



# Maritime & Coastguard Agency

Maritime and Coastguard Agency  
Annual Report and Accounts 2012-2013

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Annual Report and Accounts 2012-2013

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Our vision is to be the best maritime safety organisation in the world, committed to ***Safer Lives, Safer Ships, Cleaner Seas.***

Our core values are: ***Safety, Professionalism, Trust and Respect***

## **Foreword**

I am very pleased to present our Annual Report and Accounts for 2012-2013. This Annual Report sets out our achievements against the Business Plan we published in April 2012.

What we do is vital to the growth of the economy of the United Kingdom. We provide a regulatory and standards-setting framework that facilitates safe shipping operations. Through the Government's Red Tape Challenge process we have demonstrated our commitment to being a model regulator that works with our industry to develop, implement and secure compliance with appropriate safety requirements. We have continued to work with those in the maritime industry to develop Codes of Practice and practical guidance that make it more straightforward for ships to comply with safety standards. We will not hesitate, however, to take action against those who flout safety requirements.

We have undertaken a systematic review of our ship survey and inspection services with a view to improving how we deliver this important work. We are considering options for the future, but no final decisions have yet been taken.

We continue to provide a first class emergency response service, coordinating maritime search and rescues and tackling pollution from shipping. We have started to implement the Blueprint for modernising Her Majesty's Coastguard that the Government published in November 2011. The Coastguard Coordination Centres at Forth and Clyde closed towards the end of 2012 and the Centre in Great Yarmouth closed on 1 May 2013. Operations were successfully transferred to other centres as part of the transition programme. We were delighted to welcome the Minister for Shipping to a ceremony in July 2012 to inaugurate the new National Maritime Operations Centre in Fareham, which we are equipping ready to become operational by March 2014.

Our seafarer documentation and ship registration services continue to provide high levels of customer satisfaction, but we are not complacent and we will continue to seek opportunities to improve our customer experience still further including making our interaction with customers more digital.

Our people remain our greatest asset and we are committed to their personal development. We have adopted a new People Strategy to guide our activities around recruitment, talent management, succession planning and recognition. In line with the Civil Service Reform Plan, we have implemented the new behaviours-based competency framework, improved appraisal systems and made a commitment for all staff to dedicate at least five days annually to their own personal development. We have also invested in development activities to improve our collective understanding of what good leadership really looks like and how to make it happen.



Sir Alan Massey  
Chief Executive

## Directors' Report

### Who We Are

The Maritime and Coastguard Agency was established on 1 April 1998 and is an executive agency of the Department for Transport (DfT).

We are committed to facilitating growth of the UK economy through maritime safety, both in terms of prevention and response activities. All of our work contributes to our vision of being the world's best maritime safety organisation, committed to *Safer Lives, Safer Ships, Cleaner Seas*. That clear vision is underpinned by our shared values of safety, professionalism, trust and respect.

### Agency Management

The Executive Board is the highest decision-making body in the MCA. We set out its role and relationship with other management groups within the Governance Statement (see page 28). The Executive Board is made up of:-

**Sir Alan Massey – Chief Executive:** joined the Agency in 2010 after a career in the Royal Navy. He is the Agency's Accounting Officer.

**Philip Naylor – Executive Director of Maritime Safety and Standards:** joined the Agency in 2009 after a career in the commercial maritime sector. He is responsible for ensuring the safety and quality of seafarers and ships under the Red Ensign, the UK Ship Register and our survey and inspection regime. He is responsible for delivering the Review of the Ship Survey and Inspection service.

**Richard Parkes – Executive Director of Maritime Operations:** joined the Agency in 1999 after a career as a coastguard in Bermuda. He is responsible for all emergency response operations, along with ICT, Asset Management, Human Resources and Learning and Development. He is responsible for delivering the Future Coastguard Programme.

**Sue Ketteridge – Executive Director of Strategy and Finance:** joined the Agency in 2008 after a variety of posts across Whitehall Departments. She is responsible for strategic planning, performance monitoring, corporate governance and financial controls, the health and safety of our staff and volunteers, and is also Chair of the Senior Executive Group (SEG). She is responsible for delivering our migration to a Shared Service Centre and our work to reduce administrative costs by 33%. Sue is also the Senior Information Risk Owner (SIRO)

Sue Ketteridge was seconded to the Department for Transport from August 2012. **Jane Jackson** became acting Director of Strategy and Finance from then. She assumed Sue Ketteridge's responsibilities with the exception of the Chair of the SEG.

Non-Executive Directors were Keith Greenfield until 29 June 2012, Bob Banham until 31 December 2012, Alison White and Alex Jablonowski from 1 January 2013, and David Snelson for the full year.

## Performance Summary

We monitored our progress against a set of Operational Priorities (OPs) and Transformational Objectives (TOs) published in our Business Plan.

### Our Operational Priorities (OPs)

<b>OP1.</b> Maintenance of our national maritime emergency response capability, including the co-ordination of search and rescue (SAR)
<b>OP2.</b> Ensuring our ship survey, inspection and certification capability, and the parallel work in relation to seafarers, meets our domestic and international obligations
<b>OP3.</b> Working with the maritime industry to encourage quality companies and ships to join the UK register
<b>OP4.</b> Promoting, with our partners, improved safety among seafarers, the commercial fishing community and the recreational sector
<b>OP5.</b> Supporting a successful and sustainable maritime sector through better regulation
<b>OP6.</b> Working with other government departments and industry to reduce the likelihood of pollution incidents in UK waters
<b>OP7.</b> Deal with pollution incidents in UK waters.

### Our Transformational Objectives (TOs)

<b>TO1. Modernising Her Majesty's Coastguard:</b> Following extensive consultation and Ministerial decisions announced on 22 November 2011, we will implement our Future Coastguard Programme.
<b>TO2. Reviewing the Ship Survey and Inspection Regime:</b> Whilst maintaining the UK's high safety standards and reputation as a high quality Ship Register, we will systematically review the arrangements for ship surveys and inspections to improve efficiency against customer demand and our statutory obligations, build on the need for excellent customer service, and underpin and enhance our reputation in the shipping industry.
<b>TO3. Improving the management, leadership and delivery capacity of the Coastguard Rescue Service:</b> We plan to enhance the support, training, leadership and management that we give to our cadre of volunteer Coastguards who make up the Coastguard Rescue Service and who support their local communities and the wider UK search and rescue effort by carrying out search activities and specialist rope, water and mud rescues.
<b>TO4. Delivering savings of 33% on our administration costs:</b> In line with the rest of Government, we will continue to reduce the cost of our administration over the next three years, through a range of measures aimed at: increasing efficiency and effectiveness in the MCA operating model; policy and regulatory development; procurement, estate, people and financial management; more effective working practices; and by stopping some low priority activities. In particular, we will continue to explore closer working across Government Departmental boundaries to maximise the use of our available talent.

## **Achievements against those OPs and TOs included:-**

- meeting our target for the number of Coastguards qualified to co-ordinate search and rescue missions;
- reducing the number of Coastguard Sector Manager vacancies.
- meeting all of our internationally agreed Port State Control (PSC) ship inspection targets;
- maintaining our recognition internationally as a quality Ship Register through the Paris and Tokyo Memoranda of Understanding and the United States Qualship21 scheme;
- progressing the development of a comprehensive fishing vessel strategy;
- importing MCA data for the last five years into the National Water Safety Forum's Water Incident Database;
- contributing significantly to the Government's Red Tape Challenge for the maritime sector, the results of which were announced in the 2013 Budget Statement;
- completing our agreed programme of seabed surveys under the Civil Hydrography Programme;
- processing over 95% of industry requests for ship-to-ship transfer operations within 24 hrs of application;
- engaging our Duty Counter Pollution and Salvage Officers in incident response within 10 minutes and other specialist support within 30 minutes of activation over 95% of the time;
- implementing the next stage of our Coastguard modernisation programme through new working arrangements that allowed the safe closure of the centres at Forth and Clyde;
- taking possession of the new National Maritime Operations Centre in Fareham;
- establishing a more resilient, working arrangement for Coastguard activities that links a number of existing coordination centres in preparation for full modernisation;
- conducting a systematic review of our ship survey and inspection service to allow us to develop options for improvement;
- introducing improved stress management arrangements for Sector Managers looking after the volunteer Coastguard Rescue Service; and
- achieving an 18% reduction in our administrative costs in line with the target we established as a result of the Comprehensive Spending Review in 2010.

## **Other notable achievements in 2012-2013 included:-**

- delivering our commitments to maritime safety as part of the successful 2012 Olympic and Paralympic Games, particularly in relation to the sailing events off Weymouth;
- delivering our safety commitments as part of the Queen's Diamond Jubilee Pageant along the River Thames, including our work as scrutineers for over 500 vessels;
- receiving the Queen's Diamond Jubilee Volunteering Award on behalf of the Coastguard Rescue Service;
- receiving the individual award of the Queen's Diamond Jubilee Medal for many qualifying staff; and
- improving industrial relations with the PCS and Prospect Unions with both moving away from their industrial action short of a strike.

## **Areas in which we have made less progress and will need to make improvements include:-**

- implement the outcome of the consultative work we have completed with customers of our seafarer services;
- continuing our efforts to attract and recruit Marine Surveyors to fill vacancies as speedily as possible;
- working with the fishing industry to embed an improved safety culture through initiatives in the fishing vessel safety strategy; and
- completing our work to refresh the National Contingency Plan for dealing with pollution incidents at sea using lessons and recommendations from Deep Water Horizon, incident ex SULA, the UK Oil and Gas Regulatory Review and in line with advances in spill response technology.

## Management Commentary

Effective management plays an important part in delivering our services to our customers. Our Governance Statement on page 28 describes how we do this.

We also meet the ISO 9001:2008 Quality Management Systems standard. Internal quality audits, combined with external monitoring provide assurance against the standard and help support business improvement.

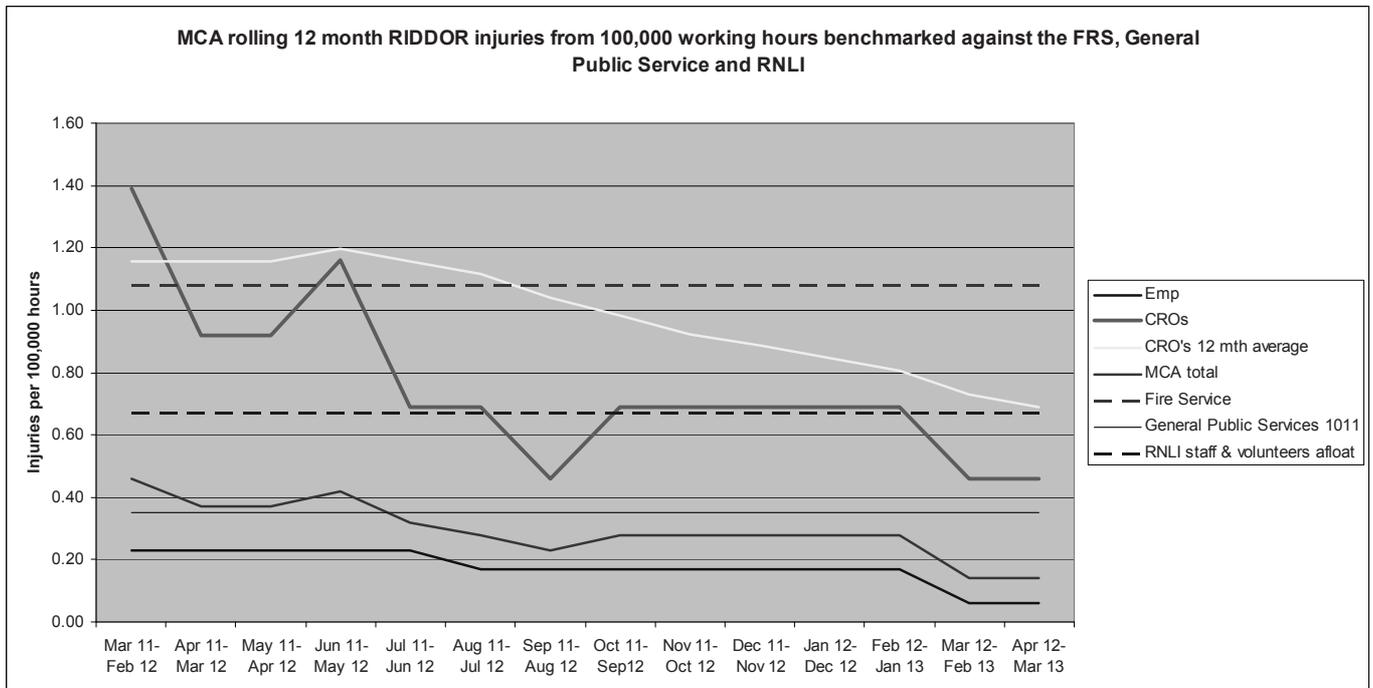
## Health and Safety

One of our core values is Safety. We lead by example in promoting safe working that protects our people, our assets and all those at work or leisure in the maritime environment. We embed safety awareness in our own culture and through partnership working, education and regulation.

We are committed to achieving the highest standards by continuous, proactive actions to reduce the number of people injured or made ill whilst undertaking Agency activities. We have developed Safe Operating Protocols for our core activities and continuously review them to ensure their effectiveness.

Monthly reports are prepared for the Agency's management groups highlighting key health and safety issues, accidents and near misses, along with progress on initiatives. We have promoted an improved culture of reporting both accidents and near misses so that lessons can be identified and improvements made. We have paid particular attention to stress management amongst our Sector Managers. Over the last year we have continued to see a downward trend in lost time attributable to serious accidents and we are performing consistently better than our contemporaries, as illustrated in the graph below.

There is good staff engagement and representation on both the local and National Health and Safety Committees where health and safety issues are discussed in detail.



## **Service Improvement**

In response to a National Audit Office (NAO) recommendation from 2009, we conduct a range of on-line customer satisfaction surveys, covering our activities on:

- Seafarer Training & Certification;
- Survey & Inspection;
- UK Ship Register; and
- Registry of Shipping and Seamen.

Feedback shows over 80% customer satisfaction with all of our services. We are exploring ways to improve participation rates. Encouragingly, we also get very few complaints, and those that we do receive are examined for trends in our service delivery.

We have set up an internal Customer Feedback Group to look at all available customer insight. In response to direct customer feedback from seafarers using our certification services, we made some specific changes to how we do business, including:

- changing the revalidation process to make it easier for customers to supply evidence of their sea time;
- amending the Dangerous Cargoes Exemption (DCE) section of the application form and guidance notes;
- enabling customers to track their certificates electronically once posted; and
- introducing automated emails so that customers know when their application has been received.

## **Sustainable Development**

We are continuing to embed sustainable development across the Agency to live within environmental limits; ensure a strong, healthy and just society; achieve a sustainable economy; practise sustainable procurement; and promote good governance.

We are fully committed to achieving the targets set within the Greening Government Commitments (GGC) Agenda, and activity during 2012-13 included:

- publication and internal display of actual energy consumption information covering major buildings, allowing for a targeted approach to improving energy efficiency;
- undertaking an Energy Survey with Property Managers to target works;
- introducing a “closed loop” paper recycling scheme; and
- installing gas optimiser units at major sites.

The full details of the GGC Agenda can be located at:

<http://sd.defra.gov.uk/gov/green-government/commitments/>

We recognise the importance of adapting to climate change as part of our planning processes and we have voluntarily published a report detailing the impact it may have on our activities. The report can be found here: <http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/11public-bodies/pbs-maritime-coastguard.pdf>

Our estates management strategy can be found on our website, and aims to:

- support the Agency’s business needs;
- secure compliance with relevant statute and policy;
- maximise the useful life of our properties by timely maintenance; and
- maintain the value of the portfolio as a government asset by effective management.

## Our People

Our people are our greatest asset and we have been awarded Silver Investors in People (IiP) status, putting us in the top 2% of all IiP accredited organisations in the UK. The 2012 annual Agency People Survey, which is a component of the wider Civil Service Employee Engagement Programme, showed improvements in our scores in significant areas such as leadership and the management of change, and we have put in place plans to further improve the engagement of our people. We have given all our senior managers training to support the development of their leadership skills using the “Future, Engage, Deliver” concepts that emphasise the importance of self-awareness, building positive relationships and making the most of our talented workforce.

We continue to celebrate the excellent work that our staff do through features in our in-house communication “Coast to Coast”, with certificates to mark long service, with appropriate Special Performance Bonuses, and with Chief Executive’s Awards to recognise outstanding contributions. We also use the formal Honours process to nominate appropriate staff and volunteers for national awards. Many staff proudly qualified this year for the award of the Queen’s Diamond Jubilee Medal, and the Coastguard Rescue Service as a whole received the Queen’s Diamond Jubilee Volunteering Award.

The Agency has three inclusion champions who uphold our commitment to promote good practice on diversity in employment and service delivery. We are committed to equality of opportunity in recruitment, development and promotion. We treat all staff fairly, with dignity and respect. We have organised specific events to highlight the importance of inclusion and our senior leadership team have had training around understanding unconscious bias and disability awareness.

We actively encourage disabled individuals to apply for opportunities and operate the ‘Two Ticks’ guaranteed interview scheme where candidates can demonstrate that they meet the minimum requirements for a role. Throughout an individual’s employment we will make reasonable adjustments to enable them to work, develop and progress. We follow the Civil Service Code.

We train to develop our staff. Learning and development activity during 2012-13 included:

- enabling 63 Coastguard Watch Officers and Watch Assistants to receive a customised award through the Scottish Qualifications Authority (SQA) accredited award scheme;
- developing and revising the Coastguard Rescue Officer Records Training Database;
- centralised delivery of continuous professional development (CPD) to all Sector Managers in workshops;
- promoting the use of Civil Service Learning and supporting staff to identify and undertake a wide range of personal development and mandatory training solutions to meet individual and business needs;
- training nearly 180 managers in leadership concepts; and
- establishing a coastal and maritime training needs analysis.

The Agency believes that it is to the mutual benefit of the MCA and our staff that employees are represented by Trade Unions. We recognise Prospect and the Public and Commercial Services Union (PCS) under collective bargaining procedures. Trade Union representatives are afforded appropriate facility time to carry out their duties, and consultation over changes to working practice or procedures is encouraged. The Agency has established good working relationships with both Unions. Both of these Unions took steps in the past 12 months to suspend or terminate their formal disputes with the Agency that had led to them taking industrial action specifically against us.

## MCA staff in post

	<b>Total Permanent &amp; Contract Staff</b>
<b>Staff in post at 1 April 2012</b>	<b>1053.44</b>
<b>Staff in post at 31 March 2013</b>	<b>1020.55</b>

These figures have been produced on a full time equivalent basis (rather than headcount) to reflect part time working arrangements, excluding temporary agency staff.

## Summary of starters and leavers

	<b>Total Permanent &amp; Contract Staff</b>
<b>Starters</b>	<b>91</b>
Resignation	63
Retirement (age)	26
End of Fixed Term Contract	6
Dismissal	4
Transfer to Other Government Department (OGD)	8
Retirement (ill health)	1
Voluntary Early Retirement (VER)/Voluntary Early Severance (VES)	27
Deceased	1
<b>Total leavers</b>	<b>136</b>

These figures reflect actual headcount, whereas note 2 of the Accounts is average headcount.

During 2012-13, 6,583.69 (2011-12: 7101.00) working days were taken as sickness absence. This equates to 6.25 (2011-12: 6.65) days lost per employee (full time equivalent).

## External Relations

As part of our commitment to safety at sea and the continuous improvement of the quality of our services, our customers' views are of utmost importance to us, and we carry out a number of customer satisfaction surveys, including on Survey and Inspection activity, and Seafarer Certification.

The Agency's key relationships include those with: our safety partners (RNLI, RYA and other rescue and governing body organisations); industry (including for example through the Fishing Industry Safety Group); other government departments (MOD, DECC, BIS, DEFRA); and our parent department, the Department for Transport, with whom we operate a number of virtual teams as part of the wider UK Maritime Administration.

## **Safer Lives – Preventing loss of life**

During 2012 around 23% of the UK population took part in around 90 million leisure activities on the sea or at the coast<sup>1</sup>. Our prevention work aims to minimise incidents, although effective resources are in place for our emergency response role should something go wrong.

### **Prevention**

Accident prevention work encompasses everything the Agency does in its role as a regulator, from the development of technical policy and standards, through to the enforcement of those requirements. That work includes negotiations internationally, primarily through the International Maritime Organization (IMO) and the European Union, but also at the International Labour Organization (ILO).

Merchant ships on the UK Ship Register undergo in-depth ship surveys which cover ship construction, equipment and onboard operations. Safety requirements are also enforced through the MCA's inspection regime which includes foreign ships visiting UK ports through the Paris MOU Port State Control arrangements. Other inspections include checks on the safety of fishing vessels, and the domestic fleet of small passenger ships.

The MCA checks that seafarers have the right skills, are medically fit, and hold valid certificates to serve on UK-registered ships. We are working at the IMO to review ship safe manning requirements, and we are implementing the provisions of the consolidated Maritime Labour Convention which we expect to transpose into UK law in August 2013.

Our Recreational Safety Strategy can be found on our website and sets out five safety messages to:

- Get trained
- Check the weather and tides
- Wear a lifejacket
- Avoid alcohol
- Keep in touch.

We have six volunteer National Liaison Officers for various recreational activities who provide the public with information about our safety messages and campaigns.

For several years we have been working in partnership with the RNLI and RYA to encourage the wearing of lifejackets in the leisure sector. We have carried out annual expert panel reviews to assess the number of lives that may have been saved if a person had been wearing a lifejacket. We now have six years' worth of data which tells us that 163 maritime deaths between 2007 and 2012 may have been avoided if those involved had worn a lifejacket or buoyancy aid. Our campaign focuses on making people aware of the benefits of properly fitted lifejackets with spray hoods and crotch straps, and the dangers of cold water shock. Acting on the evidence that 26 fishermen's lives could have been saved in the last 5 years had they been wearing a lifejacket we produced a short video using working fishermen to promote to their peers the benefits of wearing lifejackets. In May 2012 we coordinated the UK's first 'Wear Your Lifejacket to Work Day' that supported the wearing of lifejackets in the leisure sector.

We are continuing to work with other stakeholders as part of the National Water Safety Forum (NWSF) on the Water Incident Database (WAID) which brings together in one place, information and research about incidents, casualties and fatalities in, on or by the water. Further information and reports can be found here: [www.nationalwatersafety.org.uk](http://www.nationalwatersafety.org.uk).

Our coastguard rescue teams and helicopters have again featured in two 10-part series for CBBC called Hero Squad, and Countryfile. These programmes support our safety messages: we want more people to enjoy the sea and coast and to have fun, but to do so safely.

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<sup>1</sup> Arkenford, Watersports Participation Survey, 2012.

We are currently working with programme makers to look at the opportunities to publicise the excellent work of our Marine Surveyors and Inspectors.

We have continued our theme to tackle seafarer fatigue through:

- seeking international recognition about the problem of fatigue;
- enforcing of the Hours of Work Regulations;
- promoting a cultural shift across the industry; and
- continuing to work with our Project HORIZON partners to further develop and assess the fatigue management toolkit, promulgate the information widely, and seek engagement from industry.

Our broader work for seafarers has included issuing guidance on minimising the effects of vibration on seafarers working on small vessels, and preparing our proposals for the implementation of the Maritime Labour Convention (MLC) 2006 for public consultation. We also provided training for shipowners on how to prepare for the coming into force of the Convention.

We maintained our network of MCA approved doctors who conducted over 52,000 medical examinations to check seafarers were fit to work at sea. We have been attending exploratory meetings with the administrations of Norway, Germany, Netherlands to discuss our overseas networks of doctors and the possibility of cooperation on provision of seafarer medical examinations. With the requirements of Seafarer Training Certification and Watchkeeping (STCW) Manila amendments and MLC, the procedures used are converging and all four maritime authorities intend to closely follow the recommendations of the ILO/IMO Guidelines for Seafarer Medical Examinations. The UK medical fitness standards and medical certificate are already MLC compliant.

Work continued to implement the remaining areas of the MLC in UK legislation, with consultation on nine packages.

We initiated a working group with industry to strengthen our collective insight of human element issues and to identify practical solutions; and we continued to disseminate best practice and advice thorough the successful Human Element Advisory Group programme. Underpinning the non-regulatory aspects to safety improvement, we continued to promulgate our publication "The Human Element: a guide to human behaviour in the shipping industry" and built upon its achievements by working with our partners to produce a training film based on the book "The Human Element: a film about the role of human behaviour in safety at sea".

Fishing is judged to be the UK's most dangerous occupation<sup>2</sup>. As part of our effort to improve small fishing vessel safety we are working with industry and Seafish (the authority for the seafood industry) to find ways of reducing the number of deaths and accidents that occur. We have in particular been working with manufacturers on the development of new style personal flotation devices (PFDs) that are better suited for the commercial fishing industry, and alongside our partners in the Fishing Industry Safety Group we are actively encouraging the wearing of those PFDs. We know that this will improve the safety of fishing.

The MCA took a leading role within the Paris MOU to develop the guidance on carrying out the Harmonised Verification Programme of inspections of Passenger Ships, including witnessing of emergency drills, which is taking place between 1 January 2013 and December 2013.

## **Response**

We provide a 24-hour a day, 365 days a year emergency response coordination service for the UK coast and surrounding waters out to the mid-Atlantic. Our Maritime Rescue Coordination Centres (MRCCs) responded to around 20,000 incidents, dealing with distress or 999 calls and coordinating rescues where necessary, tasking lifeboats, helicopters, other ships in the vicinity or volunteer coastguard rescue teams.

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<sup>2</sup> Marine Accident Investigation Branch, Fishing Vessel Safety Study, 2008.

Our Coastguard Rescue Service comprises some 3,500 volunteers in over 350 teams around the UK coast. They give their time to respond to emergencies and spread safety messages in their local communities. They are trained in the specialist skills of search, mud and cliff rescue and this year were called out over 13,000 times.

This winter our teams again supported other emergency services during the bad weather and snow by using our 4x4 vehicles and drivers to transport people to otherwise inaccessible areas.

We have continued to provide a dedicated search and rescue helicopter service under contract, from our bases in Stornoway, Sumburgh, Portland and Lee-on-Solent, with the military providing helicopter search and rescue from a further eight bases. This year our helicopters responded to 633 missions.

Two new contracts start in summer of 2013 running services from our four bases; we have been working closely with the contractors providing those services in preparing for the start of the new contracts. We also worked closely with the DfT to let a UK-wide contract to run services from ten search and rescue bases starting in 2015, where the MOD will then withdraw from search and rescue and retire the Sea King helicopter. The MCA will manage the new UK SAR helicopter service.

We are continuing to implement the modernisation of Her Majesty's Coastguard through our Future Coastguard Programme (FCG), which will deliver a resilient and nationally-networked system of coastguard coordination centres with a Maritime Operations Centre (MOC) at its heart, based near Fareham in Hampshire. Under these new arrangements, coastguards coordinating incidents will have an enhanced role with more responsibility. Additional resources will also be put in place to enhance the leadership and support of the Coastguard Rescue Service.

## **Safer Ships – Improving maritime safety**

Shipping is vital to the UK, as an island nation, in terms of volume; the UK relies on shipping for about 95% of its imports and exports<sup>3</sup>. A safe environment for ships and professional seafarers supports growth by facilitating healthy trade and a vibrant shipping sector, and we work closely with the maritime industry to enhance standards of safety in all aspects of maritime activity.

### **Setting Standards**

By setting standards and producing guidance for the shipping industry, we influence ships operating in UK waters and seafarers on UK ships to follow best and safe practices.

We undertake negotiations and influence the setting of international maritime policies, regulations and technical standards in partnership with colleagues across government, principally at the IMO, the European Commission (EC) and at the European Maritime Safety Agency (EMSA).

This year we have worked closely with our stakeholders in industry to draft updated safety codes and operating guidance for:

- Large Yachts;
- Rescue Boats;
- Marine Evacuation Systems;
- Fishing Vessels and
- Fire Fighting Appliances.

The following Regulations have been introduced:-

- SI 2012/1844 Merchant Shipping (Passenger Ships on Domestic Voyages) (Amendment) Regulations 2012
- SI 2012/2636 Merchant Shipping and Fishing Vessels (Health and Safety at Work) (Chemical Agents) (Amendment) Regulations 2012.

Work has continued on the Government's Red Tape Challenge, which examined all existing maritime legislation and regulation to identify areas for improvement. On 20 March 2013 the Secretary of State for Transport announced that 196 maritime Regulations had been reviewed with 63% of the regulations being put forward for scrap (30) or improvement (93). These cover a number of consolidations in areas such as ships' safety, health and safety and prevention of pollution; reducing regulatory burdens and costs in areas such as Boatmaster's Licences, Large Yachts and Small Commercial Vessels; and scrapping a number of lapsed or redundant regulations. Other regulations are being simplified and arrangements are in hand to bring forward proposals for primary legislation that will allow the more straightforward implementation of future maritime shipping requirements by means of ambulatory referencing.

The MCA has taken an active part within the IMO and EU on proposed improvements relating to Passenger Ship Safety, in part initiated following the "Costa Concordia" incident.

### **Monitoring and Enforcing Standards**

By vigorously monitoring compliance with policies, regulations and technical standards, we are able to provide an assurance of safety, taking appropriate and proportionate enforcement action when required.

We undertook 3,817 in-depth surveys of UK registered ships, and 3,879 inspections during 2012-13. We also carried out 1,452 Port State Control (PSC) inspections of foreign ships in the 2012 calendar year to check that they were meeting regulations concerning safety standards and living conditions.

We authorise seven Recognised Organisations (ROs) who are members of the International Association of Classification Societies Ltd (IACS) to carry out 85% of our statutory equipment construction survey work on UK ships. For smaller vessels that operate under the UK Codes of

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<sup>3</sup> Focus on Ports 2006 (DfT)

Practice we have authorised 14 Certifying Authorities (CAs) to survey and issue certificates on our behalf. We undertake a risk-based approach to monitoring of ROs, CAs and the Helideck Certification Agency (HCA) which results in regular meetings and audits of their offices and surveyors.

During inspections this year we found deficiencies on 1,167 ships and detained 54 of them. Where inspections, surveys or general maritime intelligence reveal significant breaches of maritime legislation we may undertake stronger enforcement action. Last year we investigated 81 new cases, and conducted 14 prosecutions. Further details are available at: [www.mcga.gov.uk/c4mca/mcgaprosecutions](http://www.mcga.gov.uk/c4mca/mcgaprosecutions).

**Survey and Inspection Review** – The way in which we organise and carry out our survey and inspection services has altered little in the past decade and we have started a review of what we do and why we do it, to help us deliver a better service in the future. We are actively exploring delivery options for the future.

## **Ship Registers**

Flag State Control offers an effective method of implementing safety standards for ships and seafarers. The UK Ship Register provides owners with an efficient ship registration service with dedicated Customer Account Managers.

During 2012-13 there were 75 new ship registrations (1.39m Gross Tonnage (GT)) and at the end of March the UK Ship Register stood at 17.39m GT and 1,397 vessels.

The UK remains highly placed on the Paris Memorandum of Understanding (MOU) White List of Quality Flag States, in line with our objectives on the quality of the UK Ship Register. We also feature on the Tokyo MOU White List and retained the Qualship 21 award (the United States Coast Guard's programme to recognise and reward vessels with exemplary safety management).

The Red Ensign Group (REG) is made up of nine Overseas Territories and three Crown Dependencies, all of which have their own ship registers. Together with the UK Ship Register, the Red Ensign Group has a combined size of 50.1 million GT. We use regular monitoring visits to check that the highest international maritime standards are maintained in line with UK and local legislation. In 2012-13 we undertook monitoring visits of Guernsey, the Falkland Islands, Bermuda and the British Virgin Islands.

The 2012 REG Conference was hosted by the Isle of Man and discussed issues of maritime policy and strategy, including;

- quality objectives for the members;
- serious crime onboard ships; and
- the risk of piracy.

We also host the REG Technical Forum which meet at least annually to discuss the application of technical policy and to improve consistency across all the REG Registers.

## **Seafarers**

We support UK seafarers by setting UK training and certification policy and standards; carrying out college course approvals and undertaking examination moderation and the marking of borderline examination papers. We also provide examination and certification services.

45,000 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). In 2012-13 we issued over 5,600 Notices of Eligibility (NOEs) and 12,500 new CoCs and CECs. We also issue around 222 Boat Master's Licences annually for commercial operations on inland waterways.

We also managed the Support for Maritime Training (SMarT) Scheme. In 2012-13 SMarT provided funding for a total of 1,987 officer trainees, including 776 new officer trainees who started their training and 538 officer trainees who completed their training.

## **Navigation**

We also provide services to enhance safe navigation.

The MCA operates the Dover and Sunk Vessel Traffic Services (VTS), and The Nab and Bristol Channel services are operated on our behalf. We recognise the other 26 VTS in the UK, and monitor standards in the training establishments delivering VTS training.

We provide safety advice to the Marine Management Organisation on marine planning and marine protected areas, and to the Infrastructure Planning Commission especially with regard to coastal developments and Offshore Renewable Energy Installations. The MCA has met all its obligations in this area of increasing activity, especially in relation to Round 2 extensions and Round 3 farms and wave and tidal arrays.

To meet our international obligations under Chapter V of the Safety of Life at Sea (SOLAS) Convention 1974 (as amended), we manage a rolling programme of hydrographic surveys on which we consult the shipping industry to help determine priorities, and the provision of specific weather forecasting from the Met Office for the maritime community. Both of these services are delivered through contracts which we manage. We also co-ordinate technical developments for SafeSeaNet and Long Range Identification and Tracking (LRIT)

## **Cleaner Seas – Protecting the environment**

The UK's 11,000 miles of coastline is one of the largest in Europe and our economy benefits greatly from both trade and the UK Oil and Gas Industry. It is important that we protect our coast and our wide ranging biodiversity from the risk of marine pollution. Our first priority is pollution prevention through the effective implementation of International Conventions and national regulation demanding the highest standards of maritime operation, ship construction, navigation and inspection.

In co-operation with other Government and Non Government Organisations, Local Authorities and the commercial oil spill response industry, we provide a national collaborative reaction capability that is designed to achieve an effective degree of counter pollution Preparedness and Response, able to combat the full range of pollution risks.

The National Contingency Plan for Marine Pollution from Shipping and Offshore Installations is at the forefront of our response strategy, together with the Secretary of State's Representative (SOSREP) and an expert team of counter pollution specialists delivering capability management, national stockpile resources and quality control. The National Contingency Plan is currently being refreshed. International counter pollution co-operation is also in place with a wide variety of partner nations through the Bonn Agreement and the European Maritime Safety Agency.

Working with the Scotland Office, and with funding agreed by the Government, the Agency led the procurement of an Emergency Towing Vessel for incidents off the Northern and Western Isles. The Government has agreed that this provision will continue until March 2015.

The Receiver of Wreck is responsible for the administration of merchant shipping legislation relating to wreck and salvage. During 2012, 275 reports of recovered wreck material were received. These reports related to more than 14,000 individual items recovered from wrecks ranging from warships of the 1600s to silver ingots, copper ingots and brass from First and Second World War losses.

Although the total number of reports received in 2012 is down on the previous year, the actual number of items reported and their overall value showed a significant increase in 2012. Mostly due to metal recoveries, 2012 saw a record high in the overall value of wreck material reported through the Receiver of Wreck system.

## **Financial Review for the Year**

### **Accounts Direction**

These are the Maritime and Coastguard Agency's (MCA) audited accounts, which have been prepared in accordance with a direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

### **Financial Summary**

The MCA is funded by the DfT Request for Resource 1 Line B (RfR1B). During the 2012-13 financial year the Agency's net operating cost was £137,290,000 as detailed within the Financial Statements, being the cost of undertaking the Agency's statutory, ministerial and international obligations and responsibilities whilst remaining within the approved resource expenditure budget.

The MCA continues to invest in non-current assets supporting operational requirements, both maintaining and improving the asset base. Additions to non-current assets amounted to £9,787,000 during the financial year. A significant part of the investment expenditure related to the Future Coastguard Programme (FCG) - mainly the development of the new Integrated Coastguard Communication System (ICCS). Other investment expenditure comprised; renewal of communications equipment, expenditure on information security management, upgrade of the Automatic Identification System (AIS) for vessels, expenditure on the Agency's estate and additions to the MCA vehicle fleet.

There have been no significant events after the reporting period.

Salient points arising from our activities this year and from decisions taken as a result of the 2010 Comprehensive Spending Review:

- The Net Operating cost of the MCA has decreased by £1.3m compared with 2011-12. Reduced staff and programme costs (£6.3m) were offset by increased establishment costs and reduced income (£5m). The establishment cost increase is mainly driven by the enhancement of communications and estate infrastructure for the FCG and a revaluation downwards of existing land and buildings. Reduced income has been the result of lower Survey and Inspection activity and last year we recorded a one off receipt relating to the recovery costs incurred by the MCA as a result of the MSC Napoli incident.
- The Statement of Financial Position has decreased compared with the previous year by £2.4m. This is mainly due to revaluation downwards of properties impacting both the revaluation and general reserve.
- The Agency has a low level of bad debt as we require a deposit or full payment prior to any commencement of service provision. Full details of the bad debt provision can be found in note 33.
- The Future Coastguard Programme started its main activity this year. Work has commenced on the new Maritime Operations Centre (MOC) at Fareham, a lease of the property commenced in June 2012 and there has been £1.8m capital investment towards a new Integrated Coastguard Communications System (ICCS) which will have the MOC as its main hub. Around the coast, Forth and Clyde Maritime Rescue and Coordination Centres (MRCC's) closed as planned within the Programme with a further six centres due for closure over the next two years.
- The Agency has retained a short term provision of one Emergency Towing Vessel in the Northern Isles of Scotland.

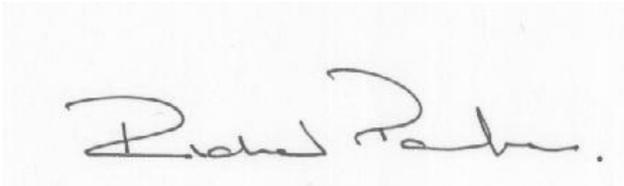
- The gap Search and Rescue (SAR) contract was awarded in 2012 and the MCA will manage its implementation in the summer of 2013. In addition the recent award of the longer term SAR contract will, in future years, have an impact on the MCA financial landscape. Lease commitments are outlined in note 22.

Past and present employees, including those on fixed term appointments, are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or a choice of Partnership Pension schemes. Details of pension treatment are outlined in note 1.10 of the Annual Accounts.

The statutory audit of our Financial Statements is undertaken by the Comptroller and Auditor General under the provisions of the Government Resources and Accounts Act 2000. The cost of the audit services for the financial year ending 31 March 2013 was £75,000. No other fee was received in respect of non statutory work.

We place contracts in line with Government Policy, EU Procurement Regulations and UK Public Contracts Regulations. We aim to pay all bills by contractual deadlines, or within 30 days of receiving a valid invoice. We met this target in 99.89% of cases. In line with a government wide initiative to pay bills within five days, our performance was 85.91%.

The Agency is not a Trading Fund and is therefore dependent on funding being available from HM Treasury. The Agency does not use financial key performance indicators.

A handwritten signature in black ink, appearing to read 'Richard Parkes', is centered on a light-colored rectangular background.

**Richard Parkes**  
**Acting Chief Executive**  
**13 June 2013**

## **Remuneration Report**

### **Remuneration Policy**

The remuneration of Senior Civil Servants who sit on the MCA's Executive Board is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's departmental expenditure limits;
- The Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

Executive Directors of the MCA who are Senior Civil Servants may be on fixed term contracts, including the MCA Chief Executive. The contracts may provide for the individual to receive standard SCS remunerations arrangements or individual pay arrangements linked to delivery against predetermined objectives.

Executive Directors of the MCA who were not Senior Civil Servants received pay awards and performance related pay awards linked to the annual performance appraisal process, in common with other employees of the Agency.

Fees for Non-Executive Directors are negotiated under the terms of their appointment, as approved by the MCA Chief Executive.

### **Service Contracts**

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

## Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the department.

### Remuneration (salary and payments in kind)

Officials	2012-13			2011-12		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Sir Alan Massey <i>Chief Executive</i>	115-120	10-15	-	115-120	5-10	-
Richard Parkes <i>Director</i>	80-85	-	-	80-85	5-10	-
Philip Naylor <i>Director</i>	105-110	-	-	105-110	-	-
Sue Ketteridge <i>Director</i> (until 19 August 2012) <sup>1</sup>	30-35 (75-80 full year equivalent)	5-10	-	75-80	-	-
Jane Jackson <i>Acting Director</i> (from 20 August 2012)	40-45 (70-75 full year equivalent)	-	-	Not Applicable	Not Applicable	Not Applicable
Bob Banham <i>Non-Executive Director</i> (until 31 December 2012)	15-20 (20-25 full year equivalent)	-	-	30-35	-	-
Julian Lee <i>Non-Executive Director</i> (until 31 December 2011)	Not Applicable	Not Applicable	Not Applicable	5-10 (10-15 full year equivalent)	-	-
Nigel Palmer <i>Non-Executive Director</i> (until 31 December 2011)	Not Applicable	Not Applicable	Not Applicable	5-10 (10-15 full year equivalent)	-	-
David Snelson <i>Non-Executive Director</i> (from 1 January 2012)	10-15	-	-	0-5 (10-15 full year equivalent)	-	-
Keith Greenfield <i>Non-Executive Director</i> (from 1 January 2012 until 29 June 2012)	0-5 (10-15 full time equivalent)	-	-	0-5 (10-15 full year equivalent)	-	-

<sup>1</sup> Sue Ketteridge was a Director until 19 August 2012 and then went on secondment to the Department for Transport (DfT) but was paid by the DfT from 1 September 2012. The figures shown in these accounts represent payments made by MCA, and therefore reflect the period until 31 August 2012.

Officials	2012-13			2011-12		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Alex Jablonowski <i>Non-Executive Director</i> (from 1 January 2013)	0-5 (5-10 full time equivalent)	-	-	Not Applicable	Not Applicable	Not Applicable
Alison White <i>Non-Executive Director</i> (from 1 January 2013)	0-5 (5-10 full time equivalent)	-	-	Not Applicable	Not Applicable	Not Applicable
Band of highest paid Director's total remuneration (£'000)	125-130			120-125		
Median total	24,762			25,755		
Ratio <sup>1</sup>	5.15			4.76		

### **Salary**

'Salary' includes gross salary and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument.

### **Bonuses**

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. 2012-13 bonuses relate to 2011-12 performance and 2011-12 bonuses relate to 2010-11 performance.

<sup>1</sup> Movement in ratio is due to an increase to the total package of the CEO coupled with a small reduction in the median, which in itself is as a result of the Future Coastguard Modernisation Programme

## Pension Benefits

The pension details of members of the Executive Board, in their capacity as directors of the MCA, were as set out below. None of the non-executive directors had a pension in their capacity as non-executive director of the MCA. No member of the Executive Board had a Partnership Pension.

<b>Officials</b>	<b>Accrued pension age as at 31/3/13 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/3/13</b>	<b>CETV at 31/3/12<sup>1</sup></b>	<b>Real increase in CETV</b>	<b>Employer contribution to partnership pension account</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Nearest £100</b>
Sir Alan Massey <i>Chief Executive</i>	5 - 10	2.5 - 5	107	63	33	Not Applicable
Richard Parkes <i>Director</i>	20 - 25	0 - 2.5	345	311	13	Not Applicable
Philip Naylor <i>Director</i>	10 - 15	2.5 - 5	156	111	24	Not Applicable
Sue Ketteridge <i>Director</i> (until 19 August 2012)	25 - 30 plus lump sum of 85 - 90	0 - 2.5	455 <sup>3</sup>	448	1	Not Applicable
Jane Jackson <i>Acting Director</i> (from 20 August 2012)	20 - 25 plus lump sum of 35 - 40	5 - 7.5	346	300 <sup>4</sup>	39	Not Applicable

## Civil Service Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the MCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions>).

For 2012-13, employers' contributions of £5,951,124 were payable to the PCSPS (2011-12: £6,026,218) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. For 2013-14, the rates will be in the range 16.7% to 24.3%.

<sup>1</sup> The actuarial factors used to calculate CETVs were changed in 2012/13. The CETVs at 31/3/12 and 31/3/13 have both been calculated using the new factors, for consistency. The CETV at 31/3/12 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

<sup>3</sup> Sue Ketteridge was a Director until 19 August 2012 and then went on secondment to the Department for Transport (DfT). The figures above represent the position when the secondment commenced.

<sup>4</sup> CETV at 20 August 2012.

The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £36,494 (2011-12: £26,684) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,285 (2011-12: £1,747), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £5,789. Contributions prepaid at that date were £Nil.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). 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** and **nuvos** are increased annually in line with Pensions Increase legislation. 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 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. 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 updated in line with Pensions Increase legislation. 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% 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** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

## **Cash Equivalent Transfer Values**

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.

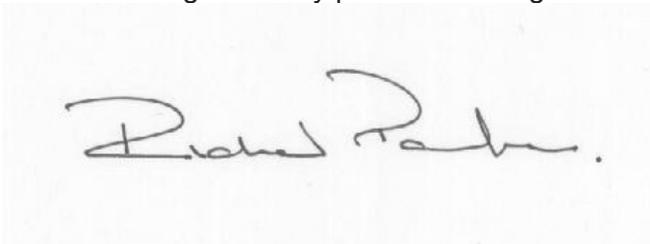
The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own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

## **Real increase in CETV**

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

## **Compensation for loss of office**

Former Director, Neil Goodall left under agreed terms on 14 September 2008. He received ongoing compensation payments of £10 -15k during 2012-13 (2011-12: £10 -15k). The compensation terms were negotiated by previous management.

A handwritten signature in black ink, appearing to read 'Richard Parkes', is written on a light-colored background.

**Richard Parkes**  
**Acting Chief Executive**  
**13 June 2013**

## **Statement of Accounting Officer's Responsibilities**

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Maritime and Coastguard Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with 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 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 Financial Statements; and
- prepare the Financial Statements on a going concern basis.

The former Accounting Officer of the Department for Transport, Robert Devereux, designated the Chief Executive of the Maritime and Coastguard Agency, Sir Alan Massey as Accounting Officer from 20 July 2010. The current Accounting Officer of the Department for Transport, Philip Rutnam, has designated Richard Parkes as Interim Accounting Officer from 10 June 2013 in light of the absence of Sir Alan Massey due to illness. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's Framework Document and the Accounting Officer's memorandum, assets, are set out in Managing Public Money published by the HM Treasury.

## **Governance Statement**

### **Introduction**

The Agency was established on 1 April 1998 and is an Executive Agency of the Department for Transport (DfT). We work closely with the Security and Maritime Directorate and the International Strategy and Environment (ISE) Group of the DfT, who assist the Accounting Officer in discharging their accountability for the Agency. The Accounting Officer is responsible to the Secretary of State as detailed in the Agency's Framework Document.

The Agency encourages economic growth by facilitating the safety of shipping and seafarers, saving lives and protecting the maritime environment. The Agency provides a 24hour maritime search and rescue service; enforces the safety of shipping and the welfare of seafarers through our survey and inspection regime; processes the registration and certification of ships and seafarers; and manages pollution prevention and response. We have responsibility for the implementation (within the UK) of international maritime conventions and relevant EU Directives. All of our work contributes to our vision of being the world's best maritime safety organisation, committed to Safer Lives, Safer Ships, Cleaner Seas. The Accounting Officer is supported by three principal management groups: the Executive Board (EB); the Senior Executive Group (SEG); and the Senior Leadership Team (SLT).

This Governance Statement details the arrangements in place for the financial year 1 April 2012 to 31 March 2013.

### **Agency Management**

The Agency is answerable to the Secretary of State for Transport through our Advisory Board which meets quarterly. The Advisory Board reviews the Chief Executive's and the Agency's performance against its plans and resources. Members in 2012-13 were:

- Lucy Chadwick (Director General, International Strategy and Environment (ISE) Group, DfT, Chair);
- Jonathan Moor (Acting Director General, International Security and Environment (ISE) Group, DfT, Chair – for February and March 2013);
- Ian Woodman (Director for Maritime, DfT);
- Valerie Richardson (Head of Maritime Administration Secretariat, DfT);
- Alan Massey (Chief Executive, MCA);
- Sue Ketteridge (Director of Strategy and Finance, MCA – from 1 April 2012 to 19 August 2012);
- Jane Jackson (Acting Director Strategy and Finance, MCA – from 20 August 2012);
- Bob Banham (External Member – from 1 April 2012 to 31 December 2012);
- Keith Greenfield (External Member – 1 April 2012 to 30 June 2012);
- Alex Jablonowski (External Member – from 1 January 2013); and
- Alison White (External Member - from 1 January 2013).

### **Executive Board**

The Executive Board (EB) is the highest decision-making corporate management group in the Agency and meets monthly (except during August). It is responsible for establishing and implementing the Agency's strategic direction as detailed in its Terms of Reference. Members of the EB are Directors and Non-Executive Directors. A representative of the Agency's sponsoring Directorate in the DfT also attends meetings in an advisory capacity. The Agency welcomed two new NEDs in January 2013.

Attendance at EB meetings in 2012-13 was as follows:

Alan Massey (Chief Executive Officer, Chair)	11 of 11
Sue Ketteridge (Director of Strategy and Finance April to August 2012)	4 of 4
Philip Naylor (Director of Maritime Safety and Standards)	10 of 11
Richard Parkes (Director of Maritime Operations)	11 of 11
Jane Jackson (Acting Director of Strategy and Finance August 2012 to March 2013)	7 of 7
Bob Banham (Non Executive Director – April to 31 December 2012)	8 of 8
David Snelson (Non Executive Director)	11 of 11
Keith Greenfield (Non Executive Director – from 1 April to 30 June 2012)	3 of 3
Alex Jablowski (Non Executive Director – from 1 January 2013)	3 of 3
Alison White (Non Executive Director – from 1 January 2013)	3 of 3

A file of declared interests for Executive and Non-Executive Directors is maintained. Declaration of any Conflict of interests is a standard agenda item at each EB meeting.

### **Activities of the Executive Board**

The Executive Board focuses its attention on future strategy and direction. At each meeting it reviews progress, risks and opportunities associated with major change programmes, including the modernisation of Her Majesty's Coastguard, the efficiency of the Ship Survey and Inspection Service, and the migration to a Shared Services environment. It also considers health and safety strategic risks, and matters of staff engagement for which it endorsed a People Strategy and sanctioned a bespoke two-day Leadership Development Event in December 2012 for nearly 180 staff.

In line with the Civil Service Reform Plan's encouragement to work digitally, the Executive Board used an on-line anonymous survey tool to self-assess its effectiveness in line with the commitments in its Terms of Reference. Specific actions agreed as a result include: Directors becoming more involved in shaping the agendas for meetings; using other gatherings to make speedier decisions which require formal ratification at Board meetings; reviewing the flow of paperwork to improve efficiency; and inviting authors of papers to present their papers in person to the Board.

In the Comprehensive Spending Review (CSR), the Agency was set a target to make administrative cost reductions for support and policy functions of 33% against its 2010-11 baselines. In 2012-13 a further 8% saving was made in addition to the 10% savings in 2011-12, therefore meeting the Agency 18% glidepath target. The full 33% savings target will be achieved by 2014-15.

The Executive Board delegates to the SEG the detailed implementation and oversight of the Agency's business plan and operational activities.

### **Senior Executive Group and Senior Leadership Team**

The SEG reports to the EB and the Senior Leadership Team (formerly the Senior Management Team) connects them both. The SEG (which is made up of six senior managers) meets monthly to monitor Agency activities and submit recommendations to the EB. The SEG focuses on operational matters, compliance and effective governance. From May through to July the SEG was chaired by the Director of Strategy and Finance, and for the remainder of the year by the Deputy Director of Maritime Operations. Members are the Assistant Directors with responsibility for Ship Standards, Asset Management, Human Resources and Finance and the Chief Coastguard. The Senior Leadership Team comprises 15 senior managers from across the Agency selected for their ability to effect change. The SLT supports the EB and SEG by focusing principally on delivering results through people-related strategies. It is chaired by the Chief Executive and met quarterly.

### **Risk Management and Governance**

The Accounting Officer is responsible for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book) and the DfT Departmental Risk Policy and Guidance. The EB supports the Accounting Officer in this role and is responsible for agreeing and approving the Agency's approach to risk management, including setting its risk appetite and managing the Agency's

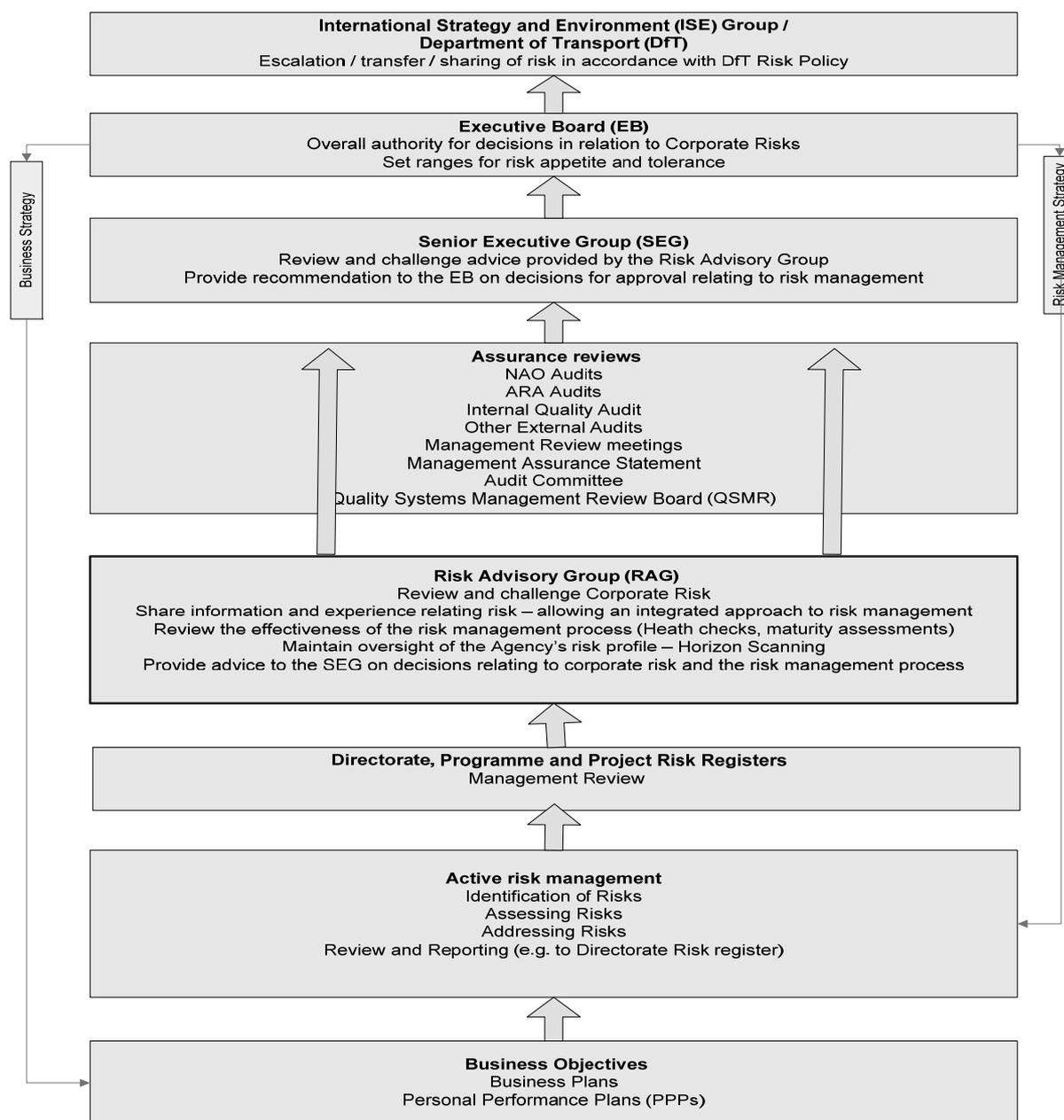
principal risks detailed in the Corporate Risk Register. Whilst the Agency follows the DfT Departmental Risk Policy, it also has its own internal risk policy which communicates the Agency's commitment to managing risks in a 'no surprises, no blame' culture. The EB has a mechanism in place to review its risk appetite periodically.

The Agency has defined its approach to identifying, challenging, managing and escalating risk within its corporate risk procedure. Internal processes were reviewed in 2012 following the publication of the revised DfT Risk Policy and Guidance and amendments were made to the risk assessment criteria to align them to the DfT criteria and escalation thresholds. Where appropriate, the approach to risk management may vary slightly within programmes and projects individual risk strategies are in place which outline their approach, for example for the Future Coastguard Programme. Examples of risk escalation include matters concerned with the transition from the existing to the future Coastguard structures, and the planned migration to a Shared Services platform.

Identified risks are regularly reviewed and challenged by risk owners at Directorate management meetings, and at the SEG and EB. A Risk Advisory Group (RAG) provides a holistic review of risk management covering both Corporate and Directorate risk registers, and those for key programmes and projects. The RAG is attended by a selection of senior managers with an open invitation also to Non-Executive Directors, and is supported by the Agency's Risk Manager, who represents the Agency at the ISE Risk Manager meetings.

An overview of the Agency's risk management approach is reflected in the flow chart on page 31.

## Risk Management within the MCA



### Principal Risks in 2012-13

The Agency regularly reviews its risk profile. Through 2012-13, 21 risks, issues and tolerated risks were actively managed on the corporate risk register, including the addition of new risks relating to the management of the Future Coastguard Programme, the Ship Survey and Inspection Review and the planned migration to a Shared Services Platform - risks emanating from the Agency's major change programmes. Additionally a number of infraction risks relating to the late transposition of EU Directives have been successfully mitigated.

The table below provides a sample outline of key risks which have been managed in the Corporate Risk Register:

<b>Category</b>	<b>Risk Overview</b>	<b>Commentary</b>
<b>Legal/ Regulatory</b>	The Agency will not meet its obligations to review legislation every 5 years as required following the introduction of the Statutory Review Clause initiative.	Proactive action is being taken to engage with the DfT General Counsel to identify efficient ways of working to achieve the requirements of the Statutory Review Clause Initiative ahead of its implementation date in 2015.
<b>Change Programmes</b>	Delivery of the Future Coastguard concept	Risks are being managed in a dedicated register. This monitors delivery to time, cost and quality. In addition, a risk is being managed in the Corporate Risk Register which focuses on the governance and overall progression of the Programme. Mitigation strategies address benefits realisation, dependency management and ensuring contingency plans are established.
<b>Operational</b>	Danger of unsafe working practices not reflecting procedures.	Throughout the year, attention has been provided to ensuring the promotion and implementation of an effective Health and Safety policy, management structure and reporting process.

**Emerging Risks**

<b>Category</b>	<b>Risk Overview</b>	<b>Commentary</b>
<b>Change Programme – Shared Services</b>	The Agency will be one of the first to migrate (April 2014) to the new Independent Shared Services Centre One which will operate a new platform and look to implement standardised processes.	The Agency is aware of the various business, operational and financial risks that the whole contract and implementation project poses for the Agency/DfT. The Agency has worked closely with the DfT, Cabinet Office and bidders during the tender stage of the contract and will continue to be involved to support the transition to the Agency implementation project delivery stage.
<b>Helicopter Contract</b>	The UK Search and Rescue (SAR) contractor or the Agency experiences unforeseen issues which cause delay in their ability to deliver services to time, or quality - the inability to deliver to time according to the current transition plan would leave a gap in SAR coverage where Sea King helicopter provision has been withdrawn.	The Agency is working closely with the contractor to identify potential risks and implement mitigating actions to reduce delay to the programme of activities and track the completion of tasks, in order to monitor the quality of the service against the bidders final proposal (presented to the Department for Transport within the DFT Procurement Process).

## Internal Control and Assurance

Following amendment of HM Treasury's Corporate Governance Code for Central Government Departments (July 2011) the Agency conducted a review to establish compliance. As a result of the review the Agency's compliance with the code was acknowledged. Since this no subsequent reviews have taken place within this reporting period.

## Audit Committee

The Accounting Officer seeks independent advice and assurance on the processes for risk management, governance, assurance and internal control, including reliability and integrity, through the Agency's Audit Committee. The Audit Committee meets quarterly and members are the Agency's Non-Executive Directors who support the Accounting Officer and EB by reviewing the comprehensiveness of assurances. An ad-hoc meeting also took place in June 2012 to review and approve the Annual Report and Accounts.

During the year, the committee reviewed its membership, organisation and Terms of Reference to strengthen its independence and work processes. Discussions on Fraud, Whistleblowing and the Hospitality Register precede each committee meeting and the committee has also worked with line management to improve the quality of solutions and timely closure of identified internal control weaknesses. Regular reports are also received on progress to obtain full data security assurance, as well as on the information management improvement process.

The Accounting Officer attends Audit Committee meetings and other attendees include Executive Directors and other senior managers, the National Audit Office (NAO) Director with responsibility for the Agency, and the DfT Group and MCA Head of Internal Audit. Attendance by Audit Committee members in 2012-13 was as follows:

Bob Banham (Chair of the Audit Committee to 31 December 2012)	4 of 4
David Snelson	5 of 5
Keith Greenfield (from 1 April to 30 June 2012)	1 of 2
Alex Jablonowski (Chair of the Audit Committee from 1 January 2013)	1 of 1
Alison White (from 1 January 2013)	1 of 1

## Internal Audit

Our Quality Management System is externally certified to the international ISO 9001:2008 Standard. The requirements of the Standard are applied to all business processes and activities. The Quality System Management Review Board (QSMR) is responsible for establishing and implementing the strategic direction of the Agency's management system, reviewing its effectiveness, implementation and continuing development in order to support continuing certification and the Agency's service delivery. The Accounting Officer Chairs the QSMR Board which is held annually in February.

The Agency's Internal Quality Audit (IQA) programme includes areas for Business Improvement Reviews (BIRs) and supports certification to ISO 9001. The 2012-13 programme included audits of priority processes based on the analysis of risks and other factors identified by Directors and was developed in collaboration with DfT's Audit and Risk Assurance (ARA) team, to establish an overall system of proportionate assurance. The IQA programme is agreed at QSMR Board and approved at the audit committee.

The Quality Manager's opinion based on the results of audits was that the Agency's processes, service delivery and management system arrangements were effective for 2012-13. This opinion was confirmed by the Agency's certification body SGS, who conducted a series of surveillance visits which confirmed the Agency's continuing adherence to ISO 9001:2008.

The DfT's ARA team operates to the Government's Internal Audit Standards and their annual programme of work is based upon the analysis of risks to which the Agency is exposed and by what the Audit Committee and EB identify as key risks. The outcome for the 2012-13 programme identified that 85% of audits received an overall 'reasonable' opinion or above.

The MCA Head of Internal Audit's Opinion provided an overall 'substantial' assurance rating on the adequacy and effectiveness of the MCA's arrangements for corporate governance, risk management and internal control.

The Agency is proactive in capturing and addressing the outcomes of audits carried out by external bodies. Audits carried out in year included the European Maritime Safety Agency audits of the Agency's implementation of the Port State Control Directive, and the amending Directive of the Vessel Traffic and Information System. Further audits were conducted by the Interception of Communications Commissioner's Office to ensure that the Agency obtains communications data appropriately and lawfully, and the Office of the Surveillance Commissioner to ensure that the Agency is aware of the requirements to legally undertake covert surveillance and that when required, they are properly requested, authorised and concluded. A verification spot-check was also undertaken by the Special European Union Programmes Body to consider the Agency's control systems with regard to the Ireland, Northern Ireland and Scotland Hydrographic Survey Project (INIS) Hydro INTERREG Project.

Progress on management actions agreed for internal and external audits is monitored by the SEG and EB at their monthly meetings and by the Agency's management assurance groups, the Audit Committee and QSMR Board.

### **Fraud, Bribery and Whistleblowing**

The Agency remains committed to reducing incidents of fraud. When identified, investigations are carried out and lessons learned to strengthen the control environment and reduce the likelihood of recurrence. Non Executive Directors, the Director of Strategy and Finance, DfT Head of Internal Audit, National Audit Office discuss fraud and whistleblowing casework on a regular basis to ensure any suspected cases are thoroughly investigated.

Within this financial year, the Agency participated in the Government wide initiative "Fraud Awareness Week", Fraud Awareness training provided as an e-learning package by Civil Service Learning (CSL) is mandatory for all staff.

### **Health & Safety**

The Agency has continued its proactive approach to Health and Safety management. This has been reflected by the steady reduction in the number of lost time physical injuries over the last year to both staff and volunteers. By carefully monitoring trends in sickness absence and by undertaking root cause analysis of incidents we have identified emerging health and safety issues, notably work related stress, which has allowed us to direct additional resources into managing these risks.

### **Information Assurance & Data Handling**

Information Asset Owners manage asset risk registers and submit quarterly risk returns on their individual assets. The Agency submits a consolidated asset risk return quarterly to DfT. The Agency's information asset register and a report of the Agency's compliance with the Security Policy Framework are submitted to DfT annually.

The Agency is reviewing the physical security of our estates and strengthening it where required. Similar efforts are being made in the areas of personnel and technical security to ensure that our information assets are protected.

Our Government Secure Intranet (GSI) network has been recredited and we are developing documentation to implement our ISO 27001 based Information Security Management System (ISMS). Regular reminders are issued to all our people about their security responsibilities. During 2012-13 the Agency had no known personal data incidents.

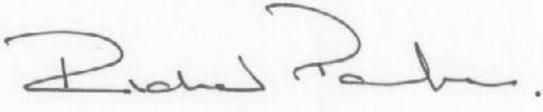
## External Partners

The Agency's key relationships include those with: our safety partners (RNLI, RYA and other rescue and governing organisations); industry; other government departments (MOD, DECC, BIS, DEFRA); and our parent department, the DfT.

## Management Assurance

Two evidence based management assurance exercises, for mid year and year end, have been completed within the Agency in accordance with the DfT Group's requirements. These reviewed the effectiveness of internal control across the Agency. Returns were subject to challenge by Directors, the SEG, EB and the Audit Committee and ensured overall levels of assurance reported were soundly based. We are currently developing an "assurance appetite" regime (similar to that established for corporate risks) to balance the relative need for levels of assurance against the resources available to the Agency.

The Agency's system of internal control is monitored and reviewed in accordance with DfT guidance and regular reports are made to the SEG and EB and to the Audit Committee. Where necessary, action plans to improve the control mechanism have been established. This overall assurance process enables the Accounting Officer to draw confidence and provide a 'substantial' assurance on the effectiveness of risk management, governance and control processes throughout 2012-13.

A handwritten signature in black ink, appearing to read "Richard Parkes", is centered on a light-colored rectangular background.

**Richard Parkes**  
**Acting Chief Executive**  
**13 June 2013**

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Maritime and Coastguard Agency for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Chief Executive and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Maritime and Coastguard Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Maritime and Coastguard Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Maritime and Coastguard Agency's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Directors' Report, Performance Summary, Management Commentary and Financial Review for the Year sections of the Annual 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

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 part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**Date:** 17 June 2013

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

**Annual Accounts of the  
Maritime and Coastguard Agency  
for the year ended 31 March 2013**

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013	p 39
Statement of Financial Position as at 31 March 2013	p 40
Statement of Cash Flows for the year ended 31 March 2013	p 41
Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013	p 42
Notes to the Accounts	p 43

## Financial Statements

### Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

	Note	Staff Costs £'000	Other Costs £'000	2012-13 Income £'000	2011-12 £'000
<b>Administration Costs</b>					
Staff Costs	[2]	(5,743)			(6,270)
Establishment, Accommodation and Other Administrative Costs	[3]		(2,836)		(2,956)
Income					
		(5,743)	(2,836)		(9,226)
<b>Programme Costs</b>					
Staff Costs	[2]	(38,040)			(39,711)
Establishment, Accommodation and Other Administrative Costs	[3]		(28,668)		(26,934)
Programme Costs	[4]		(74,179)		(78,256)
Income	[5]			12,176	15,481
<b>Totals</b>		<b>(43,783)</b>	<b>(105,683)</b>	<b>12,176</b>	<b>(129,420)</b>
<b>Net Operating Cost</b>				<b>(137,290)</b>	<b>(138,646)</b>

### Other Comprehensive Expenditure

#### Net gain / ( loss ) on:

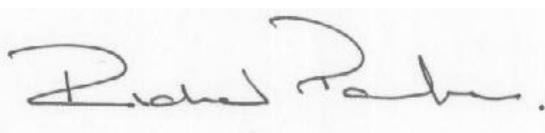
Revaluation of Property Plant and Equipment	[20]			(772)	(3,661)
Revaluation of Intangibles	[20]			26	43
<b>Total Comprehensive Expenditure for the year ended 31 March 2013</b>				<b>(138,036)</b>	<b>(142,264)</b>

Accounting policies and notes forming part of these accounts are on pages 43 to 70.

## Statement of Financial Position as at 31 March 2013

		31 March 2013		31 March 2012	
	Note	£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	[10 & 11]	52,213		51,967	
Intangible assets	[8 & 9]	6,125		6,317	
Stockpile goods	[12]	2,931		2,882	
Financial assets (receivables)	[13]	49		62	
Total non-current assets			61,318		61,228
<b>Current assets</b>					
Trade and other receivables	[14]	6,742		6,732	
Cash and cash equivalents	[15]	0		443	
Total current assets			6,742		7,175
Total assets			<u>68,060</u>		<u>68,403</u>
<b>Current liabilities</b>					
Trade and other payables	[15 & 16]	(18,241)		(16,617)	
Other liabilities	[17]	(2,422)		(1,717)	
Total current liabilities			(20,663)		(18,334)
Non-current assets plus / (less) net current assets / liabilities			<u>47,397</u>		<u>50,069</u>
<b>Non-current liabilities</b>					
Finance Lease Payable	[18]	(964)		(1,097)	
Provisions	[17]	(4,563)		(4,734)	
Total non-current liabilities			(5,527)		(5,831)
Assets less Liabilities			<u>41,870</u>		<u>44,238</u>
<b>Taxpayers' Equity</b>					
General Fund	[19]	32,620		33,939	
Revaluation reserve	[20]	9,250		10,299	
Total taxpayers' equity			<u>41,870</u>		<u>44,238</u>

Notes on pages 43 to 70 form part of these accounts.



**Richard Parkes**  
Acting Chief Executive  
13 June 2013

**Statement of Cash Flows**  
for the year ended 31 March 2013

	Note	2012-13 £'000	2011-12 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(137,290)	(138,646)
Adjustments for non-cash transactions	[3]	8,224	8,340
( Increase ) Decrease in trade & other receivables	[14]	(10)	(1,374)
( Increase ) Decrease in stockpile goods	[12]	(49)	24
( Increase ) Decrease in inventories		0	556
Increase ( Decrease ) in trade payables	[16 & 18]	(155)	3,102
( Increase ) Decrease in consolidated fund extra receipts payable	[26]	(406)	5
Increase ( Decrease ) in provisions for liabilities and charges	[17]	534	1,725
<b>Net cash outflow from operating activities</b>		<b>(129,152)</b>	<b>(126,268)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(8,415)	(6,222)
Purchase of intangible assets		(1,060)	(698)
Proceeds of disposal of property, plant and equipment		931	28
( Increase ) Decrease in non current financial assets – receivables		13	19
<b>Net cash outflow from investing activities</b>		<b>(8,531)</b>	<b>(6,873)</b>
<b>Cash flows from financing activities</b>			
Financing for year from the consolidated fund as per Statement of Changes in Taxpayers' Equity	[25]	135,500	133,000
Increase ( Decrease ) in consolidated fund extra receipts payable	[26]	406	(5)
Finance lease repayments		(27)	(27)
<b>Net cash inflow from financing activities</b>		<b>135,879</b>	<b>132,968</b>
<b>Net increase ( decrease ) in cash and cash equivalents in period</b>		<b>(1,804)</b>	<b>(173)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	[15]	<b>443</b>	<b>616</b>
<b>Cash and cash equivalents at the end of the period</b>	[15 & 16]	<b>(1,361)</b>	<b>443</b>

Notes on pages 43 to 70 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

		General Fund	Revaluation Reserve	Total Reserves
	Note	£'000	£'000	£'000
<b>Balance at 1 April 2011</b>		36,428	16,916	53,344
<b>Changes in taxpayers' equity for 2011-12</b>				
<b>Movements in reserves</b>				
Recognised in Statement of Comprehensive Expenditure	[22]		(3,618)	(3,618)
Transfers between reserves		1,532	(1,532)	
Other movement to general reserve		1,467	(1,467)	
Non – cash charges – audit fees		75		75
Non – cash charges – DfT services		83		83
Comprehensive Expenditure for the year		(138,646)		(138,646)
Total recognised income and expenses		(135,489)	(6,617)	(142,106)
Drawdown from the consolidated fund for the year		133,000		133,000
<b>Balance at 31 March 2012</b>		<b>33,939</b>	<b>10,299</b>	<b>44,238</b>
<b>Changes in taxpayers' equity for 2012-13</b>				
<b>Movements in reserves</b>				
Recognised in Statement of Comprehensive Expenditure	[20]		(746)	(746)
Transfers between reserves		303	(303)	
Other movement to general reserve				
Non – cash charges – audit fees		75		75
Non – cash charges – DfT services		93		93
Comprehensive Expenditure for the year		(137,290)		(137,290)
Total recognised income and expenses		(136,819)	(1,049)	(137,868)
Drawdown from the consolidated fund for the year		135,500		135,500
<b>Balance at 31 March 2013</b>		<b>32,620</b>	<b>9,250</b>	<b>41,870</b>

Notes on pages 43 to 70 form part of these accounts.

## **Notes to the Agency's Accounts**

### **1. Statement of Accounting Policies**

The financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Maritime and Coastguard Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the MCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### **1.01 Accounting Convention**

The accounts are prepared under the historical cost convention, modified to account for the revaluation of non-current assets, where material, at their value to the business by reference as applicable to their current costs, replacement costs or indices.

#### **1.02 Changes in accounting policy and disclosures**

##### **1.02.1 New IFRS standards and interpretations adopted early.**

The MCA has chosen not to adopt early any new standards or interpretations.

##### **1.02.2 New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2013, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that are relevant to the Agency and that may need to be adopted in subsequent periods:

- IFRS 10 and 11 cover the definition of and accounting treatment required for subsidiaries and jointly controlled operations. Within Central Government, consolidation boundaries are determined by HMT based upon Office for National Statistics' sector classification. These classifications do not recognise the concept of an operation controlled jointly across different sectors. Therefore, the impact of this is unclear. The IASB requires the application of these standards for periods beginning on or after 1 January 2013; however, they are yet to receive EU endorsement so it is difficult to predict the actual application date.
- IFRS 13 provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. HM Treasury have issued an exposure draft, to take effect from 1 April 2013. The exposure draft interprets the IFRS to permit the use of alternative valuation methods for some public service assets, but retains the disclosure requirements of the IFRS. It is considered unlikely that IFRS 13 will have a material impact.
- IFRS 7 – An amendment will come into effect in 2013–14 dealing with disclosures concerning netting arrangements. The Agency considers that these amendments to IFRS 7 will have no impact, as it has no netting arrangements.
- The FReM has been amended to reflect guidance on grantor accounting for service concessions contained in the International Public Sector Accounting Standards Board (IPSASB) statement IPSAS 32. It clarifies that service concession assets should be recognised under the normal criteria for asset recognition (the asset provides future economic benefits controllable by the entity, and its cost or fair value can be measured reliably), which may occur before the asset is complete. The amendment will come into effect from 1 April 2013.
- IAS 1 – an amendment will come into effect from 1 April 2013, relating to the presentation of items in the Statement of Other Comprehensive Expenditure. It requires that items that may be reclassified to profit or loss should be presented separately from those items that may not. It also requires that, where items are presented before tax, the tax effects of the reclassifiable items should be presented separately from the tax effects of non-reclassifiable items. This may reflect the presentation of items in the Agency's Statement of Other Comprehensive Expenditure, though not the amounts.

- IAS 32 – an amendment will come into effect for periods starting on or after 1 January 2014, which provides additional guidance on the criteria for offsetting financial assets and financial liabilities. As the Agency currently does not offset any financial assets and liabilities, it is considered that this will have no impact.
- The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments. As the Agency currently occupies many properties under operating leases, this is likely to have an effect on the statement of financial position but the timing of any implementation remains unclear at this stage.
- Other changes due to come into effect after 2012–13 are considered to have no impact on the Agency.

### **1.03 Non Current Assets: intangible assets**

Intangible non-current assets, which are defined as non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights, are capitalised if they meet the following criteria:

- They are capable of being used for a period which exceeds one year; and
- They have a cost equal to or greater than £1,000, or
- They comprise applications software with a cost of £20,000 or more.

Intangible assets are amortised typically over 3-5 years or over the useful economic life of an item in property, plant and equipment with which the intangible asset is closely associated.

Intangible non-current assets are stated at their cost less accumulated amortisation. Amortisation is charged in the month of acquisition, and none in the month of disposal. Amortisation is not charged on intangible assets under development.

Operating software essential to the running of hardware is capitalised with the associated hardware as property, plant and equipment where it is not possible to separate the costs.

### **1.04 Non-current assets: property, plant and equipment**

Property, plant and equipment are carried in the balance sheet at fair value on the following basis:

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out on a five yearly basis, the latest being undertaken as at 31 March 2009. The five yearly valuation is supplemented by annual indexation for intervening years in line with the direction in the FReM. Revaluation indices used for these 2012-13 accounts are supplied by external property consultants.
- Other plant and equipment are valued on a net current replacement cost basis. Assets are revalued using appropriate price indices published by the Office for National Statistics.
- Revaluation surpluses on property, plant and equipment are taken to the revaluation reserve. Revaluation deficits are written off against any revaluation surplus for the asset concerned and otherwise to the Statement of Comprehensive Net Expenditure.
- Depreciation is charged on a straight line basis on each main class of tangible non current property, plant & equipment asset as follows:
  - Freehold land and assets in the course of construction are not depreciated.
  - Freehold buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the Agency's external property management advisors, or adjusted by indices published by the Office for National Statistics, up to a maximum of 50 years.
  - Leasehold buildings are depreciated over the primary term of the lease or the estimated remaining life of the asset, whichever is the lower.
  - Leasehold building improvements are depreciated over the estimated remaining life of the asset, to a maximum of ten years.

- Equipment is depreciated on current cost over the estimated remaining life of the asset using the following standard lives:
  - Vehicles, boats and other plant           3-10 years
  - Communications equipment               5-10 years
  - IT and office equipment                   3-10 years
- Donated assets are revalued & depreciated in the same manner as other like assets.
- Property, plant and equipment are stated at their valuation less accumulated depreciation. Depreciation is charged in the month of acquisition, and none in the month of disposal.

### **1.05 Non-current assets held for sale**

Non-current assets which are being actively marketed and are available for immediate sale in their present condition, are valued at the lower of carrying amount and fair value less costs to sell and are classified under current assets in the balance sheet.

### **1.06 Inventories**

Inventories, where applicable, are valued at replacement cost. These items are held by the Agency for internal use within the business and the use of net realisable value is not deemed appropriate.

### **1.07 Stockpile Goods**

Stockpile goods are chemical goods for use in national emergencies held at strategic locations in the UK. They are maintained at a fixed level and not normally consumed in the year during the course of operations. They are valued at replacement cost as the use of net realisable value is not deemed appropriate.

### **1.08 Financial Instruments**

Loans, and other receivables and payables, where arising from contractual obligations, are initially measured at fair value and thereafter at amortised cost using the effective interest rate method until all contractual rights to cash flows expire or are transferred without recourse. Loans and other receivables are tested annually for impairment and the difference between the carrying amount and the impaired value is written off to operating costs. The carrying value of loans and receivables on the balance sheet is net of a provision for impairment.

Cash and cash equivalents are shown at fair value which is either the sterling balance or the sterling equivalent of foreign currency balances as at the balance sheet date.

### **1.09 Provisions for Liabilities and Charges**

The Agency maintains a number of balance sheet provisions. These provisions are reviewed annually as at the balance sheet date and are adjusted to reflect the latest best estimate of the liability. Provisioning is made when the tests of IAS 37 have been passed in that there is a legal or constructive obligation arising from past events; it is more likely than not there will be an outflow of economic benefits; and the amount can be estimated reliably. These adjustments are reflected in the Statement of Comprehensive Net Expenditure for the year. Where the time value of money is material, the future estimated cash flows are discounted to present values using the appropriate discount rate set by HM Treasury.

### **1.10 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

The Scheme is actuarially valued periodically and as at 31 March 2013 no additional accounting entries were required other than those shown in these accounts. If the MCA is required to meet obligations in the future these will be accounted in accordance with IAS 19.

Additional details relating to the PCSPS are included under Note 2 – Staff Costs.

#### **1.11 Early Departure Costs**

Additional pension costs arising from early departures are not funded by the Principal Civil Service Pension Scheme except where departure is due to ill-health. For early departures not funded by the scheme the full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure in that year, regardless of the method of payment. The provision for early departures covers all future commitments to employees who have retired from the Agency and its forebears which will not be met from the Principal Civil Service Pension Scheme. The early departures provision also includes an estimate of the staff cost for the Future Coastguard Modernisation Programme announced in November 2011 which is being implemented over the next three years. Provisions are disclosed at Note 17.

#### **1.12 Value Added Tax**

The Agency is not separately registered for Value Added Tax (VAT) and VAT collected or paid is accounted for centrally by the DfT. The accounts include irrecoverable VAT where applicable.

#### **1.13 Operating Income**

Operating income relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided, on a full cost basis, to external customers. Income is stated after deduction of Value Added Tax. Income received in advance of service provision is deferred to match the related expenditure.

#### **1.14 Prior Year Adjustments**

Material adjustments applicable to prior periods arising from machinery of government changes, accounting policy changes, or from the correction of errors are accounted for by restating prior year figures in accordance with IAS 8.

#### **1.15 Administration and Programme Expenditure**

The Statement of Comprehensive Net Expenditure is analysed between programme and administration income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

#### **1.16 Foreign Exchange**

Transactions are translated into sterling at the exchange rate ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into sterling at the rates ruling on that date. Translation differences are dealt within the Statement of Other Comprehensive Expenditure.

#### **1.17 Financing from the Consolidated Fund**

Outstanding financing from the Consolidated Fund at the end of the financial year is carried forward on a rolling basis.

#### **1.18 Contingent liabilities**

In accordance with IAS 37, the Agency discloses as contingent liabilities potential future discounted obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Agency's control, unless their likelihood is considered to be remote.

#### **1.19 Finance leases**

Finance leases are recognised initially in the balance sheet at the fair value of the Agency's interest in the leased asset. Such assets are subsequently revalued in accordance with the policy outlined in note 1.04.

#### **1.20 Third Party Assets**

The MCA does not hold any third party assets as custodian or trustee.

#### **1.21 PFI**

The MCA does not currently have any PFI transactions to record.

## 2. Staff Numbers and Related Costs

The average number of persons employed during the year was:-

	2012-13	2011-12
Board members	4	4
Frontline service deliverers and direct support staff	879	898
Corporate support staff	162	163
Temporary Agency Staff	5	9
<b>Total</b>	<b>1,050</b>	<b>1,074</b>

The average employment status was:-

	2012-13	2011-12
Permanent Staff	933	1,023
Fixed Term Contract Staff	112	42
Temporary Agency Staff	5	9
<b>Total</b>	<b>1,050</b>	<b>1,074</b>

There are approximately 3,500 volunteers in the Coastguard Rescue Service.

The costs of staff employed by the MCA were as follows:

	2012-13	2011-12
	£'000	£'000
Wages and salaries	34,194	34,297
Movement in staff holiday & Time Off In Lieu accrual	(97)	(88)
Social security costs	2,740	2,637
Other pension costs	6,017	6,047
Early departure costs	1,090	3,181
Agency staff	192	308
<b>Sub Total</b>	<b>44,136</b>	<b>46,382</b>
Less costs of staff engaged on capital projects	(353)	(401)
<b>Total net costs</b>	<b>43,783</b>	<b>45,981</b>

For 2012-13 the total is split £5,743,000 Administration and £38,040,000 Programme (2011-12 £6,270,000 Administration and £39,711,000 Programme).

Staff costs in the body of the above table have been stated gross to include costs of staff on capital projects, which are then deducted to arrive at the net figure per the Statement of Comprehensive Net Expenditure.

Staff Numbers and costs detailed above include the following average staff numbers for those engaged on capital projects and their associated costs:

	2012-13	2011-12
Average staff numbers engaged on capital projects	9.6	10.6
	2012-13	2011-12
	£'000	£'000
Wages and salaries	284	320
Social security costs	22	25
Other pension costs	47	56
	<b>353</b>	<b>401</b>

During 2012-13 one employee retired early on ill health grounds (2011-12: two employees); the total accrued pension liabilities in the year amounted to £2,589 (2011-12: £3,274).

## 2.1 Reporting of Civil Service and other compensation schemes - exit packages

2012-13 (2011-12)

Exit package cost band	Number of compulsory redundancies	Number of other packages agreed	Total number of exit packages by cost band
<£10,000	0 (0)	4 (2)	4 (2)
£10,000 – £25,000	0 (0)	12 (0)	12 (0)
£25,000 - £50,000	0 (0)	9 (0)	9 (0)
£50,000 - £100,000	0 (0)	1 (0)	1 (0)
£100,000 - £150,000	0 (0)	1 (0)	1 (0)
£150,000 - £200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (0)	27 (2)	27 (2)
Total resource cost/£	0 (0)	£736,704 (£6,800)	£736,704 (£6,800)

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. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

### 3. Establishment, Accommodation and Other Administrative Costs

	2012-13		2011-12	
	£'000	£'000	£'000	£'000
Establishment costs		5,811		5,082
Coastguard costs		2,460		2,624
Transport, travel and subsistence		3,294		3,277
Premises including leases		11,715		10,567
<b>Non-Cash Items:</b>				
Amortisation of intangible non current assets	1,693		1,932	
Depreciation of other tangible non current property plant & equipment assets	4,798		5,426	
Impairment of assets held for sale	0		(2)	
Revaluation losses written off	1,746		758	
Revaluation losses written back	(157)		0	
Loss/(profit) on disposal of non current assets	(24)		68	
Notional costs*:				
DfT support services	93		83	
Audit fee (statutory audit)	75		75	
		<u>8,224</u>		<u>8,340</u>
		<u>31,504</u>		<u>29,890</u>

For 2012-13 the total is split £2,836,000 Administration and £28,668,000 Programme (2011-12 £2,956,000 Administration and £26,934,000 Programme).

\* Notional costs are included as follows:

- i. DfT support services: These are included to reflect an estimate of the cost of services provided by other units within the DfT. The amounts are calculated to reflect the full cost of providing these services to the Agency.
- ii. Audit fee: This is included for the annual certification audit of the Agency's Financial Statements by the National Audit Office. The auditors received no remuneration for non audit services.

#### 4. Programme Costs

	2012-13		2011-12	
	£'000	£'000	£'000	£'000
SAR helicopters		28,517		28,565
Emergency towing vessels		2,691		8,037
Telecommunications		9,585		8,870
Aerial spraying and surveillance		2,350		2,365
Marketing, public relations and printing		172		289
Membership subscriptions to international bodies		1,693		1,726
Counter pollution		219		395
Vehicle and boat fleet		808		779
Storage of equipment stockpiles		513		508
Coast rescue equipment		896		361
Uniforms		458		471
Radio surveys, inspections and advisory work		157		154
Research and technical advice projects		358		225
INIS Hydro project		1,310		927
Channel navigation		0		6
Satellite communications		261		255
Pyrotechnic disposal and fire safety equipment		184		274
Ex-gratia payments		190		200
Other		441		360
<b>Current Grants:</b>				
Assistance for Merchant Navy training	12,106		12,300	
Crew Relief Compensation Scheme	0		(13)	
		12,106		12,287
<b>Disbursements:</b>				
Civil hydrography	5,543		5,706	
Weather bulletins and navigational warnings	5,414		5,064	
Other services to industry	313		432	
		11,270		11,202
		<u>74,179</u>		<u>78,256</u>

Current Grants: The Agency disbursed grants of £12,106,000 net of administration costs, to the shipping industry in 2012-13 (2011-12: £12,287,000). Primarily, this is to a maritime training scheme administered by the Agency.

Disbursements: The Agency provided services to the shipping industry at a cost of £11,270,000 in 2012-13 (2011-12: £11,202,000), in accordance with Merchant Shipping Acts and international conventions signed by the UK Government.

The hydrographic database is held by the United Kingdom Hydrographic Office (UKHO) and includes the results of civil hydrographic surveys performed by private firms under contract to the Maritime and Coastguard Agency. The database has been formed by information from surveys from different sources built up over many years and is subject to continuous revision. The cost of obtaining UK civil survey data rests with the MCA with which the intellectual property rights remain.

From 2013-14 the MCA's budget for disbursement on public weather service bulletins will transfer to the Department for Business and Skills and the Met Office. Direct weather service bulletins will remain within the MCA.

## 5. Income

Although the Agency is funded by Central Government it does receive income from the provision of services. An analysis of this income is included below:

	2012-13 Appropriated in Aid £'000	2011-12 Appropriated in Aid £'000
Statutory services	8,506	9,533
Operational services	599	586
Other services	918	1,169
Other income	2,153	4,193
<b>Total</b>	<b>12,176</b>	<b>15,481</b>

All income is derived from the delivery of frontline services by the Agency in 2012-13, with the exception of £121,579 (2011-12: £124,329) of other income relating to the recharge of expenditure for early retirements and departures of some Agency staff charged to the DfT in respect of the Shared Services project.

Income is recorded on the following basis:-

### Statutory Services

Provided by request such as ship surveys and seafarer certification, in most cases a deposit is paid and in all cases the revenue is only recorded when the service is provided.

### Operational Services

Provided by request such as emergency flights and radio warning broadcasts; in all cases the revenue is only recorded when the service is provided.

### Other Services

Provided by request such as 'Wider Market' surveying activities which are in addition to Statutory requirements; revenue is only recorded when the service is provided.

### Other Income

Receipts for items such as costs recovered for pollution remedial activities, income from other Government departments where costs are recovered, income from European funded projects at appropriate project completion stages. Revenue is only recorded when the service is provided.

Revenue received of £1,220,568 in 2012-13 (2011-12: nil), relating to the sale of part of the Daedalus airfield, monies received from DfT for the on going costs of the shared services migration team and rental income from a sub-let of MCA property, which will be paid to the Consolidated Fund as Extra Receipts, is disclosed in Note 26 but is not recorded as income in the Comprehensive Statement of Net Expenditure.

### European Income

	2012-13 £'000	2011-12 £'000
INIS Hydro – Research	1,349	966
Horizon - Research	2	8
Floodstand - Research	0	5
Fireproof - Research	1	2
Goalds - Research	5	5
<b>Total European Income</b>	<b>1,357</b>	<b>986</b>

European income received is for the research projects above where the expenditure was recovered from the EU. This recovers mainly internal costs so effectively reduces the burden on the Exchequer. The above are included within the figures for Other Services and Other Income in the table at the start of this note.

## 6. Operating Segments

The Agency is funded by Central Government, its primary tasks are service driven but it does receive income from the provision of services. The Agency's operating segments are based around the services it provides. These are set out below and presented on the same basis as the internally reported information that is provided to the Executive Board. This is in line with the requirements of IFRS 8. Each segment has distinct responsibility within the Executive Board.

At the start of 2012-13 the business was re-organised into the following segments (2011-12 figures have been re-stated to the new basis to provide a comparison):

The Maritime Operations segment is responsible for delivery of Coastguard, Search and Rescue (SAR) operations, counter pollution, provision of the Agency's infrastructure, management of contracts and Human Resources. The Agency derives income from the provision of non core services that use its infrastructure.

The Maritime Safety and Standards segment covers delivery of survey, inspection, seafarer services, UK Ship Register, navigation safety, vessel and environmental policy along with maritime security responsibility. Income is received on the provision of some of these services.

Strategy and Finance provide the necessary financial, corporate governance, health and safety, risk management and procurement services to the Agency.

Office of the Chief Executive covers enforcement, communications and secretariat.

Shared Services covers staff costs related to the move to a Shared Services Centre

Operating segment 2012-13	Staff costs £'000	Establishment and accommodation costs £'000	Other programme costs £'000	Total operating costs £'000	Operating income £'000	Net operating costs £'000
Maritime Safety & Standards	(16,090)	(2,806)	(26,428)	(45,324)	10,969	(34,355)
Maritime Operations	(23,739)	(27,730)	(47,296)	(98,765)	1,156	(97,609)
Strategy & Finance	(1,796)	(304)	(293)	(2,393)	8	(2,385)
Office of the Chief Executive	(1,249)	(651)	(162)	(2,062)	43	(2,019)
Shared Services	(909)	(13)	0	(922)	0	(922)
<b>Total costs</b>	<b>(43,783)</b>	<b>(31,504)</b>	<b>(74,179)</b>	<b>(149,466)</b>	<b>12,176</b>	<b>(137,290)</b>

The MCA does not have any customers where normal business services are provided that exceed 10% of total turnover.

Operating segment 2011-12	Staff costs £'000	Establishment and accommodation costs £'000	Other programme costs £'000	Total operating costs £'000	Operating income £'000	Net operating costs £'000
Maritime Safety & Standards	(16,490)	(3,967)	(26,765)	(47,222)	11,940	(35,282)
Maritime Operations	(25,794)	(25,049)	(51,164)	(102,007)	3,406	(98,601)
Strategy & Finance	(1,854)	(245)	(132)	(2,231)	9	(2,222)
Office of the Chief Executive	(1,356)	(628)	(195)	(2,179)	126	(2,053)
Shared Services	(487)	(1)	0	(488)	0	(488)
<b>Total costs</b>	<b>(45,981)</b>	<b>(29,890)</b>	<b>(78,256)</b>	<b>(154,127)</b>	<b>15,481</b>	<b>(138,646)</b>

## 7. Analysis of services for which a fee is charged

The Agency is required to disclose performance results for the areas of its activities where fees and charges are made. The analysis is not intended to meet the requirements of IFRS 8 (Operating Segments).

	Income £'000	2012-13 Expenditure £'000	Net £'000	Income £'000	2011-12 Expenditure £'000	Net £'000
<b>Statutory Services</b>						
Marine surveys	5,046	4,722	324	5,260	4,923	337
Registration of ships	1,035	778	257	1,218	1,457	(239)
Seafarers' examinations and certification	2,291	2,095	196	2,837	2,594	243
Other statutory services	134	58	76	218	95	123
Subtotal	8,506	7,653	853	9,533	9,069	464
<b>Operational Services</b>						
Emergency helicopter flights	141	498	(357)	133	467	(334)
Navigational warning broadcasts	458	652	(194)	453	646	(193)
Subtotal	599	1,150	(551)	586	1,113	(527)
<b>Other Services</b>						
Wider market initiatives	862	632	230	1,141	836	305
Non-statutory services and training	56	168	(112)	28	85	(57)
Subtotal	918	800	118	1,169	921	248
Total	10,023	9,603	420	11,288	11,103	185
Offshore pollution receipts	211	115	96	1,573	253	1,320
EU projects funding – see note 5	1,357	1,357	0	986	986	0
Other income	111	111	0	121	121	0
Proportion of ETV costs recovered from The Minister of Defence of the French Republic	0	0	0	738	738	0
Civil hydrography receipts	0	0	0	0	0	0
Dept of Energy & Climate Change	33	33	0	332	332	0
Shared Service Project recharge	122	122	0	124	124	0
Accommodation receipts	319	319	0	286	286	0
Wreck salvage	0	90	(90)	23	57	(34)
Surveillance flight	0	0	0	10	10	0
Subtotal	2,153	2,147	6	4,193	2,907	1,286
Total operating income	12,176	11,750	426	15,481	14,010	1,471

The financial objective of each service is full recovery of service costs in accordance with HM Treasury's 'Managing Public Money'. Income that is not derived from fees and charges is not included in the analysis of services for which a fee is charged. The above table excludes a substantial allocation of overhead costs.

## **Non – Current Assets**

### **8. Intangible assets as at 31 March 2013**

2012-13	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
<i>Cost</i>				
As at 1 April 2012	11,508	1,568	1,971	15,047
Additions	406	989	80	1,475
Disposals	0	0	0	0
Transfers	114	(385)	271	0
Revaluations	56	0	13	69
As at 31 March 2013	12,084	2,172	2,335	16,591
<i>Amortisation</i>				
As at 1 April 2012	8,547	0	183	8,730
Charge for year	1,436	0	257	1,693
Disposals	0	0	0	0
Revaluations	41	0	2	43
As at 31 March 2013	10,024	0	442	10,466
<b>Net Book Value</b>				
As at 1 April 2012	2,961	1,568	1,788	6,317
As at 31 March 2013	2,060	2,172	1,893	6,125

2012-13	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
<i>Intangible Asset Financing</i>				
Owned	2,060	2,172	1,893	6,125
Net Book Value As at 31 March 2013	2,060	2,172	1,893	6,125

Analysis of major intangible assets	Asset Cost 31 March 2013 £'000	Net Book Value 31 March 2013 £'000	Amortisation Approx Years Remaining
Cers Project – vessel, movements & cargo records	6,187	201	Less than 1
Radio Equipment Refresh - Software Information Security Management System (ISMS) projects	2,298	1,857	3 - 10 Under Development
HR MIS – Staff Records System	1,287	0	Nil
GSI Connection Project Software	1,063	744	4
Cers II Project – vessel, movements & cargo records	649	505	4
Integrated Coastguard Communication System (ICCS) Dover	629	629	Under Development
AIS Service Provision Server	479	49	Less than 1
E Forms Project	379	0	Nil
Seafarers Record System	120	120	Under Development
All Other Intangible Non Current Assets less than £100k Net Book Value	2,427	733	Nil to 5
	16,591	6,125	

## 9. Intangible assets as at 31 March 2012

2011-12	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
<i>Cost</i>				
As at 1 April 2011	9,191	2,440	38	11,669
Reclassifications from property, plant and equipment	489	0	2,111	2,600
Additions	292	404	0	696
Disposals	0	0	0	0
Transfers	1,465	(1,276)	(189)	0
Revaluations	71	0	11	82
As at 31 March 2012	11,508	1,568	1,971	15,047
<i>Amortisation</i>				
As at 1 April 2011	6,757	0	2	6,759
Charge for year	1,752	0	180	1,932
Disposals	0	0	0	0
Revaluations	38	0	1	39
As at 31 March 2012	8,547	0	183	8,730
<b>Net Book Value</b>				
As at 1 April 2011	2,434	2,440	36	4,910
As at 31 March 2012	2,961	1,568	1,788	6,317

2011-12	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
<i>Intangible Asset Financing</i>				
Owned	2,961	1,568	1,788	6,317
Net Book Value As at 31 March 2012	2,961	1,568	1,788	6,317

Analysis of major intangible assets	Asset Cost 31 March 2012 £'000	Net Book Value 31 March 2012 £'000	Amortisation Approx Years Remaining
GSI Connection Project Software	1,052	952	5
Cers Project – vessel, movements & cargo records	5,846	732	Less than 1
Cers II Project – vessel, movements & cargo records	547	530	5
AIS Service Provision Server	477	144	1
HR MIS – Staff Records System	1,062	0	Nil
E Forms Project	375	0	Nil
Radio Equipment Refresh	1,960	1,788	10
Radio Equipment Refresh still to roll out	270	270	Under Development
Seafarers Record System	119	119	Under Development
Information Security Management System (ISMS) projects	1,032	1,032	Under Development
All Other Intangible Non Current Assets	2,307	750	Nil to 5
	15,047	6,317	

## 10. Property, plant and equipment as at 31 March 2013

2012-13	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

### Cost or Valuation

As at 1 April 2012	4,621	49,381	11,432	23,752	10,932	3,931	6,341	110,390
Additions	0	1,332	1,747	512	272	94	4,355	8,312
Disposals	(822)	(577)	(699)	(2,127)	(1,104)	(32)	0	(5,361)
Impairments	0	0	0	0	0	0	0	0
Transfers	4	50	638	446	1,469	58	(2,665)	0
Revaluations	(392)	(4,412)	788	98	1,505	27	0	(2,386)
As at 31 March 2013	3,411	45,774	13,906	22,681	13,074	4,078	8,031	110,955

### Depreciation

As at 1 April 2012	0	20,791	9,026	18,831	7,223	2,552	0	58,423
Charge in year	0	1,463	829	501	1,783	222	0	4,798
Disposals	0	(496)	(699)	(2,127)	(1,100)	(32)	0	(4,454)
Impairments	0	0	0	0	0	0	0	0
Revaluations	0	(1,689)	485	338	824	17	0	(25)
As at 31 March 2013	0	20,069	9,641	17,543	8,730	2,759	0	58,742

### Net Book Value

As at 1 April 2012	4,621	28,590	2,406	4,921	3,709	1,379	6,341	51,967
As at 31 March 2013	3,411	25,705	4,265	5,138	4,344	1,319	8,031	52,213

### Property, plant and equipment financing

2012-13	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

### Asset Financing

Owned	3,411	24,212	4,265	5,138	4,344	1,319	8,031	50,720
Finance Leased	0	1,493	0	0	0	0	0	1,493

### Net Book Value

As at 31 March 2013	3,411	25,705	4,265	5,138	4,344	1,319	8,031	52,213
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No assets funded by government grant or lottery funding were acquired in the current or prior periods.

## Donated Assets

During 2010-11 a launch named Hunter was received from HMRC and accounted within the classification of Vehicles and Boats as a Donated Asset, there were no additional Donated Assets during 2012-13.

2012-13	Vehicles and Boats	Total	2011-12	Vehicles and Boats	Total
	£'000	£'000		£'000	£'000
<i>Cost or Valuation</i>			<i>Cost or Valuation</i>		
As at 1 April 2012	138	138	As at 1 April 2011	139	139
Donations			Donations		
Revaluations	2	2	Revaluations	(1)	(1)
As at 31 March 2013	<u>140</u>	<u>140</u>	As at 31 March 2012	<u>138</u>	<u>138</u>
<i>Depreciation</i>			<i>Depreciation</i>		
As at 1 April 2012	38	38	As at 1 April 2011	25	25
Charge in year	14	14	Charge in year	13	13
Revaluations			Revaluations		
As at 31 March 2013	<u>52</u>	<u>52</u>	As at 31 March 2012	<u>38</u>	<u>38</u>
<i>Net Book Value</i>			<i>Net Book Value</i>		
As at 1 April 2012	<u>100</u>	<u>100</u>	As at 1 April 2011	<u>114</u>	<u>114</u>
As at 31 March 2013	<u>88</u>	<u>88</u>	As at 31 March 2012	<u>100</u>	<u>100</u>

## Assets with Heritage Characteristics

The Maritime and Coastguard Agency has a number of operational assets detailed within these accounts which are held for use in its business that have some heritage asset characteristics, but they are not held for the primary purpose of contribution to knowledge and culture, or on behalf of the nation's heritage.

There are 29 locations classed as Grade I and II listed buildings, scheduled monuments, conservation areas, etc, functioning typically as a Maritime Rescue Coordination Centre, Sector Base, Radio Site or Coastal Rescue Station. These are included within Non Current Assets, property, plant and equipment and are capitalised with a carrying value of £3,570,326 or are leased within an annual total of £67,366 per annum. These are valued in the same way as other land and buildings. These locations have been utilised by the MCA from various dates from 1978 onwards and there were two disposals in 2012-13.

## Finance Lease

The amount under finance leases above relates to a 40-year lease on the MCA's Aberdeen office. This has a revalued total capital value of £7,331,502 (2011-12: £8,173,358), less revalued cost depreciation of £4,956,873 (2011-12: £5,608,841) and cumulative historic cost depreciation charges of £881,236 (2011-12: £854,236) totalling £5,838,109, to form the net book value of £1,493,393 (2011-12: £1,710,281) under the Buildings asset category. Values in respect of the short and long term obligations under the Finance lease are set out in Note 18.

## Analysis of Net book value of Land and Buildings by tenure:

	Land	Buildings	Land	Buildings
	31 March 2013	31 March 2013	31 March 2012	31 March 2012
	£'000	£'000	£'000	£'000
Freehold	3,411	14,845	4,603	17,181
Long leasehold (lease has 50 or more years to run from balance sheet date)	0	4,272	0	4,782
Short leasehold (lease has less than 50 years to run from balance sheet date)	0	6,588	21	6,627
<b>Total</b>	<b>3,411</b>	<b>25,705</b>	<b>4,624</b>	<b>28,590</b>

A formal valuation of the Agency's entire estate was carried out as at 31 March 2009 by external valuers. The valuers were S G Pollock FRICS of James Barr and J R Marwood MRICS of Hartnell Taylor Cook. Valuations were carried out in accordance with the Statement of Asset Valuation Practice and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

In years 2009-10 and 2010-11, Land & Buildings were revalued using indices supplied by DfT. This year and for 2011-12 indices were supplied directly to the Agency by Colliers International.

## 11. Property, plant and equipment as at 31 March 2012

2011-12	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
As at 1 April 2011	5,450	53,072	11,428	23,223	7,615	4,092	10,014	114,894
Reclassifications to intangible assets	0	0	0	(2,111)	(489)	0	0	(2,600)
Additions	0	876	94	2,849	1,978	18	471	6,286
Donations	0	0	0	0	0	0	0	0
Assets classified as held for sale	11	28	0	0	0	0	0	39
Disposals	4	(30)	(149)	(1,601)	(313)	(183)	0	(2,272)
Impairments	(565)	(2,170)	0	0	0	0	0	(2,735)
Transfers	0	0	19	1,841	2,284	0	(4,144)	0
Revaluations	(279)	(2,395)	40	(449)	(143)	4	0	(3,222)
<b>As at 31 March 2012</b>	<b>4,621</b>	<b>49,381</b>	<b>11,432</b>	<b>23,752</b>	<b>10,932</b>	<b>3,931</b>	<b>6,341</b>	<b>110,390</b>
<b>Depreciation</b>								
As at 1 April 2011	0	19,961	8,348	19,903	6,143	2,364	0	56,719
Charge in year	0	2,057	800	849	1,369	351	0	5,426
Assets classified as held for sale	0	9	0	0	0	0	0	9
Disposals	0	0	(146)	(1,597)	(287)	(163)	0	(2,193)
Impairments	0	(402)	0	0	0	0	0	(402)
Revaluations	0	(834)	24	(324)	(2)	0	0	(1,136)
<b>As at 31 March 2012</b>	<b>0</b>	<b>20,791</b>	<b>9,026</b>	<b>18,831</b>	<b>7,223</b>	<b>2,552</b>	<b>0</b>	<b>58,423</b>
<b>Net Book Value</b>								
As at 1 April 2011	5,450	33,111	3,080	3,320	1,472	1,728	10,014	58,175
<b>As at 31 March 2012</b>	<b>4,621</b>	<b>28,590</b>	<b>2,406</b>	<b>4,921</b>	<b>3,709</b>	<b>1,379</b>	<b>6,341</b>	<b>51,967</b>

## Property, plant and equipment financing

2011-12	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Asset Financing</i>								
Owned	4,621	26,880	2,406	4,921	3,709	1,379	6,341	50,257
Finance Leased	0	1,710	0	0	0	0	0	1,710
<i>Net Book Value</i>								
As at 31 March 2012	4,621	28,590	2,406	4,921	3,709	1,379	6,341	51,967

No assets funded by government grant or lottery funding were acquired in the current or prior periods.

### 12. Stockpile Goods

	31 March 2013	31 March 2012
	£'000	£'000
Dispersant stocks	2,931	2,882
Total	2,931	2,882

### 13. Non-current financial assets - Financial Assets – Receivables

Amounts falling due after more than 1 year	31 March 2013	31 March 2012
	£'000	£'000
Staff relocation housing loans	6	18
Other receivables	43	44
Total	49	62

In addition to the non-current staff relocation housing loans shown above, an element of these loans is repayable within one year and is included in other current assets (see note 14). The number of staff members who have housing loans is 10 (2011-12; 27).

All of the above balances were with bodies or individuals external to Government.

#### 14. Trade and other receivables

	31 March 2013	31 March 2012
	£'000	£'000
Trade receivables	471	374
VAT receivables	1,002	848
Staff relocation housing loans (see also note 13)	6	15
Prepayments and accrued income	5,223	5,125
Other receivables	40	370
Total	<u>6,742</u>	<u>6,732</u>

	31 March 2013	31 March 2012
	£'000	£'000
<b>Amounts Falling due within One Year</b>		
Balances with other Central Government bodies	174	156
Balances with local authorities	409	98
Balances with NHS trusts	58	39
Balances with public corporations and trading funds	11	25
Balances with bodies external to Government	6,090	6,414
Total	<u>6,742</u>	<u>6,732</u>

#### Current liabilities

#### 15. Overdraft / Cash and cash equivalents

The movement in cash balances in the years to 31 March 2013 was:

	2012-13	2011-12
	£'000	£'000
Balance at 1 April 2012 & 2011	443	616
Net change in cash balances	(1,804)	(173)
Balance at 31 March 2013 & 31 March 2012	<u>(1,361)</u>	<u>443</u>

The agency does not hold any cash equivalents as defined at IAS 7 Statement of Cash Flows para 7. The Office of HM Paymaster General (OPG), RBS & Citibank provide current account banking services.

The following balances were held at 31 March 2013 at:

	31 March 2013	31 March 2012
	£'000	£'000
Office of HM Paymaster General / RBS / Citi (GBS)	(1,361)	383
Commercial banks and cash in hand	0	60
Total bank balances	<u>(1,361)</u>	<u>443</u>

The Agency had cleared funds at year end, this cash book overdraft is a result of timing and for 2012-13 is included in the total of Trade payables and other current liabilities in note 16.

## 16. Trade payables and other current liabilities

	31 March 2013	31 March 2012
	£'000	£'000
Overdraft – cashbook per note 15	1,361	0
Trade payables	1	24
Finance lease payables	132	126
Staff payroll	1,412	1,444
Other taxation & social security	5	4
Accruals	11,339	11,506
Deferred income	3,165	3,093
Other payables	0	0
	<u>17,415</u>	<u>16,197</u>
Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:		
Consolidated fund overfunding	420	420
Consolidated fund extra receipts	406	0
	<u>826</u>	<u>420</u>
Total	<u>18,241</u>	<u>16,617</u>

## Intra-Government current liabilities

	31 March 2013	31 March 2012
	£'000	£'000
Balances with other Central Government bodies	3,011	717
Balances with local authorities	68	143
Balances with NHS trusts	15	8
Balances with public corporations and trading funds	13	10
Balances with bodies external to Government	15,134	15,739
Total	<u>18,241</u>	<u>16,617</u>

## 17. Provisions for liabilities and charges – current and non - current

2012-13	Other Payments	Dilapidation Costs Buildings Related	Early Departure Costs	Total
	£'000	£'000	£'000	£'000
As at 1 April 2012	725	1,994	3,732	6,451
Provided in the year	327	517	801	1,645
Not required written back	(252)	(12)	(2)	(266)
Utilised during year	(53)	(38)	(804)	(895)
Unwinding of discount	0	34	16	50
Balance as at 31 March 2013	747	2,495	3,743	6,985

### Analysis of expected timing of discounted flows ( years from the reporting period date ):

Within 1 year	747	450	1,225	2,422
2-5 years	0	249	2,355	2,604
6-10 years	0	1,548	163	1,711
Over 10 years	0	248	0	248
Balance as at 31 March 2013	747	2,495	3,743	6,985

Included in the amounts not expected to be called until 10 years over the reporting period date	0	227	0	227
Over 50 years	0	13	0	13
Over 75 years	0	8	0	8
Total over 10 years from the reporting period date	0	248	0	248

### Classified as:

Current liability	747	450	1,225	2,422
Non-current liability	0	2,045	2,518	4,563
Balance as at 31 March 2013	747	2,495	3,743	6,985

Future estimated costs have been discounted, where the effect of discounting is significant, at -1.8%, -1.0% and 2.2% for Dilapidations falling due in the short (0-5 years), medium (6-10 years) and long term (exceeding 10 years) respectively, (2011-12 all terms 2.2%). A rate of 2.35% was used for Early Departure Costs (2.8% 2011-12).

The provision for Other Payments represents the sum of liabilities recognised in the Agency's accounts in relation to a variety of claims by third parties against the Agency.

The provision for Dilapidation Costs represents the estimated expenditure required to revert leasehold properties back to their original condition in accordance with the terms of certain leases together with works relating to towing vessel condition reinstatement. The estimates are subject to uncertainty regarding timing and the extent of works required.

Part of the provision for Early Departure Costs represents the balance of future pension payments for MCA staff, over the age of 50, who have left under voluntary early retirement schemes since 1999. The MCA is responsible for meeting the pension costs of former staff until they reach the age of 60. Such liabilities may continue to be paid by the Agency until 2020, an additional provision was made under this scheme this year for £515,000 for a group of staff whose scheme costs were previously covered by the DfT. A provision for Future Coastguard Modernisation staff costs was made last year under Early Departure Costs, the programme started this year and the current position reflects the position after the closure of two stations. A contract for the migration of the Agency's HR and Finance transactional services to a Shared Service Centre was signed in 2012-13 with a go-live currently planned for April 2014, a provision of £252,000 has been made this year in Early Departure Costs for transactional and migration staff exit packages.

## **Non-current liabilities**

### **18. Finance lease payable**

<b>Amounts falling due after more than 1 year</b>	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease payable	964	1,097

Finance charges reported under this lease and included in the Statement of Comprehensive Net Expenditure are £56,037 (2011-12: £59,475).

This relates to an existing 40 year lease for Aberdeen office accommodation.

## **Taxpayers' equity**

### **19. General Fund**

	<b>2012-13</b>	<b>2011-12</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	33,939	36,428
Net operating cost for the year	(137,290)	(138,646)
Financing from the Consolidated Fund	135,500	133,000
Notional costs	168	158
Transfer from Revaluation Reserve (revaluation surpluses on assets disposed and realised elements of depreciation)	303	1,532
Other general fund movement	0	1,467
Balance as at 31 March	<b>32,620</b>	<b>33,939</b>

## 20. Revaluation Reserves

### Property, plant and equipment and Intangibles

2012-13	Land	Buildings	Vehicles and Boats	Comms Equip	IT and Office Equip	Other Plant	Sub-total PPE	Intangibles	Total PPE and intangibles
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2012	2,857	6,952	225	75	145	12	10,266	33	10,299
Revaluation surpluses	0	0	303	0	681	10	994	26	1,020
Revaluation deficits	(392)	(2,723)	0	(240)	0	0	(3,355)	0	(3,355)
Taken to Statement of Comprehensive Net Expenditure	22	1,717	0	(26)	(120)	(4)	1,589	0	1,589
Sub-total of movements above as shown in the Statement of Other Comprehensive Expenditure	(370)	(1,006)	303	(266)	561	6	(772)	26	(746)
Other general reserve movement									
Taken to General Fund	(7)	(152)	(116)	239	(247)	(3)	(286)	(17)	(303)
As at 31 March 2013	2,480	5,794	412	48	459	15	9,208	42	9,250

### Total Revaluation Reserves

2012-13	Total Reserve
	£'000
PPE reserves	9,208
Intangible reserves	42
Total Revaluation Reserves as at 31 March 2013	9,250

## Opening Revaluation Reserve balances 2011-12:

### Property, plant and equipment and Intangibles

2011-12	Land	Buildings	Vehicles and Boats	Comms Equip	IT and Office Equip	Other Plant	Sub- total PPE	Intangibles	Total PPE and ntangibles
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2011	3,705	11,170	546	941	503	51	16,916	0	16,916
Revaluation surpluses	0	0	16	0	0	4	20	43	63
Revaluation deficits	(844)	(3,329)	0	(125)	(141)	0	(4,439)	0	(4,439)
Taken to Statement of Comprehensive Net Expenditure	54	567	0	6	128	3	758	0	758
Sub-total of movements above as shown in the Statement of Other Comprehensive Expenditure	(790)	(2,762)	16	(119)	(13)	7	(3,661)	43	(3,618)
Other general reserve movement	(69)	(665)	(60)	(483)	(149)	(41)	(1,467)	0	(1,467)
Taken to General Fund	11	(791)	(277)	(264)	(196)	(5)	(1,522)	(10)	(1,532)
As at 31 March 2012	2,857	6,952	225	75	145	12	10,266	33	10,299

### Total Revaluation Reserves

2011-12	Total Reserve £'000
PPE reserves	10,266
Intangible reserves	33
Total Revaluation Reserves as at 31 March 2012	10,299

## **Other Financial Commitments**

### **21. Capital Commitments**

There were commitments outstanding of £5,306,663 for capital expenditure contracts as at 31 March 2013 (31 March 2012: £3,799,000).

	31 March 2013
	£'000
Integrated Coastguard Communication System (ICCS) – Coastguard Infrastructure	3,621
ICT Security – Agency Infrastructure	325
Consolidated European Reporting System (CERS) –Shipping	314
Vehicles – Fit Outs	299
Automatic Identification System (AIS) & Data Centre – Coastguard Infrastructure	234
Howick Coastguard Rescue Station – Building works	188
VHF Basestations – Coastguard Infrastructure	120
Fairlight Scanner – Coastguard Infrastructure	66
Aberdeen MRCC Generator – Coastguard Infrastructure	50
Corporate Network Infrastructure Replacement – Coastguard Infrastructure	31
Dover Scanner – Coastguard Infrastructure	15
Forth Tower – Coastguard Infrastructure	15
Daedalus Tower – Coastguard Infrastructure	15
Technical reconfiguration of closing MRCC's– Coastguard Infrastructure	14
<b>Total</b>	<b>5,307</b>

## 22. Commitments under leases

### Operating leases

As at 31 March 2013 the Agency was committed to making the following total future minimum payments for land and buildings held under non-cancellable operating leases:

	31 March 2013 Amounts payable under operating leases £'000	31 March 2012 Amounts payable under operating leases £'000
Land		
Payable within one year	624	600
Payable later than one year and not later than five years	2,070	1,857
Payable later than five years	1,660	2,064
Total Land	<u>4,354</u>	<u>4,521</u>
Buildings		
Payable within one year	2,518	2,144
Payable later than one year and not later than five years	9,546	6,597
Payable later than five years	10,119	3,560
Total Buildings	<u>22,183</u>	<u>12,301</u>
Other		
Payable within one year	8,265	0
Payable later than one year and not later than five years	136,245	0
Payable later than five years	330,831	0
Total	<u>475,341</u>	<u>0</u>
Total commitments under leases		
Payable within one year	11,407	2,744
Payable later than one year and not later than five years	147,861	8,454
Payable later than five years	342,610	5,624
Total commitments under leases	<u>501,878</u>	<u>16,822</u>

MCA has a number of operating leases for land and buildings. Elements of these properties have been sub-let by the Agency under non-cancellable operating leases and total future minimum rental receipts of £17,000 were anticipated as at balance sheet date (2011-12: £25,000).

The total of property operating lease rentals charged to the Statement of Comprehensive Net Expenditure during the year was £3,959,117 (2011-12: £3,665,000). Income of £17,000 (2011-12: £24,000) was credited to the operating costs statement during the year in respect of properties held on operating leases which were sub-leased by the Agency.

Cancellable operating arrangements relating to helicopters charged to the Statement of Comprehensive Net Expenditure during the year are £8,261,000 (2011-12: £8,261,000) which relates to the current helicopter search and rescue (SAR) provision contract which expires in July 2013.

A new helicopter SAR gap contract commences in July 2013 to cover the period to 2017 from the 4 bases used in the current SAR contract. During this gap contract a new long term SAR contract for 10 years also commences which will cover the entire UK search and rescue region from 10 bases, eventually replacing the current Ministry of Defence SAR provision and the MCA gap SAR contract. This long term contract was signed on 26 March 2013. The commitments under both of these new contracts make up the other category in the table above.

## Finance lease

At 31 March 2013 the Agency was committed to making the following total future minimum payments under a finance lease for office accommodation in Aberdeen (see note 10).

Minimum lease payments at initial lease rate:

	31 March 2013 £'000	31 March 2012 £'000
Obligations under finance leases payable		
Payable within one year	182	182
Payable later than one year and not later than five years	729	730
Payable later than five years	410	592
Total	1,321	1,504
Less future interest payments	(225)	(281)
Present value of lease obligations	1,096	1,223

	31 March 2013 £'000	31 March 2012 £'000
Present value of lease payments		
Payable within one year	132	126
Payable later than one year and not later than five years	590	566
Payable later than five years	374	531
Present value of minimum lease payments	1,096	1,223

Elements of this office accommodation have been sub-let by the Agency under non-cancellable operating leases and total future minimum rental receipts of £149,000 (2011-12: £225,000) were anticipated as at balance sheet date.

## 23. Impairments

	2012-13 £'000	2011-12 £'000
Impairment costs charged to operating cost – non current assets - property held for sale	0	(1)
Impairment costs charged to operating cost – non current assets - boats held for sale	0	(1)
Total impairment costs	0	(2)

## 24. Reconciliation of Movement in Government Funds

		2012-13	2011-12
	Note	£'000	£'000
As at 1 April		44,238	53,344
Decrease in General Fund	[19]	(804)	(2,489)
Decrease in revaluation reserve	[20]	(1,049)	(6,617)
As at 31 March		42,385	44,238

## 25. Reconciliation of financing from the Consolidated Fund

		2012-13	2011-12
	Note	£'000	£'000
Financing per the General Fund	[19]	135,500	133,000
Consolidated Fund financing opening (payable)/receivable	[16]	(420)	(420)
Consolidated Fund financing closing payable	[16]	420	420
Financing from the Consolidated Fund		135,500	133,000

## 26. Revenue collected on behalf of the Consolidated Fund

		2012-13	2011-12
		£'000	£'000
Amounts due to the Consolidated Fund		0	5
Revenue received on behalf of the Consolidated Fund		1,221	0
Payments made to the Consolidated Fund		(815)	(5)
Amounts due to the Consolidated Fund		406	0

Revenue was received of £1,220,568 in 2012-13 (2011-12: nil) which was deemed to be outside of the MCA budget so was to be surrendered to HM Treasury. This related to the sale of part of the Daedalus airfield, monies received from DfT to fund the shared services migration team and rental income from an unbudgeted sub-let of MCA property. This was excluded from the Statement of Comprehensive Net Expenditure and Statement of Changes in Taxpayers' Equity under section 13.4.8 of the FReM as it is not material to the MCA.

## 27. Losses

There were no losses recorded in the Agency during 2012-13.

In 2011-12 there was one fraud which resulted in a small cash loss to the Agency.

Also, during 2011-12, the Agency surveyed the Royal Barge that was presented to Her Majesty the Queen for the Diamond Jubilee Pageant. The Agency was granted approval by HM Treasury to perform this work on a pro bono basis. The amount the Agency would have otherwise have charged for this work was in the region of £25,000.

## 28. Special Payments

There were no Special Payments in the year (2011-12: nil).

## 29. Contingent Assets

The Agency seeks to recover costs in relation to counter pollution and civil contingency incidents to which it renders assistance. In some cases, it may take a number of years before cost recovery claims are settled and the Agency holds a contingent asset pertaining to the future value of such claims. Due to the nature of the claims it is not practical to be able to estimate the future financial effect of the claims as the timing and value are unknown and there is no guarantee of the claims being successful. The contingent assets relate to a number of incidents. In 2012-13 counter pollution claims totalling £211,134 (mainly comprising of £170,906 for the Shell Gannet claim, £13,522 for the Petrojarl Banff incident and £11,967 relating to the MV Pretty Time incident) were received by the MCA (2011-12: £1,572,989 relating to MSC Napoli £1,411,011; Yeoman Bontrup £85,879 and MV Athena £76,099).

### **30. Contingent Liabilities**

There are no contingent liabilities at the balance sheet date.

### **31. Events after the Reporting Period**

There have been no significant events between the reporting period close and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. IAS10 requires the MCA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by MCA's management to the Secretary of State for Transport. The authorised date for issue is 17 June 2013.

### **32. Related Party Transactions**

The Maritime and Coastguard Agency (MCA) is an Executive Agency of the Department for Transport (DfT). The DfT is regarded as a related party. During the year, the MCA had a number of material transactions with the DfT and a number of minor transactions with other entities for which the DfT is regarded as the parent department.

In addition, the MCA has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with the Ministry of Defence, Natural England, Department of Energy and Climate Change and the Met Office.

During the year no Board member, key manager or other related party have undertaken any material transactions with the MCA.

### **33. Financial Instruments**

As the cash requirements of the MCA are met through the estimate process and funded largely by Treasury drawdown, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements. There are no contracts containing embedded derivatives. The Agency is exposed to little credit, liquidity, or market risk or risks arising from interest rate fluctuations. The Agency has limited exposure to risks arising from foreign currency fluctuations and currently there are no receivable accounts or bank accounts held in currency other than £ sterling.

Payments in foreign currency amounted to £920,521 in 2012-13 (2011-12: £319,452) being both sterling paid in foreign currency equivalents as well as settlement of foreign currency payables.

The MCA is fully funded from receipts already in hand or Treasury funding drawdown and financing which does not involve any external to Government financial activity, such as bills sold in the money markets or other loan mechanisms. The MCA is not dependent on the receipt of income from activities or the clearance of outstanding receivables formed in the ordinary course of business for future liquidity, as any cash shortfall will be met by an increase in Treasury drawdown, ensuring payment of trade and all other payable values.

Trade accounts receivable are recovered in the normal course of business and an increase in the experience of bad and doubtful debts debited operating costs by £40,770 in 2012-13 (2011-12: credit £12,465), with many of the services the MCA provides requiring a deposit or full payment, often covering the full cost prior to commencement of the service provision. The bad debt reserve stands at £185,104 in 2012-13 (2011-12: £144,334). Service provision costs are monitored by MCA staff and where appropriate a deposit increase is requested.

As a Government Agency the MCA has not sold any accounts receivable debt nor planned any future sales and does not enter into financial guarantee contracts or insure receivable debt in any form.

### **34. Charges to the operating cost & future commitments - PFI Contracts**

The agency does not have any PFI contracts which impact the operating costs statement or give rise to future commitments.

**Maritime and Coastguard Agency  
Sustainable Development Report 2012-2013**

We are continuing to embed sustainable development across the Agency to live within environmental limits; ensure a strong, healthy and just society; achieve a sustainable economy; practise sustainable procurement; and promote good governance.

We are fully committed to achieving the targets set within the Greening Government Commitments (GGC) Agenda and activity during 2012-13 included:

- publication and internal display of actual energy consumption information covering major buildings, allowing for a targeted approach to improved energy efficiency.
- energy Survey undertaken by local Property Managers with targeted works identified and ongoing.
- introduction of closed loop paper recycling scheme.
- installation of gas optimiser units at major sites.
- ongoing liaison between Sustainable Development Manager and Programme Teams to ensure Sustainable Development is embedded across all active programme works.

The full details of the GGC Agenda can be located at:

<http://sd.defra.gov.uk/gov/green-government/commitments/>

We recognise the importance of adapting to climate change as part of our planning processes we have voluntarily published a report detailing the impact it may have on our activities. The report can be found here:

<http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/11public-bodies/pbs-maritime-coastguard.pdf>

**2012-13 Maritime and Coastguard Agency Sustainability Report**

<b>GREENHOUSE GAS (GHG) EMISSIONS</b>		<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Gross Emissions (tonnes CO <sub>2</sub> e)	Scope 1: Direct	740.48	777.14	571.68	926.36
	Scope 2: Indirect emissions	4,150.77	3,712.43	3,618.64	4,095.44
	Scope 3 item: Business Travel	154.55	91.84	171.77	429.00
	Total	5,045.80	4,581.41	4,362.09	5,450.80
Related Consumption Data					
	Electricity kWh Per head	6,841	6,569	6,533	7,181
	Estates Electricity (kWh)	7,911,963	7,076,425	6,897,640	7,870,248
	Private Car Usage (Measured by vehicle mileage) km's	1,161,705	1,115,292	1,186,396	1,177,706
	Hire Car Usage (Measured by vehicle mileage- km's)	829,956	370,091	924,214	840,635
Financial Indicators	Total Energy Expenditure	1,112,673	919,696	993,602	1,169,705
	CRC Related Expenditure (allowance purchases, registration fees etc)	N/A	N/A	57,000	75,000
	Expenditure on Business Travel(£)	2,092,682	1,842,525	2,029,328	1,984,962

**PERFORMANCE COMMENTARY AND TARGETS**

The Agency continues to undergo a significant period of organisational change and this is reflected in our reported figures. Whilst this change takes place there may be periods of increased demand for energy but it is envisaged that this will reduce significantly once all organisational changes have been fully embedded. Weather patterns have also impacted negatively upon consumption figures during the reporting period, particularly in remote locations. Despite the challenges the Agency has continued to publish energy data and engage with staff through behaviour campaigns aimed at reducing energy and travel where possible and raising awareness of Government targets. A targeted approach to building efficiency measures has been commissioned and undertaken during the reporting period using information gathered from smart meters and direct feedback received from building occupiers. The per head electricity figure has risen due to the acquisition of the National Maritime Operations Centre (NMOC) from August. It is envisaged that efficiency at the site will improve significantly once the building becomes fully operational. The increase in scope 1 emissions is mainly due to increased gas consumption at our HQ site in Southampton this is currently under investigation.

**DIRECT IMPACTS**

**Scope 1** - This includes direct consumption of Natural Gas, Oil and LPG to our buildings.

**Scope 2** -This covers electricity supplies to our buildings.

**Scope 3 Business Travel** - This includes Car Hire Mileage and Grey Fleet Mileage

## 2012-13 Maritime and Coastguard Agency Sustainability Report

<b>WASTE</b>		<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Non - Financial Indicators	Total Admin Waste (tonnes)	115.80	115.80	115.80	115.80
	Recycled Waste (tonnes)	34.60	48.00	64.60	69.48
	Kg per head	2.70	2.70	2.70	2.70
	Percentage recycled	30	41	56	60

### PERFORMANCE COMMENTARY AND TARGETS

The MCA continues to monitor waste streams at HQ and other major regional sites, increasing recycling where possible. The Agency has also continued to engage with major suppliers with an aim to reduce product packaging. The aim going forward is to try and capture improved estate wide waste data and improve reporting. During 2012/13 the Agency has also introduced closed loop paper recycling at its major sites. Costs for waste disposal during 2012/13 at our HQ site are as follows: Incineration (£) 702.00 Recycling (£) 5,161.86

<b>WATER</b>		<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Non - Financial Indicators	Estates Water m <sup>3</sup>	13,344	11,176	8,512	11,133
	m <sup>3</sup> per head	10.90	9.80	8.10	10.60
	Emissions from Water Consumption (tonnes CO <sub>2</sub> e)	4,536.96	3,799.84	2,894.08	3,785.22

### PERFORMANCE COMMENTARY AND TARGETS

MCA is fully committed to meeting the water consumption best practice targets set out under the Greening Government Agenda. The Agency continues to roll out an Estate wide Water Saving Audit through our Energy Auditing Agents all major sites are fully surveyed and potential savings and low cost measures identified and undertaken The MCA has undertaken several water saving campaigns as part of wider awareness raising initiatives. As with other utilities the key to our success in this area has been the installation of water meters where possible allowing us to identify, measure and manage water consumption across the Estate. Total MCA expenditure on water supplies and associated services for 2012/13 was (£) 90,507.00

## Sustainable Procurement

<b>2012-13 Department for Transport Sustainability Report</b>				
<b>SUSTAINABLE PROCUREMENT</b>		2010 - 11	2011 - 12	2012 - 13
Sustainable Supply Chains	Percentage of the MCA's contracts directly awarded to Small and Medium Sized Enterprises (SMEs)	18.80%	9.95%	1.71%
	Percentage of the MCA's printing contracts awarded to an SME sub-contractor	Data unavailable	100%	59%
	Government Buying Standards Compliance	Data unavailable	Data unavailable	78.57%
Internal Flights	Number of domestic business flights undertaken by the MCA	1,423	1,667	1,501
<b>PERFORMANCE COMMENTARY AND TARGETS</b>				
<p>The Maritime and Coastguard Agency recognises the significant impact that our procurement decisions have on sustainability outcomes and we are committed to ensuring that our supply chain is reflective of the overall supply market and supports our sustainable development goals. The MCA has four main mechanisms for improving its sustainable procurement performance.</p> <p><u>Policy and Guidance</u> Sustainable procurement is included in the MCA's procurement guidance to staff (which also makes reference to the Sustainable Procurement Policy), and we have produced a more detailed stand alone guide on the incorporation of sustainability into procurement and contract management processes. The content of both guides is reviewed at least annually. Sustainable procurement is incorporated into the MCA's wider sustainable development programme through its inclusion in the Agency's Environmental Management System.</p> <p><u>Staff Training and Development</u> All staff within the Procurement Team have the promotion of sustainable procurement as a key objective. Staff have received training in how to conduct a sustainable procurement and contract management process, which is refreshed as required.</p> <p><u>Procurement Processes</u> Basic sustainability criteria are included in all procurement processes conducted by the MCA, and where contracts are high value or have a high sustainability risk the inclusion of more advanced criteria specific to the agreement is encouraged. These criteria are seen as essential to the achievement of best value and are used in the assessment of supplier proposals.</p> <p><u>Contract Management</u> The MCA actively engages with its suppliers and internal order placers to promote continuous improvement of their sustainability performance throughout the contract term. Depending on the sustainability risk or the potential for improvement, this could include the analysis of data on scope 3 greenhouse gas emissions, the increased purchase of environmentally preferable or socially ethical products, or the promotion of smaller businesses and supply chain diversity.</p>				

## Notes to the Performance Metrics

1. Government Buying Standards Compliance – this is the percentage of the MCA's contracts awarded in each year to which the Government Buying Standards are applicable, that have the achievement of those Standards as a requirement of the contract.
2. Percentage of Printing Sub-Contracts Awarded to an SME - for 2011 - 12 covers February and March 2012 only. Prior to joining the pan-Government printing contract in February 2012 we were not able to measure this figure.
3. Internal Flights – the MCA is working toward the Government's target to reduce the number of its domestic business flights (business flights that start and finish in the UK) by 20% during the life of this Parliament. The figures shown are the number of domestic business flights taken by MCA staff in the last three financial years.

## Commentary on the Performance Metrics

1. Percentage of contracts directly awarded to SMEs - the year on year reduction in this figure does not necessarily indicate a reduction in spend going to smaller suppliers. The MCA is moving toward a contracting model that comprises fewer first tier contractors and more use of sub-contracting. It is likely that the number of smaller businesses in the extended supply chain is comparable with previous years.
2. Percentage of the MCA's printing contracts awarded to an SME sub-contractor - the apparent reduction in this figure since the 2011-12 financial year is misleading. The 2011-12 figure only included 2 months' spend under a new contract; while the 2012-13 figure incorporates all printing spend for the financial year. The amount of money that went to small businesses in the printing supply chain was £143,083 in 2012-13.
3. Government Buying Standards Compliance - this is the first year in which data has been available for this measure.

Other sustainable procurement successes this year include:

- a reduction of the average CO2 per km emitted by the MCA's hired vehicles, from 142.76g in April 2012 to 128.25g in March 2013;
- an increase in the procurement of environmentally preferable stationery and paper, from 29.90% of spend in 2011-12 to 42.63% of spend in 2012-13;
- the transfer of all major MCA sites to a closed loop paper recycling scheme, enabling each sheet of paper to be recycled several times prior to disposal and eliminating the use of chemical bleach in the manufacturing process.

## Performance Targets

The MCA supports and is working toward the overall Government targets on sustainable procurement, including:

- 100% compliance with the Government Buying Standards;
- A 20% reduction in domestic business flights over the lifetime of this Parliament;
- 25% of Government spend being made available to Small and Medium Sized Enterprises.

In addition, we have an internal target to improve our ability to measure sustainable procurement performance and benchmark our achievements against similar organisations.

## DIRECT IMPACTS

The way the MCA buys goods, works and services has a significant impact on all aspects of sustainability across the UK. These impacts include:

Environmental - the sustainability of the goods we buy and the way they are provided impacts on the use of natural resources and the production of greenhouse gas emissions through travel to fulfil obligations under a contract. A number of our contracts also have an element of environmental sustainability - the reduction of marine and coastal pollution - as their primary object.

Economic - the MCA's supplier selection and contract management procedures have an effect on the structure of industries local to our offices, especially those connected to seafaring. We recognise the potential to improve the diversity of our supply chain through the procurement process and to increase opportunities available to smaller and/or innovative suppliers.

Social - social sustainability is primarily impacted through the way the MCA manages its contracts, which provide an opportunity to promote education and training and reduce unemployment in the areas in which we operate. Many of our contracts also have an aspect of social sustainability - the promotion of safety among seafarers and visitors to the coast - as their primary object.



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