Oil & Gas
Authority

OGA Annual Report and Accounts 2020–21

(for the year ended 31 March 2021)

HC 320

Annual Report and Accounts of the Oil and Gas Authority 2020-21:

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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Chairman’s foreword

I am deeply impressed by the way the Oil and Gas Authority (OGA), industry and government have worked together over the past extraordinary year to protect value in the UK Continental Shelf (UKCS), while pushing on with the ambitious net zero agenda.

The OGA’s staff have continued to perform to an extremely high standard, in very unusual and less than ideal conditions, and have jumped at opportunities to work on cross-cutting energy transition projects.

In a year when energy issues have been at the top of the public’s agenda, there are two key points which are sometimes overlooked.

First, according to official government figures, oil and gas still make up around three quarters of the UK’s energy consumption. They are forecast to be needed now and into the future; not just for heating, transport and power generation, but also as a feedstock for manufacturing other materials such as chemicals, medicines and more.

Second, the oil and gas industry – with its subsurface expertise, infrastructure and capital – is absolutely essential to a successful transition to net zero.

In the last horrendous Covid year, the OGA has been engaged across all fronts, working to give support where we can. That included: regulatory easing; flexibility; and pushing hard to stimulate activity for the supply chain.

There was no let up on our net zero programme. Our revised OGA Strategy has been brought into force with new net zero requirements for industry, while our new Net Zero Stewardship Expectation provides crucial guidance.

With OGA and industry support, government delivered the North Sea Transition Deal to help set industry firmly on this path; making commitments to help enable the transition to cleaner energy. The outcome of the government’s review into offshore oil and gas licensing should provide greater clarity on future licensing with the introduction of a climate compatibility checkpoint.

Despite the industry’s far sighted commitment to the Deal, support for industry can be neither indefinite nor unconditional. Deals work both ways. In particular, industry will be required to have a laser focus on meeting their emissions reductions targets. The OGA will hold them to account.

Significant investment, expertise and commitment are needed to get platform electrification and carbon capture and storage (CCS) into operation on a rapid timetable. The OGA is strongly supporting both. Clean blue and green hydrogen production, as well as floating offshore wind, should also be major beneficiaries. Advancement of these energy integration opportunities will be vital to retaining high value skills and anchoring what is already a world-class supply chain in the UK. The prize is significant, as CCS, electrification and offshore wind can between them absorb 60% of the UK’s required 2050 CO2 reductions.

Actions are needed now. Targets are all very well but delivering on them – or better still, exceeding them, is the real challenge. Real-life, tangible, working projects are urgently needed to demonstrate leadership and provide evidence that industry is part of the climate change solution and not the problem.

I am confident that the industry will deliver on its commitments. Sometimes the impression is given that that cannot be enough and that all will only be well if the industry simply ceases operations.

Yet the industry can only ever be part of the solution to climate change.

Without the industry there can be no CCS and without that the 2050 targets cannot be met. The industry will reduce its methane emissions but will other sectors make a similar contribution?

Oil and gas will be required as transitional fuels in the UK well into the 2030s and probably beyond. The length of that time will depend not just on electric vehicles but on household energy demand and people’s willingness to accept change, for example, extensions of the electricity transmission system and intrusive energy conservation adaptations in private homes.

The oil and gas industry will play its role in delivering the energy transition and help achieve the COP commitments. Those goals cannot be achieved without a thriving industry or in the absence of many other actions by sectors and individuals.

Following his retirement in September 2020, I would like to thank Robert Armour for his invaluable contribution to the Board over the past six years. During the year we welcomed Iain and Sarah as new Board members. The Board meetings have almost all been virtual and we are looking forward to meeting in person with corresponding opportunities to interact directly with staff and stakeholders.

The Board reviewed and approved this Annual Report and Accounts on 17 June 2021.

Tim Eggar
Chairman

Chief Executive's statement

As we continue to adapt to new ways of life brought by the pandemic, a green recovery provides an opportunity to help shape the future of significant parts of our economy and deliver the UK's commitment to net zero greenhouse gas emissions by 2050.

The OGA has a clear vision for the role oil and gas should play in supporting this while continuing to provide a valuable supply of energy to the UK energy mix for the foreseeable future.

The landscape in which industry operates has changed considerably over the last year. We successfully brought into force our revised Strategy to integrate net zero amid wider ongoing change. We thank industry for their positive engagement on this.

Ahead of COP26 later this year, the scale of the net zero challenge was made clear by the Climate Change Committee in their 6th Carbon Budget. Through the Prime Minister's 10-point plan and the Energy White Paper, government has articulated its position on energy production, the role of oil and gas and the role of authorities like the OGA in supporting net zero. In Scotland, the Just Transition Commission has rightly highlighted the need for people, communities and fairness to be an intrinsic part of the energy transition.

The North Sea Transition Deal was the culmination of lots of hard work between the government, industry and the OGA. The Deal, the Budget and the Industrial Decarbonisation Strategy saw commitment to funding exciting energy transition projects including electrification, CCS, the global underwater hub, the energy transition zone and hydrogen projects. The outcome of the government's licensing review described the need for climate-compatible future licensing rounds and we expect to be able to launch a new round in the not too distant future.

With OGA support, the UK Continental Shelf has proved particularly resilient – rallying and performing well in the face of COVID-19 and periods of very low commodity prices.

We've successfully introduced new emissions benchmarking and monitoring in order to hold industry to account on their collective emissions reduction targets.

Our interventions just in 2021 to date – reflecting the updated approach – have helped avoid around 970,000 tonnes of lifetime CO_2e emissions: the equivalent of taking half a million cars off the road in the UK for a year.

Overall, we've seen CO_2 emissions from offshore installations and terminals fall 10% between 2019 and 2020, a reduction of 1.6 megatonnes of CO_2. Offshore carbon intensity of production in the UK has also fallen from 21.2 $kgCO_2$/boe in 2019 to 20.2 $kgCO_2$/boe in 2020.

Flaring volumes have decreased by 22% in 2020 from the previous year, as production facilities cut the overall volume to 33 billion cubic feet (bcf), a reduction which is roughly equivalent to the gas demand of 200,000 UK homes, and is the lowest level of flaring on the UK Continental Shelf on OGA records.

The basin remains globally competitive fiscally and new entrants to the basin have invested in assets. Production efficiency has remained high at 80% for a second consecutive year, while, operating costs have decreased to £11.1 per barrel.

Looking ahead, we'll continue our net zero programme and Strategy, including updating associated guidance and introducing a new Supply Chain Stewardship Expectation. We'll continue working closely with industry and government to make sure the North Sea Transition Deal delivers what it set out to.

With all the net zero work ongoing, we are also keeping a sharp focus on resource progression; there are a number of valuable field development projects in the pipeline. We also look forward to seeing new field developments being electrified and we're actively supporting electrification projects in their early stages in the Central North Sea and West of Shetland.

Our Energy Integration Project is now into its third phase. A new Offshore Implementation Group is up and running and will bring us closer to our partners: the Department for Business Energy and Industrial Strategy (BEIS), Ofgem, The Crown Estate and Crown Estate Scotland.

We're taking data and digital to the next level this year with the launch of our Digital Energy Platform. This, the latest iteration of the National Data Repository (NDR), is all about greater capability and ease of access to our extensive suite of data offering.

In addition to the new supply chain expectation, we're continuing our focus on Supply Chain Action Plans (SCAPs) to drive maximum value for all. Our all-new Pathfinder website is now live and providing a platform for increased visibility of upcoming projects to the supply chain – in wider energy transition work as well as oil and gas.

I'm very grateful to my team for our considerable successes again this last year – achieved amid such difficult circumstances. I'd like to thank and pay tribute to their resilience, creativity and hard work.

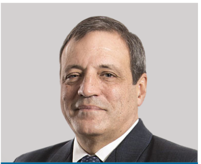
Dr Andy Samuel
Chief Executive

Strategic report

Governance and strategy

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 is responsible for setting the authority's strategic direction, policies and priorities.

Board of Directors and Company Secretary



Chairman

Tim Eggar

Chief Executive

Dr Andy Samuel

Non-Executive Director

Frances Morris-Jones

Non-Executive Director

Mary Hardy

Non-Executive Director

Dr Sarah Deasley

Non-Executive Director

Iain Lanaghan

Shareholder Representative Director

Emily Bourne

Director of Corporate and Chief Financial Officer

Nic Granger

Company Secretary and General Counsel

Dr Russell Richardson

Leadership team

Chief Executive

Dr Andy Samuel

Director of Operations

Scott Robertson

Director of Regulation

Tom Wheeler

Director of Strategy

Hedvig Ljungerud

Director of Supply Chain, Decommissioning and HR

Stuart Payne

Director of Corporate and Chief Financial Officer

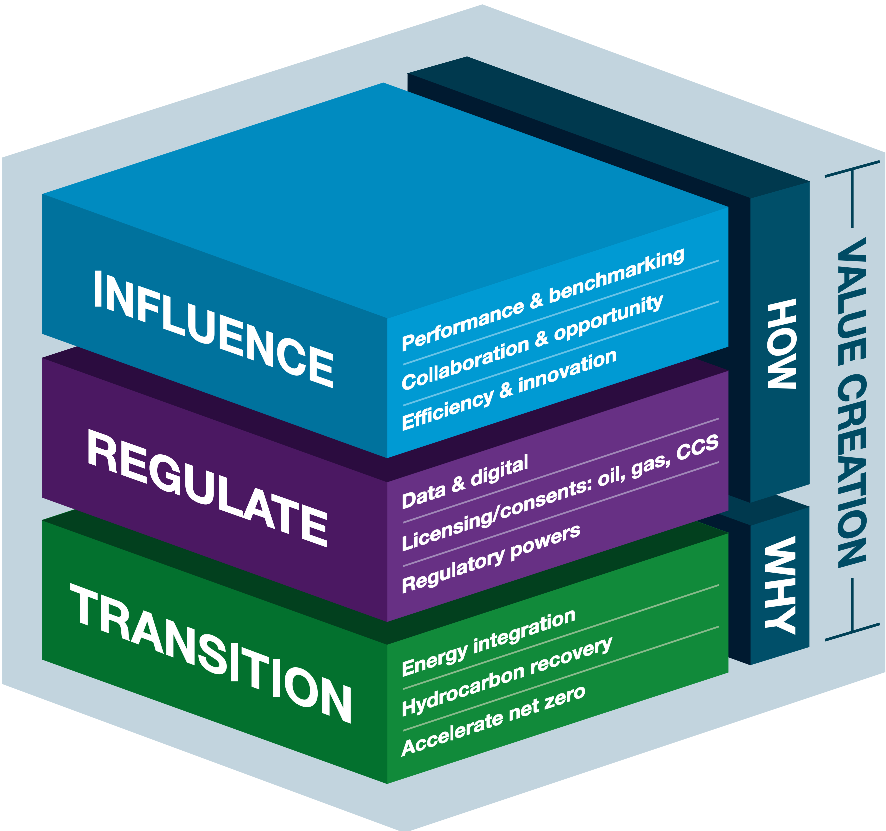
Nic Granger

General Counsel

Dr Russell Richardson

OGA role

The OGA's role is to regulate and influence the UK oil and gas industry. The OGA aims to be a value creator; maximising economic recovery from the UK's hydrocarbon resources and helping meet the UK's energy demands, whilst supporting the industry's energy transition and move to net zero carbon by 2050. It works in conjunction with other regulatory authorities and has a range of powers to deliver this remit.



OGA values:

Accountable

Fair

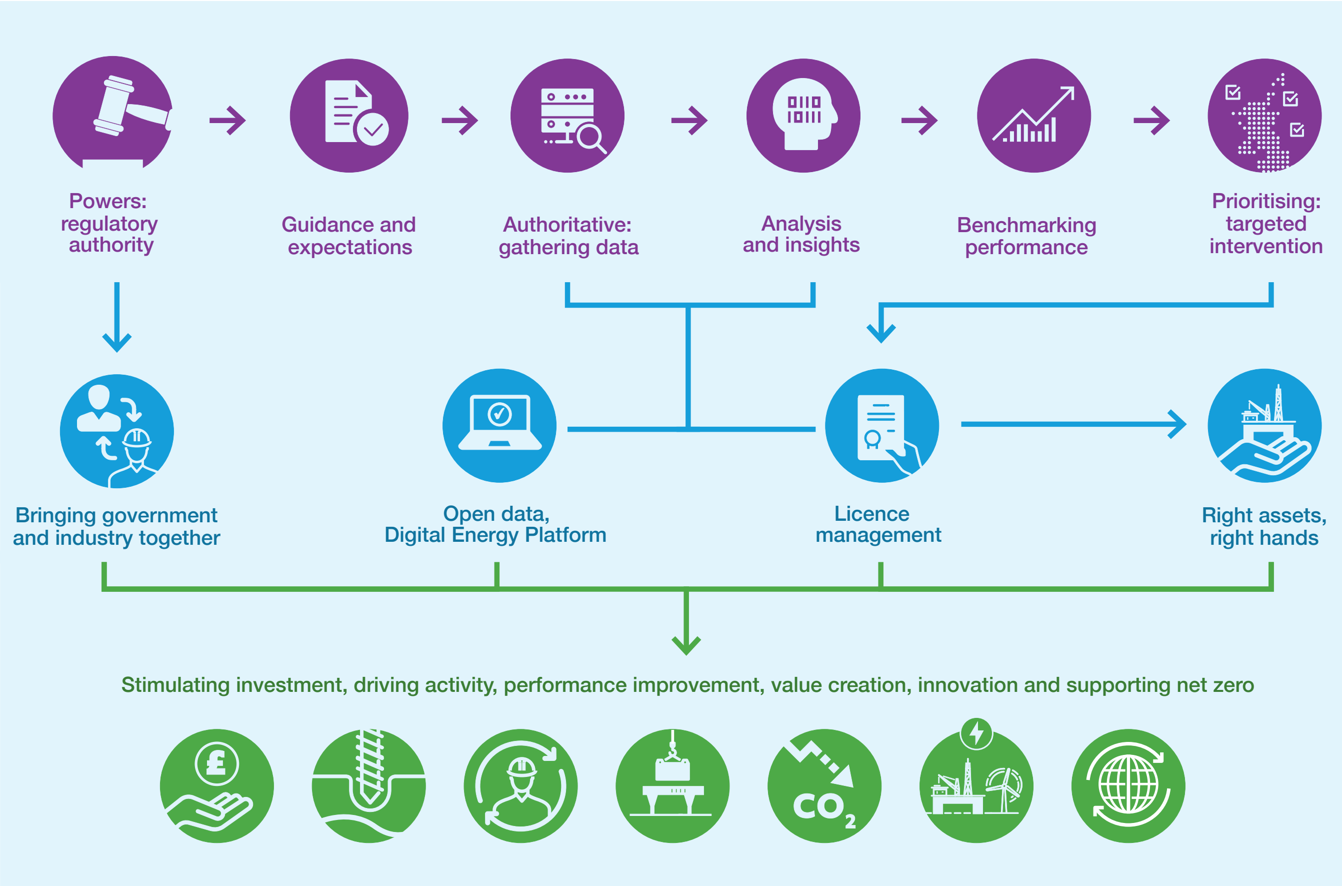
Robust

Considerate

The OGA regulates the exploration and development of England's onshore oil and gas resources and the UK's offshore carbon storage, gas storage and offloading activities. Under the MER UK Strategy, the OGA developed novel methods to influence positive delivery, value generation and cultural change across the UK's oil and gas industry, working alongside the industry and government. The new OGA Strategy supports and contributes to the UK's net zero ambition and complement the OGA's existing stewardship and energy integration work.

The OGA is a government company whose sole shareholder is the Secretary of State for BEIS. The OGA Board is responsible for setting the authority's strategic direction, policies and priorities.

How we work



The OGA Strategy came into force on 11 February 2021 and is a revision of the MER UK Strategy (which came into force in 2016). The OGA Strategy reaffirms the organisation's purpose and direction and reflects the ongoing energy transition. It features a range of net zero obligations on the oil and gas industry and calls on industry to work collaboratively with the supply chain by actively supporting Carbon Capture Storage (CCS) and hydrogen production projects. The OGA will monitor governance closely and ensure that carbon costs are considered in its regulatory decisions.

Role of oil and gas in transition to net zero

Government forecasts show that oil and gas will remain an important part of the UK's energy mix for the foreseeable future and during the transition to net zero.

UK needs to maintain a secure energy supply which is cleaner, and supports/contributes to net zero. The role of oil and gas in the energy transition includes:

The OGA's performance against the key performance measures in its 2019-2024 Corporate Plan is set out on page 13.

The OGA 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 OGA works closely with industry and governments to attract investment and jobs to retain and develop vital skills and expertise in the United Kingdom. The OGA is headquartered in Aberdeen, with a second office in London.

Regulatory framework

Legislative Context	Infrastructure Act 2015	Energy Acts 2011 and 2016	Petroleum Act 1998

Principal Objective	The principal objective is that of ‘maximising the economic recovery of UK petroleum’

Central Obligation

A. secure the maximum value of economically recoverable petroleum from the strata beneath relevant UK waters; and in doing so,

B. take appropriate steps to assist the Secretary of State in meeting the net zero target including by reducing as far as reasonable in the circumstances greenhouse gas emissions from sources such as flaring and venting and power generation, and supporting carbon capture and storage projects.

Supporting Obligations				
	Development	Asset stewardship	Technology	Decommissioning
	CCS projects	Corporate governance	Exploration	Collaboration

Regulatory Powers	OGA Plans	Non-binding dispute resolution	Information and samples	Meetings	Licence model clauses	Third party access	Sanctions

Guidance	Statutory, non-statutory and Stewardship Expectations

Sanction Notices	Enforcement notice	Financial penalty notice	Operator removal notice	Licence revocation notice

The OGA 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 https://www.ogauthority.co.uk/regulatory-framework/overview/

Financial overview

Revenue

The OGA raised levy for the year of £29.6M and fees and charges of £1.9M to cover the core costs of running the organisation.

As in previous years, where levy is unspent it will be returned to licence holders. This year there will be a rebate of £3.2M returned to licence holders through a levy repayment, which was excluded from the statement of comprehensive income. The OGA 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 OGA reprioritised work during the period of low oil and gas prices and the pandemic. This resulted in some levied programme spend being ringfenced to be returned to industry. Other savings were achieved due to staff vacancies not advertised, reduced travel, the move to online training and the deferral of decisions relating to office accommodation. The OGA continued to invest and develop digital solutions to support the industry and other stakeholders. In all decisions with a financial impact, the OGA ensured that the best value for money was achieved.

Viability statement

Directors have assessed the OGA's prospects over the period of the Corporate Plan through to March 2024 https://www.ogauthority. co.uk/news-publications/publications/2019/oga-corporate-plan-2019-2024/, taking into account the OGA's current financial position, its historical performance, the 2019-24 Corporate Plan and the risks and mitigating factors described on page 9.

Whilst the principal risks all have the potential to affect future performance, none are considered likely to threaten the viability of the OGA over the Corporate Plan period. The Board regularly reviews the financial position of the OGA, including its project funding requirements. The OGA 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. Cash flow is actively managed during the year.

The Directors are satisfied that responsibility is delegated systematically in the OGA, 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 OGA Strategy has been laid in parliament and reaffirms the purpose and direction of the organisation. The OGA reports its own emissions performance on page 10.

Directors agree that information provided to the Board is concise and clear and can be readily scrutinised (as reported in the Corporate Governance report and the Directors report on pages 17-25).

Directors are satisfied that management implemented comprehensive measures to support staff following the move to home working, in line with government COVID-19 guidance and in full consultation with staff. The Directors do not anticipate any ongoing impact following the end of the transition period, and the UK's departure from the EU, nor that this change will have a negative effect on the OGA's income.

The OGA 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 its 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 OGA's operations over the period of the Corporate Plan. Based on this review, Directors confirm that they have a reasonable expectation that the OGA will continue in operation and meet its liabilities as they fall due.

Summary

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

Developing our people

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

The OGA's goal is to ensure that these commitments, reinforced by the OGA's values, are embedded in day-to-day working practices for all staff, our partners in government and in industry. The OGA published its second Inclusion Report in 2021, to support improving the level of inclusion and diversity within the oil and gas industry.

Principal risks

Risk	Risk description	Mitigation action
1.	Uncertain political and economic landscape/ attractiveness of the UKCS.	Work with industry and BEIS to implement North Sea Transition Deal. CCS and energy integration work programme. Engagement plan with MPs and MSPs. Maintain watching brief on Cabinet Office controls review.
2.	Industry's social licence to operate.	OGA has set net zero goals for industry in advance of COP26. Coordination with UK and Scottish governments. Stakeholder engagement and communications plan.
3.	UKCS value is not realised.	Work with industry and BEIS to implement North Sea Transition Deal and UK energy strategy.

Environment report

The OGA's carbon emissions for the period were 51.28 tonnes of carbon dioxide equivalent (tCO_2e). Electricity accounts for the largest proportion of these emissions, at 26.03 tCO_2e (50.77% of the total).

Breakdown of annual greenhouse gas emissions by activity type for 2020-21

Activity	Units	$t\ CO_2e$	% of total
Electricity			
Aberdeen	50,851 kWh		
London	60,787 kWh		
Total	**111,638 kWh**	**26.03**	**50.77%**
Gas			
Aberdeen	8,309 m3		
London	3,721 m3		
Total	**12,030 m3**	**24.33**	**47.46%**
Water			
Aberdeen			
London	408 m3		
Total	**408 m3**	**0.14**	**0.27%**
Waste			
General waste			
Aberdeen	1,150 kg		
London	236 kg		
Sub-total	1,386 kg	0.03	
Recycled waste			
Aberdeen	634 kg		
London	153 kg		
Sub-total	787 kg	0.02	
Shred-It recycling			
Aberdeen	373 kg		
London	1,742 kg		
Sub-total	2,115 kg	0.05	
Total waste	**4,288 kg**	**0.10**	**0.18%**
Travel			
Flight	2,568 km	0.63	
Rail	1,291 km	0.05	
Total	**3,859 km**	**0.68**	**1.32%**
Total		**51.28**	**100%**

Carbon emissions

The OGA's total carbon emissions from electricity fell by 12.19tCO_2e (31.89%) compared to 2019-20 due to the closure of both offices for most of the year. Gas consumption in London, which is estimated based on floorspace in a multi-tenanted building, decreased by 3.97 tCO_2e (34.52%); however, total consumption is higher because the previous landlord in Aberdeen did not separate the cost of gas from the service charge. The new landlord reports the cost of gas usage separately.

The OGA's total emissions from business travel were 0.68 tCO_2e, which represents a reduction of 99.59% compared to the previous year due to travel restrictions and increased virtual working.

The OGA's total carbon emissions fell by 162.09 tCO_2e due to office closures and travel restrictions during the COVID-19 pandemic.

Year on year analysis

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

Water

The OGA used 408m3 of water, equivalent to 0.14 tCO_2e, in 2020-21. Water consumption at our London site is estimated based on the OGA's floorspace in a multi-tenanted building and decreased by 48.52% 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 1.4t and 0.03 tCO_2e. Recycled waste accounted for 0.8t and 0.02 tCO_2e. General and recycled waste are estimated based on the OGA's floorspace in multi-tenanted buildings and reduced by 0.07tCO_2e year on year due to office closures during the COVID-19 pandemic.

Recycled paper (shred-it) amounted to 2.1t and 0.05 tCO_2e, which is a reduction of 0.07 tCO_2e.

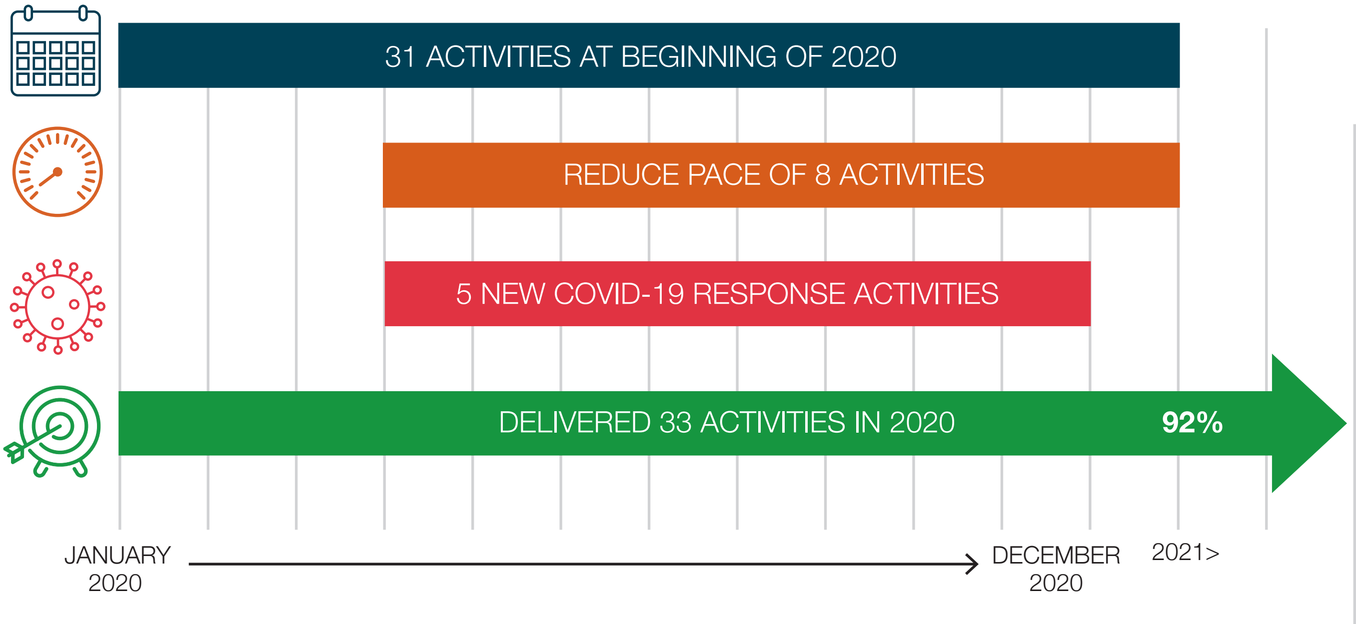
Signed for and on behalf of the Board

Dr. Andy Samuel
Chief Executive
25 June 2021

Accountability report

On 1 January 2020 the OGA Activity Plan contained 31 high level activities. In response to external events relating to the COVID-19 pandemic in March 2020, 8 activities were deprioritised to a reduced pace, while 5 new cross cutting activities were added, reflecting crisis response and recovery activities. At the end of 2020, 92% of both the originally planned and the additional crisis response activities were complete.

OGA Activity Plan 2020 – progress



Key Performance Indicators

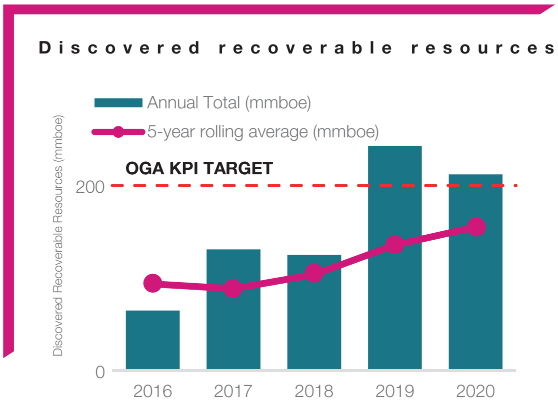
There has been clear progress on the Key Performance Indicators established in the OGA Corporate Plan 2019-2024. Of particular note is industry's attainment of the 80% target for production efficiency for the second consecutive year and the continued discipline demonstrated by operators on operating costs. The OGA added a further KPI in 2020, adopting the 50% production emission reduction by 2030 as a KPI, and will monitor the year on year emissions reduction and progress towards the KPI.

2020 Key Performance Indicators

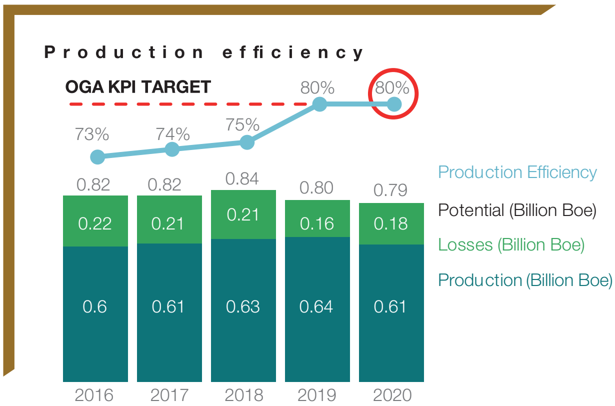
	KPI Target Definition	2020/21 update	RAG	
Revitalised Exploration	The average of the total recoverable resources discovered on the UKCS for the calendar year being measured and the previous four calendar years, to be at least of 200 million boe.	2020 was a positive year for Exploration in the UKCS with a total of 212 mmboe discovered. The successes in 2019 and 2020 have brought the average for the year being measured and the previous four calendar years upwards to 155 mmboe, however this remains below the target of 200 mmboe.		
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.	Economic Production Efficiency (EPE) retained at 80% in 2020 achieving the OGA KPI target for a 2nd consecutive year.		
Enhanced Asset Stewardship	For the calendar year being measured, UKCS UOC (Unit operating cost: Total UKCS OPEX/Total UKCS Production) in 2017 prices to be within 15% over or under the 2017 level of £11.6/boe. That is, between £9.9/boe and £13.3/boe (2017 prices).	In 2020, the UKCS unit operating cost (UOC) was £11.13 per barrel of oil equivalent (boe). In 2017 prices this equates to £10.54/boe which is within the +/-15% envelope (£9.86/boe to £13.34) of the 2017 UOC.		
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 CO2 emissions from combustion fell 9% from 2018 to 2020. UKCS flared gas volumes fell 25% over the same time period. Full data required to compare all relevant GHG emissions to the KPI target and baseline will be available later in 2020.		
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.	72 million barrels of oil equivalent (boe) were progressed from 2C to 2P in 2020, which was comprised of 35 million boe progressed through new field developments. This reflects a reduction on 2019 figure of 158mmboe.		
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.	The 2020 estimate of the total cost of decommissioning remaining has reduced by 23%, on a like-for-like basis, to £46.2bn compared with a 2017 base-line estimate of £59.7bn. Between the 2019 and 2020 the reduction was 4%.		
Improve Decommissioning Efficiency	For 90% of all assets, an AACE class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity.	Class 1-3 distribution was 42% in 2016, 38% in 2017, 65% in 2018, 69% in 2019 and 79% in 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 OGA staff survey.	The 2019 OGA Staff Survey showed an overall positive engagement score of 68% representing a 12% average increase across all categories. The next Staff Survey will be carried out in Q3 2021. The bi-annual engagement survey is due to commence in summer 2021. This year our focus has continued to be on employee wellbeing and ensuring the OGA is a Great Place to Work. This has been measured through the responses to our 2020 HSE Employee Wellbeing survey. 98% of staff responded and the results showed a score, on average, of 4 out of 5 which is above the 3.7 average baseline.		

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

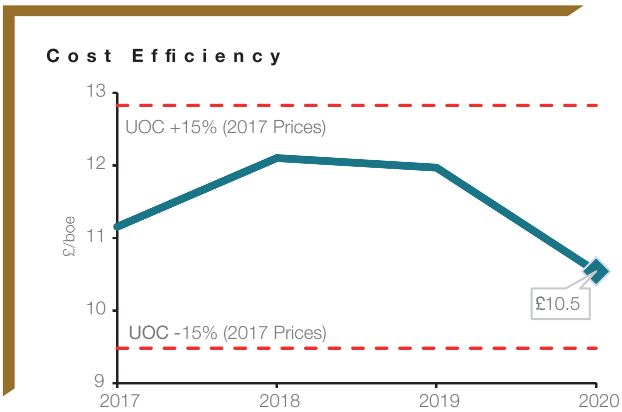
1. Revitalised Exploration



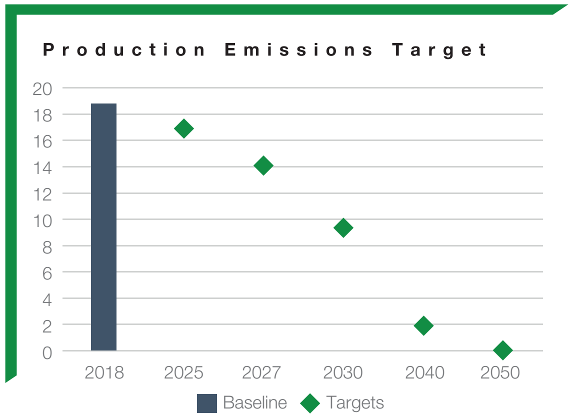
2. Enhanced Asset Stewardship



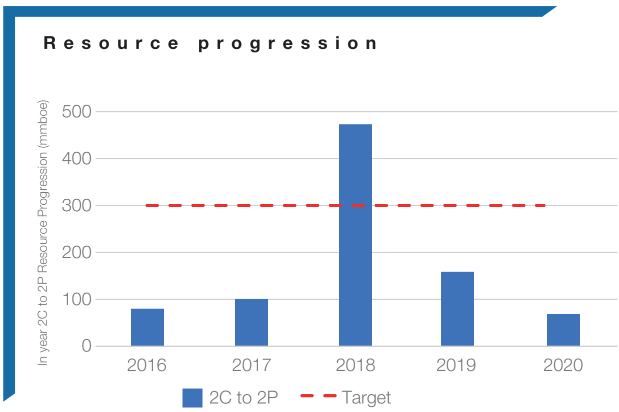
3. Enhanced Asset Stewardship



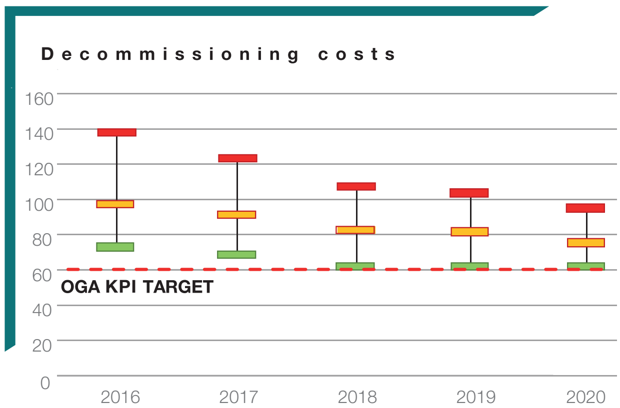
4. Net Zero



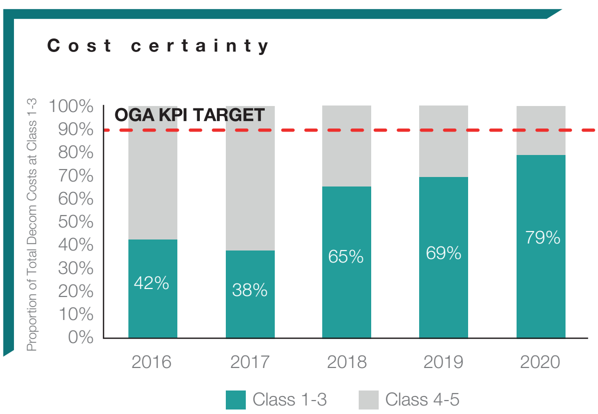
5. Regional Development



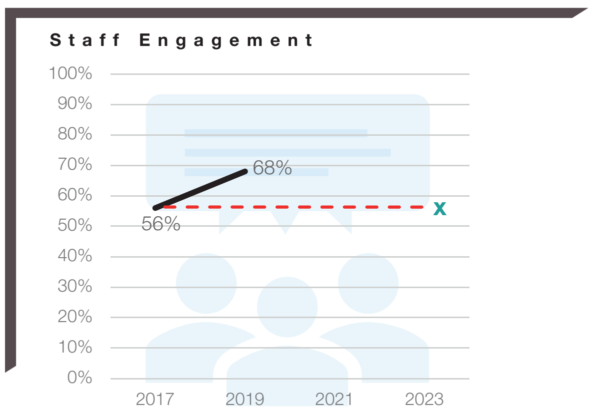
6. Improve Decom Efficiency



7. Improve Decom Efficiency



8. People, processes and systems



Measuring Success

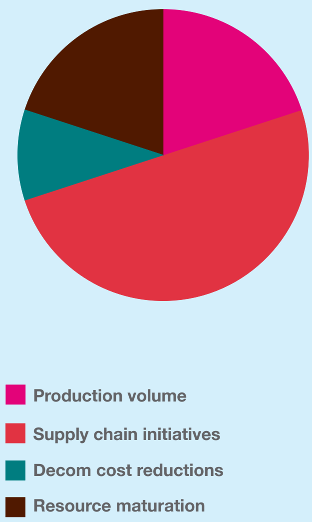
The OGA continues to measure success through the use of a success stories tracker which allows the impact of the OGA to be identified and quantified using key metrics. These metrics look at expected future volume of oil and gas production, capital expenditure committed to new projects and reduced or avoided costs through improved or accelerated outputs.

430 success stories to date **27** in 2020/21

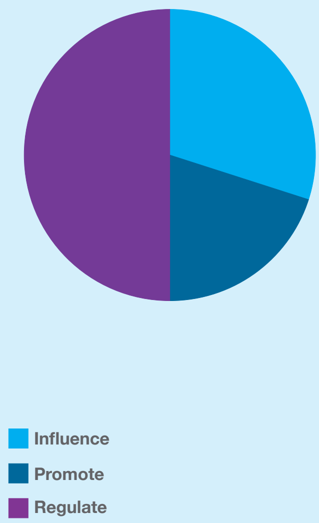
Success metrics

	TO DATE	20/21
Tripartite barrels (mmboe)	1551	5
Costs mitigated £M	1039	19
Value of investments £bn	5.0BN	412M
Time saved to industry (fast-tracked consents)	4595 DAYS	427 DAYS
Decommissioning cost savings (£M)	517	353

Impact on industry



Action by the OGA



The OGA has developed a success stories tracker, dashboard and methodology to allow to be quantified (relative to what would have happened in the absence of support or intervention) using key metrics:

- Expected future volume of oil and gas production
- Capital expenditure committed to new projects
- Reduced or avoided costs through improved or accelerated outputs

CO_2e

During the past year, the OGA has also looked to quantify its role in influencing the reduction of greenhouse gas emissions, with initial estimates suggesting interventions during 2021 to date – reflecting the new approach – are expected to avoid lifecycle emissions of 970 thousand tonnes of CO_2e.

970K

Emissions Prevented
(tonnes of CO_2 equivalent)

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 OGA.

Fees and charges disclosures (audited)

The OGA, 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 OGA 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 OGA 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 corporate governance report, the auditor's report and the financial statements for the year from 1 April 2020 to 31 March 2021.

When making decisions, Directors have regard to their duties as Directors, including the broad duty, under Companies Act 2006 s.172, to consider the views of relevant stakeholders. The Board invites industry and regulatory experts to Board meetings and dinners and to its annual strategy meeting with the Leadership Team. Directors normally attend the annual all staff meeting and invite members of staff to informal lunches after Board meetings. The pandemic has prevented most of these events, however one virtual session with a small group did go ahead.

The Board appreciates the considerable contribution of its skilled, experienced and committed staff in delivering the company's objectives and its functions and Directors take care to consider the impact on staff of the decisions it takes. The OGA is a fair and considerate employer which offers comprehensive flexible working arrangements and recognises the value of a workforce from diverse backgrounds. The company has provided a very high level of support to staff during the pandemic. The OGA supports staff with training opportunities and encourages career, leadership and personal development. 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 OGA 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 and regular company briefings, spanning both offices, provide a further opportunity for staff to raise questions and concerns.

The Board is confident that the 2019 staff engagement survey was an effective barometer of staff sentiment. The survey is to be repeated in 2021.

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

The OGA is committed to minimising its own impact on the environment and presents its environment report on page 10.

During the year, the company made no direct charitable or political contributions, but staff organised fund-raising activities for some charities, usually local to the Aberdeen or London offices.

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

The company has prepared its 2020-21 financial statements in accordance with International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2021 are set out on pages 42-66.

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

The OGA had 180 employees on 31 March 2021 (including secondees and executive directors, but excluding interim contractors and non-executive directors). There were 2 interim contractors as at 31 March 2021.

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 to operate for the foreseeable future, and 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 will 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 International Accounting Standards.

Directors are satisfied that they 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.

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 OGA's principal risks are set out on page 9 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. No non-audit services were provided by the external auditor or its contractor, Ernst & Young LLP (EY). No Director is a related party to EY.

By order of the Board

Dr. Russell Richardson
Company Secretary
25 June 2021

Corporate Governance Report

Directors are pleased to present the company's corporate governance report for the financial year ended 31 March 2021, reporting under the UK Corporate Governance Code.

The Oil and Gas Authority (company number 09666504) was incorporated on 1 July 2015. The company was vested with its powers under the Energy Act 2016 on 1 October 2016. The company has one shareholder, the Secretary of State for Business Energy and Industrial Strategy (BEIS), a Corporation Sole.

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

The OGA'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 OGA 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 OGA's financial and performance accountabilities to Parliament and to its sole shareholder. BEIS conducted the first three-year review of the OGA in 2019 and published its report in January 2020.

On 23 July 2020 the OGA was classified by government as a Non-Departmental Public Body (NDPB), sponsored by BEIS.

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 OGA.

The OGA 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.

Iain Lanaghan joined the Board on 20 April 2020 and Sarah Deasley joined the Board on 1 October 2020. Robert Armour retired from the Board on 30 September 2020.

The Board considers Tim Eggar, Frances Morris-Jones, Mary Hardy, Iain Lanaghan and Sarah Deasley to be independent Directors. Frances Morris-Jones is the Senior Independent Director.

The OGA 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 OGA's corporate plan, long-term objectives and overall strategic policy framework.
- Approving the OGA's annual budget and overall financial policy.
- Approving the OGA'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, which is available to all staff on the OGA's management system and is regularly reviewed and updated.

The Board met seven times in 2020-21. The majority of meetings were held by video conference, due to the COVID-19 pandemic. The Board met in person for its annual strategy day in September. Seven Board meetings are scheduled for 2021-22.

The Chairman periodically meets Non-Executive Directors without the Executive Directors.

Induction of directors

Directors receive a tailored induction to the OGA and its broader context, including a programme of meetings with key internal and external stakeholders. Directors are briefed on their duties under the Companies Act 2006, the UK Corporate Governance Code, the Code of Conduct for Board Members of Public Bodies and Managing Public Money.

Due to government restrictions imposed in response to the COVID-19 pandemic, all Iain Lanaghan and Sarah Deasley's introductory meetings with internal and external stakeholders were held by video conference. Site visits were not possible during the year but Non-Executive Directors were invited to attend a series of all staff sessions on the energy transition and stewardship, BEIS seminars for Board members of public bodies and other external conferences – all by video conference.

Board committees

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

The Audit and Risk Committee reviews and monitors the company's financial accounting and reporting processes and the integrity of financial statements. It reviews the company's system of internal control, including its internal audit function, the independence and effectiveness of the external auditor and the effectiveness of management's actions to mitigate strategic risks. The Audit and Risk Committee receives regular reports on the OGA's ability to defend itself against cyber attack and protect personal data.

The Audit and Risk Committee is chaired by Mary Hardy and met three times in 2020-21. Iain Lanaghan, Frances Morris-Jones and Robert Armour were committee members during the year. Iain Lanaghan was appointed to the committee in April 2020.

The committee reviewed the external and internal audit plans, progress with these plans and scrutinised the final reports. It took assurance on the OGA's financial statements, financial management, and management of strategic risks. The committee took assurance on management's actions to protect the OGA against fraud and cyber attack.

The Nomination Committee reviews the size, composition and effectiveness of the Board and its Committees. It oversees succession planning and makes recommendations to the Board on the appointment of Directors, having due regard to talent and diversity of background and experience.

The Nomination Committee is chaired by Tim Eggar. Iain Lanaghan, Mary Hardy, Frances Morris-Jones, Sarah Deasley and Robert Armour were committee members during the financial year. Iain Lanaghan was appointed to the Committee in April 2020. Sarah Deasley was appointed to the committee in November 2020.

The Nomination Committee met twice in 2020-21 to discuss recruitment of two Non-Executive Directors to succeed Mary Hardy and Frances Morris-Jones, who will retire from the Board at the end of September 2021.

The Remuneration Committee reviews and recommends to the Board the framework and policy for 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, Mary Hardy, Frances Morris-Jones and Robert Armour and were committee members during the financial year. Iain Lanaghan was appointed to the Committee in April 2020. Sarah Deasley was appointed to the committee in November 2020.

The Remuneration Committee met twice in 2020-21, to review 2020-21 performance management outcomes and approve annual bonuses, and to review and approve 2021-22 pay awards and 2021-22 objectives setting.

Board effectiveness evaluation

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

Actions from 2019-20 internal review

Due to COVID-19 restrictions, the Board has had to postpone a planned stakeholder visit and a scheduled corporate governance refresher session. The Board Secretary notifies Directors by email between meetings of emerging announcements and events of note.

2020-21 external review

The external Board evaluation was conducted by SCT Consultants in spring 2021. Directors and the Company Secretary completed a confidential questionnaire before attending individual interviews with SCT Consultants, the second of which was to discuss feedback on their performance, including that of the Chairman. SCT Consultants observed the March Board meeting and presented their report to Board in May. They reported that the OGA Board is highly effective, clear about its role and purpose, well managed and effectively supported. The Board is well chaired, has a positive and constructive atmosphere and has a propensity to find solutions, not simply to challenge and question. The quality of Board papers is very good, balancing data and analysis very effectively in support of good decision-making. Board committees are well run and effectively supported by the Leadership Team.

The report made eight recommendations, many of which were already planned, which build on the Board's strengths. The Board Secretary will track progress with implementing them.

Declaration of Directors’ financial interests

In accordance with the OGA’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 OGA. 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, Frances Morris-Jones, Iain Lanaghan and Robert Armour to be sufficiently significant to impair their independent judgement in Board discussions. The Board does not consider that any decision within the OGA’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 2021
Tim Eggar	6 March 2019	140,511 equity shares MyCelx Technologies Corporation	57,610
		Family member holdings: 4,099 BP ordinary shares	12,092
		1,875 Shell ordinary shares	25,031
Frances Morris-Jones	19 October 2015	18,636 BP ordinary shares	54,976
		3,715 ConocoPhillips ordinary shares	105,428
		1,857 Philips 66 ordinary shares	81,098
		1,194 Lloyds Bank ordinary shares	499
Iain Lanaghan	21 April 2020	1,017 BP ordinary shares	3,000
		358 Shell ordinary shares	4,779
Robert Armour	21 March 2017	Family member holdings: 8,807 BP ordinary shares	25,980
		1,702 Shell ordinary shares	22,721

Frances Morris-Jones’s holding of BP shares increased during the year as part of a dividend reinvestment programme.

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

Robert Armour resigned from the Board on 30 September 2020.

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

Emily Bourne submitted a nil return to BEIS.

Directors – other directorships and offices

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Tim Eggar	Chairman, MyCelx Technologies Corporation Strategic Advisory Board, Braemar Energy Ventures Investment Committee, Platina Partners Mentor, Criticaleye Director, The Gipsy Hill Brewing Company	Chairman of Shiplake Court Enterprises Ltd (until December 2020) Director of Shiplake Court Ltd (until December 2020)	
Frances Morris-Jones	Non-Executive Member, Standards Policy and Strategy Committee of the board of BSI Group	Trustee and member of the Finance, Governance and Nomination subcommittees, 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
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
Dr Andy Samuel		Director, Oil and Gas Technology Centre Director, Opportunity North East (until May 2021) Director, Energy Transition Zone Ltd	Petroleum Exploration Society of Great Britain Geological Society
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)	Institute of Chartered Accountants in England and Wales The Chartered Institute of Public Finance and Accountancy Institute of Directors. BCS, The Chartered Institute of IT

Iain Lanaghan	Non-Executive Board Member and Audit Committee Member, Scottish Water (owned by the Scottish Government) and two subsidiaries Non-Executive Director and Audit Committee Chairman of UK Government Defence Equipment and Support Agency (DE&S), an Arms' Length Body of the Ministry of Defence Non-Executive Director of Movell and Metropolitan European Transport (until 18 December 2020) Occasional consultancy as Iain M Lanaghan		Institute of Chartered Accountants of Scotland
Sarah Deasley	Executive Director, Frontier Economics	Trustee, Sustainability First Advisory Board, Carbon Connect	
Emily Bourne		Board Member, POWERful Women	
Robert Armour*	Chair, Brockwell Energy Group Ltd. Director, Albion Community Power Ltd. Director, Nuclear Liabilities Fund Ltd. Consultant, Gowlings WLG LLP. Director, Eneus Energy Ltd. Director, Dalriada Energy Ltd. Director, Opportuneo Ltd.		Law Society of Scotland Fellow, Energy Institute Member, Nuclear Institute Fellow, Chartered Governance Institute

* Also sits on certain subsidiary companies of Albion Capital Group or Albion Community Power Ltd., which hold solar or hydro-electric assets. These are:- Avesi Limited, Regenerco Renewable Energy Ltd, The Street by Street Solar Programme Ltd, Green Highland Renewables (Lock Arkaig) Ltd, Chonais River Hydro Ltd, Chaorach Holdings Ltd, Chaorach Hydro Ltd, Bruachaig Hydro Ltd, Liatrie Burn Hydro Ltd, Gharagain River Hydro Ltd.

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

* Robert Armour resigned from the Board on 30 September 2020.

Directors – dates of appointment

At the end of the reporting year, the company had eight Directors, as follows.

Name	Date of appointment	Re-appointed
Tim Eggar	6 March 2019	–
Frances Morris-Jones	27 September 2016*	1 October 2018
Mary Hardy	27 September 2016**	1 October 2019
Andy Samuel	27 September 2016	–
Nic Granger	2 November 2016	–
Iain Lanaghan	20 April 2020	–
Sarah Deasley	1 October 2020	–
Emily Bourne	21 March 2018	–

* Appointed to the predecessor Executive Agency Board on 19 October 2015

**Appointed to the predecessor Executive Agency Board on 1 November 2015

Directors – attendance at Board meetings and Committees

	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Total meetings 2020-21	7	3	2	2
Tim Eggar	7	–	2	2
Frances Morris-Jones	7	3	2	2
Mary Hardy	7	3	2	2
Andy Samuel	7	2(3)	2	2
Nic Granger	7	3	–	–
Iain Lanaghan	7	3	2	2
Sarah Deasley	3(3)	–	2	2
Emily Bourne*	5(7)	0(3)	1(2)	2
Robert Armour	4(4)	1(1)	–	1(1)

* A BEIS official represented Emily Bourne at two Board meetings and all three Audit and Risk Committee meetings. Emily Bourne exceptionally attended the Nomination Committee in January 2021.

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

Staff policies

The OGA periodically reviews its Code of Conduct, which sets out the obligations and responsibilities of staff and Directors, including under Statute. During 2020-21 a new Information Security policy was implemented and the Conflicts of Interest policy was reviewed and updated.

Quality assurance of analytical models

The OGA continues to develop its analytical modelling capacity and capability. It develops and implements a quality assurance framework on an ongoing basis, with particular emphasis on business-critical models. This is consistent with Sir Nicholas MacPherson's 2013 review of quality assurance of government analytical models and will provide greater confidence in the robustness of the OGA's modelling work.

Declaration of staff financial interests

The OGA 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 OGA's Security Operations Centre monitors cyber security and fraud threats. The Chief Digital Officer chairs the OGA'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 period, no concerns were raised under the raising concerns at work (whistleblowing) policy.

Data protection

The OGA's Data Protection Officer monitors the OGA's compliance with data protection law. Staff are required to undertake annual Responsible for Information online training.

The OGA reported one data breach to the Information Commissioner in 2020-21. The Information Commissioner decided that, given the action the OGA had taken and was taking, no further action was necessary.

Risk management

Directors have delegated regular review of management's handling of the company's strategic risks to the Audit and Risk Committee. The OGA maintains a strategic risk heat map which identifies the top external and internal risks, including those identified and escalated from within the organisation and those identified by the Leadership Team or by a Board Committee.

All risks in the strategic risk heat map 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 normally reviews strategic risks, from a clean sheet perspective, once a year. In 2020-21, the Board reviewed strategic risks in November 2020 and March 2021.

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 OGA are detailed on page 9.

By order of the Board signed

Dr. Andy Samuel
Chief Executive
25 June 2021

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 Corporate Governance Statement.

The OGA's focus continues to progress with major changes aligned to the corporate plan, 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 as intended.

The HIA opinion over the OGA's framework of governance, risk management and management control is 'Moderate'. There are no major weaknesses or issues within the systems, processes and policies we reviewed from internal audit work completed.

Remuneration and staff report

Remuneration policy

The remuneration policy for OGA staff, including former Senior Civil Servants, is set 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 OGA 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

OGA 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 OGA, and ensuring that there is an inclusive environment for them to deliver, is something the company is serious about and demonstrates the OGA's values in action. As part of this commitment, the OGA 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 OGA (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 31 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 2020-21* (£'000)	Pension Benefits 2020-21 (£'000)	Total 2020-21 (£'000)	Accrued pension at pension age at 31/3/21 (£'000)	Real increase in pension and related lump sum at pension age to 31/3/21 (£'000)	CETV at 31/3/21 (£'000)	CETV at 31/3/20 (£'000)	Real increase in CETV (£'000)
Dr Andy Samuel	285-290	85-90*	–	375-380	–	–	–	–	–
Nic Granger	145-150	5-10	51	205-210	10-15	2.5 - 5	126	94	18

* 2020-21 bonus payment includes 2019/20 performance year and pro-rated amount for April to December 2020.

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

Non-executive directors	Expiry date of current contract	Fee 2019-20 (£)	Fee 2020-21 (£)
Tim Eggar Non-executive Chairman	10 March 2022	80,000	80,000
Mary Hardy Non-executive director and Chairman of Audit and Risk Committee	30 September 2021	25,200	25,200
Frances Morris-Jones Non-executive director and senior independent director	30 September 2021	20,200	20,200
Robert Armour Non-executive director (up to 30 September 2020)	30 September 2020	20,200	10,100
Iain Lanaghan Non-executive director (from 20 April 2020)	20 April 2023	-	19,140
Sarah Deasley Non-executive director (from 1 October 2020)	1 October 2023	-	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 for the OGA in the financial year 2020-21 was £375,000 to £380,000 (2019-20: £335,000-£340,000). This was 5.86 times (2019-20: 5.40 times) the median remuneration of the workforce, which was £64,419 (2019-20: £62,498). In 2020-21, no employees (2019-20: nil) received remuneration in excess of the banded remuneration of the highest-paid director. Remuneration ranged from £23,614 to £380,000 (2019-20: £23,834 - £340,000).

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 2020-21.

No senior managers have received compensation for loss of office in the financial year 2020-21.

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

Staff costs

	Permanent staff (£'000)	Others* (£'000)	Total (£'000)
Wages and salaries	11,870	623	12,493
Social security costs	1,371	-	1,371
Pension costs	2,859	-	2,859
Sub total	**16,100**	**623**	**16,723**

* Others include contractor costs for the financial year ending 31 March 2021.

Average number of people employed

	Number
Permanent staff	167
Others	4
Total	**171**

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 centrally-provided 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 OGA 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 OGA has a dual role in this regard, recognising its responsibilities as an employer of public servants and as an industry authority. The OGA works actively with partners, such as Oil and Gas 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 OGA'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 OGA continues to look at what further actions it can take to improve on this recognition and to learn from others.

The OGA has a clear inclusion and diversity action plan covering 2021, which includes new elements which seek to support both line managers and staff.

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

%	Males	Females
Gender	55	45

%	Full Time	Part Time
Working Pattern	94	6

%	Not Disabled	Declared Disabled	Unknown	Prefer Not to Say
Disability	61	1	32	6

%	White	Non-White	Unknown	Prefer Not to Say
Ethnicity	69	11	16	4

%	Below 20	21-30	31-40	41-50	51-60	61 and over
Age	0	13	27	30	23	7

%	Heterosexual/ Straight	LGBT	Unknown	Prefer Not to Say
Sexual Orientation	75	1	15	9

%	No Religion	Christian	Other	Unknown	Prefer Not to Say
Religion and Belief	37	32	8	14	9

Sickness Absence data

The OGA 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 0.7 days for 2020-21 (1.5 days for 2019-20).

Consultancy and temporary staff

Spend on consultancy and temporary staff:

	£'000
Consultancy	–
Temporary staff	623
Total	623

The OGA 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. The Crown Commercial Service has provided assurance that its resourcing frameworks, which the OGA uses to source all its contractors, meet the new tax requirements.

For 2020-21 the OGA undertook a risk-based, in-depth review of tax assurance for all contractors, as required under IR35 legislation.

Off-payroll engagements

The number of new and existing off-payroll engagements (for more than £245 per day and lasting for longer than six months) as at 31 March 2021 are set out in the following tables.

Number new off payroll workers engaged during the year ended 31 March 2021	8
Of which;	
Number determined as in-scope of IR35	0
Number determined as out of scope of IR35	8
Number of engagements reassessed for compliance or assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following a review	0
No. of engagements where the status was disputed under provisions in the off-payroll legislation	0
Of which: no. of engagements that saw a change to IR35 status following review	0

There were no off-payroll engagements of directors and/or senior officials with significant financial responsibility between 1 April 2020 and 31 March 2021.

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

Total number of existing engagements as of 31 March 2021	4
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

Exit Packages (audited)

Reporting of civil service and other compensation schemes - exit packages to 31 March 2021:

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	1	1
£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	1	1
Total cost (£000)	0	25-30	25-30

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 OGA has agreed early departures, the additional costs are met by the OGA and not the Civil Service pension scheme.

Signed on behalf of the Board

Dr. Andy Samuel
Chief Executive
25 June 2021

Accounting Officer statement

As the Accounting Officer, I am responsible for reviewing the effectiveness of our 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 2020-21, the Oil and Gas Authority 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 2020-21 internal audit and the 2021-22 internal audit plan.
- Worked collaboratively with the National Audit Office and EY on the 2020-21 audit.
- Renewed all statutory and other appropriate insurance cover.
- Ensured the OGA was compliant with data protection law.
- Ensured the OGA monitored all IT activity in line with National Cyber Security Centre guidance.

I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the OGA'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
25 June 2021

Future Developments

The Corporate Plan 2019-2024 identifies the OGA's key performance indicators (KPIs). These were developed in collaboration with industry and measure the impact of both OGA and industry activity.

Performance to date against these KPIs is reported in the Accountability Report on page 13.

Summary of OGA KPIs 2019-2030

KPI	Area	KPI Measure	KPI Target	Timing
1	Revitalised exploration	Discovered recoverable resources	200 mmboe additional recoverable resources (Five year rolling average)	Annual
2	Enhanced asset stewardship	Production efficiency	80% UKCS average production efficiency	End 2022
3		Cost efficiency	Maintain average unit operating costs within +/- 15% of the 2017 level (2017 prices)	Annual
4	Net Zero	Net Zero Basin	Net-Zero Basin by 2050. Interim target to see a 50% reduction (from a 2018 baseline of 18.3 million tonnes of CO_2e) by 2030	End 2030
5	Regional development	Resource progression	300 mmboe from 2C to 2P* annually	Annual
6	Improve decommissioning efficiency	Decommissioning costs	35% reduction in forecast total decommissioning costs from 2017 baseline estimate	End 2022
7		Cost certainty	For 90% of all assets, an AACE** class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity	End 2021
8	People, processes and systems	Staff engagement	5 percentage point improvement in OGA positive engagement score	End 2023

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 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Accounting Standards in conformity with the requirements of the Companies Act 2006.

I have also audited the information in the Remuneration and staff report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of the result for the year then ended; and
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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
Parliamentary authorities	• The Oil and Gas Authority (Levy and Fees) and Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2020
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 director's 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;
- that the legislation relating to the 2021-22 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.

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 they have 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 the 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:

	Company Framework
Materiality	£603,000
Basis for determining materiality	2% of gross expenditure (2019-20: 2% of gross expenditure)

Company Framework (continued)	
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 2020-21 audit (2019-20: 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 entity and its environment, including entity-wide controls, and assessing the risks of material misstatement at the entity level.

Other Information

The other information comprises information included in the annual report, but does not include the parts of the Remuneration and staff report described in that report as having been audited, 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.

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

- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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
- a corporate governance statement has not been prepared by the company; 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 pages 17-18];
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they consider this period is appropriate [set out on page 8];
- Directors' statement on fair, balanced and understandable [set out on page 18];
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks [set out on page 18];
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on page 25]; and
- The section describing the work of the Audit and Risk Committee [set out on page 20].

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibility 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 are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud of error;
- 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- 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.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of the company's framework of authorities as well as other legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on 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, tax legislation, the Energy Act 2016, the Oil and Gas Authority (Levy and Fees) and Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2020.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- 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.

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.

In addition, 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
5 July 2021

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 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Income			
Income from sale of goods and services	3	1,854	1,886
Other income	3	28,296	28,440
Total operating income		**30,150**	**30,326**
Expenditure			
Staff costs	4	(16,723)	(15,757)
Other operating costs	5.1	(12,217)	(13,099)
Depreciation and amortisation charges	5.2	(1,129)	(1,292)
Provision expense	5.3	(53)	(121)
Finance cost	5.4	(28)	(57)
Total operating expenditure		**(30,150)**	**(30,326)**
Total net income		**-**	**-**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**-**	**-**

The notes on pages 46 to 66 form part of these financial statements.

Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Property, plant and equipment	6	786	1,164
Right-of-use assets	7	1,665	2,183
Intangible assets	8	109	161
Total non-current assets		**2,560**	**3,508**
Current assets			
Cash and cash equivalents	9	7,227	1,991
Trade and other receivables	10	877	980
Total current assets		**8,104**	**2,971**
Total assets		**10,664**	**6,479**
Current liabilities			
Trade and other payables	11	(8,186)	(3,149)
Lease liabilities	12	(670)	(646)
Total current liabilities		**(8,856)**	**(3,795)**
Total assets less current liabilities		**1,808**	**2,684**
Non-current liabilities			
Trade and other payables	11	(344)	(628)
Lease liabilities	12	(1,176)	(1,822)
Provisions	13	(288)	(234)
Total non-current liabilities		**(1,808)**	**(2,684)**
Total liabilities		**(10,664)**	**(6,479)**
Net assets		**-**	**-**
Shareholders' equity and other reserves			
Share capital	14	-	-
Retained earnings		-	-
Total equity		**-**	**-**

The notes on pages 46 to 66 form part of these financial statements.
The financial statements were approved by the Board of Directors on 17 June 2021 and signed on its behalf on 25 June 2021 by

Dr Andy Samuel
Director
Company registered number: 09666504

Statement of Cash Flows for the year ended 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'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	454	503
Depreciation of right-of-use assets	5.2	557	549
Amortisation of intangible assets	5.2	118	240
Loss on disposal of fixed assets	5.1	8	-
Interest paid	5.4	28	57
Working capital adjustments:			
Decrease in trade and other receivables	10	103	787
Increase/(decrease) in trade and other payables excluding capital funding from government grant: current year	11	4,603	(5,642)
IFRS 16 adjustment not passing through the Statement of Comprehensive Income		-	542
Provisions provided in year	13	54	128
Net cash inflow/(outflow) from operating activities		**5,925**	**(2,836)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(84)	(100)
Purchase of intangible assets	8	(66)	(27)
Net cash outflow from investing activities		**(150)**	**(127)**
Cash flows from financing activities			
Capital funding from BEIS: current year	11	150	170
Repayment of lease liabilities		(689)	(863)
Net cash outflow from financing activities		**(539)**	**(693)**
Net increase/(decrease) in cash and cash equivalents in the year		5,236	(3,656)
Cash and cash equivalents at the beginning of the year	9	1,991	5,647
Cash and cash equivalents at the end of the year	9	**7,227**	**1,991**

The notes on pages 46 to 66 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2019	**-**	**-**	**-**
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2020	**-**	**-**	**-**
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2021	**-**	**-**	**-**

The notes on pages 46 to 66 form part of these financial statements.

Notes to the Financial Statements

1. General information

The Oil and Gas Authority (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 OGA 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 OGA 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 OGA has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the year ended 31 March 2021 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 3 Business Combinations	1 January 2020	Endorsed
Amendments to financial instruments standards IFRS 9, IAS 39 and IFRS 7	1 January 2020	Endorsed
Amendments to IFRS 16	1 January 2020	Endorsed

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 2021, 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.

Amendments to IFRS 3 Business Combinations

The amendments narrow the definition of a business, introduce an optional fair value concentration test and add guidance to help entities assess whether the acquisition meets the new substantive process requirement to qualify as a business combination. The accounting implications of a business combination differ from an asset acquisition. Business combinations are accounted for using the acquisition method, which among other things, may give rise to goodwill and recognition of additional intangible assets. For asset acquisitions, the amount paid is allocated to the individual assets acquired and liabilities assumed and no goodwill is recognised. This standard has no impact on the OGA.

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.

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 and satisfy the following criteria:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c. There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The amendments are not expected to have a significant impact on the company's financial statements.

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 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 2021-22 levy regulations were laid before parliament on 2 March 2021, guaranteeing the OGA's ability to charge the levy for the year to 31 March 2021.

Furthermore, at any time 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 2021 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 OGA's income. As at 31 May 2021, 92% of 2021-22 levy has been collected and the OGA received the funding of £625K from BEIS. There is therefore no indication that the OGA will be adversely affected by default of invoices.

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. 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 OGA has been assessed and outlined on page 8.

2.4 Income

Income represents the amounts, exclusive of VAT, arising from the operating activities of the OGA. 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 OGA is primarily funded by an industry levy. The legal basis for the OGA 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) and Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2020 were laid in Parliament to set the levy charges rate for the year from 1 April 2020 to 31 March 2021. 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. Fees and charges
Licensing fees and charges income is received mainly through the assignment and relinquishment of petroleum licences. Other income is received in relation to development plans, decommissioning, and well consents. This income is credited to the Statement of Comprehensive Income.

iii. Other government grant
The OGA 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 OGA incurs the costs for which this funding is intended to compensate. BEIS also provides funding for capital expenditure. At the point the OGA 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 OGA that are not recoverable through the levy or other income are funded through the capital loan from BEIS.

iv. Other income
In the 2019-20 year, the OGA received funding of £573k from Innovate UK and £25k from The Scottish Environment Protection Agency (SEPA) for the Regulators' Pioneer Fund which is a project to encourage cross-sector integration on the UK Continental Shelf to support the UK's energy transition. There was no funding provided in 2020-21.

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.

These include all of the following:

- it is technically feasible that the asset will be completed and available for use;
- the asset is intended to be used;
- the asset is expected to be usable and identifiable;
- it is probable that the asset created will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development to allow the use of the asset; and
- the development cost of the asset can be measured reliably.

2.6 Property, plant and equipment

The OGA 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 OGA 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	
Furniture and fittings	5 to 10 years
Information technology	3 to 4 years
Right-of-use assets (leased office in London)	3 - 4 years
Right-of-use assets (leased office in Aberdeen)	6 - 7 years
Amortisation	
Software licences	3 - 5 years or economic life
Information technology	5 years

2.9 Impairment

The OGA 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 OGA 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. 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 1.27% (2019-20: 1.99%) 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 OGA 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 OGA as employer. The employer contribution rates payable by the OGA for employees covered by the PCSPS in 2021-22 are expected to be in a range of 26.6% - 30.3% (2020-21: 26.6% - 30.3%).

2.16 Corporation tax

The OGA 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 OGA 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 OGA 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 OGA 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. An additional provision of £98k was provided in the prior year, following a dilapidation assessment report from the landlord on the building in 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 OGA'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 £4k (2019-20: £5k) 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) 2020-21 states that balances with core central government departments are excluded from recognising impairments under IFRS 9; while the OGA is a non-FReM body, receivables from BEIS have been excluded from this assessment as the OGA 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 2021 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 OGA'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 2020-21, the OGA 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 2021.

	2020-21 £'000	2019-20 £'000
a) Income		
Income from fees and charges	1,854	1,886
Income from the industry levy	26,431	26,010
Income from other government grant	1,850	1,830
Other income	15	600
Total income	**30,150**	**30,326**
b) Reconciliation of levy collected and levy income recognised		
Industry levy collected	29,622	26,399
Income from the industry levy (matched by expenditure funded by the industry levy)	(26,431)	(26,010)
Underspent levy refundable to industry	**3,191**	**389**

4. Staff costs

Staff costs comprise:

	Permanently employed staff £'000	All other staff £'000	2020-21 Total £'000	2019-20 Total £'000
Wages and salaries	11,870	623	12,493	11,780
Social security costs	1,371	-	1,371	1,317
Other pension costs	2,859	-	2,859	2,660
Total net costs	**16,100**	**623**	**16,723**	**15,757**

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

	2020-21 FTE	2019-20 FTE
Permanent staff	167	158
Agency and contracted staff	4	6
Total	**171**	**164**

Key management personnel include executive directors and their compensation is disclosed in the Remuneration Report on pages 27 to 33.

5. Other expenditure

	SoCI Reference	2020-21 £'000	2019-20 £'000
Legal, professional and consultancy		336	121
Project delivery costs		6,802	7,467
IT outsourcing		2,196	1,537
Accommodation		534	577
Travel and subsistence		26	564
IT expenditure		1,175	1,148
Training		193	420
Personnel related		143	308
Office services		177	187
Subscriptions		176	147
Auditors' remuneration and expenses - National Audit Office		43	38
Loss on disposal of fixed assets		8	-
Other		408	585
	5.1	**12,217**	**13,099**
Non-cash items			
Depreciation of property, plant and equipment assets		454	503
Depreciation of right-of-use assets		557	549
Amortisation of intangible assets		118	240
	5.2	**1,129**	**1,292**
Provision expense			
Provision provided in year		53	121
	5.3	**53**	**121**
Finance costs			
Interest expense on lease liabilities		28	57
	5.4	**28**	**57**
Total		**13,427**	**14,569**

Project delivery costs include £3.8m (2019-20: £3.1m) in relation to the National Data Repository Services.

Accommodation costs includes rates, service charges and 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, health and safety, bank charges and incidentals costs.

6. Property, plant and equipment

	IT equipment £'000	Furniture and fittings £'000	2020-21 Total £'000
Cost or valuation			
At 1 April 2020	1,739	1,333	3,072
Additions	84	-	84
Reclassifications	-	-	-
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**

	IT equipment £'000	Furniture and fittings £'000	2019-20 Total £'000
Cost or valuation			
At 1 April 2019	1,668	1,304	2,972
Additions	71	29	100
Reclassifications	-	-	-
Disposals	-	-	-
At 31 March 2020	**1,739**	**1,333**	**3,072**
Depreciation			
At 1 April 2019	938	467	1,405
Charged in year	362	141	503
Disposals	-	-	-
At 31 March 2020	**1,300**	**608**	**1,908**
Net book value at 31 March 2020	**439**	**725**	**1,164**
Asset financing:			
Owned	439	725	1,164
Net book value at 31 March 2020	**439**	**725**	**1,164**

7. Right-of-use assets

	Buildings £'000	2020-21 Total £'000
Cost or valuation		
At 1 April 2020	2,732	2,732
Additions	-	-
Effect of modification	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**

The approach to lease modification not accounted for as a separate lease, as a result of the remeasurement of the lease liability by discounting the revised lease payments using a revised discount rate which is 1.27% (2019-20: 1.99%).

	Buildings £'000	2019-20 Total £'000
Cost or valuation		
At 1 April 2019	-	-
Additions	2.732	2,732
Reclassifications	-	-
Disposals	-	-
At 31 March 2020	**2,732**	**2,732**
Depreciation		
At 1 April 2019	-	-
Charged in year	549	549
Disposals	-	-
At 31 March 2020	**549**	**549**
Net book value at 31 March 2020	**2,183**	**2,183**
Asset financing:		
Leased	2,183	2,183
Net book value at 31 March 2020	**2,183**	**2,183**

Amounts recognised in Statement of Comprehensive Income

	2020-21 Total £'000	2019-20 Total £'000
Depreciation expense on right-of-use assets	557	549
Interest expense on lease liabilities	28	57
Expenses relating to short term leases	12	21
Expenses relating to leases of low-value assets	-	8

None of the OGA's property leases contain variable payment terms. The total cash outflow relating to leases in the year amounted to £689k.

8. Intangible fixed assets

	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**

	Finance and HR software £'000	Software licences £'000	Website £'000	Assets under construction £'000	2019-20 Total £'000
Cost					
At 1 April 2019	385	404	104	-	893
Additions	-	-	-	27	27
Reclassification	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2020	**385**	**404**	**104**	**27**	**920**
Amortisation					
At 1 April 2019	154	313	52	-	519
Charged in year	157	62	21	-	240
Disposals	-	-	-	-	-
At 31 March 2020	**311**	**375**	**73**	**-**	**759**
Net book value at 31 March 2020	**74**	**29**	**31**	**27**	**161**
Asset financing:					
Owned	74	29	31	27	161
Net book value at 31 March 2020	**74**	**29**	**31**	**27**	**161**

Finance and HR Software include a new finance system of £93k which went live on 1 May 2020 and the former finance system has been fully depreciated and disposed of on 27 December 2020. Disposals of Software licences relates to assets that have been scrapped due to obsolescence.

9. Cash and cash equivalents

	2020-21 £'000	2019-20 £'000
Balance at 1 April	1,991	5,647
Net change in cash and cash equivalent balances	5,236	(3,656)
Closing balance	**7,227**	**1,991**
The following balances were held at:		
Government Banking Service	7,227	1,991
Balance at 31 March	**7,227**	**1,991**

10. Trade and other receivables

	2020-21 £'000	2019-20 £'000
Amounts falling due within one year		
Trade receivables	254	141
Trade receivables – expected credit losses	(4)	(5)
Other receivables	10	38
Prepayments	616	664
Innovate UK receivable	-	103
BEIS receivable	1	39
Total trade and other receivables at 31 March	**877**	**980**

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

11. Trade and other payables

	Note	2020-21 £'000	2019-20 £'000
Amounts falling due within one year			
Trade payables		947	88
Other payables		-	14
20-21 levy underspend – refundable to industry	3	3,191	-
Prior years' levy underspend – refundable to industry *		295	394
VAT payable		60	58
Taxation and social security		776	668
Accruals		2,483	1,350
BEIS capital loan **		434	577
Total current payables at 31 March		**8,186**	**3,149**
Amounts falling due after more than one year			
BEIS capital loan **		344	628
Total non-current payables at 31 March		**344**	**628**
Total trade and other payables at 31 March		**8,530**	**3,777**

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

* £295k of the 2016-17, 2017-18, 2018-19 and 2019-20 levy underspend is still due to levy payers at 31 March 2021. The OGA are actively liaising with levy payers to ensure these funds are returned.

** The BEIS capital loan includes current year funding of £150k to purchase assets.

12. Lease liabilities

	Note	2020-21 £'000	2019-20 £'000
Land & Buildings			
Balance at 1 April		2,468	-
Additions		-	3,274
Interest expense	5.4	28	57
Effect of modification	7	39	-
Lease payments		(689)	(863)
Closing balance		**1,846**	**2,468**
Amount falling due within one year			
Current lease liability		670	646
Amount falling due after more than one year			
Non-current lease liability		1,176	1,822
Total lease liabilities		**1,846**	**2,468**
Maturity analysis			
Not later than 1 year		670	646
Later than 1 year and not later than 5 years		1,176	1,458
Later than 5 years		-	364
		1,846	**2,468**

13. Provisions

	Dilapidations £'000	2020-21 Total £'000
Opening balance as 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**

	Dilapidations £'000	2019-20 Total £'000
Opening balance as at 1 April 2019	106	106
Provided in the year	128	128
At 31 March 2020	**234**	**234**
Analysis of expected timing of discounted flows:		
Later than 1 year and not later than 5 years	147	147
Later than 5 years	87	87
	234	**234**

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. An additional provision of £98k was provided in the prior year, following a dilapidation assessment report from the landlord on the building in London. 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.

	2020-21 £'000	**2019-20** £'000
Ageing of financial assets		
Neither past due nor impaired	165	75
Past due 1-30 days	41	18
Past due 30-60 days	0	8
Past due 61-90 days	0	1
Past due > 90 days	58	77
Total at 31 March	**264**	**179**

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.

	2020-21 £'000	2019-20 £'000
Carrying amounts and fair values		
Trade and other receivables	877	980
Trade and other payables	(8,530)	(3,777)
Total at 31 March	**(7,653)**	**(2,797)**

16. Lease commitments for short-term leases

At the reporting date, the OGA had outstanding commitments for future minimum lease payments under non-cancellable operating leases for low value items which fall due as follows:

	2020-21 £'000	2019-20 £'000
Buildings and printers		
Not later than 1 year	8	8
Later than 1 year and not later than 5 years	4	12
Total commitments under operating leases	**12**	**20**

17. Losses and special payments

Losses statement

The Statement of Comprehensive Income includes the following losses, including write-offs of unrecoverable debts and fruitless payments.

	2020-21	2019-20
Number of cases		1
£'000		4

18. Capital commitments

The company does not have any capital commitments.

19. 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).

20. Contingent assets and liabilities

The company does not have any contingent assets and liabilities.

21. Related party transactions

BEIS publishes a consolidated Annual Report and Accounts for the core department each year. The OGA 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 £1.85m (2019-20: £1.83m) and a capital loan of £150k (2019-20: £170k) from BEIS. In the year 2019-20, the company received funding of £573k from Innovate UK for the Regulators' Pioneer Fund which is a project to realise cross-sector integration on the UK Continental Shelf to support the UK's energy transition, no funding was received in 2020-21.

At the balance sheet date, the company has a balance of £1k (2019-20: £39K) in trade and other receivables, which is due from BEIS. The company has a capital loan of £778k (2019-20: £1,205k) 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.

22. 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. Following the commencement of the COVID-19 pandemic in March 2020, the OGA has continued to operate with all staff working from home. The company is proactively working to minimise the future impact of this unprecedented situation by closely monitoring its operations, liquidity and capital resources. As of the date of issuance of these financial statements, there has been no significant financial impact on the company's financial statements.

Trust Statement

Financial statements

Accounting Officer's Foreword to the Trust Statement

Scope

The Oil and Gas Authority (OGA) is responsible for the collection and allocation of receipts from the Petroleum Licensing Regime. The Petroleum Licence fees collected by the OGA 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 2020-21.

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 OGA 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 OGA, 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

The 32nd Offshore Licensing Round closed for applications on 12th November 2019. The OGA received 104 applications covering 245 blocks in the main producing (Mature) areas of the UK Continental Shelf (UKCS). In total 113 new licences were offered, with an official start date of the 1st December 2020. As at the date of preparing these financial statements, 90 licences were executed by the applicants and a further eight areas were merged with existing licences. The third award process is now completed.

There is currently a pause in offering new Petroleum Licences whilst the Government Licensing Review and Climate Compatibility Checkpoint consultation is conducted. As a consequence of this review, the OGA will not be running an Offshore Licencing Round in 2021. In parallel, the Offshore Petroleum Regulator for Environment and Decommissioning is conducting a new Offshore Energy Strategic Environmental Assessment which will underpin future licensing rounds. The OGA plans to run another licensing round for oil and gas exploration on the completion of this assessment, expected no earlier than 2022.

Financial Review

Fees received in respect of Petroleum licences amounted to £54.1m for the year to 31 March 2021 (£60.5m in 2019-20). These included £520k payments for 86 new licences awarded in the 32nd UKCS Offshore Licensing Round. 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 2019-20 year has been calculated in the current year at £1.7m and will be paid in the 2021-22 financial year (£2.0m in 2018-19 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 71 to 73. The auditor's notional remuneration of £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 state of affairs 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
25 June 2021

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 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 OGA Chief Executive as Accounting Officer of the Oil and Gas Authority 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 OGA's Governance Statement, covering both the Accounts and the Trust Statement, is included in the Governance section of this report on page 19.

The audit 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 2021 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the Oil and Gas Authority Trust Statement gives a true and fair view of the state of affairs of the collection and allocation of receipts from the Petroleum Licensing regime as at 31 March 2021 and of the net revenue for the year then ended; and
- the financial statements 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 of 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 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 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 and my auditor's report thereon. 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.

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:

- 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 are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

- 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 the Accounting Officer determines is necessary to enable the preparation of financial statement to be free form material misstatement, whether due to fraud of error.

- 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Oil and Gas Authority Trust Statement'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

- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and

- obtaining an understanding of Oil and Gas Authority Trust Statement's framework of authorities as well as other legal and regulatory frameworks that the Oil and Gas Authority Trust Statement operates in, focusing on those laws and regulations that had a direct effect on 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 Exchequer and Audit Departments Act 1921 and Managing Public Money.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- 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. 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.

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
5 July 2021

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 2021

	Note	2020-21 £'000	2019-20 £'000
Revenue			
Licence fees and taxes			
Petroleum licences	2	54,113	60,521
Total licence fees and taxes		54,113	60,521
Total revenue and other income		**54,113**	**60,521**
Expenditure			
Disbursements	3	(1,706)	(1,984)
Total expenditure and disbursements		**(1,706)**	**(1,984)**
Total expenditure and disbursements		**(1,706)**	**(1,984)**
Net revenue for the Consolidated Fund		**52,407**	**58,537**

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

The notes on pages 77 to 80 form part of this statement.

Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Current assets			
Receivables	4	4,776	5,165
Cash and cash equivalents	5	19,795	25,551
Total current assets		**24,571**	**30,716**
Current liabilities			
Payables	6	(2,164)	(2,179)
Total current liabilities		**(2,164)**	**(2,179)**
Net current assets		**22,407**	**28,537**
Total net assets		**22,407**	**28,537**
Represented by:			
Balance on Consolidated Fund Account	7	**22,407**	**28,537**

The notes on pages 77 to 80 form part of this statement.

Dr Andy Samuel
Chief Executive Officer
25 June 2021

Statement of Cash Flows for the year ended 31 March 2021 for the Trust

	Note	2020-2021 £'000	2019-2020 £'000
Net cash flows from operating activities		**52,781**	**61,348**
Cash paid to the Consolidated Fund	7	(58,537)	(63,356)
Decrease in cash in this year		**(5,756)**	**(2,008)**

Notes to the Statement of Cash Flows

A: Reconciliation of Net Cash Flow to Movement in Net Funds

Net revenue for the Consolidated Fund		52,407	58,537
Decrease in receivables and accrued fees	4	389	2,327
Decrease/(increase) in payables	6	(15)	484
Net cash flows from operating activities		**52,781**	**61,348**

B: Analysis in changes in Net Funds

Decrease in cash in this year		(5,756)	(2,008)
Net Funds as at 1 April (net cash at bank)	5	25,551	27,559
Net Funds as at 31 March (closing balance)	5	**19,795**	**25,551**

The notes on pages 77 to 80 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 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.

1.4 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.

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2. Revenue

Petroleum licence income

	2020-21 £'000	2019-20 £'000
Fees receivable	54,113	60,521
Total	**54,113**	**60,521**

The responsibility for the collection of petroleum licences is with the Company. The licence fees are net of repayments for surrendered licences. During the 2020-21 year, HM Treasury approved the waiver of £1.95m petroleum licence fees (2019-20: £248k).

3. Expenditure and disbursements

Disbursements

	2020-21 £'000	2019-20 £'000
Payments to Northern Ireland Government	1,706	1,984
Total	**1,706**	**1,984**

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.

4. Receivables and accrued fees

	2020-21 £'000	2019-20 £'000
Petroleum licence fees receivable	4,776	5,138
Accrued petroleum licences receivable	-	27
Total	**4,776**	**5,165**

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.

Accrued petroleum licences receivable represents the amount of revenue from licences which relate to the financial year but for which invoices had not been issued at the year end.

5. Cash and cash equivalents

	2020-21 £'000	2019-20 £'000
Balance as at 1 April	25,551	27,559
Net change in cash and cash equivalent balances	(5,756)	(2,008)
Balance at 31 March	**19,795**	**25,551**

The following balances were held at:		
Government Banking Service	19,795	25,551
Total	**19,795**	**25,551**

6. Payables

	2020-21 £'000	2019-20 £'000
Northern Ireland Government	1,706	1,984
Other payables	458	195
Total	**2,164**	**2,179**

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

7. Balance on the Consolidated Fund Account

	2020-21 £'000	2019-20 £'000
Balance on the Consolidated Fund as at 1 April	28,537	33,356
Net revenue for the Consolidated Fund	52,407	58,537
Less amounts paid to the Consolidated Fund	(58,537)	(63,356)
Balance on the Consolidated Fund as at 31 March	**22,407**	**28,537**

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2020-21 £'000	2019-20 £'000
Financial assets:		
Cash and cash equivalents	19,795	25,551
Petroleum licence fees receivable	4,776	5,138
Accrued petroleum licence fees receivable	-	27
Total cash and receivables	**24,571**	**30,716**
Financial liabilities:		
Northern Ireland Government payables	(1,706)	(1,984)
Other payables	(458)	(195)
Total other financial liabilities	**(2,164)**	**(2,179)**

8.2 Risk exposure to financial instruments

The fees receivable under the Petroleum Licensing Regime are subject to credit risk. Management has assessed this risk to be minimal, demonstrated by there being no bad debts incurred. There were no write offs in 2020-21 (2019-20: 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.

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 2021 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 the Government Financial Reporting Manual ("FReM") and the FReM Addendum issued by HM Treasury which is in force for 2020-21.

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 HM 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
23 December 2020

Oil & Gas Authority

Oil and Gas Authority is a limited company registered in England and Wales
with registered number 09666504 and VAT registered number 249433979.
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