



North Sea
Transition
Authority

Oil and Gas Authority Annual Report and Accounts 2022–23

(for the year ended 31 March 2023)

Annual Report and Accounts of the Oil and Gas Authority 2022-23:

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 His Majesty.

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

The Department for Energy Security and Net Zero (DESNZ) was established on 7 February 2023, taking on the energy policy responsibilities of the former Department for Business, Energy, and Industrial Strategy (BEIS). The financial statements and notes in this report refer to BEIS as the company's parent department.



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Chairman's foreword

The past year has been a time of rapid change, major challenges and difficult decisions for the UK's energy industry, government, and society as a whole.

Supply shortages, exacerbated by Russia's invasion of Ukraine, had caused wholesale oil and gas prices to spike and remain disastrously high for months, also impacting business, food prices and energy intensive industries.

Going into winter there were concerns the UK would suffer power cuts. We even saw blackout rotas published in the press. At long last energy security was at the forefront of the agenda in a way it hadn't been for years. It shifted the Government and the public's focus to domestic production as well as the crucial need for an orderly transition to net zero, even if there is still to be sufficient commitment to tackling energy demand.

The North Sea oil and gas industry, which remains under intense scrutiny, also played its part by continuing to produce oil and gas responsibly and contributing £14.8 billion to the Treasury, equivalent to £435 per UK income taxpayer.

Government legislation and policy reflected the need to make the UK's energy mix more secure, clean, and affordable. This included the Energy Security Bill, which contained proposals to grow the carbon capture and storage (CCS) and hydrogen sectors and strengthen the NSTA's powers to keep assets in the right hands.

The formation of the Department for Energy Security and Net Zero, whose priorities are fully aligned with our existing strategy, was another clear sign of the importance of an orderly transition which balances security of supply with decarbonisation, while the Budget commitment of £20 billion towards CCS projects was welcome.

We know from our regular discussions with investors that they feel the introduction of the Energy Profits Levy (EPL) and subsequent tax changes has impacted confidence which in turn has led to delays in project and investment decisions. The NSTA recognises the value to industry of stability and predictability in taxation, and we look forward to working as part of the fiscal regime review with that objective in mind.

The NSTA – in its first full reporting period with its new name – also experienced significant change. Andy Samuel departed after eight years of outstanding leadership as Chief Executive and was replaced by Stuart Payne, who has maintained our resolute focus on making the UKCS an integrated energy basin.

We formed a New Ventures directorate responsible for oil, gas and carbon storage licensing and the integration of these systems with hydrogen and offshore wind –

and created a new dedicated team to oversee CCS developments. New directors of operations, regulation and supply chain and decommissioning were appointed, while staff moved into new offices in Aberdeen and London.

To their great credit, our skilled and diligent employees accelerated their work while taking on new duties. We will add new recruits of an equally impressive calibre to ensure we continue to deliver success as our remit expands further.

Our teams progressed two licensing rounds simultaneously. The UK's first ever carbon storage round was launched in June 2022, followed by the 33rd oil and gas licensing round in October 2022. The two rounds will pave the way for new projects which bolster the UK's energy security and support the drive to net zero, a clear example of our strategy in action.

We also published a new corporate plan setting out how we will support industry and deliver our strategy over the next five years, with a sharp focus on emissions reduction targets agreed in the North Sea Transition Deal.

Throughout the year, the regulation directorate used its investigations and sanctions powers fairly and firmly to hold industry to account on its obligations – vital for safeguarding the sector's social licence to operate.

Alongside industry we developed a new decommissioning cost reduction target to maintain focus on performance, identified near-term tendering opportunities for suppliers, refined options to reuse infrastructure for energy transition projects and published insightful new research into environmental, social and governance reporting standards.

I was also proud of the NSTA's creation of what we think is the first ever non-executive director 'job share' on a UK board, with Fiona Mettam and Vicky Dawe appointed as alternate shareholder directors, reflecting their Department for Energy Security and Net Zero Director job share. This innovative approach means we can benefit from the outstanding experience of both Fiona and Vicky, which is of great value during such a pivotal time for the energy industry.

The sector faces significant challenges and risks, including barriers to investment, supply chain constraints and cumbersome planning processes. Government, industry, and regulators must work together even more closely and with greater urgency to address those and ensure the North Sea's energy transition potential is realised.

The board reviewed and approved this Annual Report and Accounts on 30 June 2023.

Tim Eggar
Chairman



Chief Executive's statement

Following Russia's illegal invasion of Ukraine, all nations have seen a renewed focus on ensuring security of supply, and for the UK this includes the significant importance of North Sea oil and gas in our energy mix.

At the same time, we remain fully committed to accelerating the energy transition and ensuring the industry meets its emissions reduction target as we help power the drive to net zero.

These issues are at the heart of our work at the NSTA as we work with government, industry, and other stakeholders in the North Sea. We focus our work on three key activities: Helping ensure the UK's energy demands are met; Rapidly driving down the production emissions from the that energy; Accelerating the energy transition and reaching net zero.

Achieving an orderly transition – continuing to ensure a supply of oil and gas for as long as demand remains, while assisting the pivot to low carbon energy – is very much our day job.

The 33rd oil and gas licensing round will play a significant role in helping to meet demand. Launched in October last year, it attracted 115 bids from 76 companies demonstrating the ongoing attractiveness of the Basin to investors, even with the current constraints. Our team is now assessing those bids and expects to start awarding licences very soon.

We have also helped to boost supply by launching a consultation on how mergers and acquisitions can be completed more easily and have shown our willingness to act when companies have failed to meet expectations by opening investigations and, where necessary, issued fines.

This is complemented by our continued improvements to the National Data Repository which now boasts nearly 500 terabytes of data available to explorers and academics, and our Energy Pathfinder website, which now has details of upcoming tenders for scores of projects and is used by more than 1,700 active subscribers.

This is in addition to the ongoing hands-on stewardship we provide to operators to assist with every aspect of their work from licensing to decommissioning, and the annual Tier Zero meeting which brings together leading operators to share information and swap best practice.

We launched the UK's first-ever carbon storage licensing round, which marked a new direction for the NSTA and was a further demonstration of our absolute commitment to supporting the energy transition. It is likely that the Round, which attracted 26 bids, will be the first of many and, in anticipation of the growing volume of carbon storage work we will be doing, we have set up a dedicated carbon transportation and storage team to work with this growing industry.

Co-location is a growing issue as oil and gas, carbon storage, offshore wind and many other industries require space in the North Sea. So, we are taking a lead position to work with colleagues in The Crown Estate, Crown Estate Scotland, other regulators and the industry to ensure that the North Sea – which is an extraordinarily valuable asset to the United Kingdom – is used in the most efficient way, whilst protecting critical marine habitats.

Monitoring remains key to reaching net zero as soon as possible, as it helps to inform industry of best practice and enables us to support any companies struggling to reach targets. In September last year we published our second Emissions Monitoring Report, which showed that emissions are down 20% since 2018, and earlier this year we noted that flaring has halved since the same year, and the 2022 saving alone equates to the gas demand of 80,000 UK homes, that's the equivalent of a city the size of Dundee.

The coming year will bring renewed challenges. Colleagues from across the organisation will be asked to look at issues as they arise and reach decisions that are in keeping with our values of being Fair, Accountable, Considerate and Robust, and I know they will do just that. The NSTA remains a Great Place to Work, and the work we do remains vital to the UK.

Stuart Payne
Chief Executive

Strategic report

Governance

The Oil and Gas Authority (OGA) is a government company whose sole shareholder is the Secretary of State for Energy Security and Net Zero. The Department for Energy Security and Net Zero (DESNZ) was established on 7 February 2023, taking on the energy policy responsibilities of the former Department for Business, Energy, and Industrial Strategy (BEIS). The financial statements and notes in this report refer to BEIS as the company's parent department.

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

The NSTA's Board of Directors is responsible for setting the authority's strategic direction, policies and priorities.

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

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

The NSTA seeks to exercise its powers in a proportionate way to achieve its principal objective of maximising the economic recovery of the UK's oil and gas resources (MER UK) whilst taking appropriate steps to assist the Secretary of State in meeting the government's net zero target. The NSTA also regulates the exploration and development of the UK's onshore oil and gas resources and the UK's offshore carbon storage, gas storage and offloading activities. It endeavours to do so in a transparent, consistent manner and works with industry to foster a culture where disputes are resolved based on our published prioritisation principles.

The NSTA's performance against the key performance measures in its 2022-27 Corporate Plan is set out on pages 14 to 22.

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

NSTA role

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

The NSTA aims to be **the integrating force on the UKCS**, while remaining focused on **helping deliver domestic energy security, driving down production emissions and accelerating the transition to net zero**.

NSTA values



ACCOUNTABLE



FAIR



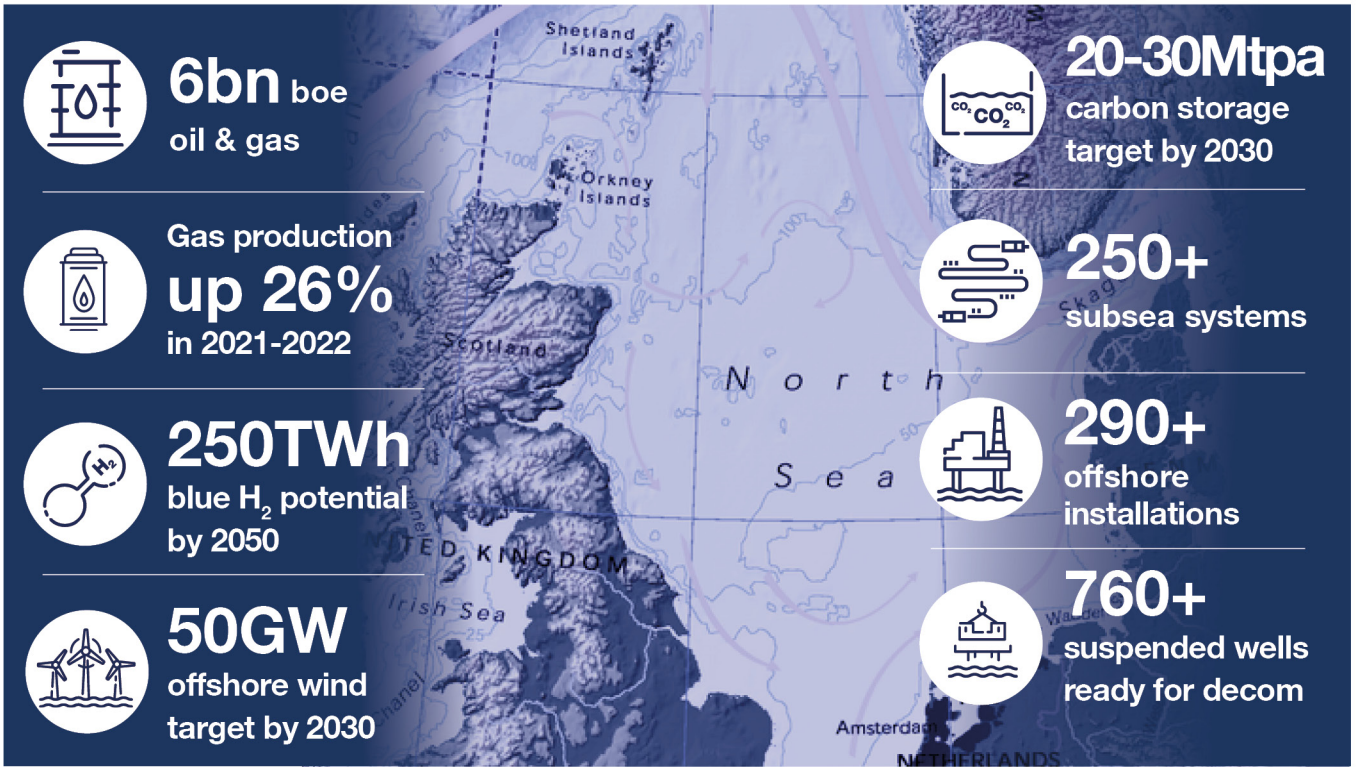
ROBUST



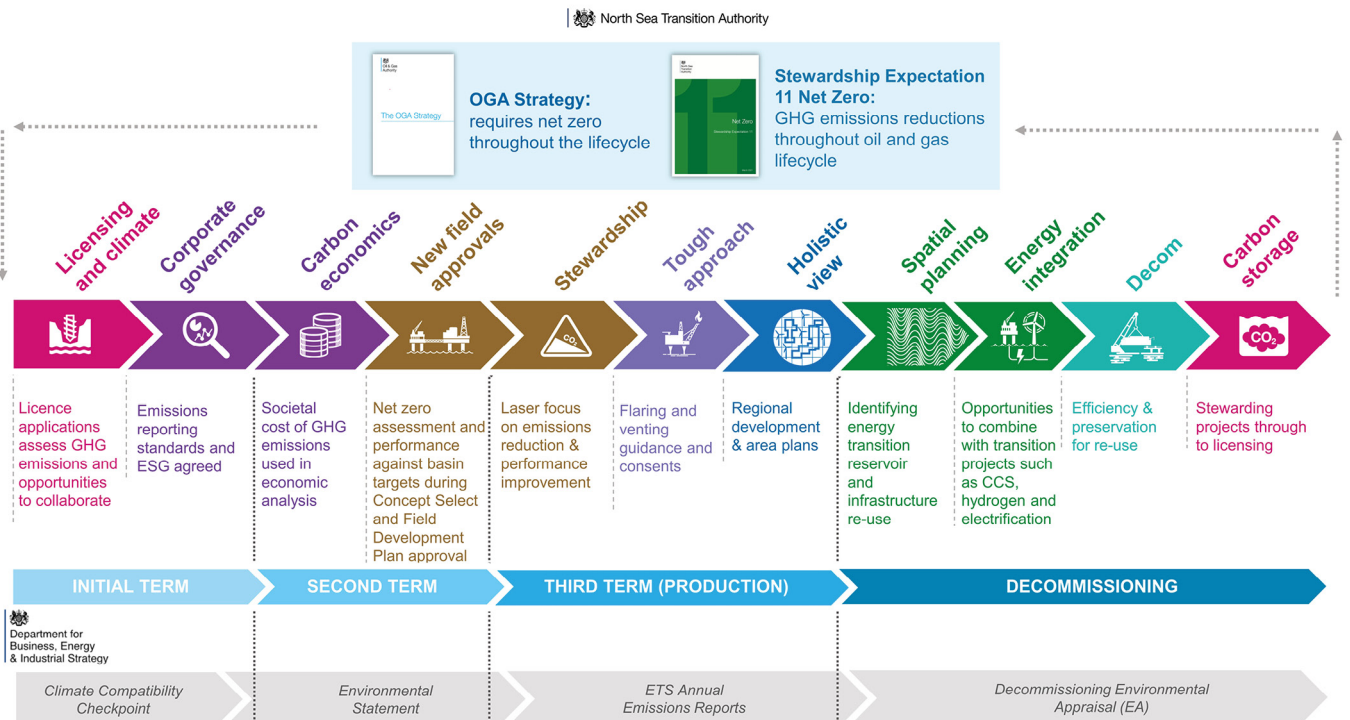
CONSIDERATE

UKCS – integrated energy basin

The seas around the UK contain an abundance of opportunity. The real prize is in harnessing these rich resources and infrastructure to deliver an integrated energy basin and a new economic success story.



How we work



Key publications

Scan the QR codes to view



**The
Strategy**



**Stewardship
Expectation 11:
Net Zero**



**Corporate
Governance
Guidance**



**Flaring & Venting
Guidance**



**UKCS Energy
Integration
Project**



**Stewardship
Expectation 12:
Supply Chain**



**Bacton
Energy Hub
Study**












**Decommissioning
Strategy**



Board of Directors and Company Secretary

 Chairman Tim Eggar	 Chief Executive Stuart Payne CBE	 Non-Executive Director Sara Vaughan	 Non-Executive Director Malcolm Brown	 Non-Executive Director Dr Sarah Deasley
 Non-Executive Director Iain Lanaghan	 Shareholder Representative Director Fiona Mettam	 Shareholder Representative Director Vicky Dawe	 Director of Corporate and Chief Financial Officer Nic Granger	 Company Secretary and General Counsel Dr Russell Richardson

Leadership team

 Chief Executive Stuart Payne CBE	 Director of Operations Tom Wheeler	 Director of Regulation Jane de Lozey	 Director of Strategy Hedvig Ljungerud	 Director of Supply Chain and Decommissioning Pauline Innes
 Director of New Ventures Andy Brooks	 Director of Corporate and Chief Financial Officer Nic Granger	 Head of HR Suzanne Lilley	 Company Secretary and General Counsel Dr Russell Richardson	

Financial overview

Revenue

The NSTA (North Sea Transition Authority) raised levy funding for the year of £32.9M and fees and charges of £4.6M to cover the core costs of running the organisation. Fees and charges were higher than budgeted due to the first carbon capture and storage licensing round and the 33rd petroleum licensing round.

As in previous years, where levy funding is unspent it will be returned to licence holders. This year there will be a rebate of approximately £4.5M returned to licence holders through a levy repayment, which has therefore been excluded from the Statement of Comprehensive Income. The NSTA will continue to set the levy in a fair and transparent manner, returning any levy that is not required to the industry each year.

Expenditure

The NSTA financed significant investment in enhancing data services, including further development of the National Data Repository (NDR), the Energy Portal and digitising of the Supply Chain Action Plans. Office moves and accommodation enhancements were completed in Aberdeen and London. Studies and data were purchased to support future licensing rounds and the industry in achieving net zero ambition.

Savings were achieved within staff and agency costs due to unfilled vacancies following the changes to the organisation structure. The unspent funds will be returned to industry. In all decisions with a financial impact, the NSTA ensured that best value for money was achieved.

Viability statement

The Directors have assessed the company's prospects over the 2022-27 Corporate Plan period, taking into account the current financial position, its historical performance, the 2022-27 Corporate Plan and the principal 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 NSTA over the Corporate Plan period. The Board regularly reviews the financial position of the NSTA, including its project funding requirements.

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

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

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

The NSTA has reviewed its strategic financial framework and is confident that its financial management processes will ensure that its expenditure and liabilities will be covered by its income, as set out in the 2022-27 Corporate Plan. Directors are not aware of any impending regulatory or legal changes which would impact the NSTA's operations over the period of the Corporate Plan. Based on this review, Directors confirm that they have a reasonable expectation that the NSTA will continue in operation and meet its liabilities as they fall due.

Summary

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

Developing our people

The NSTA has policies in place which ensure its recruitment, performance management, training and reward activity together contribute to making the NSTA a great place to work and mean that the NSTA can attract, develop and retain a talented and diverse workforce to deliver its objectives. The NSTA embraces inclusion and diversity and ensures it promotes equality of opportunity. Our values are at the heart of everything we do. Created by our people, they guide how we act and how we expect to be treated, providing a sound basis for decision making.

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

The NSTA published its fourth Inclusion Report in 2023.

Principal risks

Risk	Mitigation action
Complex regulatory landscape hinders developments and energy integration ambitions.	<p>NSTA sits on the The Crown Estate's co-location forum and attends Defra spatial planning workshops.</p> <p>NSTA attends DESNZ-hosted Government and Regulators Electrification Group exploring key barriers to electrification.</p> <p>Regular cross-regulator engagement at official level.</p>
Industry/NSTA lose social licence to operate (up to 6bboe production at risk).	<p>NSTA has set net zero goals for industry and is stewarding them through Emissions Reduction Plans.</p> <p>Government UNFCCC COP process ambition.</p> <p>Coordination with governments.</p> <p>NSTA communications.</p> <p>Maintain focus on emissions in security of supply context.</p>
Uncertain political and economic landscape / attractiveness of the UKCS.	<p>Enhanced senior engagement with industry and investors.</p> <p>Work with industry and DESNZ to implement North Sea Transition Plan.</p> <p>CCS and energy integration work programme.</p> <p>Engagement plan with MPs and MSPs.</p> <p>Maintain watching brief on ongoing government efficiency and spending review measures.</p>

Environment report

During the course of 2021-2022, the NSTA refreshed its sustainability policy 2023-2028 which applies to all the NSTA's internal activities in areas where it takes sole ownership for sustainability.

The policy is in line with Greening Government Commitments 2021-25 and goes further than simply emissions reduction activity to include the environmental, social and governance (“ESG”) aspects of the NSTA's internal activities. ESG reporting is of paramount importance to all companies, globally, and the NSTA is active in its engagement with the oil and gas sector on its ESG disclosure.

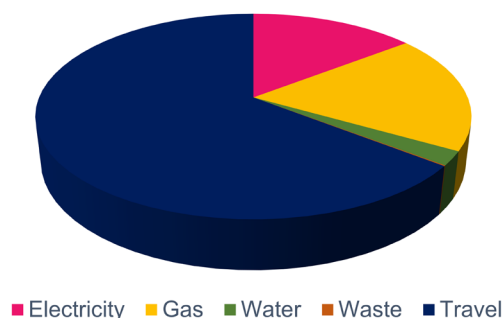
The NSTA's policy sets out ways in which we seek to support not only ways to reduce our carbon footprint through emissions reduction initiatives, but also to support wider sustainability initiatives, develop our people and culture, and work with our local communities. The policy is mapped to seven of the United Nations' Sustainable Development Goals.¹

The NSTA undertook the following activities in 2022-23:

Environment	Social	Governance
<ul style="list-style-type: none"> • Travel policy and portal updated to disclose carbon footprint • Worked to further digitise manual processes to reduce paper usage • Moved to more energy efficient offices (from a C rating to AA rating) • Reduced number of printers, and encouraged staff to limit printing • Phased out single use plastics 	<ul style="list-style-type: none"> • Raised significant amounts for local charities AberNecessities and The Trussell Trust • Volunteering days held in support of various charities • Careers talks given at local schools • ‘Green bite’ sustainability tips included in fortnightly intranet highlights to all staff 	<p>In addition to the governance disclosures in this annual report and accounts:</p> <ul style="list-style-type: none"> • Satisfied Greening Government Commitments for the Three Year Review of the NSTA. • Increased the visibility for staff of carbon footprint reporting, including through the travel expenses claim process. • Sustainability policy refreshed

The NSTA's operational activities in 2022-23 produced 165.4 tonnes of carbon dioxide equivalent (tCO₂e), with business travel accounting for the largest proportion.

Annual Greenhouse Emission By Activity Type (% of Total)



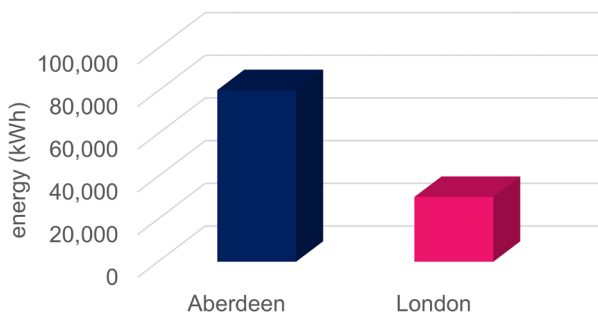
¹ Good health & well-being, quality education, gender equality, reduce inequalities, sustainable cities and communities, responsible consumption and production, partnerships.

Total emissions from business travel more than doubled to 104.1 tCO₂e as travel picked up after the pandemic, whilst still below a peak of 189.91 tCO₂e in 2018-19. The total kilometres travelled by rail increased significantly more than by air, with commensurate increases in CO₂ emissions.

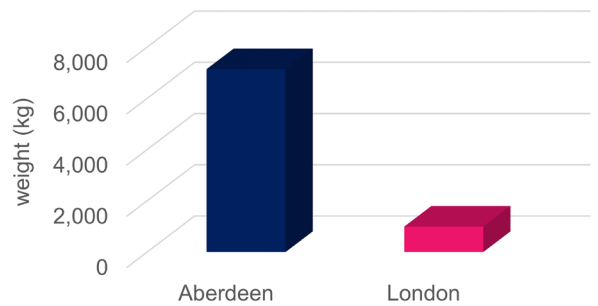
After moving into more energy efficient buildings in 2022, the NSTA's total carbon emissions from electricity increased only marginally (by 0.31 tCO₂e) as more staff returned to the office, with emissions from gas consumption increasing by 4.72 tCO₂e.

Data for the Aberdeen and London offices are provided by building facilities management and are estimated based on the floorspace occupied.

Electricity



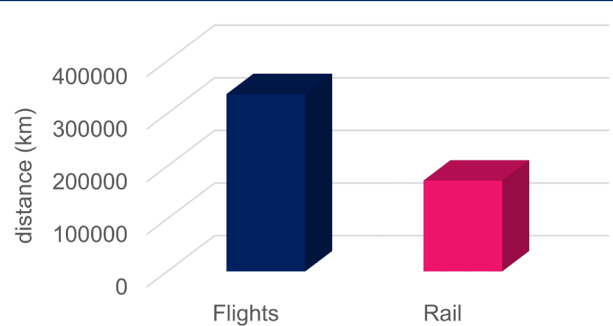
Waste



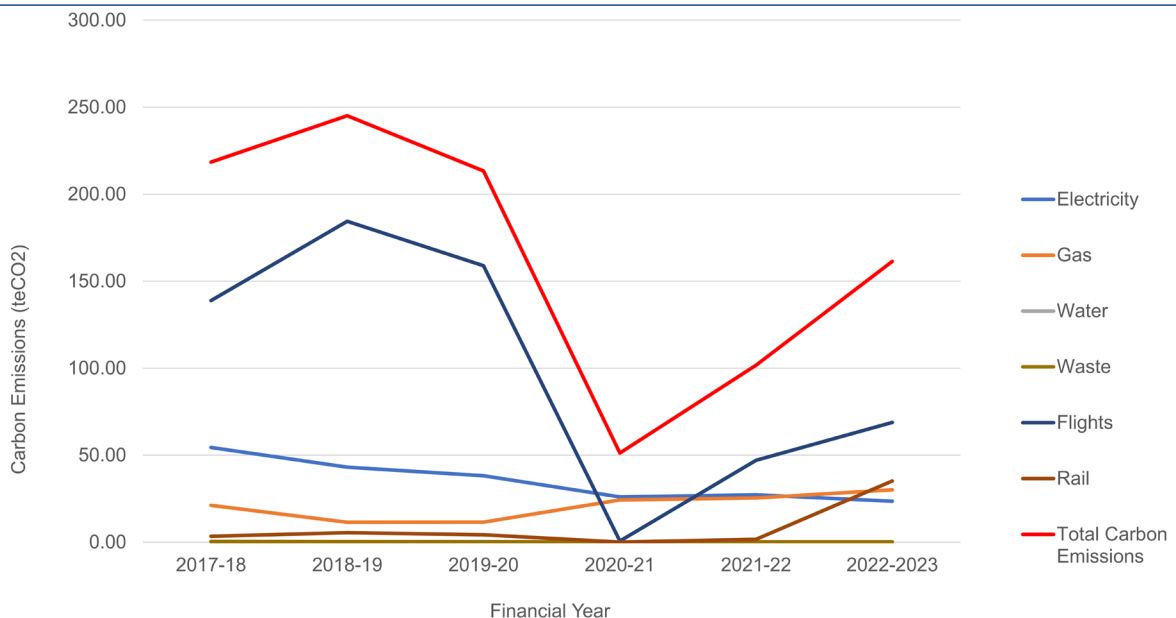
Gas



Travel



Year on Year Carbon Emissions



Year on Year Analysis

Activity	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e
Electricity	54.47	43.15	38.22	26.03	27.22	27.53
Gas	21.18	11.44	11.50	24.33	25.38	30.10
Water	0.23	0.27	0.29	0.14	0.13	3.53
General waste	0.09	0.06	0.06	0.03	0.09	0.11
Recycled waste	0.11	0.06	0.06	0.02	0.03	0.06
Shred-it recycled	0.22	0.19	0.12	0.05	0.08	0.01
Flights	138.85	184.41	158.87	0.63	47.08	68.85
Rail	3.38	5.50	4.25	0.05	1.70	35.24
Total	218.53	245.08	213.37	51.28	101.71	165.42

Breakdown of annual greenhouse gas emissions by activity type for 2022-23

Activity	Units	t CO ₂ e	% of total
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Electricity (kWh)			
Aberdeen	87,309		
London	42,358		
Total	129,667	27.5	17

Gas (m ³)			
Aberdeen	7,126		
London	7,754		
Total	14,880	30.1	18

Water (m ³)			
Aberdeen	Not metered		
London	23,715		
Total	23,715	3.5	2

Activity	Units	t CO ₂ e	% of total
General Waste (kg)			
General waste			
Aberdeen	4,665		
London	240		
Sub-total	4,905	0.1	
Recycled waste			
Aberdeen	1,892		
London	751		
Sub-total	2,643	0.1	
Shred-It recycling			
Aberdeen	580		
London			
Sub-total	580	0	
Total waste	8,128	0.2	0

Travel (km)			
Flight	336,925	68.9	
Rail	172,458	35.2	
Total	509,383	104.1	63

Total		165.4	100%
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Signed for and on behalf of the Board



Stuart Payne

Chief Executive

3 July 2023

Accountability report





Key Performance Indicators

In May 2022, the NSTA published an updated ‘NSTA Corporate Plan 2022-2027’, which provides a clear operational framework for the next five years and identifies the key performance indicators that will be used to benchmark both the NSTA and industry, measure success and hold industry to account.

2023 represents the first year in which the NSTA can report quantitatively on progress against these published KPIs, for the full calendar year 2022.


Of particular note is the industry’s recovery against the Production Efficiency target of 80%, rising to 78% after a challenging period in 2021 which saw a considerable drop to 73%.



2022 Key Performance Indicators: Energy

KPI Area	Key Performance Indicator	April 2023 update	RAG
Stewardship	1. Zero routine flaring and venting by 2030.	Monthly data reported through PPRS indicates that gas flaring has reduced by 50% since 2018, with a 13% reduction in 2022 alone. The average proportion of routine flaring in 2021 was 53%, reducing to 49% in 2022. Routine venting decreased from 57% to 51% in 2022.	 
Stewardship	2. Maintain average UKCS production efficiency at 80%.	UKCS Economic Production Efficiency (EPE) saw a considerable recovery to 78% representing a five percentage point increase from 2021.	 

 “On target” +/- 10%


 Behind target 10 – 20%

 Behind target >20%






KPI Area	Key Performance Indicator	April 2023 update	RAG
Stewardship	3. The P50 cost estimate of decommissioning the entirety of UKCS infrastructure to be 35% lower (2017 price basis) than the initial P50 2017 baseline estimate of £59.7 billion by the end of 2022.	<p>2022 Target: Final update</p> <p>On a like-for-like basis the 2022 forecast cost estimate of decommissioning is £45bn, reflecting a cumulative reduction in the forecast of 25% (£15bn) since 2017, and representing no change since 2021. This should be seen in the context of somewhat challenging economic conditions.</p> <p>New Target: 2023 Onwards</p> <p>A new decommissioning cost KPI for 2023, targeting a 10% reduction in the cost of decommissioning between 2023 and 2028 (from £37bn to £33.3bn, from an updated 2022 baseline) was agreed in November 2022. Reporting on the new KPI will commence in 2023.</p>	
Meeting demand/security of supply	4. Optimise UKCS production within the effective net zero test.	<p>Six projects were sanctioned in the UKCS in 2022. All six were subject to a proportionate effective net zero 'test'.</p> <p>They amount to 82 mmmboe UK potential production, and incremental UK 'life of field' emissions (Mid/P50 Case) of 532 KtCO₂e, giving an average production emissions intensity of 6.5 kgCO₂e/boe – significantly below the 2021 average.</p>	

 "On target" +/- 10%

 Behind target 10 – 20%

 Behind target >20%

2022 Key Performance Indicators: Transition


KPI Area	Key Performance Indicator	April 2023 update	RAG	
Emissions targets	5. As a minimum, reduce UKCS upstream greenhouse gas emissions by 50% by 2030*, 10% by 2025, and 25% by 2027.	UKCS upstream emissions of GHGs fell by 21% between 2018 and 2021. Full data for 2022 has not yet been released but is expected to show a continued decline as indicated by a 3% fall in CO ₂ emissions recorded by the UK Emissions Trading Scheme (ETS).		
Energy integration	6. At least two electrification projects to be commissioned by 2027.	Currently the NSTA is monitoring three projects, two of these are expected to progress to front-end engineering (FEED) study stage by end Q1 2024.		New
CCS	7. To support ambition of capturing 20-30 million tonnes of CO ₂ per year by 2030. The NSTA will aim to award two licences in 2022, 3-5 in 2023, and 10+ by 2025.**	In May 2022 the NSTA awarded two carbon storage licences. Applications were received across all 13 areas on offer in the 1st Carbon Storage Licensing Round, which opened in June 2022. On 18th May 2023, the NSTA offered 20 carbon storage licences for award.		

*Emissions targets include all greenhouse gases emitted from offshore production facilities, onshore terminals, drilling rigs and associated logistics.


**This target will remain under re-evaluation as existing carbon storage projects develop, however it is already clear that the scale and pace of activity will need to increase in order to meet the UK's long-term domestic net zero targets.

 "On target" +/- 10%

 Behind target 10 – 20%

 Behind target >20%

2022 Key Performance Indicators: Value



KPI Area	Key Performance Indicator	April 2023 update	RAG	
Supply Chain	8. Evidence of meeting North Sea Transition Deal content commitments for Net Zero and decommissioning projects.	<p>From a sample of data received in Decommissioning SCAPs during 2022, the NSTA estimates that approximately 70% of the value of these contracts awarded for future years were to UK based organisations, exceeding the target of 50% agreed as part of the North Sea Transition Deal.</p> <p>The NSTA published the 'NSTD Methodology for measuring the UK content of UK Energy Transition and Decommissioning projects', at the end of October 2022.</p>	●	New
Investment, efficiency, jobs	9. Compliance with environmental, social and governance reporting standards.	<p>Analysis as part of the ESG Disclosure Report 2022 identified that seven out of the 35 companies involved demonstrated ESG disclosure that the NSTA considered to be lagging behind expectations. Meetings were held with each of these companies plus a further nine organisations who pro-actively requested further discussions.</p> <p>The NSTA has reviewed 15 companies' governance as part of the licensing process over the course of 2022. Engagement remains ongoing with three companies in follow up.</p>	●	*
Digital/technology	10. Increasing volume of data available from the Digital Energy Platform	<p>From January to end December 2022, 387 Terabytes (TB) of well and seismic data was loaded onto the National Data Repository. 312 TB of this data is publicly available to download.</p> <p>The full year 2022 represents a 426% increase in the amount of data available publicly available for download.</p>	●	

*- there is no data as yet.





● "On target" +/- 10%

● Behind target 10 – 20%

● Behind target >20%

KPI Area	Key Performance Indicator	April 2023 update	RAG
Digital/ technology	1. Successful technology development/deployment case studies.	<p>During 2022, the NSTA tracked the successful deployment of 12 technologies within the UKCS</p> <p>The deployments fall into five distinct categories including: well P&A, seismic & exploration, subsea systems, reservoir & well management, facilities management.</p> <p>Deployments in reservoir & well management were the most abundant throughout the year, with five examples recorded.</p>	 

2022 Key Performance Indicators: Corporate

KPI Area	Key Performance Indicator	April 2023 update	RAG
Great Place to Work	11. Sustain staff engagement at 70% or above as measured by the bi-annual NSTA staff survey.	<p>The next staff survey will take place in 2023.</p> <p>The 2021 NSTA staff survey showed an overall engagement score of 75% - this is a 7% increase on the 2019 score and 2% above the target. All seven categories saw improvement compared with 2019. Additionally, in each of the HSE wellbeing surveys conducted in 2020, 2021 and 2022, overall the NSTA scored above the HSE benchmark and above the 75th percentile (when it was introduced in 2022).</p>	 
Digital Excellence	12. Delivery of internal Digital Excellence programme of developments.	<p>In 2022 the Information Services Steering Committee (ISSC) aimed to develop a minimum of two Energy Portal applications.</p> <p>Development commenced on three new projects (REMI, WIOS and SCAPS). Enhancements were made to Energy Pathfinder, PEARS and the UKSS. The NSTA name change was implemented.</p>	 

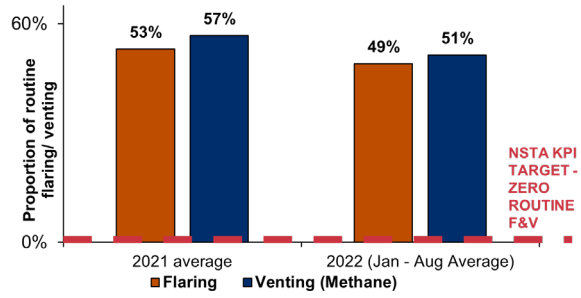
 "On target" +/- 10%

 Behind target 10 – 20%

 Behind target >20%

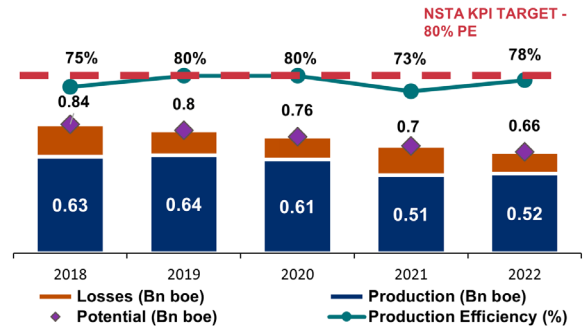
Energy

1. Stewardship: Routine Flaring & Venting



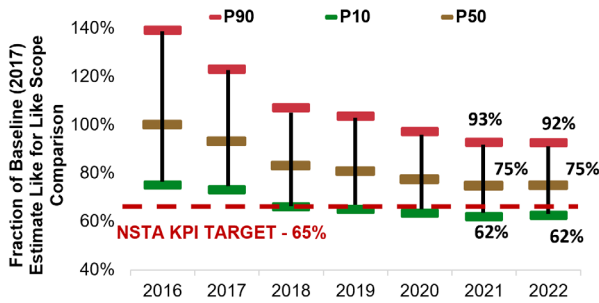
Energy

2. Stewardship: Production Efficiency



Energy

3. Stewardship: Decommissioning Cost



Energy

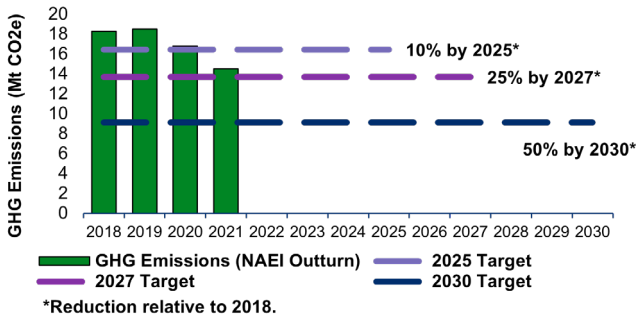
4. Security of Supply: Optimize Production

82 mmboe sanctioned in the UK in 2022

All 6 new projects subject to a proportionate effective net zero 'test'

Transition

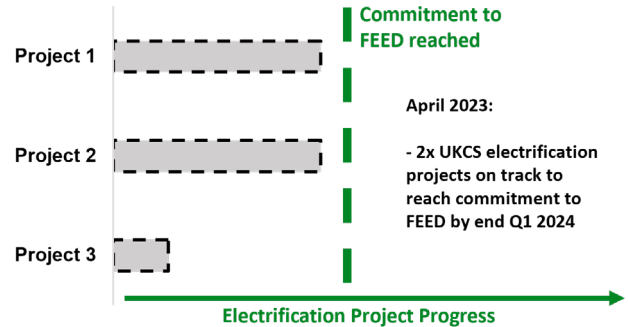
5. Emissions: Reduce Upstream Emissions



Source: NAEI, EU ETS, EEMS, ONS, NSTD.

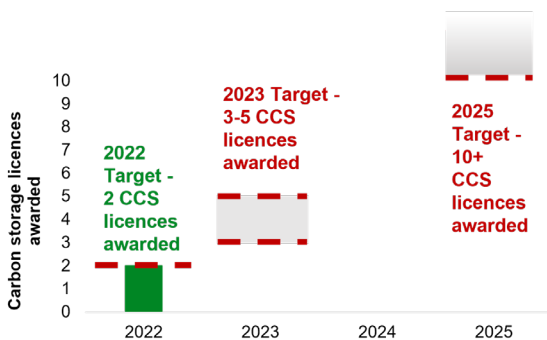
Transition

6. Energy Integration: Electrification



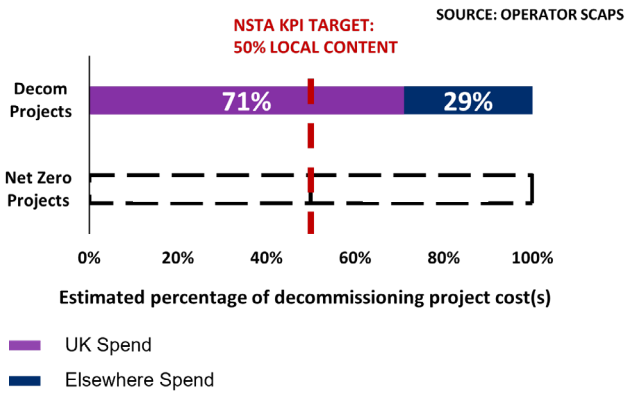
Transition

7. Carbon Storage: Licences



Value

8. Supply Chain: Local Content



Value

9. ESG: Reporting Standards

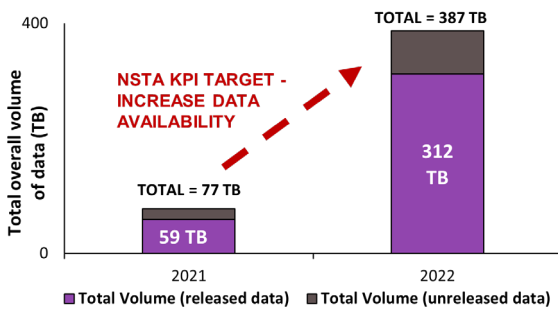
Close engagement with 7 operators on improving ESG Disclosure



Continued investigation into compliance continues

Value

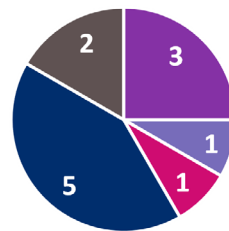
10. Digital/Technology: Data Availability



Value

11. Digital/Technology: Technology Deployment

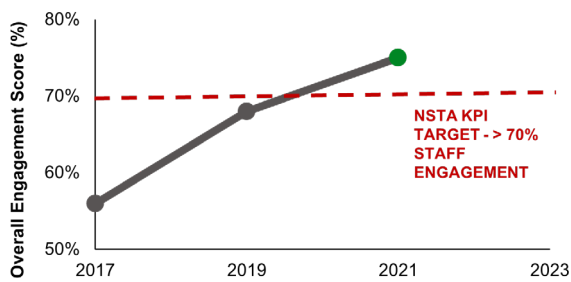
12x Successful Technology Deployment Case Studies tracked in the UKCS in 2022.



- Well P & A
- Seismic & Exploration
- Subsea Systems
- Reservoir & Well Management
- Facilities Management

Corporate/Organisational

12. Great Place to Work: Staff Engagement



Corporate/Organisational

13. Digital Excellence: Programme of Developments



ACHIEVED DEVELOPMENT OF 4 APPLICATIONS IN 2022

NSTA KPI TARGET - DEVELOP 2 ENERGY PORTAL APPLICATIONS PER YEAR

Success Stories Dashboard

The NSTA continues to measure success through the use of a success stories tracker which allows the impact of the NSTA to be identified and quantified using key metrics.






These metrics include expected future volume of oil and gas production, capital expenditure committed to new projects, reduced or avoided costs through improved or accelerated outputs and greenhouse gas emissions prevented through proactive NSTA intervention.

The Success Stories Dashboard format was updated in February 2021 to reflect the Strategy.

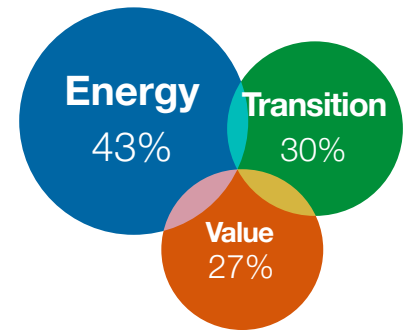
107 success stories recorded between February 2021* and end March 2023

* revised Strategy came into force Feb 2021

Success metrics

 Emissions prevented (tonnes CO ₂ e)	 Tripartite barrels (mmboe)	 Value of investments (£bn)	 Decom cost savings (£M)	 Time saved to industry (fast tracked consents days)
1.4M	203	0.6	353	433

NSTA intervention

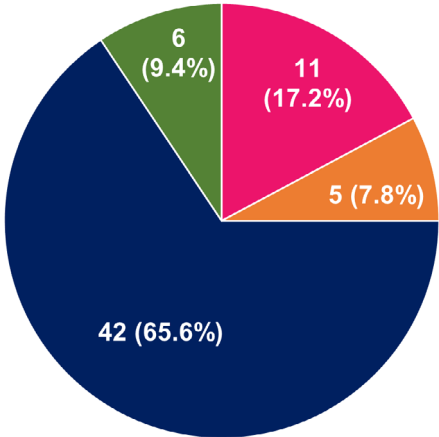


Impact on Industry



Our success tracker, dashboard and methodology quantify impact (relative to what would have happened in the absence of support or intervention) using key metrics aligned with the Energy Transition.

NSTA Project Summary: 2022



- In progress (as planned)
- Complete
- In progress (rescheduled)
- New priorities (in progress into 2023)

Commentary

As of January 1st 2022, the NSTA had begun tracking a total of 50 high level projects. This represented a slight decrease compared the 55 projects defined early 2021. Throughout 2022, 14 additional priority projects were identified within the NSTA and accommodated into the project schedule.

By the end of 2022, 42 of these projects had been completed to schedule, with six of the original priorities and 11 newly added priorities progressing into 2023, as planned.

With five projects rescheduled/reduced in pace throughout 2022, the year closed out with 92% of projects proceeding to plan.

Parliamentary accountability and audit report

Regularity of Expenditure (audited)

The Trust Statement incurred losses in 2022-23, see Note 8 Financial instruments for more information.

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

	2022-23 Number of cases	2022-23 Total value (£'000)	2021-22 Number of cases	2021-22 Total value (£'000)
Trust Statement Debts written off	3	489	-	-

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

No material gifts have been made by the NSTA.

Fees and charges disclosures (audited)

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

Analysis disclosed for fees and charges includes:

- i. The financial objective(s) and performance against the financial objective(s).
- ii. The full cost and unit costs charged in year.
- iii. The total income received in year.
- iv. The nature/extent of any subsidies or overcharging.

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

Remote contingent liabilities (audited)

The NSTA is not exposed to any remote contingent liabilities.

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

Directors' report

Directors hereby present their annual report on the company together with the audited accounts for the company for the year ended 31 March 2023. The corporate governance report forms part of the Directors' report. The Directors' report is followed by the internal auditor's opinion, the remuneration and staff report, the auditor's report and the company's financial statements for the year from 1 April 2022 to 31 March 2023.

The Directors of the company who were in office during the year and up to the date of signing the financial statements are listed on page 34.

No Director has had any material interest in any contractual agreement, other than an employment contract, which is or may be significant to the company.

When making decisions, Directors have regard to their duties as Directors, including their broad duty under section 172 of the Companies Act 2006 to consider the views of relevant stakeholders. Directors agree that data and information provided to the Board is accurate, presented clearly and concisely and can be readily scrutinised. The Board invites industry and regulatory experts to present at Board stakeholder meetings and at its annual strategy meeting with the Leadership Team.

Directors recognise the importance of meeting staff outside the Board and Committee cycle. A majority of Directors attended the 2022 and 2023 all staff meetings in Edinburgh. The Board has periodically invited staff to informal lunches coinciding with Board meetings and periodically invites members of the extended leadership team to Board meetings to discuss key challenges they are tackling.

Directors appreciate the considerable contribution of its skilled, experienced and committed staff in delivering the company's objectives and functions

and Directors take care to consider the impact on staff of the decisions it takes. The NSTA is a fair and considerate employer which offers hybrid working arrangements and recognises the value of a workforce from diverse backgrounds. The NSTA provides access to a broad range of training opportunities and encourages career, leadership and personal development through mentoring. All applications for employment are treated equally and are fully considered. A code of conduct and related policies are in place and are available to all staff on the NSTA intranet.

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

The bi-annual staff engagement survey will be run in autumn 2023.

The NSTA supports industry by publishing a wide range of data and information on its website and seeks customer feedback on its usability. Industry and staff feedback is informing the 2023 redesign of the NSTA website.

The NSTA is committed to minimising its own impact on the environment and launched its sustainability strategy in 2021. The company presents its environment report on pages 10-13.

During the year, the company supported a number of local charities but made no other direct charitable or political contributions.

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

The company has prepared its 2022-23 financial statements in accordance with UK adopted International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2023 are set out on pages 50 to 84. The financial statements and notes in this report refer to BEIS as the company's parent department.

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

The NSTA had 198 employees on 31 March 2023 (including secondees and executive directors, but excluding interim contractors and non-executive directors). There were 4 interim contractors as at 31 March 2023.

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

Directors' third-party indemnity provisions

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

Going concern statement

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

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

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

Directors' responsibility statement

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

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

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

In particular, directors are satisfied that:

- i. the company's accounting policies are reasonable and have been applied correctly.
- ii. judgements taken and accounting estimates are reasonable and prudent.
- iii. applicable IFRS standards have been followed and any material departures have been disclosed and explained in the company financial statements.
- iv. the financial statements have been prepared on a going concern basis.
- v. the company has taken reasonable steps to prevent and detect fraud and other irregularities.
- vi. adequate accounting records have been kept so as to demonstrate that the financial statements comply with IFRS and Companies Act 2006 requirements, as applicable.
- vii. Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position, performance, business model and strategy.

Principal risks

Directors carefully consider the way the company manages and mitigates the risks which could adversely impact the company's ability to deliver its principal objective. The NSTA's principal risks are set out on page 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. KPMG conducted the 2022-23 audit on the NAO's behalf. No non-audit services were provided by the external auditor. However, separately, the NSTA paid £16,500 to KPMG for the provision of training through the Cabinet Office Civil Service Learning service.

By order of the Board



Dr. Russell Richardson
Company Secretary

3 July 2023

Corporate Governance Report

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

The NSTA's Chief Executive is also the Accounting Officer; accountable to Parliament for the performance of the NSTA. The role of Accounting Officer is delegated by the Principal Accounting Officer of the Department for Energy Security and Net Zero (DESNZ) - formerly BEIS - the DESNZ Permanent Secretary.

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

The company's primary constitutional document is its Articles of Association. In addition, there is a Framework Document - supplemented by a Finance Letter and a Chairman's Letter - which sets out the NSTA's financial and performance accountabilities to Parliament and to its shareholder, DESNZ. A revised Framework Document was published in early 2023. The NSTA is classified by government as a Non-Departmental Public Body (NDPB), sponsored by DESNZ.

The second review of the NSTA was undertaken in 2022 and the review report was published on 22 June 2023.

Board practice

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

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

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

Matters reserved to the Board are:

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

The Board met seven times in 2022-23. Seven Board meetings are scheduled for 2023-24. The Chairman periodically meets Non-Executive Directors independently of the Executive Directors.

Board composition – in year changes

Andy Samuel resigned from the Board on 31st December 2022. His successor Stuart Payne was appointed to the Board on 1st January 2023.

Vicky Dawe, DESNZ job-share director with Fiona Mettam, was appointed as an alternate Shareholder Director on 11 July 2022.

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

Induction of Directors

Directors receive a tailored induction to the NSTA and its broader context, including a programme of meetings with executive directors, heads of teams and senior industry leaders. The Company Secretary briefs directors on their legal duties both as company directors and board members of a public body.

Directors receive appropriate guidance on matters of corporate governance and have full and open access to the company secretary, professional advisers and senior managers for information or advice when required, including access to appropriate training opportunities.

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

Board committees

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

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

The Audit and Risk Committee is chaired by Iain Lanaghan and met three times in 2022-23.

Iain Lanaghan, Sarah Deasley, Sara Vaughan and Malcolm Brown were committee members during the year.

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

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

The Nomination Committee is chaired by Tim Eggar. Iain Lanaghan, Sarah Deasley, Malcolm Brown and Sara Vaughan were committee members during the financial year. The Nomination Committee met twice in 2022-23, to discuss Chief Executive succession and the re-appointment of Sarah Deasley.

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

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

The Remuneration Committee met three times in 2022-23: to review 2022-23 performance management outcomes and approve annual bonuses; to review and approve 2022-23 pay awards and 2022-23 objectives setting; and to review and approve the new Chief Executive's objectives.

Board effectiveness evaluation

The Board conducts an internal review of its effectiveness every year and commissions an external Board effectiveness evaluation once every three years. An external Board evaluation is due in 2024.

In spring 2023, the Board Secretary led an internal Board effectiveness review. Directors completed questionnaires to evaluate the effectiveness of the Board and its Committees and the Chairman assessed the performance of individual Directors. The Chairman discussed the outcomes one to one with Directors followed by a discussion at the May Board meeting. The Senior Independent Director led the annual appraisal of the Chairman.

Directors concluded that the Board is clear about its role and purpose and is strongly chaired and supported. The Board operates effectively and achieves its objectives and has a positive and constructive atmosphere which fosters healthy debate. Directors agreed that the new 'flash report' verbal updates in non-Board meeting months are very helpful. The allocation of additional time at some Board meetings to consider the external environment in more depth was also welcomed. The executive will continue to identify opportunities for non-executive directors to meet external stakeholders.

Declaration of Directors' financial interests

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

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

Director	Date first advised Board Secretary	Nature of interest	Total value (£) at 31 March 2023
Tim Eggar	6 March 2019	140,511 equity shares MyCelx Technologies Corporation	44,964
		Family member holdings: 4,099 BP ordinary shares	20,938
		1,875 Shell ordinary shares	43,294
Iain Lanaghan	21 April 2020	1,017 BP ordinary shares	5,195
		358 Shell ordinary shares	8,266

Andy Samuel placed his oil and gas interests in a blind trust prior to joining the NSTA. He resigned from the Board on 31st December 2022.

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

Sara Vaughan, Sarah Deasley, Stuart Payne and Nic Granger submitted nil returns.

Fiona Mettam and Vicky Dawe submitted a nil return to DESNZ.

Directors – other directorships and offices

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Tim Eggar	<p>Chairman, Raw Charging Group Limited.</p> <p>Chairman, Haulfryn Group limited.</p> <p>Director, The Gipsy Hill Brewing Company Limited.</p> <p>Mentor, Criticaleye.</p>	<p>Director, Haulfryn Holdings limited*.</p> <p>Director, Suffolk Street Holdings limited*.</p> <p>Director, Lleyn Estates limited*.</p> <p>Strategic Advisory Board, Braemar</p> <p>Energy Ventures.</p> <p>* A subsidiary of Haulfryn Group Limited.</p>	
Stuart Payne		<p>Director, Energy Transition Zone Limited.</p> <p>Chairman, The Brightside Trust.</p> <p>Advisory Board member, Barnardo's Scotland.</p>	<p>Fellow of the Chartered Institute of Personnel & Development.</p> <p>Associate Fellow of the British Psychological Society</p>
Iain Lanaghan	<p>Lead Non-executive Director, The UK Supreme Court.</p> <p>Non-executive Board Member and Audit Chair, Scottish Water</p> <p>(owned by the Scottish Government) and two subsidiaries.</p> <p>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 (until 30 June 2023).</p> <p>Occasional consultancy as Iain M. Lanaghan.</p>		<p>Institute of Chartered Accountants of Scotland</p>

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Sarah Deasley	<p>Executive Director, Frontier Economics.</p> <p>Independent Director, Brookfield Renewable (Brookfield Renewable BEP and BEPC and two Bermuda Holding Entities: BRP Bermuda GP Limited and Brookfield Renewable Investments Limited).</p>	<p>Trustee, Sustainability First</p> <p>Advisory Board, Carbon Connect</p>	
Sara Vaughan	<p>Chair, Elexon Limited and the Balancing and Settlement Code (BSC) Panel.</p> <p>Director, Poolserco Limited* (until 30 May 2023).</p> <p>Director, BSC CO Limited*.</p> <p>Director, Poolit Limited* (until 30 May 2023).</p> <p>Director, EMR Settlement Limited*.</p> <p>Director, Elexon Clear Limited*.</p> <p>Co-chair of Icebreaker One's Steering Group on Open Energy (as consultant)</p> <p>* A subsidiary of Elexon Limited.</p>	<p>Member of Energy Advisory Panel, Energy Institute</p> <p>Parish Councillor and Vice-Chair, Birdingbury Parish Council</p>	<p>Member of The Law Society</p> <p>Fellow, Energy Institute</p>
Malcolm Brown		<p>Chair, Imperial College Trust</p> <p>Chair of the Development Committee, Geological Society</p>	<p>The Geological Society of London</p> <p>Energy Exploration Society of Great Britain</p>

Member	Remunerated activities	Non-remunerated activities	Memberships of professional bodies
Andy Samuel		Director, Net Zero Technology Centre (until 7 December 2022). Director, Energy Transition Zone Ltd (until 13 December 2022).	Petroleum Exploration Society of Great Britain Geological Society
Nic Granger		Trustee, Falklands Conservation (UK).	Institute of Chartered Accountants in England and Wales The Chartered Institute of Public Finance and Accountancy Institute of Directors BCS (Chartered Institute for IT) and Member of the Risk, Audit and Finance Committee and the Data Management Committee.
Fiona Mettam	-	-	-
Vicky Dawe	-		-

Andy Samuel resigned from the NSTA Board on 31st December 2022.

Andy Samuel, Nic Granger and Iain Lanaghan were members of the National Trust or the National Trust of Scotland during the year.

Directors – dates of appointment

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

Name	Date of appointment
Tim Eggar	6 March 2019
Nic Granger	2 November 2016
Iain Lanaghan	20 April 2020
Sarah Deasley	1 October 2020
Malcolm Brown	1 October 2021
Sara Vaughan	1 October 2021
Fiona Mettam*	3 November 2021
Vicky Dawe*	11 July 2022
Stuart Payne	1 January 2023

* Only one of the two Alternate Shareholder Directors attends Board and Committee meetings.

Directors – attendance at Board meetings and Committees

	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Total meetings 2022-23	7	3	2	3
Tim Eggar	7	-	2	3
Andy Samuel	5(5)	2(2)	-	2(2)
Stuart Payne	2(2)	1(1)	-	-
Nic Granger	7	3	-	-
Iain Lanaghan	7	3	2	2
Sarah Deasley	7	2(3)	2	3
Malcolm Brown	3(7)*	3	2	3
Sara Vaughan	7	3	2	3
Fiona Mettam / Vicky Dawe**	7	2(3)***	2	3

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

* Malcolm Brown's absences were due to ill health. He gave comments on Board papers to the Chairman.

** Only one of the two Alternate Shareholder Directors attends Board and Committee meetings.

*** Fiona Mettam/Vicky Dawe did not attend one Audit and Risk Committee due to an administrative error.

Staff policies

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

Quality assurance of analytical models

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

Government functional standards for arm's length bodies

The NSTA reviewed its compliance with government functional standards in 2022-23. It concluded that its functions are compliant with the mandatory elements of all applicable standards.

The NSTA has developed an action plan for implementing the commercial standard, where compliance is required by 2024.

Declaration of staff financial interests

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

Fraud and whistleblowing

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

During the financial year no concerns were raised under the raising concerns at work (whistleblowing) policy. Following the 2023 organisational changes there are now four designated whistleblowing officers.

Data protection

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

Risk management

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

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

The Board reviews strategic risks, from a 'clean sheet' perspective, once a year. In 2022-23, the Board reviewed strategic risks in November 2022 and continues to monitor them closely.

The Chief Executive and the Leadership Team continue to foster a strong culture of risk awareness and risk management in the organisation. The principal risks identified by the NSTA are detailed on page 9.

By order of the Board signed



Stuart Payne
Chief Executive

3 July 2023

Internal auditor's statement

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

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

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

Remuneration and staff report

Remuneration policy

The remuneration policy for NSTA staff, including former senior civil servants, is set by the NSTA Board, as recommended by the Remuneration Committee, in consultation with both DESNZ and HM Treasury.

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

Performance and reward

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

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

Recruitment policy

NSTA recruitment is underpinned by the company's values:

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

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

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

Staff covered by this report hold open-ended appointments, with one exception: the Chief Executive holds a fixed term appointment, which terminates on 31st December 2027. 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) 2022-23 (£'000)	Bonus Payment 2022-23 (£'000)	Pension Benefits 2022-23 (£'000)	Total 2022-23 (£'000) [2021-22]	Accrued pension at pension age at 31/3/23 (£'000)	Real increase in pension and related lump sum at pension age to 31/3/23 (£'000)	CETV at 31/3/23 (£'000)	CETV at 31/3/22 (£'000)	Real increase in CETV (£'000)
Dr Andy Samuel	225-230*	65-70**	-	295-300 [350-355]	-	-	-	-	-
Nic Granger	150-155	10-15	40	200-205 [205-210]	20-25	2.5-5	195	157	20
Stuart Payne	60-65*	-***	14	70-75 [-]	25-30	2.5-5	304	250	27

Andy Samuel resigned from the Board on 31st December 2022. His successor Stuart Payne was appointed to the Board on 1st January 2023.

* The annualised figure for the former Chief Executive is £300,000-305,000 (this figure has been used to calculate the fair pay multiple disclosures) and for the current Chief Executive is £240,000-£245,000.

** Former Chief Executive's 2022-23 bonus is for the 2022 performance year (calendar year).

*** None payable until the end of the 2023 performance year.

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.

Fees and benefits in kind paid to non-executive directors during the year (audited)

Non-executive directors	Expiry date of contract	Fee 2022-23 (£)	Fees 2021-22 (£)
Tim Eggar Non-executive Chairman	10 March 2024	80,000	80,000
Iain Lanaghan Non-executive director (wef 20 April 2020) and from 1 October 2021 Chairman of Audit and Risk Committee.	30 September 2024	25,200	22,700
Sarah Deasley Non-executive director (wef 1 October 2020)	1 October 2023*	20,200	20,200
Malcolm Brown Non-executive director (wef 1 October 2021)	30 September 2024	20,200	10,100
Sara Vaughan Non-executive director (wef 1 October 2021)	30 September 2024	20,200	10,100
Mary Hardy Non-executive director and Chairman of Audit and Risk Committee	30 September 2021	-	12,600
Frances Morris-Jones Non-executive director and senior independent director	30 September 2021	-	10,100

* The Board agreed in March 2023 to re-appoint Sarah Deasley for a further three year period, effective from 1 October 2023.

The relationship to the remuneration of the organisation's workforce is disclosed in the table below (based on the annualised banded remuneration of the highest paid executive director of £300,000-£305,000):

	25th percentile	Median	75th percentile
2022-23			
Total remuneration (£)	45,473	74,531	86,121
Salary component of total remuneration (£)	43,012	73,387	82,588
Pay remuneration ratio information	8.19:1	5.00:1	4.33:1
2021-22			
Total remuneration (£)	44,926	69,992	83,850
Salary component of total remuneration (£)	40,976	68,973	79,125
Pay remuneration ratio information	7.85:1	5.04:1	4.20:1

The slight increase in the pay ratios compared to the previous year is due to a change in the performance management period of the former CEO in previous years which led to a shorter assessment period in 2021-22. The assessment in the current year is in line with the performance management period. The NSTA believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the NSTA's employees taken as a whole. NSTA pay ratios have been calculated by determining the total full-time-equivalent (FTE) remuneration for all of the company's workforce for the relevant financial year; ranking those individuals from low to high, based on their total remuneration; and identifying the people whose remuneration places them at the 25th, 50th (median) and 75th percentile points.

The percentage changes in the highest paid director salary and allowances is 3.42% (2021-22: 1.74%) and for performance pay and bonuses payable is 26.09% (2021-22: 34.29%). The variance in the percentage is due to a timing difference of the prior year's performance bonus payable.

The average percentage changes for the employees of the NSTA compared to the prior year in respect of salary and allowances is 5.01% (2021-22: 0.08%) and for performance pay and bonuses payable is 8.95% (2021-22: 0.12%). The fluctuation in the percentages is a result of increases in bonuses payable and headcount.

In 2022-23, nil (2021-22: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £27,000 to £370,000 (2021-22: £25,000 to £355,000).

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 2022-23.

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

	Permanent staff (£'000)	Others* (£'000)	Total (£'000)
Wages and salaries	13,180	447	13,627
Social security costs	1,724	-	1,724
Pension costs	3,469	-	3,469
Sub total	18,373	447	18,820
Other staff costs	-	-	-
Less recoveries in respect of outward secondments	-	-	-
Total	18,373	447	18,820

*Others include contractor costs and inward secondees for the financial year ending 31 March 2023.

Average number of people employed (audited)

	Number
Permanent staff	195
Others	4
Total	199

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. CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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: three 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 five months from their normal pension age on 1 April 2012 switched 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 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 is 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 NSTA embraces inclusion and diversity and ensures that it promotes equality of opportunity. The company's goal is to ensure that these commitments, reinforced by our values, are embedded in day-to-day working practices with all staff, partners in government and in industry. It is our belief that this makes the NSTA a Great Place to Work.

The NSTA has a dual role in this regard, recognising its responsibilities as an employer of public servants and as an industry authority. The NSTA has been working actively with partners such as Offshore Energies UK to drive real improvements in the inclusion that exists in the sector, and to promote the value of real diversity as an enabler to greater collaboration, business outcomes and ultimately supporting the goals of Vision 2035. Additionally, the NSTA Chief Executive is a member of the POWERful Women Energy Leader's Coalition which comprises leading CEOs from the energy sector who have made a public declaration, and are actively working together, to improve gender diversity in their companies and in the sector as a whole.

In recognition of the NSTA's work as an employer, it is silver accredited in the Gender Diversity Benchmark, run by Business in the Community and the Prince's Responsible Business Network. The NSTA has also continued our commitments to the Axis Pledge, the Business in the Community Race Charter, as a Disability Confident employer and the Tech Talent Charter. The NSTA continues to look at what further actions it can take to improve on this recognition and to learn from and interact with other organisations such as the WISE campaign.

The NSTA has a clear inclusion and diversity action plan covering 2023, which includes new elements which seek to support both line managers and staff. The company also publishes an annual inclusion report which is available publicly and shares progress against plans and sets out future commitments. To more clearly demonstrate that our commitment to inclusion is embedded within the organisation our future annual inclusion reports will be integrated into the Annual Report and Accounts from 2023-2024 onwards.

During this year the NSTA has delivered a full range of focused initiatives including knowledge sharing through story-telling workshops, health and wellbeing seminars, training additional mental health first aiders, setting up menopause champions and scoring above the HSE benchmark in our staff wellbeing survey. One initiative the NSTA is particularly proud of is successfully commencing a relationship with social mobility charity, Career Ready. Two volunteer NSTA mentors supported two students through their learning on the programme including a summer internship. In the forthcoming year the NSTA will be supporting four students through the programme.

The table below shows the current available data, as recorded from staff declarations. The NSTA encourages staff to complete all categories which includes an option of "prefer not to say". Due to a number of initiatives run this year declaration rates have improved markedly.

%	Male		Female			
Gender	52		48			
%	Full Time			Part Time		
Working Pattern	96			4		
%	Not Disabled	Declared Disabled	Undeclared	Prefer Not to Say		
Disability	77	3	13	7		
%	White	All Other Ethnic Groups Combined	Undeclared	Prefer Not to Say		
Ethnicity	78	11	7	4		
%	Below 20	21-30	31-40	41-50	51-60	61 and over
Age	0	11	29	28	24	8
%	Heterosexual/ Straight	LGBT	Undeclared	Prefer Not to Say		
Sexual Orientation	80	2	7	11		
%	Same as at Birth	Different from Birth	Undeclared	Prefer Not to Say		
Gender Identity	68	3	23	6		
%	No Religion	Christian	Other	Undeclared	Prefer Not to Say	
Religion and Belief	43	32	8	7	10	

Sickness Absence data

The NSTA is committed to supporting the physical and mental health of its people and fostering employee wellbeing is a key element of our focus. The company has a comprehensive attendance management policy and provides access to occupational health provision and employee assistance to offer additional support to our people. Where staff are identified as needing reasonable adjustments, these will be provided.

The average number of days lost due to sickness absence was 2.5 days for 2022-23 (0.9 days for 2021-22).

Consultancy and temporary staff

Spend on consultancy and temporary staff:

	£'000
Consultancy	-
Temporary staff	447
Total	447

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

For 2022-23 the NSTA undertook a risk-based, in-depth review of tax assurance for all contractors, as required under IR35 legislation.

Off-payroll engagements

The number of off-payroll engagements (for more than £245 per day and lasting for longer than six months) as at 31 March 2023 was:

Total number of existing engagements as of 31 March 2023	4
Of which;	
Number that have existed for less than one year at the time of reporting	3
Number that have existed for between one to two years at the time of reporting	0
Number that have existed for between two to three years at the time of reporting	0
Number that have existed for between three to four years at the time of reporting	0
Number that have existed for between four or more years at the time of reporting	1

The number of new off-payroll engagements or those that reached six months in duration between 1 April 2022 and 31 March 2023 (for more than £245 per day and that last for longer than six months) was:

No. of temporary off-payroll workers engaged during the year ended 31 March 2023	7
Of which;	
Not subject to off-payroll legislation	
Subject to off-payroll legislation and determined as in-scope of IR35	
Subject to off-payroll legislation and determined as out-of-scope of IR35	7
No. of engagements reassessed for compliance or assurance purposes during the year	
Of which: No. of engagements that saw a change to IR35 status following review	

There were no off-payroll engagements of directors and/or senior officials with significant financial responsibility between 1 April 2022 and 31 March 2023.

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

Exit Packages (audited)

Reporting of civil service and other compensation schemes - exit packages to 31 March 2023:

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

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

Signed on behalf of the Board



Stuart Payne

Chief Executive

3 July 2023

Accounting Officer statement

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

During 2022-23, the NSTA undertook the following work:

- Reviewed its strategic risks on a quarterly basis and provided assurance on mitigation actions to the Audit and Risk Committee.
- Worked closely with the Government Internal Audit Agency on the 2022-23 internal audit and the 2023-26 internal audit plan.
- Worked collaboratively with the National Audit Office and KPMG on the 2022-23 audit.
- Renewed all statutory and other appropriate insurance cover.
- Ensured it was compliant with data protection law.
- Ensured it monitored all IT activity and maintained effective defences against internal and external threats, in line with National Cyber Security Centre guidance.

NSTA Annual Report and Accounts 2022-23

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

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

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

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

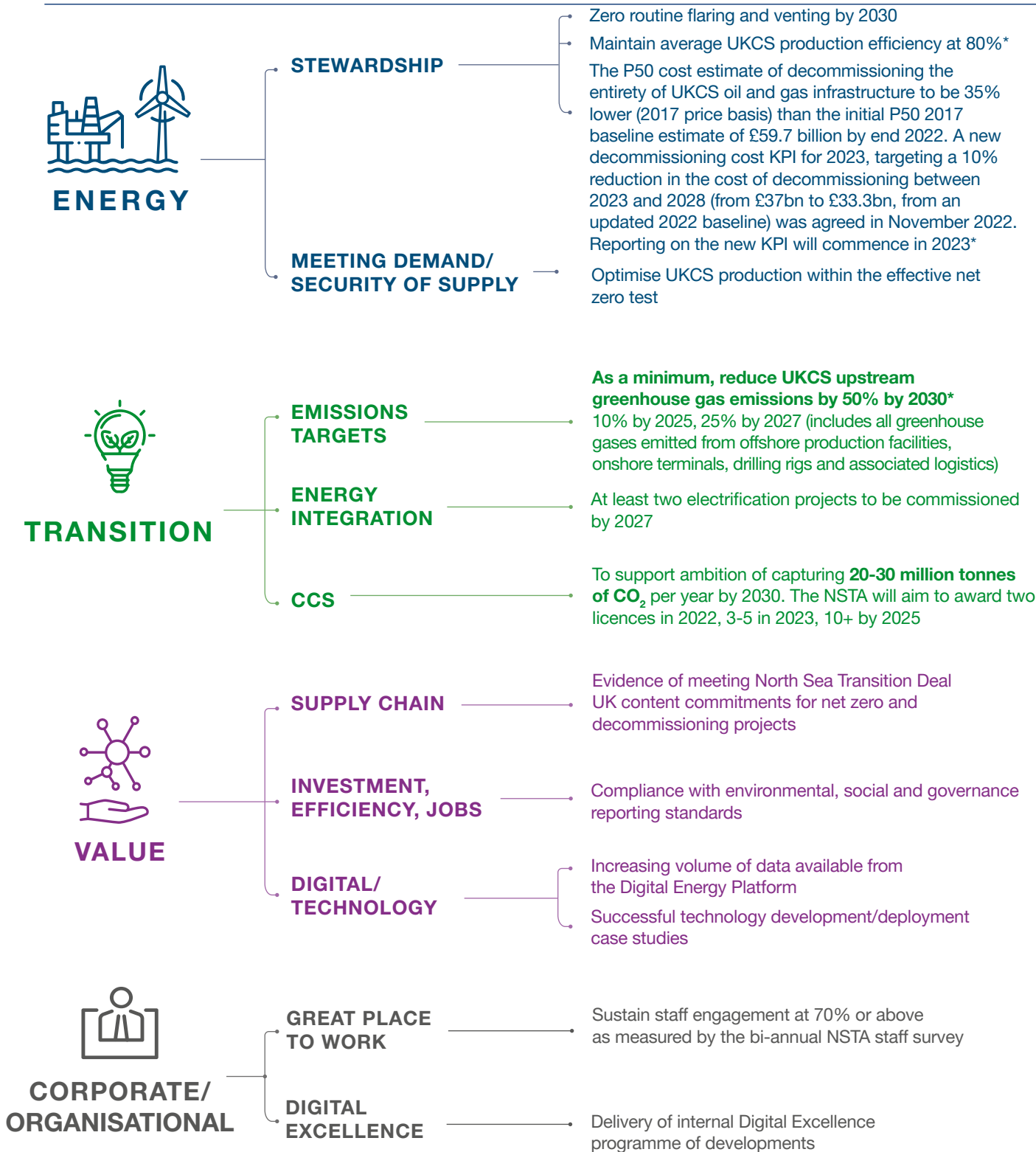
Stuart Payne

Accounting Officer

3 July 2023

Future Developments

Summary of NSTA KPIs



*Existing NSTA KPI

Company

Financial statements

The Certificate and Report of the Comptroller and Auditor General to the Sole Shareholder of Oil And Gas Authority and the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Oil and Gas Authority (“the company”) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise the company’s

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 March 2023 and of the net income for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and the terms of my contract, and I had regard to Practice Note 10 ‘*Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*’. My responsibilities under ISAs (UK) are further described in the Auditor’s responsibilities for the audit of the financial statements section of my certificate.

ISAs (UK) require me and my staff to comply with the Financial Reporting Council’s *Revised Ethical Standard 2019*. 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	<ul style="list-style-type: none"> • Infrastructure Act 2015 • Energy Act 2016 • Companies Act 2006
Parliamentary authorities	<ul style="list-style-type: none"> • The Oil and Gas Authority (Levy and Fees) Regulations 2022 • The Oil and Gas Authority (Fees) Regulations 2016 and subsequent amendments
Shareholder, HM Treasury and related authorities	<ul style="list-style-type: none"> • 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;
- the legislation relating to the 2023–24 levy has already been enacted and there is no reason to believe that future regulations will not be forthcoming; and
- there are options available to the company to mitigate forecast operating cash flow and funding shortfalls, should these arise.

The assertions made by management are materially consistent with my review of the legislation relating to the industry levy and the company's framework agreement with the Department for Energy Security and Net Zero.

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

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

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

Overview of my audit approach

Key audit matters

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

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

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

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

Application of materiality

Materiality

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

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

	Audited Entity
Materiality	£625,000
Basis for determining materiality	2% of gross expenditure (2021-22: 2% of gross expenditure)
Rationale for the benchmark applied	OGA's operating expenditure reflects the costs incurred in delivering its role of regulating and influencing the UK oil and gas industry. Income is recognised to cover relevant expenditure incurred. I therefore chose gross expenditure as the benchmark as I consider it to be of principal interest to the users of the financial statements.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2022-23 audit (2021-22: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is errors reported in the Related Parties note in the financial statements. Assessment of such matters needs 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 to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that 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, that in my view warranted reporting on qualitative grounds.

Audit scope

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

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and 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 certificate, I do not express any form of assurance conclusion thereon.

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

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

Corporate governance statement

I have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's voluntary compliance with the provisions of the UK Corporate Governance Code.

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 25;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 7-8;
- Director's statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out on page 25.
- Directors' statement on fair, balanced and understandable set out on page 26;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26 and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 36; and
- The section describing the work of the Audit and Risk committee set out on page 28.

Responsibilities of the Directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the company's from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration and Staff Report, in accordance with the Companies Act 2006; and
- assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the company's accounting policies and key performance indicators.

- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the company's controls relating to the company's compliance with the Companies Act 2006, Managing Public Money, The Oil and Gas Authority (Levy and Fees) Regulations 2022 and The Oil and Gas Authority (Fees) Regulations 2016.
- inquired of the directors, the company's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of the company's framework of authority and other legal and regulatory frameworks in which the company operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law, pensions legislation, tax legislation, the Energy Act 2016, the Oil and Gas Authority (Levy and Fees) Regulations 2022 and the Oil and Gas Authority (Fees) Regulations 2016.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of the directors, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed the recognition and measurement of levy income and fees and charges income against the provisions of the legislation these are charged under.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of my certificate.

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

11th July 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Oil and Gas Authority**Statement of Comprehensive Income for the year ended 31 March 2023**

	Note	31 March 2023 £'000	31 March 2022 £'000
Income			
Income from sale of goods and services	3	4,556	2,500
Other income	3	30,289	28,786
Total operating income		34,845	31,286
Expenditure			
Staff costs	4	(18,874)	(17,639)
Other operating costs	5.1	(14,590)	(12,668)
Depreciation and amortisation charges	5.2	(1,271)	(894)
Provision expense	5.3	(36)	(70)
Finance cost	5.4	(74)	(15)
Total operating expenditure		(34,845)	(31,286)
Total net income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

The notes on pages 61 to 84 form part of these financial statements.

Oil and Gas Authority

Statement of Financial Position as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Property, plant and equipment	6	501	688
Right-of-use assets	7	8,143	1,120
Intangible assets	8	40	60
Total non-current assets		8,684	1,868
Current assets			
Cash and cash equivalents	9	8,055	6,682
Trade and other receivables	10	990	1,520
Total current assets		9,045	8,202
Total assets		17,729	10,070
Current liabilities			
Trade and other payables	11	(8,417)	(8,219)
Lease liabilities	12	(445)	(445)
Provisions	13	(236)	(218)
Total current liabilities		(9,098)	(8,882)
Total assets less current liabilities		8,631	1,188
Non-current liabilities			
Trade and other payables	11	(300)	(336)
Lease liabilities	12	(7,641)	(738)
Provisions	13	(690)	(114)
Total non-current liabilities		(8,631)	(1,188)
Total liabilities		(17,729)	(10,070)
Net assets		-	-
Shareholders' equity and other reserves			
Share capital	14	-	-
Retained earnings		-	-
Total equity		-	-

The Company is exempt from the requirements of Companies Act 2006 Part 16 under section 482 (non-profit-making companies subject to public sector audit).

The notes on pages 61 to 84 form part of these financial statements.

The financial statements were approved by the Board of Directors on 30 June 2023 and signed on its behalf on 3 July 2023 by



Stuart Payne

Director

Company registered number: 09666504

Oil and Gas Authority

Statement of Cash Flows for the year ended 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'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	278	289
Depreciation of right-of-use assets	5.2	973	556
Amortisation of intangible assets	5.2	20	49
Loss on disposal of fixed assets	5.1	-	8
Interest expense	5.4	74	15
Tax paid		(95)	-
Working capital adjustments:			
Decrease/(increase) in trade and other receivables	10	530	(643)
Increase/(decrease) in trade and other payables excluding capital funding from government grant: current year	11	12	(175)
Provisions provided in year		36	44
Net cash inflow from operating activities		1,828	143
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(91)	(199)
Net cash outflow from investing activities		(91)	(199)
Cash flows from financing activities			
Capital funding from BEIS: current year	11	150	200
Repayment of lease liabilities		(514)	(689)
Net cash outflow from financing activities		(364)	(489)
Net increase/(decrease) in cash and cash equivalents in the year		1,373	(545)
Cash and cash equivalents at the beginning of the year	9	6,682	7,227
Cash and cash equivalents at the end of the year	9	8,055	6,682

The notes on pages 61 to 84 form part of these financial statements.

Oil and Gas Authority
Statement of Changes in Equity for the year ended 31 March 2023

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2021	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2022	-	-	-
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2023	-	-	-

The notes on pages 61 to 84 form part of these financial statements.

Notes to the Financial Statements

1. General information

The North Sea Transition Authority (NSTA) is a business name of the Oil and Gas Authority (OGA). The OGA adopted the new business name in March 2022 in order to better reflect its evolving role in the energy transition. The OGA is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006. The company is wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS) (the shareholder). On 7th February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Digital, Science, Innovation and Technology, and the Department for Energy Security and Net Zero. North Sea Transition Authority has been designated to Department for Energy Security and Net Zero with accounting officer responsibilities formally transferred from 1st April 2023. The financial statements and notes in this report refer to BEIS as the company's parent department. The company registration number is 09666504. The registered office of the company is situated at Sanctuary Buildings, 20 Great Smith Street, London SW1P 3BT. The company's principal activities are to work with government and industry to ensure the United Kingdom (UK) gets the maximum economic benefit from its oil and gas reserves, whilst also supporting the move to net zero carbon by 2050. The Strategy, which was laid before Parliament on 16 December 2020, came into force on 11 February 2021 and is a revision of the Maximising Economic Recovery (MER) UK Strategy which originally came into force in 2016. The Strategy reflects the ongoing energy transition, featuring a range of net zero obligations on the oil and gas industry, and calling on industry to work collaboratively with the supply chain by actively supporting Carbon Capture Storage

(CCS) and hydrogen production projects. The OGA was incorporated on 1 July 2015 and commenced operations on 1 October 2016, following the transfer of assets and liabilities from the OGA executive agency. The OGA acquired the status of a Non-Departmental Public Body (NDPB) on 23 July 2020, sponsored by BEIS.

Under the Companies Act 2006, Section 454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

2. Accounting policies

2.1 Basis of preparation

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

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

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

2.2 New or amended accounting standards and interpretations

The NSTA has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the year ended 31 March 2023 to determine the impact on the company's financial statements.

The following new standards, amendments and interpretations are effective for periods beginning on 1 January 2022 and therefore relevant to these financial statements. These have had no material effect on the company.

IFRS	IASB Effective Date	EU Endorsement status
Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022	Endorsed
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	Endorsed

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – Annual Improvements to IFRS Standards 2018-2020

- IFRS 1: Subsidiary as a First-time Adopter (FTA) – the amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
- IFRS 9: Fees in the ‘10 per cent’ Test for Derecognition of Financial liabilities-The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognise a financial liability.
- IFRS 16: Lease incentives-The amendment to removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41: Taxation in Fair Value Measurements-The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendment to IAS 16 – Property, Plant and Equipment (PP&E): Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

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 2023, and accordingly have not been applied in preparing these financial statements are detailed below. The company has not sought early adoption of any standards or amendments. The amendments are not expected to have a significant impact on the NSTA.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

2.3 Going concern

In accordance with the Energy Act 2016, the OGA has been established as a government company. The legislative powers enable the OGA to impose a levy on persons holding licences for the exploitation of petroleum, providing funding to deliver operations. The day to day operational costs of the company are funded by the oil and gas industry levy and the licensing fees and charges income received through the assignment and relinquishment of petroleum licences. The industry levy is set by new regulations made each year. The directors note the low risk that annual regulations may not be made until after the commencement of the relevant financial year (which could result in the company experiencing a timing mismatch in its funding requirements). The directors are of the view that there is no reason to believe that future regulations will not be forthcoming. The 2023-24 levy regulations were laid before parliament on 1 March 2023, guaranteeing the company’s ability to charge the levy for the coming year.

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

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

The Statement of Financial Position at 31 March 2023 shows net current assets/liabilities of nil.

As at 31 May 2023, 88% of 2023-24 levy has been collected and the NSTA received the funding of £450k from BEIS. There is therefore no indication that the NSTA will be adversely affected by default of invoices.

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

- a. applies prudent financial management in order to ensure that its commitments are accommodated within the timing of its collection of its levy, fees and charges;
- b. undertakes a robust and detailed annual business planning and budgeting process to establish its operational cost requirements each financial year;
- c. has considered the potential impact of credit risk and liquidity risk detailed in note 15; and
- d. the viability of the NSTA has been assessed and outlined on page 7.

2.4 Income

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

i. Industry Levy

The NSTA is primarily funded by an industry levy. The legal basis for the NSTA to charge a levy was introduced by the Infrastructure Act 2015, which states that regulations must be brought forward every year to set the levy rate. The Oil and Gas Authority (Levy and Fees) Regulations 2022 were laid in Parliament to set the levy charges rate for the year from 1 April 2022 to 31 March 2023. 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

The NSTA provides a range of services to specific licence holders. These services include issuing petroleum licences, as well as consents issued under the petroleum licences (both onshore and offshore), offshore methane gas storage licences, carbon dioxide storage licences and for pipeline works authorisations. This income is credited to the Statement of Comprehensive Income net of any refunds due to erroneous information provided by the applicant.

iii. Other government grant

The NSTA receives funding from BEIS to assist the company with its day to day operations and the funding is accounted for in accordance with IAS 20. BEIS grants are provided to cover general expenditure so are recognised as the NSTA incurs the costs for which this funding is intended to compensate. BEIS also provides funding for capital expenditure. At the point the NSTA incurs capital costs which give rise to a right to capital funding from BEIS, the company recognises both an asset and capital loan owed to BEIS. Any capital costs incurred by the NSTA that are not recoverable through the levy or other income are funded through the capital loan from BEIS.

In 2021-22, the NSTA was awarded £1.0m from BEIS to fund the project on technical and commercial studies into offshore electrification in the UK North Sea, which supported the NSTA's Energy Transition work. There was no funding provided in 2022-23.

iv. Other income

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

2.5 Research and development

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

2.6 Property, plant and equipment

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

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.

Following initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. The depreciation expense is charged to the Statement of Comprehensive Income.

2.7 Intangible assets

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

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

2.8 Depreciation and amortisation

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

Depreciation

Right-of-use assets (leased office in London)	1 to 2 years
Right-of-use assets (two leased offices in Aberdeen)	2 to 15 years
Furniture and fittings	5 to 10 years
Information technology	3 to 4 years

Amortisation

Software licences	3 - 5 years
Websites	5 years

2.9 Impairment

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

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

2.10 Financial instruments

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

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

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2.12 Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from a customer, that is, only the passage of time is required before payment of the consideration is expected. Trade and other receivables may be measured at fair value or amortised cost depending on the nature of the individual balance. Where the balance is measured at amortised cost, the carrying value is subject to an expected credit loss calculation.

The company always measures the loss allowance for trade receivables on a simplified expected credit loss allowance and on a collective basis. The expected loss rates are based on the company's historical credit losses experienced and an analysis of the customers' current financial position, adjusted for current and forward-looking information on factors affecting the customers. The company has recognised a loss allowance of 100 per cent against all receivables over 2 years past due and any company that has been placed under liquidation because these receivables are generally not recoverable. Receivables between 1 to 2 years have been subject to an allowance of 50 per cent. NSTA writes off a trade receivable when there is information indicating that the customer has been dissolved and there is no realistic prospect of recovery.

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

The company recognises a right of use asset and lease liability at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease. The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value. Right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets. The right-of-use asset is also subject to impairment. Refer to note 15.1.1.

ii. Lease Liabilities

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

iii. Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain

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

2.14 Employee benefits

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

2.15 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. The NSTA is unable to identify its share of liabilities in these multi-employer schemes so accounts for its expenses as if the schemes were on a defined contribution basis, as required by IAS19. Expenditure accrues to the extent contributions are payable by the NSTA as employer. The employer contribution rates payable by the NSTA for employees covered by the PCSPS in 2023-24 are expected to be in a range of 26.6% - 30.3% (2022-23: 26.6% - 30.3%).

2.16 Corporation tax

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

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

2.17 Value Added Tax (VAT)

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

2.18 Provisions

Provisions are recognised when the NSTA has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation. The provisions represent the directors' best estimate of the expenditure required to settle the obligation, often with the benefit of technical advice.

Dilapidation Provision

The NSTA is required to restore the leased premises at 48 Huntly Street, Aberdeen and the 4th Floor, 21 Bloomsbury Street, London to their original condition at the end of their respective lease terms. The transitional provisions have not been applied to these two premises when IFRS16 was adopted. They 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 expense. The lease agreement for 21 Bloomsbury Street ended on 30 September 2022, progress was made for the dilapidations but there was no settlement as at 31 March 2023.

The new lease for the premise at 1 Marischal Square, Aberdeen, obliged the company to return the office to its original state, at the end of the lease term. This will be assessed under the requirement of IFRS 16, which requires dilapidation provisions to be capitalised as part of the cost of the right-of-use asset. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised and are depreciated over the term of the lease and the useful life of the assets. The NSTA discounts the provision to its present value using the discount rate set by HM Treasury which is 3.51%. Provision discount rates set by HM Treasury are updated annually and have an effect on liabilities. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

2.19 Financial risk identification and management

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

The company is not exposed to significant interest rate, credit or cash risks. The trade receivables are reviewed at year end and where it is considered there is a risk in relation to recoverability of these monies, an impairment provision is included within the financial statements. The Expected Credit Loss Allowance at 31 March 2023 is analysed in Note 15.1.

Under IFRS 9, financial assets are required to be assessed for impairment based on expected credit losses. The Government Financial Reporting Manual (FReM) 2022-23 states that balances with core central government departments are excluded from recognising impairments under IFRS 9; while the NSTA is a non-FReM body, receivables from BEIS have been excluded from this assessment as the NSTA considers there to be no recoverability risk. The company has experienced some historical credit losses with regards to trade receivables, therefore a review

of outstanding balances at 31 March 2023 was carried out to establish a 'loss rate' to apply. The company will continue to reflect identified losses using the calculated loss rate methodology on an ongoing basis.

2.20 Critical accounting judgements, estimates and assumptions

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

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

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

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

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

Determining the lease term (IFRS 16)

NSTA has applied judgement to determine the lease term for those lease contracts that include a break option. The assessment of whether the

NSTA is reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the Statement of Financial Position. The importance of the underlying assets to the NSTA's operation and business plan is a key factor in making this assumption.

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. Provision discount rates set by HM Treasury are updated annually and have a material effect on liabilities.

3. Income

In 2022-23, the NSTA received income from fees and charges; levy on industry; and grant from BEIS to assist with the company's activities. The tables below detail the breakdown of income received for the year to 31 March 2023.

	2022-23 £'000	2021-22 £'000
a) Income		
Income from the industry levy	28,337	26,044
Income from fees and charges	4,556	2,500
Income from other government grant	1,950	1,700
Income from other government project grant	-	1,041
Other income	2	1
Total income	34,845	31,286
b) Reconciliation of levy collected and levy income recognised		
Industry levy collected	32,864	30,029
Income from the industry levy (matched by expenditure funded by the industry levy)	(28,337)	(26,044)
Underspent levy refundable to industry	4,527	3,985

4. Staff costs

Staff costs comprise:

			2022-23	2021-22
	Permanently employed staff	All other staff	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	13,180	447	13,627	12,946
Social security costs	1,778	-	1,778	1,526
Other pension costs	3,469	-	3,469	3,167
Total net costs	18,427	447	18,874	17,639

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

	2022-23	2021-22
	FTE	FTE
Permanent staff	195	184
Agency and contracted staff	4	3
Total	199	187

Key management personnel include executive directors and their compensation is disclosed in the Remuneration Report on pages 37 to 46.

5. Other expenditure

	SoCI Reference	2022-23 £'000	2021-22 £'000
Project delivery costs		7,939	6,937
IT outsourcing		2,265	2,016
IT expenditure		1,309	1,256
Accommodation		883	569
Training		424	327
Other		411	315
Travel and subsistence		409	118
Legal, professional and consultancy		293	562
Subscriptions		222	205
Office services		204	146
Personnel related		179	165
Auditors' remuneration and expenses - National Audit Office		52	44
Loss on disposal of fixed assets		-	8
	5.1	14,590	12,668
Non-cash items			
Depreciation of right-of-use assets		973	556
Depreciation of property, plant and equipment assets		278	289
Amortisation of intangible assets		20	49
	5.2	1,271	894
Provision expense			
Provision provided in year		36	70
	5.3	36	70
Finance costs			
Interest expense on lease liabilities		74	15
	5.4	74	15
Total		15,971	13,647

Project delivery costs include £1.3m (2021-22: £2.4m) in relation to the National Data Repository Services and £nil (2021-22: £1.0m) relates to the Electrification Project which was funded by a grant.

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

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

6. Property, plant and equipment

	IT equipment £'000	Furniture and fittings £'000	2022-23 Total £'000
Cost or valuation			
At 1 April 2022	1,626	1,333	2,959
Additions	91	-	91
Disposals	(592)	(156)	(748)
At 31 March 2023	1,125	1,177	2,302
Depreciation			
At 1 April 2022	1,381	890	2,271
Charged in year	102	176	278
Disposals	(592)	(156)	(748)
At 31 March 2023	891	910	1,801
Net book value at 31 March 2023	234	267	501
Asset financing:			
Owned	234	267	501
Net book value at 31 March 2023	234	267	501
	IT equipment £'000	Furniture and fittings £'000	2021-22 Total £'000
Cost or valuation			
At 1 April 2021	1,805	1,333	3,138
Additions	199	-	199
Disposals	(378)	-	(378)
At 31 March 2022	1,626	1,333	2,959
Depreciation			
At 1 April 2021	1,600	752	2,352
Charged in year	151	138	289
Disposals	(370)	-	(370)
At 31 March 2022	1,381	890	2,271
Net book value at 31 March 2022	245	443	688
Asset financing:			
Owned	245	443	688
Net book value at 31 March 2022	245	443	688

Upon moving into the new offices in London and Aberdeen, the company acquired new server and new routers which has been capitalised as IT equipment. In addition to this, some additional laptops were acquired during the year for new staff. The disposals relate to the old routers, telephony systems and fit out costs for the London office.

7. Right-of-use assets

	Buildings £'000	2022-23 Total £'000
Cost or valuation		
At 1 April 2022	2,782	2,782
Additions	7,438	7,438
Disposals	(888)	(888)
Capitalised Provision	558	558
At 31 March 2023	9,890	9,890
Depreciation		
At 1 April 2022	1,662	1,662
Charged in year	973	973
Disposals	(888)	(888)
At 31 March 2023	1,747	1,747
Net book value at 31 March 2023	8,143	8,143
Asset financing:		
Leased	8,143	8,143
Net book value at 31 March 2023	8,143	8,143

The NSTA's licence at Sanctuary buildings, London started in August 2022 and the new Aberdeen building leased at Marischal Square was recognised in May 2022. These gave rise to an addition in the right of use assets and a corresponding liability (see note 12). The disposal relates to the end of the lease at 21 Bloomsbury Street, London which was in September 2022. The NSTA continues to occupy a second leased premise within Aberdeen, 48 Huntly Street. An estimate of the cost in dismantling and removing the underlying asset at Marischal Square, and restoring the asset to the condition required by the terms and conditions of the lease has been added to the right-of-use asset as capitalised provision.

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

Amounts recognised in Statement of Comprehensive Income

	2022-23 Total £'000	2021-22 Total £'000
Depreciation expense on right-of-use assets	973	556
Interest expense on lease liabilities	74	15
Expenses relating to short term leases	1	4

None of the NSTA's property leases contain variable payment terms. The total cash outflow relating to leases in the year amounted to £514k (2021-22: £689k).

8. Intangible fixed assets

	Finance and HR software £'000	Software licences £'000	Website £'000	2022-23 Total £'000
Cost				
At 1 April 2022	189	299	104	592
At 31 March 2023	189	299	104	592
Amortisation				
At 1 April 2022	131	297	104	532
Charged in year	18	2	-	20
At 31 March 2023	149	299	104	552
Net book value at 31 March 2023	40	-	-	40
Asset financing:				
Owned	40	-	-	40
Net book value at 31 March 2023	40	-	-	40

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

9. Cash and cash equivalents

	2022-23 £'000	2021-22 £'000
Balance at 1 April	6,682	7,227
Net change in cash and cash equivalent balances	1,373	(545)
Closing balance	8,055	6,682
The following balances were held at:		
Government Banking Service	8,055	6,682
Balance at 31 March	8,055	6,682

10. Trade and other receivables

	2022-23 £'000	2021-22 £'000
Amounts falling due within one year		
Trade receivables	142	253
Trade receivables - expected credit losses	(30)	(28)
Other receivables	13	5
Prepayments	865	682
BEIS receivable	-	608
Total trade and other receivables at 31 March	990	1,520

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

11. Trade and other payables

	Note	2022-23 £'000	2021-22 £'000
Amounts falling due within one year			
Trade payables		1,354	1,824
Current year levy underspend - refundable to industry	3	4,527	3,985
Prior years' levy underspend - refundable to industry *		46	47
VAT payable		61	63
Taxation and social security		844	814
Accruals		1,399	1,278
BEIS capital loan **		186	208
Total current payables at 31 March		8,417	8,219
Amounts falling due after more than one year			
BEIS capital loan **		300	336
Total non-current payables at 31 March		300	336
Total trade and other payables at 31 March		8,717	8,555

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

*£46k of the 2017-2018, 2019-20, 2020-21 and 2021-22 levy underspend is still due to levy payers at 31 March 2023. The NSTA 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	2022-23 £'000	2021-22 £'000
Land & Buildings			
Balance at 1 April		1,183	1,846
Additions		7,343	-
Interest expense	5.4	74	15
Remeasurement	7	-	11
Lease payments		(514)	(689)
Closing balance		8,086	1,183
Amount falling due within one year			
Current lease liability		445	445
Amount falling due after more than one year			
Non-current lease liability		7,641	738
Total lease liabilities		8,086	1,183
Maturity analysis			
Not later than 1 year		445	445
Later than 1 year and not later than 5 years		1,627	738
Later than 5 years		6,014	738
		8,086	1,183

The NSTA's licence at Sanctuary buildings started in August 2022 and the Aberdeen building leased at Marischal Square was recognised in May 2022. These gave rise to an addition in the right of use (ROU) assets and a corresponding liability.

13. Provisions

	Dilapidations £'000	2022-23 Total £'000
At 1 April 2022	332	332
Provided in the year	594	594
At 31 March 2023	926	926

Analysis of expected timing of discounted flows:

Not later than 1 year	236	236
Later than 1 year and not later than 5 years	132	132
Later than 5 years	558	558
	926	926

	Dilapidations £'000	2021-22 Total £'000
At 1 April 2021	288	288
Provided in the year	44	44
At 31 March 2022	332	332

Analysis of expected timing of discounted flows:

Later than 1 year and not later than 5 years	218	218
Later than 5 years	114	114
	332	332

The dilapidations provision relates to the company's leased premises as disclosed in note 2.18. At the end of the lease term, the company is obliged to return the offices to their original state. The provision represents the best estimate of the expenditure required to settle that obligation, with the benefit of technical advice. The total undiscounted provision liability as at 31 March 2023 is at £368k (2021-22: £332k) and the total discounted provision liability as at 31 March 2023 is £558k (2021-22: £nil). Provision discount rates are set by HM Treasury and are updated annually.

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.

	2022-23 £'000	2021-22 £'000
Ageing of financial assets		
Neither past due nor impaired	74	175
Past due 1-30 days	29	11
Past due 30-60 days	1	-
Past due 61-90 days	12	6
Past due > 90 days	38	66
Total at 31 March	154	258

The loss allowance as at 31 March 2023 for trade receivables over 90 days, has been determined as follows:

	Between 1-2 years %	< 2 years %
Expected Loss Rate	50	100

The following table below shows the movement in expected credit loss that has been recognised during the reporting period.

	2022-23 £'000	2021-22 £'000
At 1 April	28	4
New allowances in the reporting period	11	24
Released on repayment	(5)	-
ECL utilised when written-off	(4)	-
At 31 March	30	28

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.

15.3.3 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.

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.

	2022-23 £'000	2021-22 £'000
Carrying amounts and fair values		
Trade and other receivables	990	1,520
Trade and other payables	(8,717)	(8,555)
Total at 31 March	(7,727)	(7,035)

16. Losses and special payments

Losses statement

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

	2022-23	2021-22
Number of cases	1	-
£'000	4	-

17. Capital commitments

The company does not have any capital commitments.

18. 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).

19. Contingent assets and liabilities

The company does not have any contingent assets and liabilities.

20. Related party transactions

BEIS publishes a consolidated Annual Report and Accounts for the core department each year. The NSTA is classified within the BEIS consolidation boundary; therefore, any transaction that the company carries out within the group is considered a related party transaction. During the year, the company received grant in aid of £1.9m (2021-22: £1.7m) and a capital loan of £150k (2021-22: £200k) from BEIS. In the year 2021-22, the company received funding of £1.0m from BEIS for the Electrification Project which supported the NSTA's Energy Transition work, no such funding was received in 22-23.

At the balance sheet date, the company has a nil balance (2021-22: £608k) in trade and other receivables, which is due from BEIS. The company has a capital loan of £486k (2021-22: £544k) 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.

21. 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. As of the date of issuance of these financial statements, there has been no further significant impact on the company's financial statements. With effect from 7 February 2023, the name of the parent entity was changed from Department for Business, Energy & Industrial Strategy (BEIS) to Department for Energy Security and Net Zero (DESNZ), HM Treasury has specified for simple arrangements to still refer to BEIS in the 2022-23 financial statements instead of DESNZ. In June 2023, Ministers have agreed to allow departments to make a one off fixed payment of £1.5k to civil servants in delegated grades in recognition of their public service and the challenges of the cost of living. The cost for this will be around £310k and is expected to be paid in July 2023.

Trust Statement

Financial statements

Accounting Officer's Foreword to the Trust Statement

Scope

The North Sea Transition Authority (NSTA) is a business name of the Oil and Gas Authority (OGA), the company is responsible for the collection and allocation of receipts from the Petroleum Licensing Regime. The Petroleum Licence fees collected by the NSTA and paid over to the Consolidated Fund are included in this Trust Statement, along with the revenues, expenditure, assets, and liabilities relating to the receipts of Petroleum Licences under The Petroleum Act 1998 for the financial year 2022-23.

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

Background

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

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

Licences are awarded in periodic "rounds" subject to a requirement that the holder will make annual payments (known as 'Licence Rental Fees') to the NSTA, which remits them, via the Department of Business, Energy, and Industrial Strategy (BEIS) now known as the Department of Energy Security and Net Zero (DESNZ), 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 33rd Offshore Petroleum Licensing Round opened in October 2022 and closed in January 2023. In total, 115 applications were received by the NSTA covering 258 blocks and part blocks in the United Kingdom Continental Shelf (UKCS). The applications are currently being evaluated and the NSTA is conducting technical interviews. It is anticipated, subject to financial and Health And Safety Executive (HSE) checks, that the NSTA will look to award the first tranche of new licences in Q2/Q3 2023 followed by subsequent awards in Q4 2023.

Financial Review

Fees received in respect of Petroleum licences amounted to £50.8m for the year to 31 March 2023 (£51.9m in 2021-22). 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 2021-22 year has been calculated in the current year at £1.6m and will be paid in the 2023-24 financial year (£1.5m in 2020-21 and paid in 2022-23 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 89 to 92. The auditor's notional remuneration of £14k (2021-22: £12k) 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 NSTA to prepare the Trust Statement to give a true and fair view of the situation relating to the collection of receipts from the Petroleum Licences regime (together with the revenue, expenditure, and cash flows for the financial year). Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

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

Events after the reporting period

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



Stuart Payne

Chief Executive and Accounting Officer

3 July 2023

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

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

HM Treasury has appointed the Chief Executive as Accounting Officer of the North Sea Transition Authority (NSTA) with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

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

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

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

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

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

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

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

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

Governance Statement

The NSTA's Governance Statement, covering both the Accounts and the Trust Statement, is included in the Governance section of this report on page 27.

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 2023 under the Exchequer and Audit Departments Act 1921.

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

- Statement of Financial Position as at 31 March 2023;
- Statement of Revenue Other Income and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Oil and Gas Authority Trust Statement's affairs as at 31 March 2023 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and the terms of my contract and had regard to Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

ISAs (UK) require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. 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 my 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 nor 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.

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 by the Oil and Gas Authority or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for my audit;
- providing the C&AG with unrestricted access to persons within the Oil and Gas Authority Trust Statement from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921;
- 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 that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Oil and Gas Authority Trust Statement's accounting policies.
- inquired of management, the Oil and Gas Authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Oil and Gas Authority Trust Statement's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Oil and Gas Authority Trust Statement's controls relating to the Oil and Gas Authority Trust Statement's compliance with the Exchequer and Audit Departments Act 1921, Managing Public Money, the Petroleum Act 1998 and the Miscellaneous Financial Provisions Act 1968.
- inquired of management, Oil and Gas Authority Trust Statement's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,

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

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

I obtained an understanding of the Oil and Gas Authority Trust Statement's framework of authority and other legal and regulatory frameworks in which the Oil and Gas Authority Trust Statement's operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Oil and Gas Authority Trust Statement's. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022 and the Petroleum Act 1998 and the Miscellaneous Financial Provisions Act 1968.

Audit response to identified risk

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

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

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

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

Other auditor's responsibilities

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

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

Gareth Davies

Date: 11th July 2023

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 2023

	Note	2022-23 £'000	2021-22 £'000
Revenue			
Licence fees and taxes			
Petroleum licences	2	50,841	51,919
Total licence fees and taxes		50,841	51,919
Total revenue and other income		50,841	51,919
Expenditure			
Disbursements	3	(1,328)	(2,046)
Total expenditure and disbursements		(1,328)	(2,046)
Net revenue for the Consolidated Fund		49,513	49,873

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

The notes on pages 96 to 101 form part of this statement.

Statement of Financial Position as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Current assets			
Receivables	4	5,974	4,869
Cash and cash equivalents	5	21,166	17,655
Total current assets		27,140	22,524
Current liabilities			
Payables	6	(2,627)	(2,651)
Total current liabilities		(2,627)	(2,651)
Net current assets		24,513	19,873
Total net assets		24,513	19,873
Represented by:			
Balance on Consolidated Fund Account	7	24,513	19,873

The notes on pages 96 to 101 form part of this statement.



Stuart Payne

Chief Executive Officer

3 July 2023

Statement of Cash Flows for the year ended 31 March 2023

	Note	2022-2023 £'000	2021-2022 £'000
Net cash flows from operating activities		48,384	50,267
Cash paid to the Consolidated Fund	7	(44,873)	(52,407)
Decrease in cash in this year		3,511	(2,140)

Notes to the Statement of Cash Flows

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

Net revenue for the Consolidated Fund		49,513	49,873
(Increase) in receivables and accrued fees	4	(1,105)	(93)
(Decrease)/increase in payables	6	(24)	487
Net cash flows from operating activities		48,384	50,267

B: Analysis in changes in Net Funds

Increase/(decrease) in cash in this year		3,511	(2,140)
Net Funds as at 1 April (net cash at bank)	5	17,655	19,795
Net Funds as at 31 March (closing balance)	5	21,166	17,655

The notes on pages 96 to 101 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 North Sea Transition Authority (the Company) and HM Treasury and have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

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

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

1.2 Accounting convention

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

1.3 Changes in accounting policy and disclosures

There have been no changes in accounting policies for the year ended 31 March 2023.

1.4 Revenue recognition

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

- A taxable event has occurred, the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow

to the Exchequer. A taxable event occurs when a liability arises to pay a tax or licence fee; or

- A penalty is validly imposed and an obligation to pay arises.

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

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

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

1.5 Receivables

Receivables are shown net of impairments in accordance with the requirements of the FReM and IFRS 9. The NSTA enforces the full collection of rental income, therefore any rental income debt written off is only where specific circumstances apply, such as company in liquidation. The FReM requires the NSTA Trust to include expected credit loss allowances, estimating the value of outstanding debt, which are measured in accordance with IFRS 9. The impairment estimate has been determined based on our assessment of recoverability of debt at the year-end date that have been outstanding for more than 90 days.

Debts will be written off by following the appropriate approval process, when there is information indicating that the company has been dissolved and there is no realistic prospect of recovery. Therefore, receivables for rental income are measured at amortised cost, less any expected credit loss allowance. The details of debt write-offs in year are disclosed in Note 8.2.

1.6 Financial instruments

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

All financial assets and liabilities are recognised

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

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash held in the bank.

2. Revenue

Petroleum licence income

	2022-23 £'000	2021-22 £'000
Fees receivable	50,526	51,869
Fines and penalties	315	50
Total	50,841	51,919

The responsibility for the collection of petroleum licences is with the Company. During the 2022-23 year, HM Treasury is still considering the waiver of some petroleum licence fees which amounts to £2.1m (2021-22: £1.5m).

Fines and penalties served with a Sanction Notice for breaching a licence condition:

	2022-23 £'000	2021-22 £'000
EnQuest Heather Limited	150	-
Equinor U.K. Limited	65	-
Shell U.K. Limited	50	-
Spirit Energy North Sea Limited	50	-
BP Exploration Operating Company Limited	-	50
Total	315	50

3. Expenditure and disbursements

	2022-23 £'000	2021-22 £'000
Payments to Northern Ireland Government	1,559	1,547
Allowance for expected credit losses	(231)	491
Other expenses	-	8
Total	1,328	2,046

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.

Other expenses represent the cost of debt collections.

4. Receivables and accrued fees

	2023-23 £'000	2021-22 £'000
Petroleum licence fees receivable	6,234	5,360
Trade receivables – expected credit losses	(260)	(491)
Total	5,974	4,869

Petroleum licence fees receivable represent the amounts due from the licensees where invoices for payment have been issued but not paid at the year end.

The expected credit loss allowance at 31 March 2023 is analysed in Note 8.2.

5. Cash and cash equivalents

	2022-23 £'000	2021-22 £'000
Balance as at 1 April	17,655	19,795
Net change in cash and cash equivalent balances	3,511	(2,140)
Balance at 31 March	21,166	17,655
The following balances were held at:		
Government Banking Service	21,166	17,655
Total	21,166	17,655

6. Payables

	2022-23 £'000	2021-22 £'000
Northern Ireland Government	1,559	1,547
Other payables	1,068	1,104
Total	2,627	2,651

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

7. Balance on the Consolidated Fund Account

	2022-23 £'000	2021-22 £'000
Balance on the Consolidated Fund as at 1 April	19,873	22,407
Net revenue for the Consolidated Fund	49,513	49,873
Less amounts paid to the Consolidated Fund	(44,873)	(52,407)
Balance on the Consolidated Fund as at 31 March	24,513	19,873

8. Financial instruments

8.1 Classification and categorisation of financial instruments

	2022-23 £'000	2021-22 £'000
Financial assets:		
Cash and cash equivalents	21,166	17,655
Petroleum licence fees receivable	5,974	4,869
Total cash and receivables	27,140	22,524
Financial liabilities:		
Northern Ireland Government payables	(1,559)	(1,547)
Other payables	(1,068)	(1,104)
Total other financial liabilities	(2,627)	(2,651)

8.2 Risk exposure to financial instruments

The fees receivable under the Petroleum Licensing Regime are subject to credit risk. The majority of the licensees are private companies which increases the exposure to credit risk. To mitigate this, management has policies and procedures in place to ensure credit risk is kept to a minimum and receivables are impaired where a specific receivable is deemed to be irrecoverable, based on the information available. The company assesses at each year end whether there is objective evidence that financial assets are impaired. IFRS 9 Financial Instruments allows an entity to use a simplified method for calculating expected losses using historical default rates over the expected life of the trade receivables and adjusting for forward-looking estimates. Forward-looking information such as macroeconomic factors and entity specific situations are considered for entities with significant outstanding balances. The carrying amount of financial assets in the financial statements represents the maximum credit risk exposure of the Trust Statement.

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 current demand for licences. The company operates as an agent for the Consolidated Fund with devolved administrations and is only required to surrender amounts due to the extent they are collected.

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

	2022-23 £'000	2021-22 £'000
Ageing of financial assets:		
Neither past due nor impaired	2,345	2,400
Past due 1-30 days	338	427
Past due 30-60 days	394	563
Past due 61-90 days	622	-
Past due >90 days	2,535	1,970
Total at 31 March	6,234	5,360

The above balances are generally considered to be a very low credit risk under the current legislation, particularly those under 90 days. The expected credit losses have been applied to the 90 days past due aged balances that do not relate to Welsh and Scottish Licensing (40%) and amounts under waiver consideration by HM Treasury (49%). The position of the waiver is explained further in Note 2.

The following table shows the movement in expected credit loss that has been reported during the reporting period:

	2022-23 £'000	2021-22 £'000
Balance as at 1 April	491	-
New allowances in the reporting period	260	491
Released on repayment	(2)	-
Written off	(489)	-
Total at 31 March	260	491

Debts written off are the amounts reportable to Parliament under rules on disclosure of losses and write-offs in Managing Public Money Annex A.4.10.24. Managing Public Money (6.5.1) does not allow the NSTA accounting officer to write off revenues without HM Treasury approval. There were no individual amounts over £300k, the £489k approved debts written off in 2022-23 (2021-22: £nil) relate to fruitless payments as a result of dissolved or liquidated companies.

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 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. With effect from 7 February 2023, the name of the parent entity was changed from Department for Business, Energy & Industrial Strategy (BEIS) to Department for Energy Security and Net Zero (DESNZ), HM Treasury has specified for simple arrangements to still refer to BEIS in the 2022-23 financial statements instead of DESNZ.

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

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 2023 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual (“FReM”) 2022-23.
3. The Statement shall be prepared, as prescribed in Appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer’s Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.



Michael Sunderland

Deputy Director, Government Financial Reporting

His Majesty's Treasury

15 December 2022



North Sea Transition Authority

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The North Sea Transition Authority is the business name for the Oil & Gas Authority, a limited company registered in England and Wales with registered number 09666504 and VAT registered number 249433979. Our registered office is at Sanctuary Buildings, 20 Great Smith Street, London, SW1P 2BT.

www.nstauthority.co.uk