MOD; Amanda McKenna (appointed 26 March 2022 to 23rd January 2023), who was then replaced by Fay Sandford on 23rd January onwards.

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. Our activities in overseas bases are charged at the actual cost in sterling after currency exchange. The Agency has no embedded derivatives.

Interest Rate Risk Management

The Agency has, at the balance sheet date, 55% of its cash deposited on 95 days' notice. This account attracts interest at a floating rate related to bank base rate. The Agency has no other deposits subject to market interest rate fluctuations, and is therefore subject to only limited interest rate risk.

Notes to the Accounts (continued)

Year ending 31 March 2023

16. Financial Instruments (continued)

Liquidity and Cash Flow Risk

The Agency has borrowing powers (note 3). These have not been exercised during the year. 45% 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. Leases

Leases	2023	2022
	£000	£000
Vehicles:		
Not later than one year	5	13
Later than one year and not later than five years	15	4
Later than five years	0	0
	20	17

The Agency's leases relate to eight vehicle leases, five of which came to an end in the accounting period. Two of the three remaining leases have less than 12 months remaining from the balance sheet date and have been capitalised for the first time under IFRS 16 and FREM requirements in FY22/23. There has been one new vehicle lease which has also been capitalised under IFRS 16 under the salary sacrifice electric car scheme.

For the two leases which commenced in FY20/21 a borrowing rate of 3.75% was applied. For the lease that commenced in FY22/23 a borrowing rate of 8.00% was applied.

Straight line depreciation was applied to the right-of-use asset value over the period of the lease which totalled £7.5k for this accounting period, the lease payments were £9.5k and the finance cost was £557.

In FY23/24 another salary sacrifice electric car is due to be delivered on 9th June 2023. At time of writing there is not a confirmation of cashflows, but as the vehicle is of similar value, it is assumed that there will be an additional 4-year commitment of between £25k-£30k.

Notes to the Accounts (continued)

Year ending 31 March 2023

18. 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.

Capita, who provide pension administration services for the OPA RBP and Mercer DB Master Trust have experienced a cyber incident. Capita have taken extensive steps to recover and secure the data and have been in regular contact with all relevant authorities. The effected members have been contacted individually, none who are active OPA employees.

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

ISBN 978-1-915287-22-9



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