Annual Report and Accounts of the Oil and Gas Authority 2021-22:

Accounts presented to Parliament pursuant to Section 6 of the Government Resources and Accounts Act 2000 (Audit of Non-profit Making Companies) Order 2009.

Report presented to Parliament by Command of Her Majesty.

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On 21st March 2022, the Oil and Gas Authority (OGA) became known by a new business name: North Sea Transition Authority (NSTA), to reflect its evolving role in the energy transition. The OGA remains the legal name of the company. References to the NSTA should be interpreted as the OGA.

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Contents

Chairman's foreword

The past year in the UK energy sector has been challenging and has seen change at a dramatic pace.

Twelve months ago the energy debate focused predominantly on the climate emergency and getting to net zero quickly.

This concern was entirely justifiable. The world does need to rapidly reduce fossil-fuel demand, while cleaning up oil and gas production.

In the UK, there was then strong opposition to new oil and gas developments. By early 2022, the Government rightly stressed security of supply and affordability.

This shift in focus emphasised the continued importance of the UK North Sea as a crucial energy asset which safeguards security of supply while generating tax revenues and employment. The Government published the British Energy Security Strategy which outlined plans for a new licensing round, taking the Climate Compatibility Checkpoint into account, and backed the creation of "accelerators" to help rapid deployment of projects.

Government and industry also marked the one-year anniversary of the North Sea Transition Deal, which identified early progress towards emissions reduction targets and large-scale decarbonisation projects.

The Oil and Gas Authority, now the North Sea Transition Authority, has shown leadership, versatility and foresight in these turbulent times.

In February 2021, prior to the energy price crunch, we anticipated developments and identified the right priorities. This was evidenced by the high level of alignment between our revised Strategy, the Deal, and Government policy. Our Strategy puts net zero at the heart of our work, alongside producing economically-recoverable reserves.

Our staff deserve enormous credit. They have kept us ahead of the curve while adapting to unusual and, sometimes difficult, working conditions caused by the Covid-19 pandemic.

Encouragingly, the NSTA continues to attract high calibre recruits who help us find solutions and fulfil our continually expanding role in the energy transition.

We are well aware that huge challenges must be overcome if the UK Continental Shelf is to deliver on its energy integration potential.

We have a great opportunity to repurpose facilities and skills, and to invest in hydrogen, carbon capture and storage (CCS) and platform electrification alongside the offshore wind sector.

The country's regulatory regime was not created with the transition in mind. Companies spearheading ambitious projects must engage with multiple regulators, different Government departments and many stakeholders. This complex landscape has to be made to work so that these companies, many of which are traditional oil and gas players, can benefit from a streamlined process.

Our teams are devoting more time to identifying carbon stores, exploring the potential for coordinated CCS licensing and leasing processes, ensuring wells are decommissioned to CCS standards, and resolving CCS and offshore wind co-location issues.

We are also working with government and the power sector to remove barriers to electrification, including grid connections and tariffs. Progress in removing barriers and simplifying processes is essential if further investment is to take place at the necessary pace.

We continue to use our powers to intervene where necessary to ensure value is not lost through disputes. In 2021-22, we reported transparently on our investigations, and we remain committed to using our powers, where appropriate, in a proportionate and fair way to ensure North Sea licensees steward their assets properly. We are looking to industry to adhere to their licence conditions.

We published a new Decommissioning Strategy and guidance on governance, reported on inclusion, and wrote to licensees to restate how we use our change of control powers to keep assets in the right hands, and reinforced the importance of environmental, social and governance reporting.

We welcomed new faces onto our board in the last year. Sara Vaughan and Malcolm Brown joined as non-executive directors in October 2021. They replaced Mary Hardy and Frances Morris-Jones, who made invaluable contributions to our organisation following their appointments in November 2015 as founding Directors.

The board reviewed and approved this Annual Report and Accounts on 28 June 2022.

Tim Eggar
Chairman

Chief Executive's statement

As we emerge from the pandemic, Russia's invasion of Ukraine is placing new pressures on the economy as families are charged ever-higher prices for everyday essentials and motorists pay record prices at the pumps.

The dual objectives of ensuring security of energy supply for the UK, while also supporting the drive to tackle the climate emergency and reach net zero greenhouse gas emissions are at the heart of our work.

In March this year we became the North Sea Transition Authority reflecting our wider role as the energy transition gathers pace.

We continue to work very closely with the oil and gas industry – their skills, experience, infrastructure and capital are essential to an orderly transition. Similarly, we work closely with colleagues from the renewables sector, government and other regulators.

The UK Government published the British Energy Security Strategy including the target for reducing gas usage by more than 40% by 2030. We fully support that drive, while recognising that oil and gas currently supply around three-quarters of our energy needs and will continue to be needed for decades to come.

The Strategy, the North Sea Transition Deal, the Prime Minister's Roundtable and statements from political leaders have provided a clear mandate for the industry to carry on producing North Sea oil and gas as cleanly as possible.

In recognition of our dual objectives, we recently announced the first-ever UK carbon storage licensing round and expect later this year to announce an oil and gas licensing round – taking into account the government's climate compatibility checkpoint.

In the past year we have stewarded eight new oil and gas projects into production and are working with Licensees on more than 30 further developments at various stages.

The pandemic was largely responsible for production efficiency dipping to 73%. We reviewed key industry and operator performance data in our annual review with the Top 22 operators. The industry executives confirmed their commitment to addressing gaps and investing in both security of supply and the energy transition.

We issued Stewardship Expectation 12, which highlights the need for operators to collaborate with their supply chain contractors. We have used our powers as a regulator to ensure a level playing field for all licensees by intervening where breaches are suspected; successfully resolving several situations.

On emissions reduction, our inaugural monitoring report highlighted the fact that effective monitoring and benchmarking, supported by strong stewardship, is already playing an important role. Since the start of 2021, our interventions have helped avoid more than 1 megatonne of lifetime CO2e emissions: the equivalent of taking half a million cars off the road in the UK for a year.

Flaring has been cut by 19%, we have awarded new carbon storage licences and we are actively working with industry on platform electrification projects. The Bacton Energy Hub project is progressing well, with five industry leaders taking control of crucial workstreams.

We continue to support industry through our Integrated Energy Platform and National Data Repository, offering ever more accessible information which underpins important decisions on exploration, production and carbon storage.

In addition, we streamlined our Pipeline Works Authorisation system saving valuable time for Licensees and our updated Pathfinder portal provides the industry's most comprehensive source of information on available contracts and helps the supply chain connect with operators.

I’m very grateful to my team for another year of strong delivery and value creation. I’d like to pay tribute to their integrity, creativity and sheer hard work.

Dr Andy Samuel
Chief Executive

Strategic report

Governance

The Oil and Gas Authority (OGA) is a government company whose sole shareholder is the Secretary of State for Business Energy and Industrial Strategy (BEIS). The OGA Board of Directors is responsible for setting the authority's strategic direction, policies and priorities.

On 21st March 2022, the OGA became known by a new business name: North Sea Transition Authority (NSTA) to reflect its evolving role in the energy transition. The OGA remains the legal name of the company. References to the NSTA should be interpreted as the OGA.

The NSTA recovers its costs from a levy on licence holders and via direct fees for specific activities. This is in line with the established 'user pays' principle, where the regulator recovers its costs from those benefiting from its services. In addition, it receives some direct funding from its parent department, BEIS.

The NSTA works closely with industry and governments to attract investment and jobs to retain and develop vital skills and expertise in the United Kingdom.

The NSTA seeks to exercise its powers in a proportionate way to achieve its principal objective. It endeavours to do so in a transparent, consistent manner and works with industry to foster a culture where disputes are resolved based on our published prioritisation principles.

The NSTA's performance against the key performance measures in its 2019-2024 Corporate Plan is set out on pages 25-35.

The NSTA is headquartered in Aberdeen, with a second office in London.

NSTA role

The NSTA regulates and influences the oil, gas and carbon storage industries. It helps **drive North Sea energy transition**, realising the significant potential of the UK Continental Shelf as a critical energy and carbon abatement resource. We hold industry to account on **halving upstream emissions by 2030**.

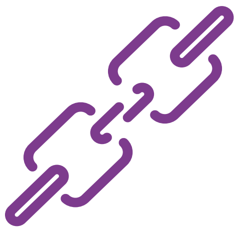
We work with government, industry and other regulators to **accelerate the move to net zero** while meeting the UK's **energy demand and security**. We perform an effective net zero test and will not approve developments unless they pass it.

We aim to be a **value creator** in everything we do, encouraging and enabling economic benefit and **job creation** across the UK. We drive greater efficiency through inclusive leadership, data, analysis, stewardship and the use of our powers.

NSTA values

Accountable

Fair



Robust

Considerate

How we work

Key publications

Scan the QR codes to view

The Strategy

Stewardship Expectation 11: Net Zero

Corporate Governance Guidance

Flaring & Venting Guidance

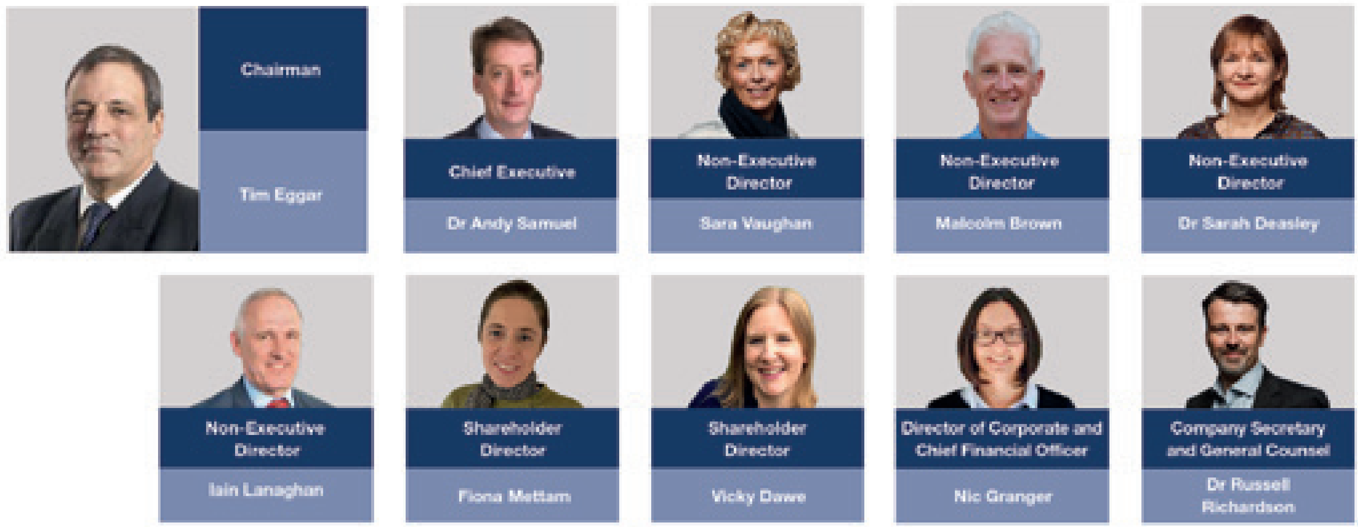
UKCS Energy Integration Project

Stewardship Expectation 12: Supply Chain

Bacton Energy Hub Study

Decommissioning Strategy

Board of Directors and Company Secretary



Vicky Dawe is proposed to be a shareholder director, to act as an alternate, her appointment is subject to shareholder confirmation and registration at Companies House.

Leadership team

Financial overview

Revenue

The NSTA raised levy funding for the year of £30.0M and fees and charges of £2.5M to cover the core costs of running the organisation.

As in previous years, where levy funding is unspent it will be returned to licence holders. This year there will be a rebate of approximately £4.0M returned to licence holders through a levy repayment, which has therefore been excluded from the Statement of Comprehensive Income.The NSTA will continue to set the levy in a fair and transparent manner, returning any levy that is not required to the industry each year.

Expenditure

The NSTA financed significant investment in enhancing data services, including further development of the National Data Repository (NDR), Pathfinder, the Pipeline Works Authorisation system and delivery of the digital excellence programme. Studies have been completed in relation to the North Sea Transition mapping and ocean bottom seismic. The NSTA was awarded £1.0M from BEIS to further investigate electrification within the North Sea.

Savings were largely achieved from the reduction in travel expenditure, the move to online training courses and a delayed office accommodation move. The unspent funds will be returned to industry. In all decisions with a financial impact, the NSTA ensured that best value for money was achieved.

Viability statement

The NSTA's Directors have assessed the company's prospects over the 2019-24 Corporate Plan period, taking into account the current financial position, its historical performance, the 2019-24 Corporate Plan and the principal risks and mitigating factors described on page 20.

Whilst the principal risks all have the potential to affect future performance, none are considered likely to threaten the viability of the NSTA over the Corporate Plan period. The Board regularly reviews the financial position of the NSTA, including its project funding requirements.

The NSTA has consistently recorded underspends and, with robust financial controls in place, is confident that it will continue to deliver consistent financial outcomes over the Corporate Plan period. The NSTA's cash flow is actively managed during the year.

The Directors are satisfied that responsibility is delegated systematically in the NSTA, by way of a delegation framework which is regularly reviewed by the Leadership Team.

In February 2021, the revised OGA Strategy introduced a new obligation on the oil and gas industry to support the UK's 2050 net zero target. The Strategy has been laid in Parliament and reaffirms the purpose and direction of the organisation. The NSTA reports its own emissions performance on page 21.

Directors agree that information provided to the Board is concise and clear and can be readily scrutinised.

Directors are satisfied that management made comprehensive preparations, in full consultation with staff, regarding the return to the office under hybrid working conditions in early 2022, following the Covid 19 pandemic. There was no impact on the NSTA following the departure of the United Kingdom from the European Union.

The NSTA has reviewed its strategic financial framework and is confident that its financial management processes will ensure that its expenditure and liabilities will be covered by income, as set out in the 2019-24 Corporate Plan. Directors are not aware of any impending regulatory or legal changes which would impact the NSTA's operations over the period of the Corporate Plan. Based on this review, Directors confirm that they have a reasonable expectation that the NSTA will continue in operation and meet its liabilities as they fall due.

Summary

In summary, the NSTA has used the available funding to deliver value adding activities to the oil and gas industry, ensuring best value for money for both the industry and the Exchequer.

Developing our people

The NSTA has policies in place which ensure its recruitment, performance management, training and reward activity together contribute to making the NSTA a great place to work and ensure that the NSTA can attract, develop and retain a talented and diverse workforce to deliver its objectives. The NSTA embraces inclusion and diversity and ensures it promotes equality of opportunity.

The NSTA's goal is to ensure that these commitments, reinforced by the NSTA's values, are embedded in day-to-day working practices for all staff, our partners in government and in industry

The NSTA published its third Inclusion Report in May 2022.

Principal risks

Risk	Mitigation action
Uncertain political and economic landscape/ attractiveness of the UKCS.	Work with industry and BEIS to implement the North Sea Transition Deal and climate compatibility checkpoint. Industry ten point plan published. CCS and energy integration work programme. Engagement plan with MPs and MSPs.
Complex regulatory landscape hinders energy transition	Quarterly regulators meetings. Regulator engagement at official level.
Industry/NSTA lose social licence to operate	NSTA has set net zero goals for industry. Industry ten point plan. Coordination with governments. NSTA comms, including podcasts.

Environment report

The NSTA's carbon emissions for the period were 101.71 tonnes of carbon dioxide equivalent (tCO_2e). Travel accounts for the largest proportion of these emissions, at 48.78 tCO_2e (47.96% of the total).

Breakdown of annual greenhouse gas emissions by activity type for 2021-22

Activity	Units	tCO_2e	% of total
Electricity			
Aberdeen	60,117 kWh		
London	56,653 kWh		
Total	**116,770 kWh**	**27.22**	**26.76%**
Gas			
Aberdeen	8,937m^3		
London	3,611m^3		
Total	**12,548m^3**	**25.38**	**24.95%**
Water			
Aberdeen			
London	392 m^3		
Total	**392 m^3**	**0.13**	**0.13%**

Water in the Aberdeen office is not metered.

Activity	Units	tCO_2e	% of total
Waste			
General waste			
Aberdeen	3,476 kg		
London	567 kg		
Sub-total	4,043 kg	0.09	
Recycled waste			
Aberdeen	964 kg		
London	583 kg		
Sub-total	1,547 kg	0.03	
Shred-It recycling			
Aberdeen	650 kg		
London	3,076 kg		
Sub-total	3,726 kg	0.08	
Total waste	**9,316 kg**	**0.20**	**0.20%**
Travel			
Flight	192,726 km	47.08	
Rail	45,995 km	1.70	
Total	**238,721 km**	**48.78**	**47.96%**
Total		**101.71**	**100%**

Carbon emissions

The NSTA's total carbon emissions from electricity increased by 1.19tCO_2e (4.6%) compared to 2020-21 due to the gradual reopening of both offices over the course of the year. In line with this, gas consumption has also increased by 1.05tCO_2e (4.3%).

The NSTA's total emissions from business travel are 48.78tCO_2e, which represents an increase of 7074% compared to the previous year due to travel and covid restrictions lifting.

The NSTA's total carbon emissions have risen by 50.43tCO_2e due to the easing off of covid and travel restrictions.

Year on year analysis

Activity	2017-18	2018-19	2019-20	2020-21	2021-22
	tCO_2e	tCO_2e	tCO_2e	tCO_2e	tCO_2e
Electricity	54.47	43.15	38.22	26.03	27.22
Gas	21.18	11.44	11.50	24.33	25.38
Water	0.23	0.27	0.29	0.14	0.13
General waste	0.09	0.06	0.06	0.03	0.09
Recycled waste	0.11	0.06	0.06	0.02	0.03
Shred-it recycled	0.22	0.19	0.12	0.05	0.08
Flights	138.85	184.41	158.87	0.63	47.08
Rail	3.38	5.50	4.25	0.05	1.70
Total	**218.53**	**245.08**	**213.37**	**51.28**	**101.71**

Water

The NSTA used 392m^3 of water, equivalent to 0.13tCO_2e, in 2021-22. Water consumption at our London site is estimated based on the NSTA's floorspace in a multi-tenanted building and decreased by 7% year on year. Water in the Aberdeen office is not metered.

Waste

All general waste is transferred to a waste incineration plant and used as fuel for a waste/energy plant which generates electricity from the materials it receives. General waste amounted to 4.043t and 0.09tCO_2e. Recycled waste accounted for 1.547t and 0.03tCO_2e. General and recycled waste are estimated based on the NSTA's floorspace in multi-tenanted buildings and increased by 0.07tCO_2e year on year.

Recycled paper (shred-it) amounted to 3.726t and 0.08tCO_2e, which is an increase of 0.03tCO_2e.

Signed for and on behalf of the Board

Dr. Andy Samuel
5th July 2022

Accountability report

Key Performance Indicators

2021-22 was, as expected, a difficult period for the industry, which is reflected in the NSTA's key performance indicators. Exploration and development activity was subdued, while operating performance was impacted by a large number of asset shutdowns, many of which had been postponed from the previous year due to Covid 19. Consequently, production volumes dropped, impacting both production efficiency and unit operating cost.

Greenhouse gas emissions, however, fell by 11% between 2018 and 2020 with further reductions indicated by data for 2021.

The NSTA continues to work closely with industry on all areas of performance.

2021-22 Key Performance Indicators

	KPI target definition	April 2022 update	RAG	
Revitalised Exploration	The average of the total recoverable resources discovered on the UKCS for the calendar year being measured and the previous four calendar years, to be at least 200 million boe.	Five exploration wells were drilled in 2021 with two discoveries made through infrastructure-led exploration activity. Total volumes discovered total less than 30 mmboe, which is significantly lower than the KPI target of 200 mmboe. The five-year rolling average remains below the 200 mmboe target at 147mmboe. The outlook for 2022 is much improved with up to 11 exploration wells planned.		

	KPI target definition	April 2022 update	RAG	
Enhanced Asset Stewardship	Economic production efficiency (UKCS total actual wellhead production/UKCS total economic production potential) to be at least 80% by the time it is measured in 2022 from the 2021-2022 UKCS Stewardship Survey.	The Economic Production Efficiency (EPE) target was not achieved in 2021, falling to 73%. This is predominantly due to the unprecedented number of shutdowns during summer 2021, many of which had been postponed from 2020 due to Covid restrictions. The NSTA is working with industry to address performance and expects to see an increase in EPE in 2022.	●	↘
Enhanced Asset Stewardship	For the calendar year being measured, Acreage Unit Operating Costs (UOC) for the UKCS should remain within 15% of the 2017 level of £11.6/boe (in 2017 prices). That is, between £9.9/boe and £13.3/boe (2017 prices). UOC is calculated as Total Operating Cost / Total Production.	In 2021, the average UOC was £15.2 per barrel of oil equivalent (boe). In 2017 prices this equates to £16.23/boe which is a rise of £4.46 and outside the upper +/-15% (£13.3/boe) KPI target envelope. This increase has been driven by both a decrease in 2021 production and an increase in operating costs.	●	↘

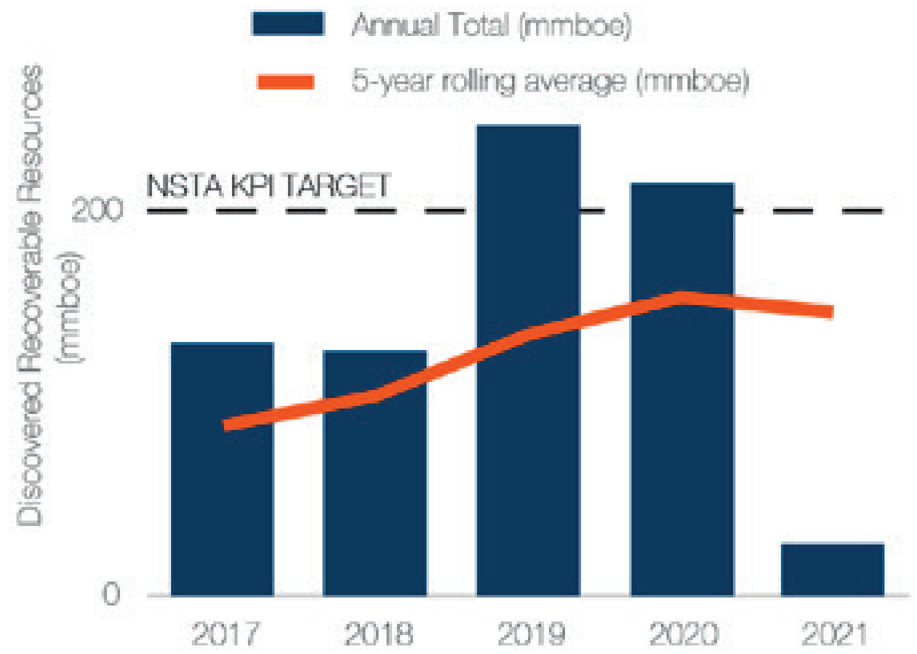
	KPI target definition	April 2022 update	RAG	
Net Zero	Reduce UKCS upstream GHG emissions by 50% by 2030 (includes all greenhouse gases emitted from offshore production facilities, onshore terminals, drilling rigs and associated logistics). Interim targets include 10% reduction by 2025 and 25% by 2027.	UKCS upstream emissions of GHGs fell by 11% between 2018 and 2020. Full data for 2021 has not yet been released yet but is expected to show a continued decline as indicated by a 14% fall in CO2 emissions recorded by the UK Emissions Trading Scheme (ETS).	●	↗
Regional Development	For the calendar year being measured, 300 million boe of UKCS 2C hydrocarbon contingent resources to become sanctioned and transferred to UKCS 2P hydrocarbon reserves. Aim for at least a third of this 300 million boe to come from hydrocarbon fields within area plans.	148 million barrels of oil equivalent (boe) were progressed from 2C to 2P in 2021, 10 million boe of which was progressed through new field developments. This reflects an increase of 76 mmboe on the 2020 figure but remains below the target.	●	↗

	KPI target definition	April 2022 update	RAG	
Improve Decommissioning efficiency	The P50 cost estimate of decommissioning the entirety of UKCS oil and gas infrastructure to be at least 35% lower (2017 price basis) than the initial P50 2017 baseline estimate of £59.7 billion by 2022.	The 2021 estimate of the total cost of decommissioning remaining has reduced by an additional 2% making a total reduction of 25% on a like-for-like basis, to £44.6 billion. This continues the sustained downward trend.	●	→
Improve Decommissioning efficiency	For 90% of all assets, an AACE class 3 estimate (or better) should be submitted to the NSTA at least three years before each planned decommissioning activity.	For assets within 3 years of planned decommissioning, 78% submitted a class 3 estimate or better in 2021. This represents a 1% point decrease from 2020.	●	→
People, Processes & Systems	Staff Engagement will improve by 5 percentage points as measured by the positive engagement score in the in the bi-annual NSTA (formerly OGA) staff survey.	The 2021 staff survey showed an overall engagement score of 75%. This is a 7% increase on the 2019 score. The 2021 score is 2% above the target and all seven categories saw an increase in engagement compared with 2019.	●	↗

● "On target" +/- 10% ● Behind target 10 – 20% ● Behind target >20%

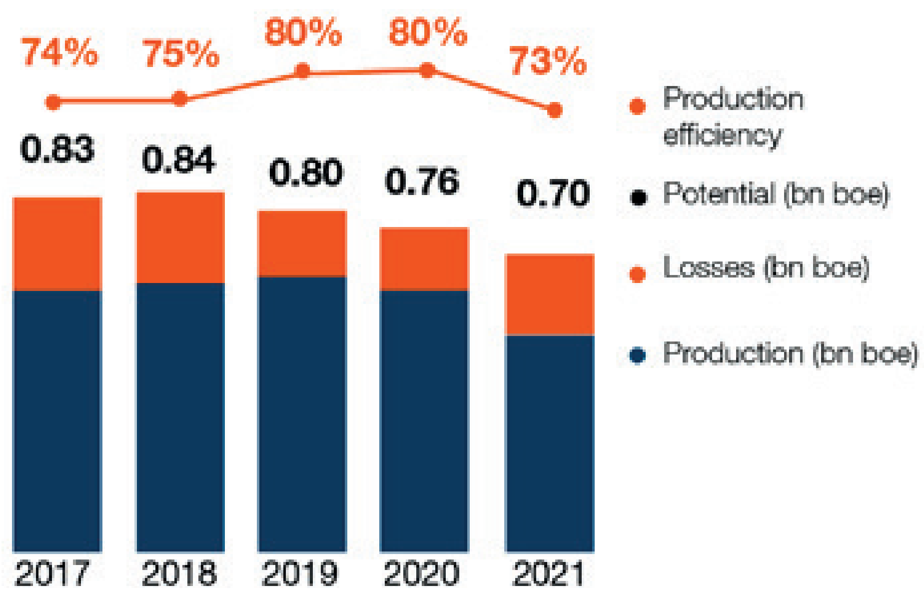
Revitalised Exploration

Discovered recoverable resources



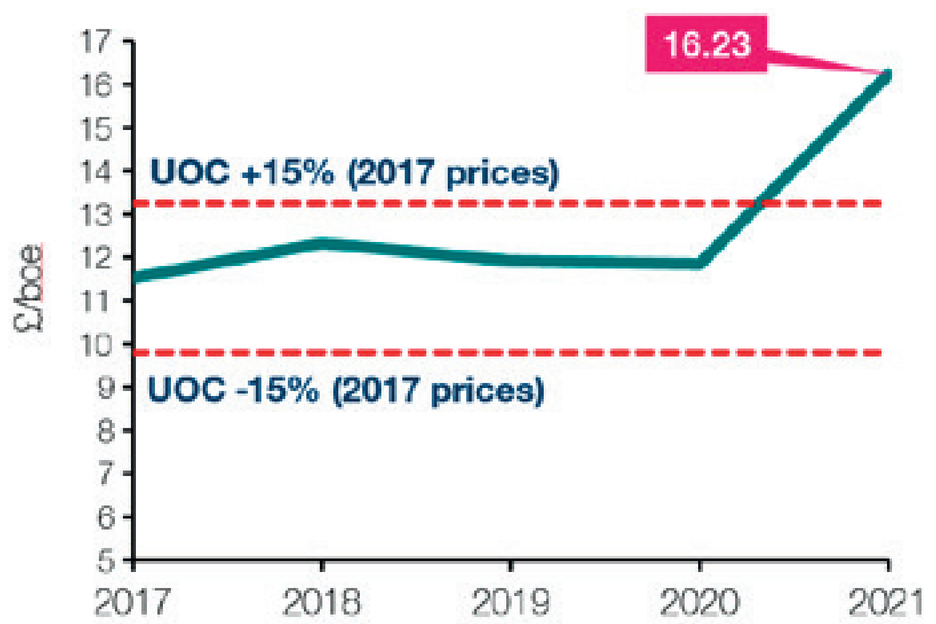
Enhanced Asset Stewardship

Production efficiency



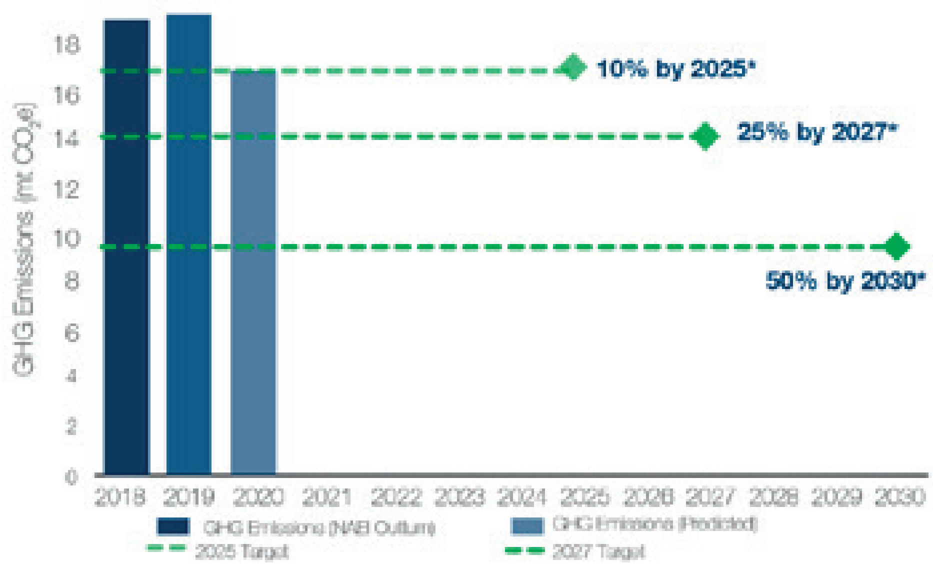
Enhanced Asset Stewardship

Cost efficiency



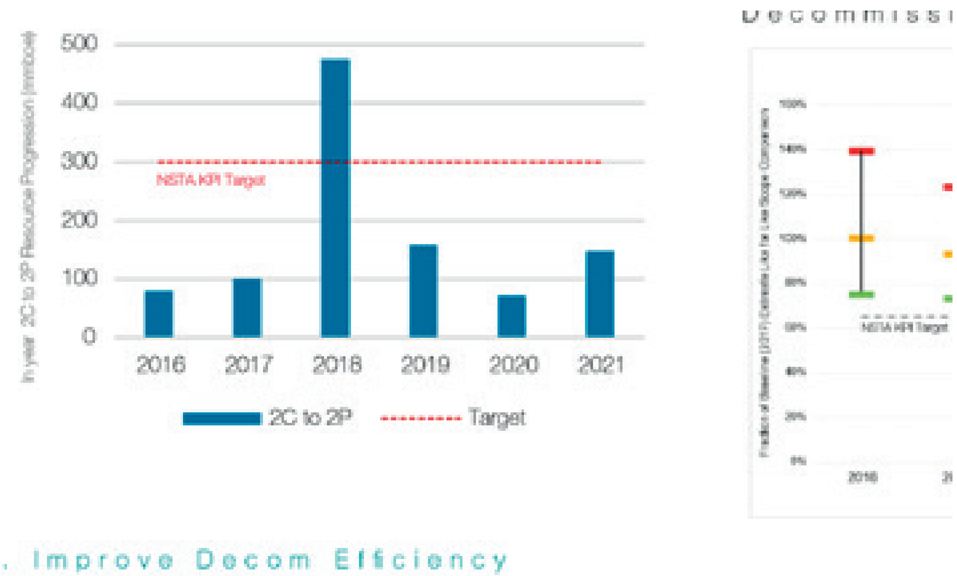
Net Zero

Production Emissions Target



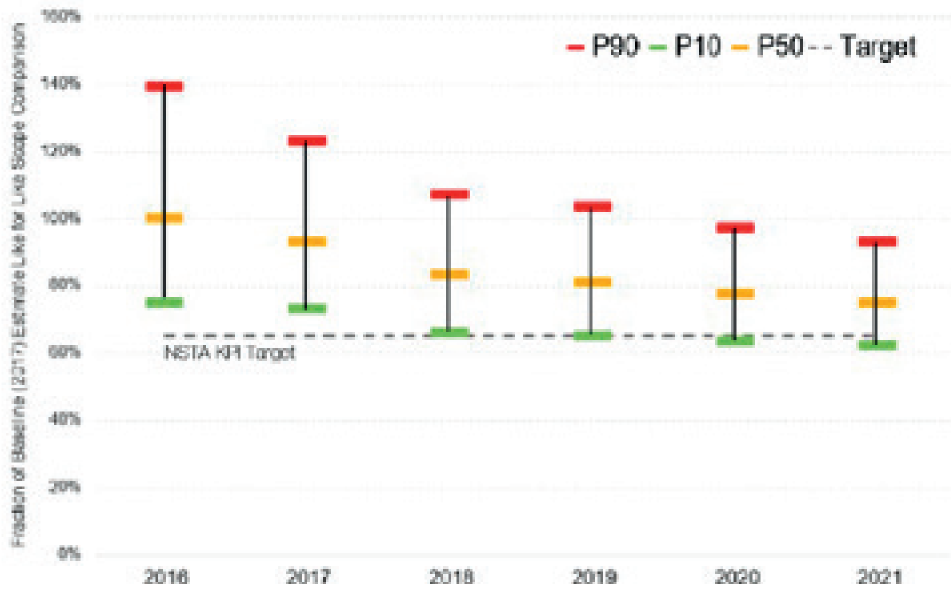
Regional Development

Resource progression



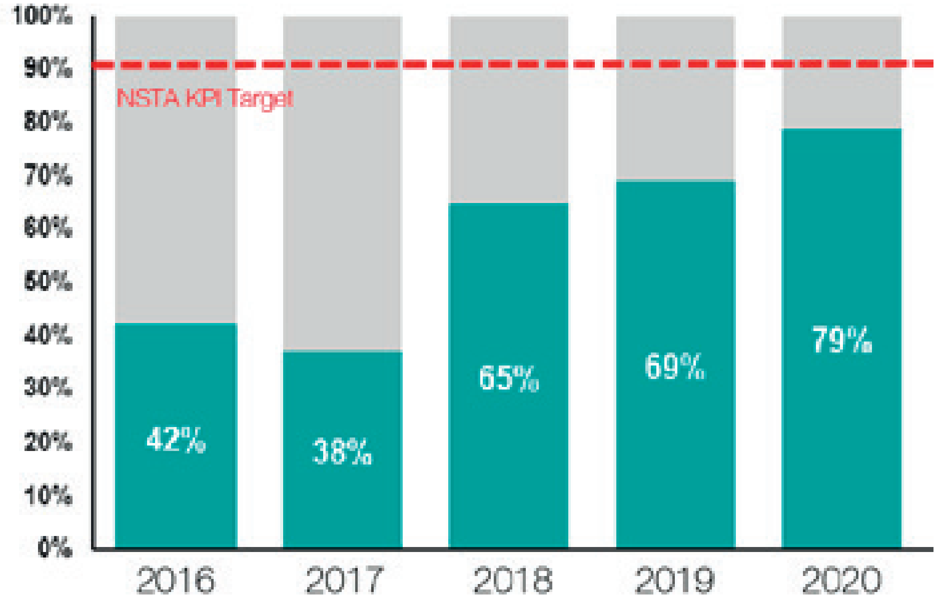
Improve Decom efficiency

Decommissioning costs



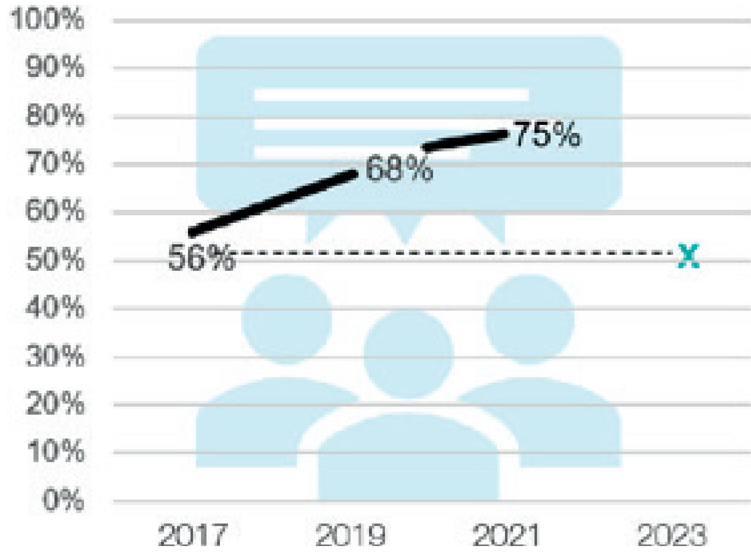
Improve Decom Efficiency

Cost certainty



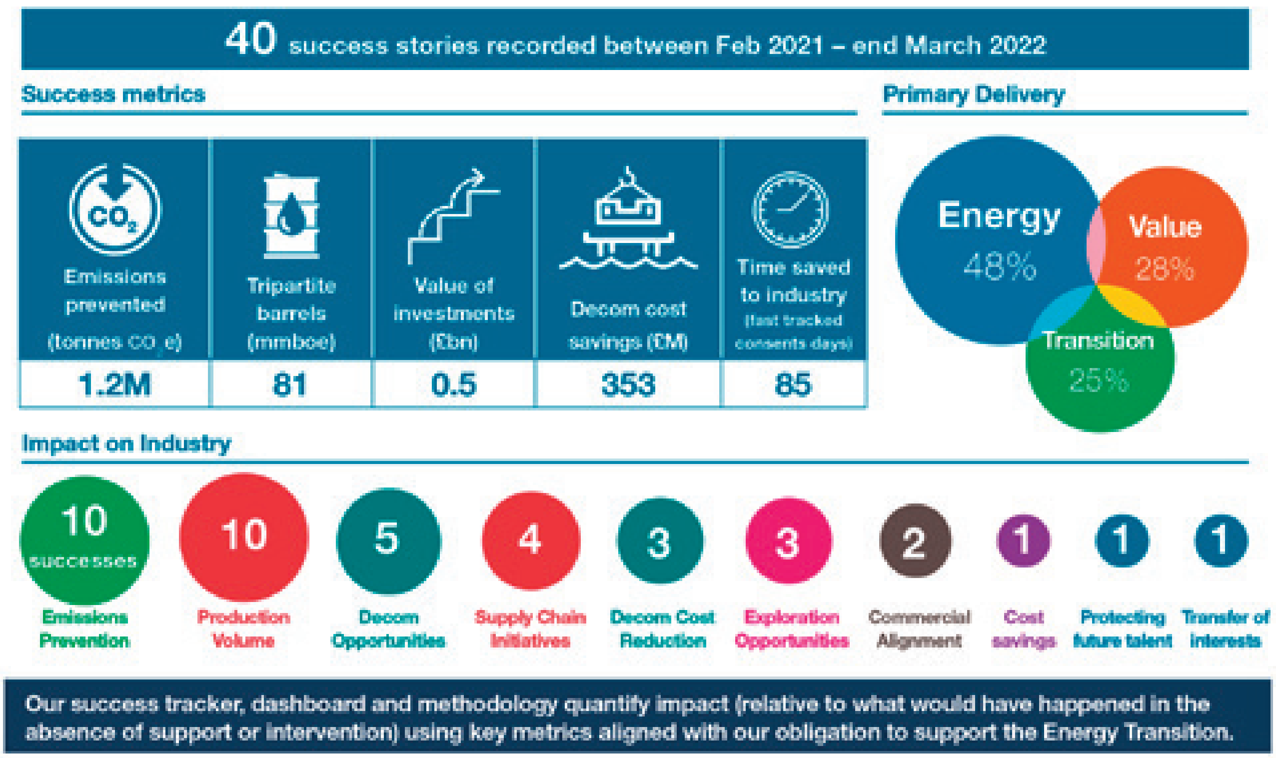
People, processes and systems

Staff Engagement

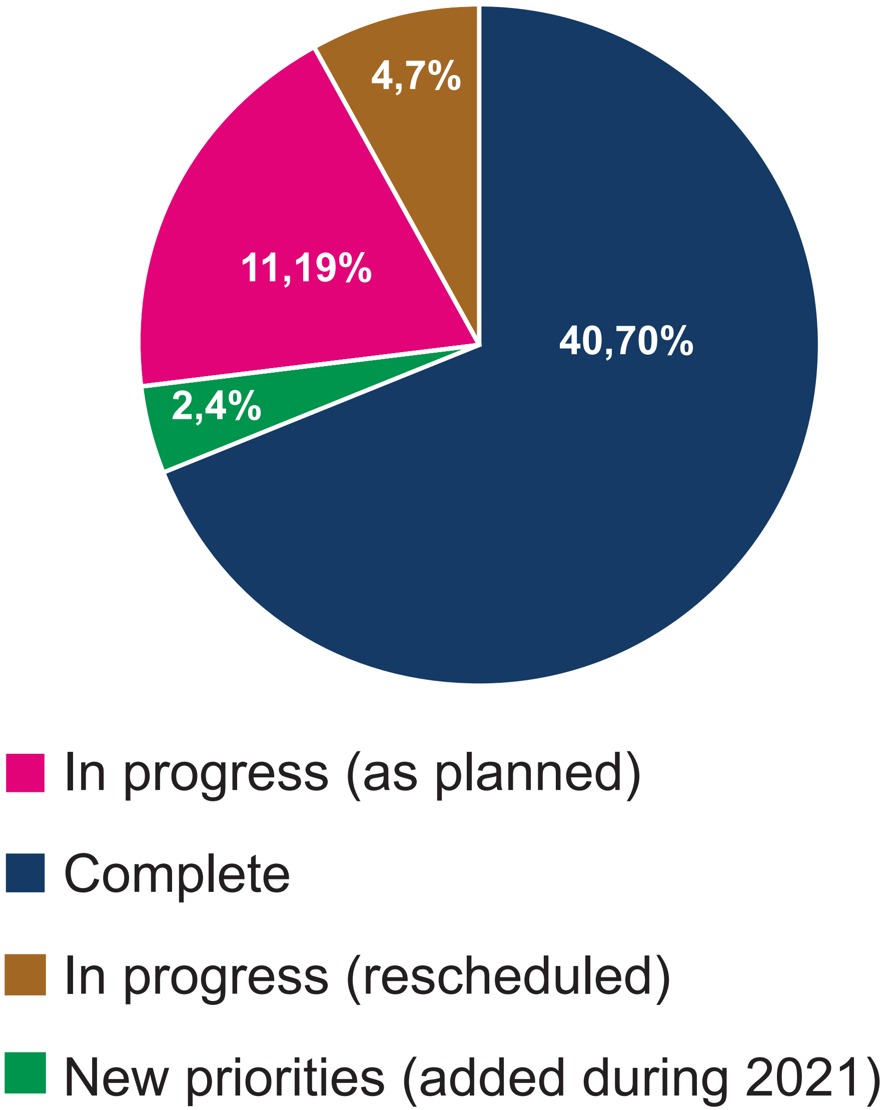


Success Stories Dashboard

The NSTA continues to measure success through the use of a success stories tracker which allows the impact of the NSTA to be identified and quantified using key metrics. These metrics look at expected future volume of oil and gas production, capital expenditure committed to new projects, reduced or avoided costs through improved or accelerated outputs and greenhouse gas emissions prevented through proactive NSTA intervention. The Success Stories Dashboard was updated in February 2021 to reflect changes in the Strategy.



NSTA Project Summary: 2021



Commentary

At the beginning of 2021, the NSTA was tracking a total of 55 projects, an increase of 24 projects compared with January 2020.

40 of these projects were completed during the year with an additional 11 multi-year projects continuing to schedule, making a total of 51 projects or 93% proceeding to plan.

4 projects were rescheduled to allow for an additional 2 priority activities to be accommodated into the 2021 schedule.

Parliamentary accountability and audit report

Regularity of Expenditure (audited)

No losses have been incurred in excess of £300,000*.

No special payments have been made which exceed £300,000*.

No material gifts have been made by the NSTA.

Fees and charges disclosures (audited)

The NSTA, as a Public Sector Information Holder, has complied with the cost allocation and charging requirements set out in HM Treasury and the Office of Public Sector Information guidance.

Analysis disclosed for fees and charges includes:

i. The financial objective(s) and performance against the financial objective(s).

ii. The full cost and unit costs charged in year.

iii. The total income received in year.

iv. The nature/extent of any subsidies or overcharging.

In line with its statutory function, the NSTA does not seek to make a profit from its charges but merely to recover costs in carrying out its functions. All payers of the levy will receive a proportionate rebate of any surplus.

Remote contingent liabilities (audited)

The NSTA is not exposed to any remote contingent liabilities.

* The Managing Public Money threshold mandated for financial statements prepared under the government financial reporting manual.

Directors' report

Directors hereby present their annual report on the company together with the audited accounts for the company for the year ended 31 March 2022. The corporate governance report forms part of the Directors' report. The Directors' report is followed by the internal auditor's opinion, the remuneration and staff report, the auditor's report and the company's financial statements for the year from 1 April 2021 to 31 March 2022.

The Directors of the company who were in office during the year and up to the date of signing the financial statements are listed on page 61. No director has had any material interest in any contractual agreement, other than an employment contract, which is or may be significant to the company.

When making decisions, Directors have regard to their duties as Directors, including their broad duty under Companies Act 2006 s.172 to consider the views of relevant stakeholders. Directors agree that information provided to the Board is concise and clear and can be readily scrutinised. The Board invites industry and regulatory experts to present at Board stakeholder meetings and at its annual strategy meeting with the Leadership Team. Directors recognise the importance of engaging employees and would normally attend the annual all staff meeting, however the 2021 meeting was postponed to June 2022 to avoid potential disruption from any remaining pandemic restrictions. The Board regularly invites staff to informal lunches coinciding with Board meetings.

Directors appreciate the considerable contribution of its skilled, experienced and committed staff in delivering the company's objectives and functions and Directors take care to consider the impact on staff of the decisions it takes. The NSTA is a fair and considerate employer which offers hybrid working arrangements and recognises the value of a workforce from diverse backgrounds. The NSTA supports staff with training opportunities and encourages career, leadership and personal development. In 2021-22 the company extended access to its mentoring scheme. All applications for employment are treated equally and are fully considered. A code of conduct and related policies are in place and are available to all staff on the NSTA intranet.

The company encourages open and honest communication between employees and senior management. An Employee Engagement Forum offers a structured opportunity for staff to contribute ideas and share their views. Regular company briefings, spanning both offices, provide a further opportunity for staff to raise questions and concerns.

The 2021 staff survey showed a further improvement in staff engagement scores, a testament to the very strong support provided during the pandemic and the continued focus on building leadership capability.

The NSTA supports industry by publishing a wide range of data and information on its website and seeks feedback on users' experience of using the website.

The NSTA is committed to minimising its own impact on the environment and in 2021 launched its sustainability strategy. The company presents its environment report on page 21.

During the year, the company donated surplus laptop computers to Computers4Charity, which refurbishes and donates devices to UK and African charities including Computers for Schools, Bereaved Forces Children, Homeless Charities, Hospice Support, Veteran Support and Computers for Africa. The company made no other direct charitable or political contributions.

Directors are satisfied that the company engages constructively with its suppliers and settles all payments in accordance with contractual obligations.

The company has prepared its 2021-22 financial statements in accordance with UK adopted International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2022 are set out on pages 91-156.

The NSTA is a not-for-profit company largely funded by a levy on industry and fees. Additional interim grant-in-aid funding is provided by its shareholder. Any surplus operational levy funding is returned to levy payers. This refund is recognised in the financial statements.

The NSTA had 188 employees on 31 March 2022 (including secondees and executive directors, but excluding interim contractors and non-executive directors). There were 4 interim contractors as at 31 March 2022.

The financial results for the period reflect a neutral profit position.

Directors' third-party indemnity provisions

Directors have been provided with an indemnity against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such third-party indemnity remains in force as at the date of approving this Directors' report.

Going concern statement

The Directors have a reasonable expectation that the company has adequate resources to continue as a going concern for a period of at least 12 months from when the company financial statements have been authorised for issue, and therefore they have been prepared on a going concern basis. The basis of this view is outlined in more detail in note 2.3 to the financial statements.

The Directors have assessed the company's prospects and are satisfied that the company's financial arrangements minimise the risk of the company being unable to meet its liabilities.

Furthermore, the Directors do not envisage any changes to the current regulatory and legal regime which would adversely affect the operation of the company within the next twelve months.

Directors' responsibility statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK adopted International Accounting Standards.

Directors are satisfied that the financial statements give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for the year.

In particular, directors are satisfied that:

i. the company's accounting policies are reasonable and have been applied correctly.

ii. judgements taken and accounting estimates are reasonable and prudent.

iii. applicable IFRS standards have been followed and any material departures have been disclosed and explained in the company financial statements.

iv. the financial statements have been prepared on a going concern basis.

v. the company has taken reasonable steps to prevent and detect fraud and other irregularities.

vi. adequate accounting records have been kept so as to demonstrate that the financial statements comply with IFRS and Companies Act 2006 requirements, as applicable.

vii. Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position, performance, business model and strategy.

Principal risks

Directors carefully consider the way the company manages and mitigates the risks which could adversely impact the company's ability to deliver its principal objective. The NSTA's principal risks are set out on page 20 above.

Auditor

Directors are not aware of any relevant audit information of which the auditor is unaware when giving its opinion on the accounts.

In line with the 2017 HM Treasury Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2017, the Comptroller and Auditor General has been appointed as the company's auditor.

Directors reviewed the effectiveness of the external auditor. KPMG conducted the 2021-22 audit on the NAO's behalf. No non-audit services were provided by the external auditor. However, separately, the NSTA paid £6k to KPMG for the provision of training through the Cabinet Office Civil Service Learning service.

By order of the Board

Dr. Russell Richardson
Company Secretary

5th July 2022

Corporate Governance Report

The North Sea Transition Authority (NSTA) is the business name of the Oil and Gas Authority (OGA), a company registered in England and Wales with registered number 09666504. The company has one shareholder, the Secretary of State for Business Energy and Industrial Strategy (BEIS), a Corporation Sole. The OGA remains the legal name of the company. References to the NSTA should be interpreted as the OGA, and references to the OGA include the NSTA.

The NSTA's Chief Executive is also the Accounting Officer; accountable to Parliament for the performance of the NSTA. The role of Accounting Officer is delegated by the Principal Accounting Officer of BEIS, the BEIS Permanent Secretary.

The NSTA's principal objective is to maximise the economic recovery of petroleum from the UK Continental Shelf whilst assisting the Secretary of State in meeting the UK government's net zero greenhouse gas emissions target. The NSTA encourages and supports industry in identifying and taking the steps necessary to reduce its greenhouse gas emissions as far as is reasonable in the circumstances.

The company's primary constitutional document is its Articles of Association. In addition, there is a Framework Document – supplemented by a Finance Letter and a Chairman's Letter – which sets out the NSTA's financial and performance accountabilities to Parliament and to its shareholder. The Framework Document was reviewed in 2021 and the revised document will be published in 2022. The NSTA is classified by government as a Non-Departmental Public Body (NDPB), sponsored by BEIS.

BEIS conducted the first three-year review of the NSTA (NSTA) in 2019; the second review is underway in 2022.

Board practice

Directors are collectively responsible for the overall strategic direction of the company and for monitoring its performance. Strategic discussions form a significant part of every Board meeting and the Board sets aside a day every year to meet offsite with the Leadership Team to review the strategic direction of the NSTA.

The NSTA recognises the value of good corporate governance and complies with all applicable principles of the Code of Good Practice for Corporate Governance in Public Bodies and the UK Corporate Governance Code.

The NSTA has set out the powers which are reserved to Directors and those which have been delegated to management.

Matters reserved to the Board are:

- Approving the NSTA's corporate plan, long-term objectives and overall strategic policy framework.
- Approving the NSTA's annual budget and overall financial policy.

- Approving the NSTA's annual report and accounts.
- Undertaking a formal regular review of the Board's own performance and that of Board Committees. Approving the terms of reference of Board Committees.
- Making sanction and third-party access decisions. The powers delegated to management are detailed in a Delegation Framework (also known as the RACI), which is available to all staff on the NSTA's management system and is regularly reviewed and updated.

The Board met eight times in 2021-22. Seven Board meetings are scheduled for 2022-23. The Chairman periodically meets Non-Executive Directors independently of the Executive Directors.

Board composition – in year changes

Malcolm Brown and Sara Vaughan were appointed as Non-executive Directors on 1st October 2021, following the retirement of Mary Hardy and Frances Morris-Jones on 30th September 2021. Fiona Mettam was appointed a Director on 3rd November 2021, replacing Helena Charlton. Emily Bourne retired as a Director on 11th August 2021.

Iain Lanaghan was appointed Chairman of the Audit and Risk Committee in October 2021.

Malcolm Brown was appointed Senior Independent Director in November 2021.

The Board considers Tim Eggar, Iain Lanaghan, Sarah Deasley, Malcolm Brown and Sara Vaughan to be independent Directors.

Induction of directors

Directors receive a tailored induction to the NSTA and its broader context, including a programme of meetings with executive directors, heads of teams and senior industry leaders. The Company Secretary briefs Directors on their legal duties both as company Directors and Board members of a Public Body. In spring 2022, Directors attended a Board development seminar on building effective Boards.

The Board Secretary notifies Directors by email between meetings of NSTA announcements and press releases.

Board committees

The Board has three permanent committees: Audit and Risk, Remuneration and Nomination.

The **Audit and Risk Committee (ARC)** reviews and monitors the company's financial accounting, reporting and control processes. It takes assurance on the company's financial statements, the internal auditor and the effectiveness of management's actions to identify and mitigate strategic risks. It scrutinises the independence and effectiveness of the external auditor. Cyber security and data protection are standing items on the ARC's agenda.

The Audit and Risk Committee is chaired by Iain Lanaghan and met three times in 2021-22. Iain Lanaghan, Sarah Deasley, Sara Vaughan, Malcolm Brown, Mary Hardy and Frances Morris- Jones were committee members during the year.

The ARC reviewed the external and internal audit plans, took assurance on the NSTA's financial statements, financial management, and management of strategic risks. The ARC received assurance on management's actions to protect the NSTA against fraud and cyber attack.

The **Nomination Committee** reviews the size, composition and effectiveness of the Board and its Committees and ensures that the Board has the necessary breadth of skills, knowledge and experience to execute its duties. The Committee recommends appointable candidates for Board approval.

The Nomination Committee is chaired by Tim Eggar. Iain Lanaghan, Sarah Deasley, Malcolm Brown, Sara Vaughan, Mary Hardy and Frances Morris-Jones were committee members during the financial year.

The Nomination Committee met twice in 2021-22 to discuss Chief Executive succession.

The **Remuneration Committee** reviews and recommends to the Board the framework and policy for the remuneration of Executive Directors and senior management, and for implementing the Directors' Remuneration policy.

The Remuneration Committee is chaired by Tim Eggar. Iain Lanaghan, Sarah Deasley, Sara Vaughan, Malcolm Brown, Mary Hardy and Frances Morris-Jones were committee members during the financial year.

The Remuneration Committee met twice in 2021-22, to review 2021-22 performance management outcomes and approve annual bonuses, and to review and approve 2022-23 pay awards and 2022-23 objectives setting.

Board effectiveness evaluation

In line with UK Corporate Governance Code guidance, the Board conducts an internal review of its effectiveness every year and commissions an external Board effectiveness evaluation once every three years.

Following the 2021 external review, the Board Secretary monitored progress against the eight recommendations, which were met to the Chairman's satisfaction.

In spring 2022, the Board Secretary led the annual internal Board effectiveness review. Directors completed questionnaires to evaluate the effectiveness of the Board and its Committees, before discussing the outcomes one to one with the Chairman. The Senior Independent Director led the annual appraisal of the Chairman.

Directors concluded that the Board is clear about its role and purpose and is strongly chaired and supported. The Board has a positive and constructive atmosphere which fosters healthy debate. There was an appetite from non-executive directors for interim updates, particularly on the external context, between Board meetings; these have now been scheduled. Directors also agreed to find space at alternate Board meetings to consider the external environment in more depth. The executive will continue to identify opportunities for non-executive directors to meet external stakeholders.

Declaration of Directors' financial interests

In accordance with the NSTA's conflict of interest policy, Directors must declare any financial interests which may, or may be perceived to, influence their judgment in performing their duties as Directors of the NSTA. This is done on appointment and annually. Directors are further asked to declare any conflicts of interest at the start of each board meeting. If a Director declares a conflict of interest with any agenda item, they will not participate in the discussion of that item.

The Board does not consider the interests held by Tim Eggar, Iain Lanaghan and Frances Morris-Jones to be sufficiently significant to impair their independent judgement in Board discussions. The Board does not consider that any decision within the NSTA's powers could materially impact the value of their shareholdings. Directors' declared interests are shown below.

Director	Date first advised Board Secretary	Nature of interest	Total value (£) at 31 March 2022
Tim Eggar	6 March 2019	140,511 equity shares MyCelx Technologies Corporation	83,604
		Family member holdings: 4,099 BP ordinary shares	15,385
		1,875 Shell ordinary shares	39,525
Iain Lanaghan	21 April 2020	1,017 BP ordinary shares	3,817
		358 Shell ordinary shares	7,548
Director	**Date first advised Board Secretary**	**Nature of interest**	**Total value (£) at 31 March 2022**
Frances Morris-Jones	19 October 2015	18,636 BP ordinary shares	63,418
		3,715 ConocoPhillips ordinary shares	186,950
		1,857 Philips 66 ordinary shares	82,777
		1,194 Lloyds Bank ordinary shares	556

Andy Samuel placed his oil and gas interests in a blind trust prior to joining the NSTA.

Malcolm Brown’s investments are held in managed funds over which he has no control.

Frances Morris-Jones and Mary Hardy resigned from the Board on 30th September 2021.

Sara Vaughan, Mary Hardy, Sarah Deasley and Nic Granger submitted nil returns.

Fiona Mettam, Emily Bourne and Helena Charlton submitted nil returns to BEIS.

Directors – other directorships and offices

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Tim Eggar	Chairman, MyCelx Technologies Corporation(until July 2021) Strategic Advisory Board, Braemar Energy Ventures Mentor, Criticaleye Director, The Gipsy Hill Brewing Company Chairman, Raw Energy		

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Iain Lanaghan	Non-executive Board Member and Audit Chair, Scottish Water (owned by the Scottish Government) and subsidiaries Non-Executive Director and Audit Committee Chairman of UK Government Defence Equipment and Support Agency (DE&S), an Arm's Length Body of the Ministry of Defence Occasional consultancy as Iain M Lanaghan		Institute of Chartered Accountants of Scotland
Sarah Deasley	Executive Director, Frontier Economics Independent Director of Brookfield Renewable BEP and BEPC, and of the two Bermuda Holding Entities (BRP Bermuda GP Limited and Brookfield Renewable Investments Limited)	Trustee, Sustainability First Advisory Board, Carbon Connect	

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Sara Vaughan	Non-executive director at Elexon Limited (includes Director of Elexon Clear Limited and EMR Settlement Limited) Co-Chair of Icebreaker One Open Energy Steering Group and Advisory Group	Member of Energy Advisory Panel, Energy Institute Parish Councillor and Vice-Chair, Birdingbury Parish Council	Member of The Law Society Fellow, Energy Institute
Malcolm Brown	Crown Representative, Cabinet Office	Trustee, Imperial College Trust. Chair of the Development Committee, Geological Society	Petroleum Exploration Society of Great Britain Geological Society
Andy Samuel		Director, Net Zero Technology Centre Director, Opportunity North East (Until May 2021) Director, Energy Transition Zone Ltd	Petroleum Exploration Society of Great Britain Geological Society

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Nic Granger		Chair of Tech Faculty Board, Institute of Chartered Accountants in England and Wales (ICAEW) (until 1 June 2021) ICAEW Council Member (until 1 June 2021) Trustee, Falklands Conservation (UK) Member of the Risk, Audit and finance Committeee, BCS Chartered Institute for IT (from 28 March 2022)	Institute of Chartered Accountants in England and Wales The Chartered Institute of Public Finance and Accountancy Institute of Directors BCS (Chartered Institute for IT)
Fiona Mettam	-	-	-
Emily Bourne	-	Board Member, POWERful Women	-
Helena Charlton	-	-	-

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Mary Hardy	Senior Independent Director and Chair of Audit and Risk Committee, Sensyne Health plc	Trustee and Chair of Audit Committee, Chartered Accountants’ Benevolent Association Non-Executive Director, Commonwealth Games Federation Partnership Ltd Chair of Audit and Risk Committee, Commonwealth Games Federation Director of Firbeck Consulting Ltd Director of Gilbert Mews Ltd	Institute of Chartered Accountants in England and Wales Chartered Institute of Internal Auditors Liveryman of the Worshipful Company of World Traders

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Frances Morris-Jones	Non-Executive Member, Standards Policy and Strategy Committee of the board of BSI Group	Trustee and Chair of the Governance and Nomination Committee and Member of the Finance Committee, Anti-Slavery International Trustee, Deputy Chair and member of the Remuneration Committee, Protect External Governor, University of Portsmouth, Chair of the Audit and Quality Committee and Nomination Committee member	Association of International Petroleum Negotiators Fellow, Energy Institute Freeman of the Worshipful Company of Fuellers Ambassador and Mentor for POWERful Women Member of Chapter Zero

Helena Charlton was a Director of the NSTA from 11th August 2021 until 3rd November 2021.

Mary Hardy and Frances Morris-Jones resigned from the NSTA Board on 30th September 2021.

Dr Andy Samuel, Emily Bourne, Nic Granger, Iain Lanaghan, Mary Hardy and Frances Morris-Jones were members of the National Trust or the National Trust of Scotland during the year.

Directors – dates of appointment

At the end of the reporting year, and at the date of signing, the company had eight Directors, as follows.

Name	Date of appointment
Tim Eggar	6 March 2019
Andy Samuel	27 September 2016
Nic Granger	2 November 2016
Iain Lanaghan	20 April 2020
Sarah Deasley	1 October 2020
Malcolm Brown	1 October 2021
Sara Vaughan	1 October 2021
Fiona Mettam	3 November 2021

Directors – attendance at Board meetings and Committees

	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Total meetings 2021-22	8	3	2	2
Tim Eggar	8	0	2	2
Andy Samuel	8	3	N/A	2
Nic Granger	8	3	N/A	N/A
Iain Lanaghan	8	3	2	2
Sarah Deasley	8	1(1)	2	2
Malcolm Brown	4 (4)	2(2)	1(1)	2
Sara Vaughan	4 (4)	2(2)	1(1)	2
Fiona Mettam	3(3)	1(2)	0(0)	1(1)
Emily Bourne	3(3)	0(1)	N/A	1(1)
Helena Charlton	2(2)	0(0)	N/A	0(0)
Mary Hardy	4 (4)	1(1)	1(1)	1(1)
Frances Morris-Jones	4 (4)	1(1)	1(1)	1(1)

A BEIS official represented Emily Bourne at one Audit and Risk Committee meeting.

A BEIS official represented Fiona Mettam at one Audit and Risk Committee meeting.

Numbers in brackets denote the number of meetings held during a Director’s tenure.

Tim Eggar has a standing invitation to attend Audit and Risk Committee meetings but does not generally attend.

Staff policies

The NSTA periodically reviews its Code of Conduct, which sets out the obligations and responsibilities of staff and Directors, including under Statute.

Quality assurance of analytical models

The NSTA has appropriate Quality Assurance (QA) procedures in place for modelling and analysis purposes which are subject to active monitoring. The arrangements are compliant with Aqua Book guidance and adhere to the principles of proportionality and risk with an emphasis on business-critical models.

Government functional standards for arm's length bodies

The NSTA reviewed its compliance with government functional standards in 2021-22. It concluded that its functions are compliant with the mandatory elements of all applicable standards. The NSTA has developed an action plan for implementing the commercial standard, where compliance is required by 2024.

Declaration of staff financial interests

The NSTA identified no new material conflicts of interest following the annual declaration by staff and Board Directors of any financial interests in oil and gas or related supply chain companies.

Fraud and whistleblowing

The NSTA's Security Operations Centre monitors cyber security and fraud threats. The Chief Digital Officer chairs the NSTA's Security Advisory Board. The Information Security Manager produces dashboard reports for the Security Advisory Board and the Audit and Risk Committee. Staff undertake mandatory online fraud prevention training.

During the financial year no concerns were raised under the raising concerns at work (whistleblowing) policy.

Data protection

The NSTA's Data Protection Officer monitors the NSTA's compliance with data protection law. Staff are required to undertake annual Security and Data Protection online training.

Risk management

Directors have delegated the regular review of management's handling of the company's strategic risks to the Audit and Risk Committee. The NSTA maintains a strategic risk register which lists the principal external and internal risks facing the company, including those identified and escalated from within the organisation and those identified by the Leadership Team or by the Board or one of its Committees.

All risks in the strategic risk register have a named leadership team risk owner. All risks have mitigation measures in place to reduce the potential impact to an acceptable level, wherever possible. Material changes to the risks, including any new or escalated risks, are reviewed quarterly by the Leadership Team. The Audit and Risk Committee takes assurance on management's handling of strategic risks three times a year.

The Board reviews strategic risks, from a clean sheet perspective, once a year. In 2021-22, the Board reviewed strategic risks in November 2021 and continues to monitor them closely.

The Chief Executive and the Leadership Team continue to foster a strong culture of risk awareness and risk management in the organisation. The principal risks identified by the NSTA are detailed on page 20.

By order of the Board signed

Dr. Andy Samuel
Chief Executive

5th July 2022

Internal auditor's statement

Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit (HIA) to give the Accounting Officer an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to inform the Governance Statement.

The NSTA's focus continues to progress with major changes aligned to key risk areas and strategic/business priorities, and internal audit continues to provide assurance activity relating to this, as well as reflecting core controls. Whilst improvements are needed in some areas, audit testing has demonstrated controls are proportionate and working in practice.

The HIA opinion of the NSTA's framework of governance, risk management and management control is 'Moderate'. Where weaknesses have been identified through our internal audit reviews, we have worked with management to agreed appropriate actions and a timescale for improvement.

Remuneration and staff report

Remuneration policy

The remuneration policy for NSTA staff, including former Senior Civil Servants, is set by the NSTA Board, as recommended by the Remuneration Committee, in consultation with both BEIS and HM Treasury.

Whilst governed in large part by the rules relating to public bodies, specific arrangements were reached with HM Treasury in 2016 to better align the basic salary arrangements of staff to the relevant talent markets for those roles. This was a one-off adjustment.

Performance and reward

The NSTA has a policy and procedure for managing the performance of all staff to drive performance and reward delivery against clearly articulated goals.

All staff are reviewed during the year and a final assessment of their delivery against agreed goals is made in May. Annual bonus awards are dependent on the consistent attainment or exceeding of goals. No bonus payments are made if staff fail to meet their goals.

Recruitment policy

NSTA recruitment is underpinned by the company's values:

Considerate	the best available candidate will be appointed.
Accountable	those involved take responsibility for their campaigns.
Robust	the selection processes must be objective, impartial and applied consistently.
Fair	opportunities are advertised openly and there is no bias in the assessment of candidates.

Recruiting and retaining a diverse range of people to work in the NSTA and ensuring that there is an inclusive environment for them to deliver, is something the company is serious about and demonstrates the NSTA's values in action. As part of this commitment the NSTA sought and was awarded external accreditation as a Disability Confident employer and signed up to the AXIS network pledge.

As we make clear in our job application process, candidates with a disability who apply for a post in the NSTA (under the Guaranteed Interview Scheme) automatically go forward to the interview stage, provided they satisfy the minimum criteria.

Staff covered by this report hold open-ended appointments, with one exception: the Chief Executive holds a fixed term appointment, which terminates on 31st December 2022. Early termination of any appointment other than for misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Payments to Directors (audited)

The salary and pension entitlements of executive directors were:

Member	Salary (actual and full year/time equivalent) (£'000)	Bonus Payment 2021-22* (£'000)	Pension Benefits 2021-22 (£'000)	Total 2021-22 (£'000)	Accrued pension at pension age at 31/3/22 (£'000)	Real increase in pension and related lump sum at pension age to 31/3/22 (£'000)	CETV at 31/3/22 (£'000)	CETV at 31/3/21 (£'000)	Real increase in CETV (£'000)
Dr Andy Samuel	290-295**	55-60*	-	350-355	-	-	-	-	-
Nic Granger	145-150	5-10	51	205-210	15-20	2.5-5	157	126	19

* Chief Executive's 2021-22 bonus is for the 2021 performance year.

** Includes £5k of bought-out annual leave.

Fees and benefits in kind paid to non-executive directors during the year:

Non-executive directors	Expiry date of current contract	Fees 2020-21 (£)	Fee 2021-22 (£)
Tim Eggar Non-executive Chairman	10 March 2024	80,000	80,000
Mary Hardy Non-executive director and Chairman of Audit and Risk Committee	30 September 2021	25,200	12,600
Frances Morris-Jones Non-executive director and senior independent director	30 September 2021	20,200	10,100
Robert Armour Non-executive director (up to 30 September 2020)	30 September 2020	10,100	-
Iain Lanaghan Non-executive director (wef 20 April 2020) and from 1 October 2021 Chairman of Audit and Risk Committee.	30 September 2024	19,140	22,700
Sarah Deasley Non-executive director (wef 1 October 2020)	1 October 2023	10,100	20,200

Non-executive directors	Expiry date of current contract	Fees 2020-21 (£)	Fee 2021-22 (£)
Malcolm Brown Non-executive director (wef 1 October 2021)	30 September 2024	-	10,100
Sara Vaughan Non-executive director (wef 1 October 2021)	30 September 2024	-	10,100

The above relates only to directors and those covered by the Government's Disclosure of Senior Salaries Agenda.

'Salary' includes gross salary, recruitment and retention allowances and any other allowance that is subject to UK taxation.

The banded remuneration of the highest paid director in NSTA in the financial year 2021-22 was £350,000-£355,000 (2020-21: £375,000-£380,000). The relationship to the remuneration of the organisation's workforce is disclosed in the table below:

	25th percentile	Median	75th percentile
2021-22			
Total remuneration (£)	44,926	69,992	83,850
Salary component of total remuneration (£)	40,976	68,973	79,125
Pay remuneration ratio information	**7.85:1**	**5.04:1**	**4.20:1**
2020-21			
Total remuneration (£)	40,932	69,226	84,287
Salary component of total remuneration (£)	37,341	67,768	78,892
Pay remuneration ratio information	**9.22:1**	**5.45:1**	**4.48:1**

The decrease in the pay ratios compared to the previous year is attributable to a change in the performance management period between the two years for the CEO which led to a shorter assessment period in the current year. The changes to payment levels reflect the adjustment to the performance management period. The NSTA believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the NSTA's employees taken as a whole. NSTA pay ratios have been calculated by determining the total full-time-equivalent (FTE) remuneration for all of the company's workforce for the relevant financial year; rank those individuals from low to high, based on their total remuneration; identify the people whose remuneration places them at the 25th, 50th (median) and 75th percentile points.

The percentage changes in the highest paid director salary and allowances is 1.74% and for performance pay and bonuses payable is (34.29%). The figure is unusually high due to the delayed timing of the payment of the 2020-2021 performance bonus. The average percentage changes for the employees of the NSTA compared to the prior year in respect of salary and allowances is 0.08% and for performance pay and bonuses payable is 0.12%.

In 2021-22, nil (2020-21: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £25,000 to £355,000 (2020-21: £24,000 to £380,000). Total remuneration includes salary and non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

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.

No senior management or non-executive directors were in receipt of benefits in kind for the financial year 2021-22.

The shareholder representative director receives no remuneration from the NSTA. The post is held by a senior civil servant employed by BEIS.

	Permanent staff (£'000)	Others* (£'000)	Total (£'000)
Wages and salaries	12,541	405	12,946
Social security costs	1,526	-	1,526
Pension costs	3,167	-	3,167
Sub total	**17,234**	**405**	**17,639**
Other staff costs	-	-	-
Less recoveries in respect of outward secondments	-	-	-
Total	**17,234**	**405**	**17,639**

*Others include contractor costs for the financial year ending 31 March 2022.

Average number of people employed:

	Number
Permanent staff	184
Others	3
Total	**187**

The Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension arrangements

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career average basis, with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed staff and the majority of those already in service joined alpha. Prior to that date, staff participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the

PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see above). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

(The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrallyprovided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk

Inclusion and diversity report

The NSTA embraces inclusion and diversity and ensures that it promotes equality of opportunity. The company's goal is to ensure that these commitments, reinforced by our values, are embedded in day-to-day working practices with all staff, partners in government and in industry.

The NSTA has a dual role in this regard, recognising its responsibilities as an employer of public servants and as an industry authority. The NSTA is working actively with partners such as Offshore Energies UK to drive real improvements in the inclusion that exists in the sector, and to promote the value of real diversity as an enabler to greater collaboration, business outcomes and ultimately supporting the goals of Vision 2035.

In recognition of the NSTA's work as an employer, it was awarded Silver accreditation in the Gender Diversity Benchmark, run by Business in the Community and the Prince's Responsible Business Network. The NSTA has also signed the Axis Pledge and continues to meet its commitments under Disability Confident and the Business in the Community Race Charter. The NSTA continues to look at what further actions it can take to improve on this recognition and to learn from others.

The NSTA has a clear inclusion and diversity action plan covering 2022, which includes new elements which seek to support both line managers and staff. The company also publishes an annual inclusion report which is available publicly and shares progress against plans and sets out future plans – this year's report (which is the third report) also includes the work which has taken place with industry.

The table below shows the current available data, as recorded from staff declarations. The NSTA encourages staff to complete all categories.

%	Males	Females
Gender	53	47

%	Full Time	Part Time
Working Pattern	96	4

%	Not Disabled	Declared Disabled	Undeclared	Prefer Not to Say
Disability	65	2	26	7

%	White	All Other Ethnic Groups Combined	Undeclared	Prefer Not to Say
Ethnicity	68	11	16	5

%	Below 20	21-30	31-40	41-50	51-60	61 and over
Age	0	10	29	29	24	5

%	Heterosexual/ Straight	LGBT	Undeclared	Prefer Not to Say
Sexual Orientation	73	2	15	10

%	No Religion	Christian	Other	Undeclared	Prefer Not to Say
Religion and Belief	37	31	8	14	10

Sickness Absence data

The NSTA is committed to supporting the physical and mental health of its people and fostering employee wellbeing is a key element of our focus. The company has a comprehensive attendance management policy and provides access to occupational health provision and employee assistance to offer additional support to our people. Where staff are identified as needing reasonable adjustments, these will be provided. The average number of days lost due to sickness absence was 0.9 days for 2021-22 (0.7 days for 2020-21).

Consultancy and temporary staff

Spend on consultancy and temporary staff:

	£'000
Consultancy	-
Temporary staff	405
Total	405

The NSTA has introduced model 'payment of tax' clauses into its standard terms and conditions, following HM Treasury's review of the tax arrangements of public sector appointees. Crown Commercial Service has provided assurance that its resourcing frameworks, which the NSTA uses to source all its contractors, meet the new tax requirements.

For 2021-22 the NSTA undertook a risk-based, in-depth review of tax assurance for all contractors, as required under IR35 legislation.

Off-payroll engagements

The number of off-payroll engagements (for more than £245 per day and lasting for longer than six months) as at 31 March 2022 was:

Total number of existing engagements as of 31 March 2022	4
Of which;	
Number that have existed for less than one year at the time of reporting	3
Number that have existed for between one to two years at the time of reporting	0
Number that have existed for between two to three years at the time of reporting	0
Number that have existed for between three to four years at the time of reporting	1
Number that have existed for between four or more years at the time of reporting	0

The number of new off-payroll engagements or those that reached six months in duration between 1 April 2021 and 31 March 2022 (for more than £245 per day and that last for longer than six months) was:

No. of temporary off-payroll workers engaged during the year ended 31 March 2022	5
Of which;	
Not subject to off-payroll legislation	
Subject to off-payroll legislation and determined as in-scope of IR35	
Subject to off-payroll legislation and determined as out-of-scope of IR35	5
No. of engagements reassessed for compliance or assurance purposes during the year	
Of which: No. of engagements that saw a change to IR35 status following review	

There were no off-payroll engagements of directors and/or senior officials with significant financial responsibility between 1 April 2021 and 31 March 2022.

All recruitment of contractors in the NSTA is undertaken in compliance with the principles of the Alexander tax review of off-payroll workers.

Exit Packages (audited)

Reporting of civil service and other compensation schemes – exit packages to 31 March 2022:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,001 – £25,000	0	0	0
£25,001 – £50,000	0	0	0
£50,001 – £100,000	0	0	0
£100,001 – £150,000	0	0	0
£150,001 – £200,000	0	0	0
Total number of exit packages	0	0	0
Total cost (£000)	0	0	0

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. When the NSTA has agreed early departures, the additional costs are met by the NSTA and not the Civil Service pension scheme.

Signed on behalf of the Board

Dr. Andy Samuel
Chief Executive

5th July 2022

Accounting Officer statement

As the Accounting Officer of the North Sea Transition Authority (NSTA), I am responsible for reviewing the effectiveness of its corporate governance. My review is based on the work of our internal auditor and the directors and managers who are responsible for developing and maintaining our governance framework. I also take into account the comments of the external auditor.

During 2021-22, the NSTA undertook the following work:

- Reviewed its strategic risks on a quarterly basis and provided assurance on mitigation actions to the Audit and Risk Committee.
- Worked closely with the Government Internal Audit Agency on the 2021-22 internal audit and the 2023-25 internal audit plan.
- Worked collaboratively with the National Audit Office and KPMG on the 2021-22 audit.
- Renewed all statutory and other appropriate insurance cover.
- Ensured it was compliant with data protection law.
- Ensured it monitored all IT activity and maintained effective defences against internal and external threats, in line with National Cyber Security Centre guidance.

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I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the NSTA's auditor is aware of that information.

I confirm that, as far as I am aware, there is no relevant audit information of which the auditor is unaware.

I confirm that the annual report and financial statements are fair, balanced and understandable.

I take personal responsibility for the annual report and financial statements and the judgments required for determining that it is fair, balanced and understandable.

Dr Andy Samuel
Accounting Officer
5th July 2022

Future Developments

Summary of NSTA KPIs

ENERGY

STEWARDSHIP

- Zero routine flaring and venting by 2030
- Maintain average UKCS production efficiency at 80%*
- The P50 cost estimate of decommissioning the entirety of UKCS oil and gas infrastructure to be 35% lower (2017 price basis) than the initial P50 2017 baseline estimate of £59.7 billion by end 2022*

To note: a new decommissioning KPI from 2023 onwards will be published end 2022

MEETING DEMAND/ SECURITY OF SUPPLY

- Optimise UKCS production within the effective net zero test
- New exploration indicator and target to be agreed following the implementation of the climate compatibility checkpoint

TRANSITION

EMISSIONS TARGETS

As a minimum, reduce UKCS upstream greenhouse gas emissions by 50% by 2030*
10% by 2025, 25% by 2027 (includes all greenhouse gases emitted from offshore production facilities, onshore terminals, drilling rigs and associated logistics)

ENERGY INTEGRATION

At least two electrification projects to be commissioned by 2027

CCS

To support ambition of capturing **20-30 million tonnes of CO_2** per year by 2030. The NSTA will aim to award two licences in 2022, 3-5 in 2023, 10+ by 2025

VALUE

SUPPLY CHAIN

Evidence of meeting North Sea Transition Deal UK content commitments for net zero and decommissioning projects

INVESTMENT, EFFICIENCY, JOBS

Compliance with environmental, social and governance reporting standards

DIGITAL/ TECHNOLOGY

- Increasing volume of data available from the Digital Energy Platform
- Successful technology development/deployment case studies

CORPORATE/ ORGANISATIONAL

GREAT PLACE TO WORK

Sustain staff engagement at 70% or above as measured by the bi-annual NSTA staff survey

DIGITAL EXCELLENCE

Delivery of internal Digital Excellence programme of developments

*Existing NSTA KPI

Company

Financial statements

Independent Auditor's Report to the Sole Shareholder of Oil And Gas Authority

Opinion on financial statements

I have audited the financial statements of the Oil and Gas Authority ("the company") for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise the company's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in 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 the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of the result for the year then ended;

- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the company 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.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	• Infrastructure Act 2015 • Energy Act 2016 • Companies Act 2006
Parliamentary authorities	• The Oil and Gas Authority (Levy and Fees) Regulations 2021 • The Oil and Gas Authority (Fees) Regulations 2016 and subsequent amendments
Shareholder, HM Treasury and related authorities	• Articles of Association • Framework document between the Secretary of State and the company • HM Treasury and related authorities to the extent they are applicable to the company

Conclusions relating to going concern

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

My evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- reviewing the provisions of the legislation under which the company collects the levy it uses to fund operating costs;
- considering internal budget and cash flow information; and
- considering additional funding options available to the company.

I consider the key aspects of management's assessment to be their view that:

- operating costs are funded through an industry levy that is set by new regulations made each year;
- the legislation relating to the 2022-23 levy has already been enacted and there is no reason to believe that future regulations will not be forthcoming; and
- there are options available to the company to mitigate forecast operating cash flow and funding shortfalls, should these arise.

The assertions made by management are consistent with my review of the legislation relating to the industry levy and the company's framework agreement with the Department for Business, Energy and Industrial Strategy.

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 company'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.

In relation to the entity's reporting on how it has applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have not identified any key audit matters throughout the course of my audit. This is consistent with the prior year.

I identified the risk of management override of controls as a significant audit risk in accordance with the requirements of ISA (UK) 240 *The Auditor's Responsibility Relating to Fraud in Financial Statements.* This was not a key audit matter and my work in this area has not identified any matters to report.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the company's financial statements as a whole as follows:

	Audited Entity
Materiality	£600,000
Basis for determining materiality	2% of gross expenditure (2020-21: 2% of gross expenditure)
Rationale for the benchmark applied	OGA's operating expenditure reflects the costs incurred in delivering its role of regulating and influencing the UK oil and gas industry. Income is recognised to cover relevant expenditure incurred. I therefore chose gross expenditure as the benchmark as I consider it to be of principal interest to the users of the financial statements.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2021-22 audit (2020-21: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in the Remuneration and Staff Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £12,000 as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Audit scope

The scope of my audit was determined by obtaining an understanding of the company and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Companies Act 2006, as if the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) applied to the Company.

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

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified [set out on page 41];
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate [set out on pages 16-18];
- Directors' statement on fair, balanced and understandable [set out on page 38];
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks [set out on page 43];
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on page 65]; and
- The section describing the work of the Audit and Risk committee [set out on page 49].

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the company'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 directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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 report 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 following:

- The nature of the sector, control environment and operational performance including the design of the company’s accounting policies and key performance indicators.
- Inquiring of management, the company’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the company’s policies and procedures relating to:

- – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- – the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the company's controls relating to compliance with the Companies Act 2006, Managing Public Money, The Oil and Gas Authority (Levy and Fees) Regulations 2021 and The Oil and Gas Authority (Fees) Regulations 2016.

- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the company 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 of controls.

I also obtained an understanding of the company's framework of authorities as well as other legal and regulatory frameworks in which the company operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law, pensions legislation, tax legislation, the Energy Act 2016, the Oil and Gas Authority (Levy and Fees) Regulations 2021 and the Oil and Gas Authority (Fees) Regulations 2016.

Audit response to identified risk

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing the recognition and measurement of levy income and fees and charges income against the provisions of the legislation these are charged under.

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

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

Other auditor's responsibilities

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

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

Gareth Davies
7th July 2022

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Comprehensive Income for the year ended 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Income			
Income from sale of goods and services	3	2,500	1,854
Other income	3	28,786	28,296
Total operating income		**31,286**	**30,150**
Expenditure			
Staff costs	4	(17,639)	(16,723)
Other operating costs	5.1	(12,668)	(12,217)
Depreciation and amortisation charges	5.2	(894)	(1,129)
Provision expense	5.3	(70)	(53)
Finance cost	5.4	(15)	(28)
Total operating expenditure		**(31,286)**	**(30,150)**
Total net income		**–**	**–**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**–**	**–**

The notes on pages 116 to 156 form part of these financial statements.

Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Non-current assets			
Property, plant and equipment	6	688	786
Right-of-use assets	7	1,120	1,665
Intangible assets	8	60	109
Total non-current assets		**1,868**	**2,560**
Current assets			
Cash and cash equivalents	9	6,682	7,227
Trade and other receivables	10	1,520	877
Total current assets		**8,202**	**8,104**
Total assets		**10,070**	**10,664**
Current liabilities			
Trade and other payables	11	(8,219)	(8,186)
Lease liabilities	12	(445)	(670)
Provisions	13	(218)	-
Total current liabilities		**(8,882)**	**(8,856)**
Total assets less current liabilities		**1,188**	**1,808**
Non-current liabilities			
Trade and other payables	11	(336)	(344)
Lease liabilities	12	(738)	(1,176)
Provisions	13	(114)	(288)
Total non-current liabilities		**(1,188)**	**(1,808)**
Total liabilities		**(10,070)**	**(10,664)**
Net assets		**-**	**-**

	Note	31 March 2022 £'000	31 March 2021 £'000
Shareholders' equity and other reserves			
Share capital	14	-	-
Retained earnings		-	-
Total equity		**-**	**-**

The notes on pages 116 to 156 form part of these financial statements.

The financial statements were approved by the Board of Directors on on 28th June 2022 and signed on its behalf on 5th July 2022 by

Dr Andy Samuel
Director
Company registered number: 09666504

Statement of Cash Flows for the year ended 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Cash flows from operating activities			
Comprehensive income for the year		–	–
Adjustments to reconcile comprehensive income to net cash flows:			
Depreciation of property, plant and equipment	5.2	289	454
Depreciation of right-of-use assets	5.2	556	557
Amortisation of intangible assets	5.2	49	118
Loss on disposal of fixed assets	5.1	8	8
Interest paid	5.4	15	28
Working capital adjustments:			
(Increase)/decrease in trade and other receivables	10	(643)	103
(Decrease)/increase in trade and other payables excluding capital funding from government grant: current year	11	(175)	4,603
Provisions provided in year	13	44	54
Net cash inflow/(outflow) from operating activities		**143**	**5,925**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(199)	(84)
Purchase of intangible assets	8	-	(66)

	Note	31 March 2022 £'000	31 March 2021 £'000
Net cash outflow from investing activities		**(199)**	**(150)**
Cash flows from financing activities			
Capital funding from BEIS: current year	11	200	150
Repayment of lease liabilities		(689)	(689)
Net cash outflow from financing activities		**(489)**	**(539)**
Net (decrease)/increase in cash and cash equivalents in the year		(545)	5,236
Cash and cash equivalents at the beginning of the year	9	7,227	1,991
Cash and cash equivalents at the end of the year	9	**6,682**	**7,227**

The notes on pages 116 to 156 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2020	–	–	–
Total comprehensive income for the year	–	–	–
Balance as at 31 March 2021	–	–	–
Total comprehensive income for the year	–	–	–
Balance as at 31 March 2022	–	–	–

The notes on pages 116 to 156 form part of these financial statements.

Notes to the Financial Statements

1. General information

On 21 March 2022, the Oil and Gas Authority (OGA) became known by a new business name: North Sea Transition Authority (NSTA), to reflect its evolving role in the energy transition. The OGA remains the legal name of the company. References to the NSTA should be interpreted as the OGA.

The OGA is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006. The company is wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS) (the shareholder). The company registration number is 09666504. The registered office of the company is situated at 21 Bloomsbury Street, London WC1B 3HF. The company's principal activities are to work with government and industry to ensure the United Kingdom (UK) gets the maximum economic benefit from its oil and gas reserves, whilst also supporting the move to net zero carbon by 2050. The Strategy, which was laid before Parliament on 16 December 2020, came into force on 11 February 2021 and is a revision of the Maximising Economic Recovery (MER) UK Strategy which originally came into force in 2016. The Strategy reflects the ongoing energy transition, featuring a range of net zero obligations on the oil and gas industry, and calling on industry to work collaboratively with the supply chain by actively supporting Carbon Capture Storage (CCS) and hydrogen production projects.

The OGA was incorporated on 1 July 2015 and commenced operations on 1 October 2016, following the transfer of assets and liabilities from the OGA executive agency. The OGA acquired the status of a Non-Departmental Public Body (NDPB) on 23 July 2020, sponsored by BEIS. Under the Companies Act 2006, Section 454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention and are presented in pounds sterling, with all values rounded to the nearest thousand pounds (£'000), except as otherwise disclosed.

These financial statements have been prepared in accordance with UK adopted International Accounting Standards.

These financial statements are exempt from the requirements of Part 16 of the Companies Act under section 482 of that Act (non-profit-making companies subject to public sector audit) and are subject to audit under section 25(6) of the Government Resources and Accounts Act 2000.

2.2 New or amended accounting standards and interpretations

The NSTA has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the year ended 31 March 2022 to determine the impact on the company's financial statements.

The following new standards, amendments and interpretations are effective for the first time in these financial statements. These have had no material effect on the company.

IFRS	IASB Effective Date	EU Endorsement status
Amendments to IFRS 16-COVID-19-Related Rent Concessions beyond 30 June 2021	1 January 2020	Endorsed
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – The changes in Interest Rate Benchmark Reform – Phase 2	1 January 2020	Endorsed

Amendments to IFRS 16

IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic.

The amendments are not expected to have a significant impact on the company's financial statements.

Amendments to financial instruments standards IFRS 9, IAS 39 and IFRS 7

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The amendments are not expected to have a significant impact on the company's financial statements.

2.2.1 New or amended accounting standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations that are issued, but not yet effective for the year ended 31 March 2022, and accordingly have not been applied in preparing these financial statements are detailed below. The company has not sought early adoption of any standards or amendments. The amendments are not expected to have a significant impact on the NSTA.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

2.3 Going concern

In accordance with the Energy Act 2016, the OGA has been established as a government company. The legislative powers enable the OGA to impose a levy on persons holding licences for the exploitation of petroleum, providing funding to deliver operations. The day to day operational costs of the company are funded by the oil and gas industry levy and the licensing fees and charges income received through the assignment and relinquishment of petroleum licences. The industry levy is set by new regulations made each year. The directors note the low risk that annual regulations may not be made until after the commencement of the relevant financial year (which could result in the company experiencing a timing mismatch in its funding requirements). The directors are of the view that there is no reason to believe that future regulations will not be forthcoming. The 2022-23 levy regulations were laid before parliament on 2 March 2022, guaranteeing the company’s ability to charge the levy for the coming year.

During the course of a year, the company may, where it identifies that there is likely to be a shortfall in the collection of the industry levy against its requirements, request the department for BEIS provide additional grant in aid funding.

The directors also note that there is a low risk of total operational costs exceeding the levy income set for a year or that a timing mismatch might arise between the time when monies are raised by the levy and the time when monies are required to meet spend commitments made by the company.

The Statement of Financial Position at 31 March 2022 shows net current assets/liabilities of nil. The directors acknowledge that there remains uncertainty over COVID-19. However, the directors assessed that the impact of this uncertainty is unlikely to have a negative effect on NSTA's income. As at 31 May 2022, 79% of 2022-23 levy has been collected and the NSTA received the funding of £475k from BEIS. There is therefore no indication that the NSTA will be adversely affected by default of invoices.

The directors have a reasonable expectation that the company has adequate resources to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. The financial statements are, therefore, prepared on a going concern basis. In forming this view, the directors note that the company:

a. applies prudent financial management in order to ensure that its commitments are accommodated within the timing of its collection of its levy, fees and charges;

b. undertakes a robust and detailed annual business planning and budgeting process to establish its operational cost requirements each financial year;

c. has considered the potential impact of credit risk and liquidity risk detailed in note 15; and

d. the viability of the NSTA has been assessed and outlined on page 17.

2.4 Income

Income represents the amounts, exclusive of VAT, arising from the operating activities of the NSTA. Income is recognised when contractual obligations have been performed, the income can be measured reliably, and it is probable that the economic benefits will flow to the company.

i. Industry Levy
The NSTA is primarily funded by an industry levy. The legal basis for the NSTA to charge a levy was introduced by the Infrastructure Act 2015, which states that regulations must be brought forward every year to set the levy rate. The Oil and Gas Authority (Levy and Fees) Regulations 2021 were laid in Parliament to set the levy charges rate for the year from 1 April 2021 to 31 March 2022. Levy income is recognised in the Statement of

Comprehensive Income to match expenditure not funded from elsewhere. The regulations state that any surplus at the end of the financial year must be reimbursed to levy payers. Therefore, any excess collected is not recognised in the Statement of Comprehensive Income and is shown as a payable due to industry on the Statement of Financial Position.The industry levy is recognised as income in the financial year to which it relates and is presented net of any industry levy repayable to levy payers. The levy is recognised on an accrued basis.

ii. and charges
The NSTA provides a range of services to specific licence holders. These services include issuing petroleum licences, as well as consents issued under the petroleum licences (both onshore and offshore), offshore methane gas storage licences, carbon dioxide storage licences and for pipeline works authorisations. Once the NSTA receives an application, this is then assessed as a contract with the customer and the income is recognised. This income is credited to the Statement of Comprehensive Income net of any refunds due to erroneous information provided by the applicant and is accounted for in accordance with IFRS 15.

iii. Other government grant
The NSTA receives funding from BEIS to assist the company with its day to day operations and the funding is accounted for in accordance with IAS 20. BEIS grants are provided to cover general expenditure so are recognised as the NSTA incurs the costs for which this funding is intended to compensate. BEIS also provides funding for

capital expenditure. At the point the NSTA incurs capital costs which give rise to a right to capital funding from BEIS, the company recognises both an asset and capital loan owed to BEIS. Any capital costs incurred by the NSTA that are not recoverable through the levy or other income are funded through the capital loan from BEIS.

iv. Other government grant-project grant
The NSTA was awarded £1.0m from BEIS to fund the project on technical and commercial studies into offshore electrification in the UK North Sea, which supports the NSTA's energy transition work. In accordance with IAS 20, the grant income is recognised on an accrual basis in line with spend incurred by the NSTA.

v. Other income
Other income mainly relates to income received from other interest receivable.

2.5 Research and development

Expenditure on research is charged to the Statement of Comprehensive Income in the year in which it is incurred. Expenditure on development is capitalised as an internally generated intangible asset if the criteria of IAS 38 section 57 are met. The NSTA has not incurred any research and development expenditure in the current or prior year.

2.6 Property, plant and equipment

The NSTA capitalises assets as property, plant and equipment if they are intended for use on a continuing basis and the original purchase cost of the asset on an individual or grouped basis is £5,000 or more. The company's assets are funded through a capital loan from BEIS and are stated at cost or their current value in existing use at the reporting date. Property, plant and equipment are depreciated at rates calculated to write them down to their estimated residual value (if any) on a straight line basis over their estimated useful lives. The depreciation expense is charged to the Statement of Comprehensive Income.

Assets in the course of construction are valued at cost and when they are brought into use the relevant value is transferred to assets, at which point depreciation commences.

2.7 Intangible assets

The NSTA capitalises assets as intangible if they are without physical substance and the cost of the asset on an individual basis is £5,000 or more and can be reliably measured. The company's intangible assets are funded through a capital loan from BEIS, have finite lives and comprise software licences capitalised at cost where they satisfy the capitalisation criteria. The cost of intangible assets comprises the purchase cost and any directly attributable costs incidental to their acquisition. Software licences are amortised over the shorter of the term of the licence and the useful economic life. The estimated useful life of third party developed software licences is five years.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The amortisation expense is charged to the Statement of Comprehensive Income.

2.8 Depreciation and amortisation

Property, plant and equipment are depreciated on a straight line basis in order to write-off the value of the assets less any estimated residual values over the assets expected useful life or the period of the lease, if shorter. The company reviews the useful lives of assets on a regular basis. The useful lives are as follows:

Depreciation	
Right-of-use assets (leased office in London)	3 to 4 years
Right-of-use assets (leased office in Aberdeen)	6 to 7 years
Amortisation	
Software licences	3 – 5 years or economic life
Information technology	5 years

2.9 Impairment

The NSTA reviews the carrying amount of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss on an annual basis. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment losses are charged to the Statement of Comprehensive Income and prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2.10 Financial instruments

The NSTA does not hold any complex financial instruments. The only financial instruments included in the financial statements are the following assets and liabilities: receivables and payables, as disclosed in notes 10 and 11 respectively. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and, as they are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. Trade and other receivables are recognised at fair value and upon recognition, a loss allowance is recognised for an amount equal to the lifetime expected credit losses. Trade and other payables are recognised at fair value.

All financial assets and liabilities are recognised when the company becomes party to the contractual provisions to receive or make cash payments. The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired.

Management determine categorisation of the asset or liability at initial recognition and then annually re-evaluate.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2.12 Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from a customer, that is, only the passage of time is required before payment of the consideration is expected.

2.13 Leases

Determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases as lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets
Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised adjusted for lease accruals and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets. The right-of-use asset is also subject to impairment. Refer to note 15.1.1.

ii. Lease Liabilities
The lease liability is initially measured at the present value of future lease payments, discounted at the rate of 0.95% (2020-21: 1.27%) in accordance with the published rate by HMT. The Company's management agreed to use the rate published by HMT, due to no interest rate implicit in the lease in addition to not having a readily available alternative corporate borrowing rate. The lease payments include fixed payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

iii. Short-term leases and leases of low-value assets
The company applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-

value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

2.14 Employee benefits

Under IAS19 Employee Benefits, all staff costs must be recorded as an expense as soon as the company has an obligation to pay them. This includes the cost of any untaken leave as at the reporting date, which is recognised as an accrual.

2.15 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. The NSTA is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS19. Expenditure accrues to the extent contributions are payable by the NSTA as employer. The employer contribution rates payable by the NSTA for employees covered by the PCSPS in 2022-23 are expected to be in a range of 26.6% – 30.3% (2021-22: 26.6% – 30.3%).

2.16 Corporation tax

The NSTA is liable for corporation tax in relation to income earned from business activities. The vast majority of the company's activity is non-business as it has a statutory obligation to regulate and provide services to the oil and gas industry and is not in competition with the private sector in carrying out this activity, as no-one else has the right to maintain this role. Non-business activity is further characterised by the fact that the company does not receive any payment in consideration for regulating the oil and gas industry; instead it is funded from levies charged. Non-business activities are not subject to corporation tax.

The company does not have any business activities that are subject to corporation tax in this financial year. Where tax is to be paid, it is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

2.17 Value Added Tax (VAT)

The NSTA has trading activities where VAT is charged at the prevailing rate and where the related input VAT costs are recoverable. Input VAT is also recoverable on certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to fixed assets. Where output tax is charged on business activities or input tax is recoverable, the amounts are stated net of VAT.

2.18 Provisions

Provisions are recognised when the NSTA has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation. The accounting policy allows for an increase in the provision due to the passage of time (time value of money) which would be recognised as an interest expense. The NSTA discounts the provision to its present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The company has a dilapidations provision in respect of the company's leased premises at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London. The provisions represent the directors' best estimate of the expenditure required to settle the obligation, often with the benefit of technical advice.

2.19 Financial risk identification and management

The NSTA's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the company.

The company is not exposed to significant interest rate, credit or cash risks. The trade receivables are reviewed at year end and where it is considered there is a risk in relation to recoverability of these monies, an impairment provision is included within the financial statements. In the current year, a £28k (2020-21: £4k) trade receivables expected credit losses provision has been raised against outstanding funds.

Under IFRS 9, financial assets are required to be assessed for impairment based on expected credit losses. The Government Financial Reporting Manual (FReM) 2021-22 states that balances with core central government departments are excluded from recognising impairments under IFRS 9; while the NSTA is a non-FReM body, receivables from BEIS have been excluded from this assessment as the NSTA considers there to be no recoverability risk. The company has experienced no historical credit losses with regards to trade receivables, therefore a review of outstanding balances at 31 March 2022 was carried out to establish a 'loss rate' to apply. The company will continue to reflect identified losses using the calculated loss rate methodology on an ongoing basis.

2.20 Critical accounting judgements, estimates and assumptions

The preparation of the NSTA's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The results form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Estimating useful lives of property, plant and equipment and intangible assets

At each reporting date, the useful lives and residual values of property, plant and equipment and intangible assets are reviewed. Assessing the appropriateness of useful life requires the company to consider a number of factors such as the physical condition of the asset, technological advancement, expected period of use of the asset by the company, and expected disposal proceeds (if any) from the future sale of the asset. An incorrect estimate of the useful life will affect the depreciation/amortisation expense recognised in the Statement of Comprehensive Income and the asset's carrying amount.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the company. The company only has provisions which relate to a future liability for dilapidations costs for its leased premises.

3. Income

In 2021-22, the NSTA received income from fees and charges; levy on industry; and grant from BEIS to assist with the company's activities. The tables below detail the breakdown of income received for the year to 31 March 2022.

	2021-22 £'000	2020-21 £'000
a) Income		
Income from the industry levy	26,044	26,431
Income from fees and charges	2,500	1,854
Income from other government grant	1,700	1,850
Income from other government project grant	1,041	-
Other income	1	15
Total income	**31,286**	**30,150**
b) Reconciliation of levy collected and levy income recognised		
Industry levy collected	30,029	29,622
Income from the industry levy (matched by expenditure funded by the industry levy)	(26,044)	(26,431)
Underspent levy refundable to industry	**3,985**	**3,191**

Staff costs

Staff costs comprise:

	Permanently employed staff £'000	All other staff £'000	2021-22 Total £'000	2020-21 Total £'000
Wages and salaries	12,541	405	12,946	12,493
Social security costs	1,526	-	1,526	1,371
Other pension costs	3,167	-	3,167	2,859
Total net costs	**17,234**	**405**	**17,639**	**16,723**

The average number of staff employed by the company (including executive directors) during the year:

	2021-22 FTE	2020-21 FTE
Permanent staff	184	167
Agency and contracted staff	3	4
Total	**187**	**171**

Key management personnel include executive directors and their compensation is disclosed in the Remuneration Report on pages 68 to 87.

Other expenditure

	SoCI Reference	2021-22 £'000	2020-21 £'000
Project delivery costs		6,937	6,802
IT outsourcing		2,016	2,196
IT expenditure		1,256	1,175
Accommodation		569	534
Legal, professional and consultancy		562	336
Training		327	193
Other		315	408
Subscriptions		205	176
Personnel related		165	143
Office services		146	177
Travel and subsistence		118	26
Auditors' remuneration and expenses – National Audit Office		44	43
Loss on disposal of fixed assets		8	8
	5.1	**12,668**	**12,217**
Non-cash items			
Depreciation of right-of-use assets		556	557
Depreciation of property, plant and equipment assets		289	454
Amortisation of intangible assets		49	118
	5.2	**894**	**1,129**
Provision expense			
Provision provided in year		70	53
	5.3	**70**	**53**

	SoCI Reference	2021-22 £'000	2020-21 £'000
Finance costs			
Interest expense on lease liabilities		15	28
	5.4	**15**	**28**
Total		**13,647**	**13,427**

Project delivery costs include £2.4m (2020-21: £3.8m) in relation to the National Data Repository Services and £1.0m relates to the Electrification Project which has been funded by a grant.

Accommodation costs includes rates, service charges and any short term operating lease rentals. The long term operating lease rental is recognised in the Statement of Financial Position per IFRS 16.

Other costs include telecommunications, insurance, printing and publications, design, health and safety, bank charges and incidentals costs.

6. Property, plant and equipment

	IT equipment £'000	Furniture and fittings £'000	2021-22 Total £'000
Cost or valuation			
At 1 April 2021	1,805	1,333	3,138
Additions	199	-	199
Disposals	(378)	-	(378)
At 31 March 2022	**1,626**	**1,333**	**2,959**
Depreciation			
At 1 April 2021	1,600	752	2,352
Charged in year	151	138	289
Disposals	(370)	-	(370)
At 31 March 2022	**1,381**	**890**	**2,271**
Net book value at 31 March 2022	**245**	**443**	**688**
Asset financing:			
Owned	245	443	688
Net book value at 31 March 2022	**245**	**443**	**688**

	IT equipment £'000	Furniture and fittings £'000	2020-21 Total £'000
Cost or valuation			
At 1 April 2020	1,739	1,333	3.027
Additions	84	-	84
Disposals	(18)	-	(18)
At 31 March 2021	**1,805**	**1,333**	**3,138**
Depreciation			
At 1 April 2020	1,300	608	1,908
Charged in year	310	144	454
Disposals	(10)	-	(10)
At 31 March 2021	**1,600**	**752**	**2,352**
Net book value at 31 March 2021	**205**	**581**	**786**
Asset financing:			
Owned	205	581	786
Net book value at 31 March 2021	**205**	**581**	**786**

The NSTA undertakes a refresh of IT equipment, including laptops every 3 years, in line with the company's IT strategy. The additions included within IT equipment relate to the acquisition of new laptops, and disposals relate to the previously used laptops which were donated to a registered UK charity.

7. Right-of-use assets

	Buildings £'000	2021-22 Total £'000
Cost or valuation		
At 1 April 2021	2,771	2,771
Effect of modification	11	11
At 31 March 2022	**2,782**	**2,782**
Depreciation		
At 1 April 2021	1,106	1,106
Charged in year	556	556
At 31 March 2022	**1,662**	**1,662**
Net book value at 31 March 2022	**1,120**	**1,120**
Asset financing:		
Leased	1,120	1,120
Net book value at 31 March 2022	**1,120**	**1,120**

	Buildings £'000	2020-21 Total £'000
Cost or valuation		
At 1 April 2020	2,732	2,732
Reclassifications	39	39
At 31 March 2021	**2,771**	**2,771**
Depreciation		
At 1 April 2020	549	549
Charged in year	557	557
At 31 March 2021	**1,106**	**1,106**
Net book value at 31 March 2021	**1,665**	**1,665**
Asset financing:		
Leased	1,665	1,665
Net book value at 31 March 2021	**1,665**	**1,665**

Amounts recognised in Statement of Comprehensive Income

	2021-22 Total £'000	2020-21 Total £'000
Depreciation expense on right-of-use assets	556	557
Interest expense on lease liabilities	15	28
Expenses relating to short term leases	4	12

None of the NSTA's property leases contain variable payment terms. The total cash outflow relating to leases in the year amounted to £689k (2020-21: £689k).

8. Intangible fixed assets

	Finance and HR software £'000	Software licences £'000	Website £'000	Assets under construction £'000	2021-22 Total £'000
Cost					
At 1 April 2021	189	299	104	-	592
At 31 March 2022	**189**	**299**	**104**	**-**	**592**
Amortisation					
At 1 April 2021	93	296	94	-	483
Charged in year	38	1	10	-	49
At 31 March 2022	**131**	**297**	**104**	**-**	**532**
Net book value at 31 March 2022	**58**	**2**	**-**	**-**	**60**
Asset financing:					
Owned	58	2	-	-	60
Net book value at 31 March 2022	**58**	**2**	**-**	**-**	**60**

	Finance and HR software £'000	Software licences £'000	Website £'000	Assets under construction £'000	2020-21 Total £'000
Cost					
At 1 April 2020	385	404	104	27	920
Additions	66	-	-	-	66
Reclassification	27	-	-	(27)	-
Disposals	(289)	(105)	-	-	(394)
At 31 March 2021	**189**	**299**	**104**	**-**	**592**
Amortisation					
At 1 April 2020	311	375	73	-	759
Charged in year	71	26	21	-	118
Disposals	(289)	(105)	-	-	(394)
At 31 March 2021	**93**	**296**	**94**	**-**	**483**
Net book value at 31 March 2021	**96**	**3**	**10**	**-**	**109**
Asset financing:					
Owned	96	3	10	-	109
Net book value at 31 March 2021	**96**	**3**	**10**	**-**	**109**

9. Cash and cash equivalents

	2021-22 £'000	2020-21 £'000
Balance at 1 April	7,227	1,991
Net change in cash and cash equivalent balances	(545)	5,236
Closing balance	**6,682**	**7,227**
The following balances were held at:		
Government Banking Service	6,682	7,227
Balance at 31 March	**6,682**	**7,227**

10. Trade and other receivables

	2021-22 £'000	2020-21 £'000
Amounts falling due within one year		
Trade receivables	253	254
Trade receivables – expected credit losses	(28)	(4)
Other receivables	5	10
Prepayments	682	616
BEIS receivable	608	1
Total trade and other receivables at 31 March	**1,520**	**877**

The carrying value of trade and other receivables approximates their fair value.

Trade and other payables

	Note	2021-22 £'000	2020-21 £'000
Amounts falling due within one year			
Trade payables		1,824	947
Current year levy underspend - refundable to industry	3	3,985	3,191
Prior years' levy underspend - refundable to industry *		47	295
VAT payable		63	60
Taxation and social security		814	776
Accruals		1,278	2,483
BEIS capital loan **		208	434
Total current payables at 31 March		**8,219**	**8,186**
Amounts falling due after more than one year			
BEIS capital loan **		336	344
Total non-current payables at 31 March		**336**	**344**
Total trade and other payables at 31 March		**8,555**	**8,530**

The carrying value of trade and other payables approximates their fair value.

*£47k of the 2016-17, 2017-18, 2019-20 and 2020-21 levy underspend is still due to levy payers at 31 March 2022. The NSTA are actively liaising with levy payers to ensure these funds are returned.

** The BEIS capital loan includes current year funding of £200k to purchase assets.

12. Lease liabilities

	Note	2021-22 £'000	2020-21 £'000
Land & Buildings			
Balance at 1 April		1,846	2,468
Interest expense	5.4	15	28
Effect of modification	7	11	39
Lease payments		(689)	(689)
Closing balance		**1,183**	**1,846**
Amount falling due within one year			
Current lease liability		445	670
Amount falling due after more than one year			
Non-current lease liability		738	1,176
Total lease liabilities		**1,183**	**1,846**
Maturity analysis			
Not later than 1 year		445	670
Later than 1 year and not later than 5 years		738	1,176
		1,183	**1,846**

13. Provisions

	Dilapidations £'000	2021-22 Total £'000
At 1 April 2021	288	288
Provided in the year	44	44
At 31 March 2022	**332**	**332**
Analysis of expected timing of discounted flows:		
Not later than 1 year	218	218
Later than 1 year and not later than 5 years	114	114
	332	**332**

	Dilapidations £'000	2020-21 Total £'000
At 1 April 2020	234	234
Provided in the year	54	54
At 31 March 2021	**288**	**288**
Analysis of expected timing of discounted flows:		
Later than 1 year and not later than 5 years	106	106
Later than 5 years	182	182
	288	**288**

The dilapidations provision relates to the company's leased premises at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London. Upon moving into the new offices, the company undertook a complete refurbishment which has been capitalised. At the end of the lease term, the company is obliged to return the offices to their original state.

The provision represents the best estimate of the expenditure required to settle that obligation, with the benefit of technical advice.

14. Share capital

	Number
Authorised shares	
1 Ordinary share of £1 each	1
Ordinary share capital issued £1 each and fully paid.	

15. Financial instruments

IFRS 7 requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the company faces in undertaking its activities. Due to the way in which Government entities are financed, the company is not exposed to the degree of financial risk faced by many business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The company has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the company in undertaking its activities. Nevertheless, the company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The core operations of the company are resourced from funds raised through the industry levy and so the company's activities are largely dependent on revenues from customers. This has an impact on the financial risks to which the company is exposed.

15.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the company's customers or counterparties fail to fulfil their contractual obligations to the company. The majority of the company's customers are private companies which increases the company's exposure to credit risk. In order to mitigate this, the company has policies and procedures in place to ensure credit risk is kept to a minimum and receivables are impaired where a specific receivable is deemed to be irrecoverable, based on the information available. The carrying amount of financial assets in the financial statements represents the maximum credit risk exposure of the company.

The following table provides an overview of the ageing profile of the financial assets comprising trade and other receivables at 31 March.

	2021-22 £'000	2020-21 £'000
Ageing of financial assets		
Neither past due nor impaired	175	165
Past due 1-30 days	11	41
Past due 30-60 days	-	-
Past due 61-90 days	6	-
Past due > 90 days	66	58
Total at 31 March	**258**	**264**

15.1.1 Impairment of financial assets

The company assesses at each year end whether there is objective evidence that financial assets are impaired based on historical credit loss rates. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows from receivables are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

15.2 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations when they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The company's policy is to determine its liquidity requirements by using forecasts and mitigating funding constraints by requesting annual payments from levy payers in advance. The company believes that its contractual obligations, including those shown in notes 16, 17, and 18, can be met under the short and long term funding structure currently in place.

15.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures where these are considered to materially impact the business and operations of the company.

15.3.1 Interest rate risk

This is the risk that the company will suffer financial loss due to interest rate fluctuations. The company's financial assets and its financial liabilities carry nil or fixed rates of interest; therefore the company is not exposed to significant interest rate risk.

15.3.2 Exchange rate risk

This is the risk that the company will suffer financial loss due to changes in exchange rates. The company undertakes very few foreign currency transactions and is not exposed to significant exchange risk. Given the quantum of transactions in foreign currency, the company has assessed that a strengthening or weakening in these exchange rates will not have any significant impact on the financial statements.

15.3.3 Fair values

Set out below are the carrying amounts and fair values of the company's financial assets and liabilities that are carried in the financial statements. The company considers that the carrying amounts for trade and other receivables and trade and other payables approximate their fair value due to the short term maturities of these instruments.

	2021-22 £'000	2020-21 £'000
Carrying amounts and fair values		
Trade and other receivables	1,520	877
Trade and other payables	(8,555)	(8,530)
Total at 31 March	**(7,035)**	**(7,653)**

16. Capital commitments

The company does not have any capital commitments.

17. Other financial commitments

The company has not entered into any non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts).

18. Contingent assets and liabilities

The company does not have any contingent assets and liabilities.

19. Related party transactions

BEIS publishes a consolidated Annual Report and Accounts for the core department each year. The NSTA is classified within the BEIS consolidation boundary;

therefore, any transaction that the company carries out within the group is considered a related party transaction. During the year, the company received grant in aid of £1.7m (2020-21: £1.85m) and a capital loan of £200k (2020-21: £150k) from BEIS. The company also received funding of £1.0m (2020-21: £nil) from BEIS for the Electrification Project which supports the NSTA's Energy Transition work.

At the balance sheet date, the company has a balance of £608k (2020-21: £1k) in trade and other receivables, which is due from BEIS. The company has a capital loan of £544k (2020-21: £778k) included in trade and other payables which is due to BEIS and will be repaid through the annual depreciation which is funded by the levy.

No board members, key managers or other related parties have undertaken any material transactions with the company during the year. There are no conflicts of interest to report.

20. Events after the reporting period

In accordance with the requirements of IAS 10, Events after the Reporting Period, events are considered up to the date on which the financial statements are authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. The NSTA has a new Aberdeen building lease at 1 Marischal Square, with the date of entry being 2

May 2022. In May 2022, the NSTA will account for a right-of-use assets of £7.4m and a related lease liability of £7.3m in respect of this office. As of the date of issuance of these financial statements, there has been no further significant financial impact on the company's financial statements.

Trust Statement

Financial statements

Accounting Officer's Foreword to the Trust Statement

Scope

On 21 March 2022, the Oil and Gas Authority (OGA, "the company") became known by a new name: North Sea Transition Authority (NSTA) to reflect its evolving role in the energy transition. The Petroleum Licence fees collected by the NSTA and paid over to the Consolidated Fund are included in this Trust Statement, along with the revenues, expenditure, assets, and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2021-22.

This statement is also prepared to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Background

The Petroleum Act 1998 vests in the Crown all rights to the nation's petroleum resources. The Act gives the Secretary of State power to grant licences that confer exclusive rights to "search and bore for and get" petroleum. The Secretary of State transferred these rights to the OGA on vesting of the OGA as a government company on 1 October 2016. Each of these licences confers such rights over a limited area and for a limited period.

The NSTA is responsible for issuing and administering these licences. This process is carried out with a view to realising the full benefit to the UK of its petroleum resources in a way which balances the interests of potential developers with the interests of the nation as the owner of the resource.

Licences are awarded in periodic “rounds” subject to a requirement that the holder will make annual payments (known as ‘Licence Rental Fees’) to the NSTA, which remits them, via the Department of Business, Energy and Industrial Strategy (BEIS), to the Consolidated Fund. These payments are calculated on the basis of the acreage under licence, and incorporate an escalating scale of pre-determined rates per square kilometre, designed to encourage licensee-companies to relinquish acreage not undergoing productive activity, thus making it available for relicensing to other potential interested applicants.

Future developments

There have been no offers or awards of Offshore Petroleum Licences since the awards of the 32nd Round licences in December 2020. This has been due to the ongoing Climate Compatibility Checkpoint and Offshore Energy Strategic Environmental Assessment consultations, both of which are due to be completed in 2022. A future Offshore Petroleum Rounds will be anticipated at the earliest Q4 2022-23 year.

Financial Review

Fees received in respect of Petroleum licences amounted to £51.9m for the year to 31 March 2022 (£54.1m in 2020-21). Under Section 2 of the Miscellaneous Financial Provisions Act 1968, the Northern Ireland Government is entitled to a share of the proceeds received under the regime. The Northern Ireland Government payment for the 2020-21 year has been calculated in the current year at £1.5m and will be paid in the 2022-23 financial year (£1.7m in 2019-20 and paid in 2020-21 financial year). These payments are recognised in the Statement of Revenue, Other Income and Expenditure.

Auditors

These financial statements have been audited, under Section 3 of the Exchequer and Audit Departments Act 1921, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 165 to 176. The auditor’s notional remuneration of £12k (2020-21: £9k) is included within the BEIS accounts. There were no fees in respect of non-audit work.

Basis for preparation

The HM Treasury Accounts Direction, issued under Section 2 of the Exchequer and Audit Departments Act 1921, requires the OGA to prepare the Trust Statement to give a true and fair view of the situation relating to the collection of receipts from the Petroleum Licences regime (together with the revenue, expenditure, and cash flows for the financial year). Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

As the Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. These are all detailed in Note 1 to the Trust Statement.

Events after the reporting period

Details of events after the reporting period are given in Note 9 to the Trust Statement.

Dr Andy Samuel
Chief Executive and Accounting Officer
5th July 2022

Statement of the Accounting Officer's responsibilities in respect of the Trust Statement

Under Section 2 of the Exchequer and Audit Departments Act 1921, HM Treasury has directed the Oil and Gas Authority (OGA) to prepare a Trust Statement for each financial year in the form and on the basis set out in the Accounts Direction.

HM Treasury has appointed the Chief Executive as Accounting Officer of the OGA with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Accounting Officer is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Accounting Officer is responsible for the collection of Petroleum Licences receipts and their onward transmission to the Consolidated Fund.

The responsibilities of the Accounting Officer including; responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the assets, are set out in Managing Public Money, published by HM Treasury.

The Trust Statement must give a true and fair view of the state of affairs of the Petroleum Licensing Schemes. These streams of income are recognised on an accruals basis.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the Trust Statement on a going concern basis.

The Accounting Officer confirms that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

The NSTA's Governance Statement, covering both the Accounts and the Trust Statement, is included in the Governance section of this report on page 45.

The report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of the Oil and Gas Authority Trust Statement for the year ended 31 March 2022 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the Oil and Gas Authority Trust Statement's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Revenue Other Income and Expenditure and Statement of Cash Flows 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 Gas Authority Trust Statement's affairs as at 31 March 2022 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Oil and Gas Authority 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 Gas Authority'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 Gas Authority Trust Statement'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 report.

The going concern basis of accounting for the Oil and Gas Authority Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government

Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor’s report thereafter. The 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.

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

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

I have nothing to report in this regard.

Opinion on other matters

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

- the information given in the Accounting Officer's Foreword to the Trust Statement 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 Gas Authority Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Oil and Gas Authority or returns adequate for

my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities in Respect of the Trust Statement, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and

- assessing the Oil and Gas Authority Trust Statement'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 Accounting Officer anticipates that the services provided by the Oil and Gas Authority Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

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 report 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 following:

- the nature of the sector, control environment and operational performance including the design of the Oil and Gas Authority Trust Statement's accounting policies.
- inquiring of management, the Oil and Gas Authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Oil and Gas Authority Trust Statement's policies and procedures relating to:

  – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

  – the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the controls relating to the Oil and Gas Authority Trust Statement's compliance with the Exchequer and Audit Departments Act 1921, Managing Public Money, the Petroleum Act 1998 and the Miscellaneous Financial Provisions Act 1968

- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud

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

I also obtained an understanding of the Oil and Gas Authority Trust Statement's framework of authorities as well as other legal and regulatory frameworks in which the Oil and Gas Authority Trust Statement operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Oil and Gas Authority Trust Statement. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Managing Public Money, the Petroleum Act 1998 and the Miscellaneous Financial Provisions Act 1968.

Audit response to identified risk

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Other auditor's responsibilities

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

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

Gareth Davies
7th July 2022

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Revenue, Other Income and Expenditure for the year ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Revenue			
Licence fees and taxes			
Petroleum licences	2	51,919	54,113
Total licence fees and taxes		**51,919**	**54,113**
Total revenue and other income		**51,919**	**54,113**
Expenditure			
Disbursements	3	(2,046)	(1,706)
Total expenditure and disbursements		**(2,046)**	**(1,706)**
Net revenue for the Consolidated Fund		**49,873**	**52,407**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes on pages 180 to 189 form part of this statement.

Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Current assets			
Receivables	4	4,869	4,776
Cash and cash equivalents	5	17,655	19,795
Total current assets		**22,524**	**24,571**
Current liabilities			
Payables	6	(2,651)	(2,164)
Total current liabilities		**(2,651)**	**(2,164)**
Net current assets		**19,873**	**22,407**
Total net assets		**19,873**	**22,407**
Represented by:			
Balance on Consolidated Fund Account	7	**19,873**	**22,407**

The notes on pages 180 to 189 form part of this statement.

Dr Andy Samuel
Chief Executive Officer
5th July 2022

Statement of Cash Flows for the year ended 31 March 2022

	Note	2021-2022 £'000	2020-2021 £'000
Net cash flows from operating activities		**50,267**	**52,781**
Cash paid to the Consolidated Fund	7	(52,407)	(58,537)
Decrease in cash in this year		**(2,140)**	**(5,756)**
Notes to the Statement of Cash Flows			
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net revenue for the Consolidated Fund		49,873	52,407
(Increase)/decrease in receivables and accrued fees	4	(93)	389
Increase/(decrease) in payables	6	487	(15)
Net cash flows from operating activities		**50,267**	**52,781**
B: Analysis in changes in Net Funds			
Decrease in cash in this year		(2,140)	(5,756)
Net Funds as at 1 April (net cash at bank)	5	19,795	25,551
Net Funds as at 31 March (closing balance)	5	**17,655**	**19,795**

The notes on pages 180 to 189 form part of this statement.

Notes to the Trust Statement

1. Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the Accounts Direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the Oil and Gas Authority (the Company) and HM Treasury and have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in these statements are those flows of funds which the company handles on behalf of the Consolidated Fund and where it is acting as agent rather than as principal.

The financial information in the Trust Statement is presented in pounds sterling and in the notes is rounded to the nearest thousand.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.3 Changes in accounting policy and disclosures

There have been no changes in accounting policies for the year ended 31 March 2022.

1.4 Revenue recognition

Taxes, licence fees and penalties are recognised on an accrual basis and are measured in accordance with FReM 8.2.4. They are measured at the fair value of amounts received or receivable net of repayments. Revenue is recognised when:

- A taxable event has occurred, the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to the Exchequer. A taxable event occurs when a liability arises to pay a tax or licence fee; or
- A penalty is validly imposed and an obligation to pay arises.

Revenue in respect of petroleum licence fees is recognised when it falls due, which is on the anniversary date of each existing licence.

In the event that HM Treasury retrospectively waives certain petroleum licence fees, the waiver is recognised as a reduction to revenue and receivables at the date of its approval.

Petroleum license fees collected by the company as agent on behalf of the Welsh and Scottish Governments are not recognised as revenue.

1.5 Receivables

Receivables are shown net of impairments in accordance with the requirements of the FReM and IFRS 9. The NSTA enforces the full collection of rental income, therefore any rental income debt written off is only where specific circumstances apply, such as company liquidation. The details of debt write-offs in year are disclosed in Note 8.2. The FReM requires the NSTA Trust to include expected credit loss allowances, estimating the value of outstanding debt, which are measured in accordance with IFRS 9, as adapted by the FReM. Therefore, receivables for rental income are measured at amortised cost, less any expected credit loss allowance.

1.6 Financial instruments

The only financial instruments included in the financial statements are the following assets and liabilities: receivables and payables, as disclosed in notes 4 and 6. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not traded in an active market and, as they are expected to be realised within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. Trade and other receivables are recognised at amortised cost and upon recognition, a loss allowance is recognised for an amount equal to the lifetime expected credit losses. Trade and other payables are recognised at amortised cost.

All financial assets and liabilities are recognised when the company becomes party to the contractual provisions to receive or make cash payments. The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability was held or acquired. Management determine categorisation of the asset or liability at initial recognition and then annually re-evaluate.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2. Revenue

Petroleum licence income

	2021-22 £'000	2020-21 £'000
Fees receivable	51,869	54,113
Fines and penalties	50	-
Total	**51,919**	**54,113**

The responsibility for the collection of petroleum licences is with the Company. During the 2021-22 year, HM Treasury approved the waiver of £1.51m petroleum licence fees (2020-21: £1.95m).

On 21 July 2021, BP Exploration Operating Company Limited was fined £50k and was served with a Sanction Notice for breaching a licence condition.

3. Expenditure and disbursements

	2021-22 £'000	2020-21 £'000
Payments to Northern Ireland Government	1,547	1,706
Allowance for expected credit losses	491	-
Other expenses	8	-
Total	**2,046**	**1,706**

The company makes payments to the Northern Ireland Government to reflect their share of the proceeds received by the company under the Petroleum Licensing Regime. These payments are made under Section 2 of the Miscellaneous Financial Provisions Act 1968. The amounts outstanding at the reporting date are disclosed under the payables note 6.

During the 2021-22 year an expected credit loss of £491,000 has been provided for.

Other expenses represent the cost of debt collections incurred during the year.

4. Receivables and accrued fees

	2021-22 £'000	2020-21 £'000
Petroleum licence fees receivable	4,869	4,776
Total	**4,869**	**4,776**

Petroleum licence fees receivable represent the amounts due from the licensees where invoices for payment have been issued but not paid for at the year end. They are measured at amortised cost less an expected credit loss allowance. The expected credit loss allowance is measured in accordance with IFRS 9, as adapted by the FReM.

5. Cash and cash equivalents

	2021-22 £'000	2020-21 £'000
Balance as at 1 April	19,795	25,551
Net change in cash and cash equivalent balances	(2,140)	(5,756)
Balance at 31 March	**17,655**	**19,795**
The following balances were held at:		
Government Banking Service	17,655	19,795
Total	**17,655**	**19,795**

6. Payables

	2021-22 £'000	2020-21 £'000
Northern Ireland Government	1,547	1,706
Other payables	1,104	458
Total	**2,651**	**2,164**

Other payables represent monies owed to the Welsh Government and the Scottish Government.

7. Balance on the Consolidated Fund Account

	2021-22 £'000	2020-21 £'000
Balance on the Consolidated Fund as at 1 April	22,407	28,537
Net revenue for the Consolidated Fund	49,873	52,407
Less amounts paid to the Consolidated Fund	(52,407)	(58,537)
Balance on the Consolidated Fund as at 31 March	**19,873**	**22,407**

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2021-22 £'000	2020-21 £'000
Financial assets:		
Cash and cash equivalents	17,655	19,795
Petroleum licence fees receivable	4,869	4,776
Total cash and receivables	**22,524**	**24,571**
Financial liabilities:		
Northern Ireland Government payables	(1,547)	(1,706)
Other payables	(1,104)	(458)
Total other financial liabilities	**(2,651)**	**(2,164)**

8.2 Risk exposure to financial instruments

The fees receivable under the Petroleum Licensing Regime are subject to credit risk. The majority of the licensees are private companies which increases

the exposure to credit risk. In order to mitigate this, management has policies and procedures in place to ensure credit risk is kept to a minimum and receivables are impaired where a specific receivable is deemed to be irrecoverable, based on the information available.
The company assesses at each year end whether there is objective evidence that financial assets are impaired based on historical credit loss rates. The amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. Future cash flows from receivables are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The carrying amount of financial assets in the financial statements represents the maximum credit risk exposure of the Trust Statement. There were no write offs in 2021-22 (2020-21: no write offs). There is no foreign exchange risk as all the fees under this regime are receivable in sterling. The market risk is limited due to there being a constant demand for licences.
The following table provides an overview of the ageing profile of the financial asets comprising trade and other receivables at 31 March.

	2021-22 £'000	2020-21 £'000
Ageing of financial assets:		
Neither past due nor impaired	2,400	1,617
Past due 1-30 days	427	467
Past due 30-60 days	563	133
Past due 61-90 days	-	100
Past due >90 days	1,479	2,459
Total at 31 March	**4,869**	**4,776**

9. Events after the reporting period

In accordance with the requirements of IAS 10, Events after the Reporting Period, events are considered up to the date on which the Trust Statement is authorised for issue, which is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There have been no events since 31 March that would have a material impact on the Trust Statement.

The Accounting Officer has duly authorised the issue of the Trust Statement on the date of the Comptroller and Auditor General's audit certificate.

Annex D

Accounts Direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to the Oil and Gas Authority (OGA), a government company (and previously an executive agency) of the Department for Business, Energy and Industrial Strategy.

2. The OGA shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2022 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual (“FReM”) 2021-22.

3. The Statement shall be prepared, as prescribed in Appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department’s Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date

Michael Sunderland
Deputy Director, Government Financial Reporting
Her Majesty’s Treasury
16 December 2021