



Maritime &
Coastguard
Agency

2015-16

Maritime &
Coastguard Agency
Annual Report & Accounts

Safer Lives | Safer Ships | Cleaner Seas

HC 546

Maritime & Coastguard Agency

Annual Report and Accounts

2015-2016

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Contents

PERFORMANCE REPORT 1

CHIEF EXECUTIVE'S FOREWORD.....	2
WHO WE ARE AND WHAT WE DO	4
OUR ACHIEVEMENTS IN 2015-16	5
DELIVERING AGAINST OUR 2015-16 BUSINESS PLAN	8
SAFER LIVES – PREVENTING LOSS OF LIFE	12
SAFER SHIPS – IMPROVING MARITIME SAFETY	16
CLEANER SEAS – PROTECTING THE ENVIRONMENT	19
SERVICE IMPROVEMENT	21
MCA STAFF IN POST	23
HEALTH AND SAFETY.....	24
SUSTAINABLE DEVELOPMENT	26

ACCOUNTABILITY REPORT 29

CORPORATE GOVERNANCE REPORT.....	30
REMUNERATION AND STAFF REPORT	40
PARLIAMENTARY ACCOUNTABILITY DISCLOSURES (AUDITED).....	49
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS	51

FINANCIAL STATEMENTS..... 53

STATEMENT OF COMPREHENSIVE NET EXPENDITURE.....	54
STATEMENT OF FINANCIAL POSITION	55
STATEMENT OF CASH FLOWS	56
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY	57
NOTES TO THE AGENCY'S ACCOUNTS.....	58



Performance report

Chief Executive's foreword

I am delighted to present our Annual Report & Accounts for 2015-16. It has been another challenging but rewarding year for the Agency. Our dedicated staff have made great strides in transforming the way we deliver our services

In December 2015, we completed the transition to the new Coastguard Search & Rescue (SAR) coordination network with the National Maritime Coordination Centre (NMOC) at its heart. This has successfully delivered a search and rescue (SAR) service fit for the 21st century, with a more resilient SAR coordination system, along with improved career paths and greater rewards for our talented and hard-working Coastguard officers. To maintain a robust supervisory system for our volunteer Coastguard Rescue Service (CRS), we have also increased by 50% the number of staff to support those 3,500 volunteer Coastguard Rescue Officers who dauntlessly operate in their local communities.

In January, the MCA took full responsibility for all UK-based Search & Rescue Helicopters, which now proudly display HM Coastguard's red and white livery. This marked the end of SAR operations conducted by helicopters of the Royal Navy and Royal Air Force and I pay tribute to their outstanding work in that role for many decades. We will continue to deliver a service in keeping with their exemplary standards. Through a contract with Bristow Helicopters Limited, the improved service will have 22 brand new helicopters, flying further and faster and reducing average response times across the UK by up to 20% while costing less. Once transition has been completed in 2017, we will operate SAR helicopters from ten tailor-made bases located around the UK. Separately, we have successfully taken on full responsibility for the Aeronautical Rescue Coordination Centre (ARCC) from the RAF at Kinloss. The ARCC is now co-located within the NMOC in Fareham, Hampshire.

The Agency has also made good progress in improving our support to the UK's maritime and shipping industries. This has included reducing red tape, simplifying regulations and moving towards digitising services to the public. We have also responded vigorously to the recommendations of Lord Mountevans' Maritime Growth Study, published by the Government in September 2015, which challenged the MCA to adopt a more commercially-aware approach to industry customers and, in particular, to increase the size of the UK-flagged merchant shipping fleet as a catalyst for further economic growth in the UK. We have therefore established the UK Ship Register as a separate business entity within the MCA and appointed a new Director at its head. We are simultaneously modernising and improving our vessel survey and inspection activities to better support customer needs and better exploit the talents of our marine surveyor workforce, with approval from DfT and HMT approval. Later this year we anticipate the appointment of a non-Executive Chair to the MCA, with relevant industry experience, to drive further change and promote the UK maritime sector more widely.

This year, we celebrated the award of the cross-government Prosecutor's Convention Award by the Attorney General to our Receiver of Wreck team and Enforcement Unit. This was well-deserved recognition of a two-year investigation into the organised theft of historic maritime wreck, leading to a two-year custodial sentence and £86,000 in fines and costs awarded. In a diplomatic ceremony following the sentence (and after extensive multi-agency research), the MCA team returned a historic naval cannon, cast in 1552, to the Dutch town of Zierikzee. This was a brilliant example of the diverse work that we undertake. My warmest congratulations to both MCA teams!

In the current climate of Government-wide savings and efficiencies, we have taken proactive steps to reduce costs wherever we can. Through effective planning and long term contracts,

our Hydrographic Survey Programme has delivered a 30% reduction in market rates, enabling more surveys for the annual budget of £5.4 million. Our modernised SAR service with fewer sites and better rewarded Coastguards, is meanwhile making savings of £2.7 million a year and also avoided potential capital costs of £20 million by smarter investment in ICT and infrastructure.

Last year saw the introduction of Office 365 and the Skype for Business into our office environment: a key step in providing our staff with the right tools to do their job. In the coming year, we will further improve ICT systems and facilities to boost efficiencies and upgrade our services to the public. Development work has started to re-design and update our Fleet Management System, our Seafarer Documentation System and the Approved Doctors Information System, all of which will significantly improve both the user and customer experience in due course.

Recognising the value of nurturing our staff, we will also place a renewed focus on improving staff engagement and wellbeing across the agency. We will raise awareness throughout the Agency to enhance the inclusiveness and attractiveness of our working environment, whilst offering targeted leadership development programmes to our middle and senior managers to make the most of our talent.

The MCA is in a very strong place to meet the challenges we will face in the coming year, building on our impressive record of achievement and our clear vision for the future for our customers, our people and for the UK. Some of our planned transformational programmes may bring unsettling change to our loyal staff who have provided superb support through the Agency's journey. We will do our very best to ensure they are supported in every way possible. We have much to do in the coming year to fulfil our vision to be the best maritime administration in the world.

Who we are and what we do

Maritime & Coastguard Agency

- 1.1. The Maritime & Coastguard Agency (MCA) is an executive agency of the Department for Transport (DfT). We work to prevent the loss of life on the coast and at sea.
- 1.2. We produce legislation and guidance on maritime matters and provide certification to seafarers. We enforce standards for ship safety, pollution prevention and seafarer health, safety and welfare for seafarers through our survey and inspection regime.
- 1.3. We are the only truly national 24-hour maritime search and rescue (SAR) emergency response service that is capable of operating throughout the UK.
- 1.4. We work with strategic partners to promote maritime safety, encourage economic growth, and minimise the maritime sector's environmental impact. We do this through Government's maritime safety and environmental strategy, and through our support to industry via the UK Ship Register.
- 1.5. The MCA's vision is to be the best maritime safety organisation in the world, driving progress towards safer lives, safer ships, and cleaner seas. This vision is underpinned by our four key values of safety, professionalism, trust, and respect.
- 1.6. Our Business Plan for 2016-17 sets out details of our strategic and operational ambitions, including:
 - successfully implementing the Survey and Inspection Transformation Programme;
 - taking a commercial approach to the UK Ship Register and doubling its size by 2020;
 - investing in, consolidating and stabilising the professional Coastguard SAR coordination service, and strengthening the management of our Coastal Operation functions;
 - maximising digital technology to support the delivery of our improved services;
 - engaging with our people, tackling both the perception and reality of bullying, harassment and discrimination, and building on talent.
 - A copy of our Business Plan for 2016-17 can be found at:
<https://www.gov.uk/government/publications/mca-business-plan-2016-to-2017>

Management Commentary

Effective management plays an important part in delivering our services to our customers. Our Governance Statement on page 32 describes how we do this and outlines the principal risks facing the Agency.

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.

Our achievements in 2015-16



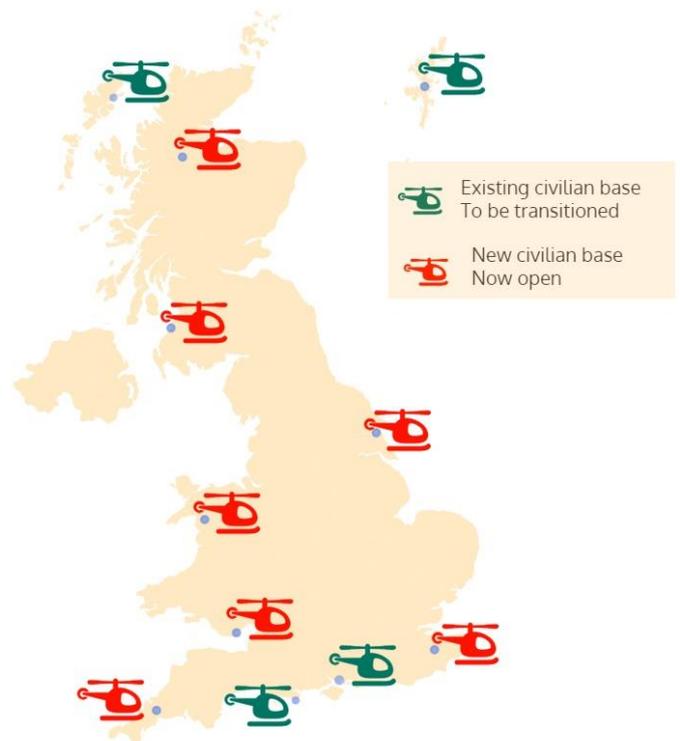
Successful completion of the Future Coastguard transition to the new national rescue coordination network. A multi-functional programme team of Coastguards, HR, ICT, Communications and Estates has moved HM Coastguard from a structure of 18 largely autonomous Maritime Rescue Coordination Centres (MRCC) to an integrated network made up of the National Maritime Operations Centre (NMOC) in Fareham and 9 Coastguard Operations Centres (CGOC) around the UK coast, plus London.



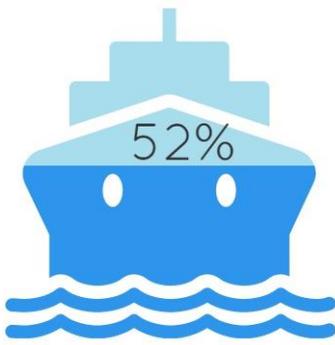
In March 2016, we received approval for our proposals to transform our survey and inspection business and have begun the transformation with a series of consultations. These will inform how we can provide a better service to our customers, better manage our talent, whilst regulating in a way that is both efficient, effective and supportive to our industry.



Working with the National Water Safety Forum, we successfully launched the nation's first Drowning Prevention Strategy which aims to halve the number of accidental drownings by 2026. Tragically, on average, around 400 people drown around the UK every year and a further 200 take their own lives on our waters. Many of these deaths are preventable and we believe more can be done to reduce this loss of life.



Successful transition to the new SAR-H arrangements at 7 bases around the UK: Inverness, Humberside, Caernarfon, Lydd, St Athan, Newquay, Prestwick. This change programme has seen the end of military involvement in civilian aeronautical search and rescue from 1 January 2016. All SAR helicopters are now in HM Coastguard livery.



In 2015, the UK Ship Register flagged in 39 new builds, representing nearly 52% of all vessels over 100GT flagged in that year, growing the flag by 8%! This reflects our strong and trusted relationship with our existing customers.



The Receiver or Wreck and Enforcement Unit won the Prosecution Team of the Year Award. This cross-government award was recognition for a recent fraud prosecution

Neil Atkinson was awarded the coveted Merchant Navy Medal by the Merchant Navy Welfare Board

Jane Lee and Keith Oliver were awarded the MBE and OBE respectively in the New Year's honours.

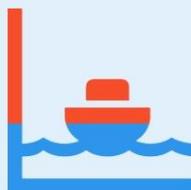
Amir Esmiley was awarded an MBE in this year's Queen's Birthday honours list.



Our Coastguard Rescue Officers assisted with civil contingencies during last year's Cumbria floods. Rescue Helicopter R936 rescued a family of six from the rooftop of their flooded home and recovered three people trapped inside their vehicle by a landslide.



Continuing our commitment to Cleaner Seas, we have strived to implement the Sulphur Directive which came into force on 01 January 2016, reducing air pollution from ships' engines. We now have a new contract in place to take, analyse and report on fuel samples on ships calling at UK ports, to ensure compliance.



The Hydrography Team delivered the Shallow Survey 2015 International Conference and hosted the Civil Hydrography Seminar 2015. Their Hydrographic survey prioritisation methodology has been described as "world leading" by the United States National Oceanic & Atmospheric Agency.

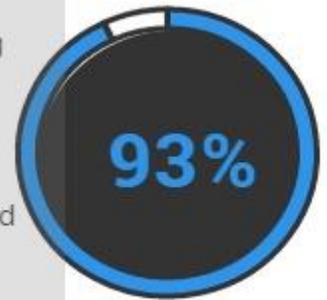


We successfully implemented the Nairobi Wreck Convention resulting in the issue of over 12,000 certificates. This legislation gives the legal basis to remove shipwrecks that may have the potential to affect adversely the safety of lives, goods and property at sea, as well as the marine environment.

We are committed to the continued welfare, safety and health of seafarers. In the last year, we have published the Code of Safe Working Practices for Merchant Seafarers, the second edition of the Human Element Guide and successfully ran the first Fatigue Risk management workshop.



Last year, at the Agency's Development event we developed our first customer charter setting out our commitment to customers, and our expectations of them too. Led by this charter, the Seafarer Training and Certification team has consistently delivered exemplary customer service with a average satisfaction rate of 93%.



Our Registry of Shipping & Seamen in Cardiff, are successfully running the National Apprentice Scheme with 3 apprentices currently taking part in the programme. One of them was shortlisted for the DfT Apprentice of the Year Award and another shortlisted for the Welsh Government Apprentice of the Year Award.



Together with our industry stakeholders, we officially launched the new Responsible Fishing Scheme. As a key member of the oversight board, we will strive to improve safety standards and employment conditions in the fishing industry.



Against the backdrop of change and uncertainty, our staff survey response rate has increased from 77% to 83%. Listening to our staff and helping them resolve challenges is key to the success of the Agency.



We have been striving to provide our customers great services and value for money. Our procurement team has driven down the cost of key contracts, supporting the business with sound technical advice and driven the new travel contract for the whole of DfT in support of greater efficiency and economies to scale.



We are leading the way in maritime innovation with our industry stakeholders to develop marine autonomous vessels to carry out important scientific and commercial information gathering.

Delivering against our 2015-16 Business Plan

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

Reform	Measure	Result
<p>In line with the Government’s blueprint for changes to HM Coastguard, which will deliver a national and more resilient search and rescue coordination service and greater support to the volunteer Coastguard Rescue Service, we will complete the transition programme whilst maintaining and enhancing safety</p> <p>We will review a percentage of incidents to which the new SAR coordination network has responded to assess the effectiveness of outcomes and learn any appropriate lessons for future operations. A summary of those assessments and any lessons learned will be published quarterly on the Agency’s website.</p>	<p>By December 2015</p> <p>5% of incidents in the National Network</p>	<p>This was met in December 2015. We have successfully completed transition to a full, national network based on the National Maritime Operations Centre in Fareham and 9 Coastguard Operations Centres (CGOC) around the UK coast, plus London.</p> <p>We are continuing to undertake incident reviews monthly. A summary of these assessments/lessons learnt will be published on the Agency’s website. The transition to the new SAR coordination network has enhanced tracking on this metric improving reporting markedly.</p>
<p>MCA Digital Strategy</p> <p>Making the most of digital technology, we will by 2017 improve the way we deliver a range of our services. This year we expect to make particular progress with:-</p> <ul style="list-style-type: none"> • Fleet Management System • Seafarer Documentation • EPIRB Registration • An enhanced service for the Small Ship Register (SSR) • The Coastguard voluntary small vessel identification scheme (CG66) <p>Search and Rescue Helicopters</p> <p>As part of the extensive programme to implement a new, nationwide Coastguard search and rescue helicopter service, we will have the new bases open and operationally ready according to the following schedule:</p>	<p>By 31 March 2017</p>	<p>We are currently on track to meet our Digital Strategy targets.</p> <p>The new EPIRB Registry database is complete and the team are set to complete data cleansing before going live on 2 November 2016.</p> <p>Requirements for Fleet Management, seafarer documentation and small ships registration were signed off on 11 September 2015 and development is underway</p> <p>Options for the CG66 service are being explored with stakeholders.</p> <p>Delays to Kent and Cardiff St Athan was due to the bases beginning operations with different than planned aircraft owing to delays with the introduction of our new AgustaWestland machines. The delays had no impact on SAR helicopter operations; the RAF provided effective cover until the Coastguard bases were operationally ready</p>

Humber and Inverness	01 April 2015	The bases at Humberside and Inverness went live on their published dates.
Caernarfon and Kent	01 July 2015	The Lydd (Kent) base was delayed by 6 weeks. Caernarfon went live on the published date.
Cardiff St Athan	01 Oct 2015	Cardiff St Athan base was delayed by 4 days.
Prestwick and Newquay	01 Jan 2016	The bases at Prestwick and Newquay went live on their published dates.

Operational	Measure	Result
<p>Search and Rescue</p> <p>Helicopters take off from all sites that have been incorporated into the new Search and Rescue helicopter arrangements within 15 minutes (day) or 45 minutes (night) in at least</p> <p>When a volunteer Coastguard rescue team is ready to leave the Rescue Station, it will reach the incident within 30 minutes in at least</p>	<p>98% of cases</p> <p>90% of cases</p>	<p>Year-end response is currently 99.24%</p> <p>This target was not met, although reported against until September 2015.</p> <p>Transition to the National Network has made the software used to report against this KPI defunct; producing distorted performance reports that are increasingly unrepresentative of the national picture.</p> <p>We are not satisfied that this measure adequately addresses the required responsiveness or have an operational need. New and more relevant criteria are being drawn up.</p>
<p>Pollution response</p> <p>Verification aircraft tasked to respond to incidents will be airborne within 30</p>	<p>98% of cases</p>	<p>This target was met and exceeded the requirement.</p>

<p>minutes during daylight hours and 2 hours at night in at least</p> <p>Incident response - Counter Pollution and Salvage Officer engaged in incident response within 10 minutes of activation and, where appropriate, other specialist counter pollution support personnel engaged within 30 minutes of incident activation in at least.</p>	95% of cases	This target was met and exceeded the requirement.
<p>Inspections</p> <p>Meet the international requirement for Port State Control (PSC) inspections, designed to check the safety of foreign-registered ships at UK ports, for the 2015 calendar year</p>	1,169 inspections	The requirements were not fully met. We carried out 1,068 PSC inspections in the 2015 calendar year. This was in part due to an anomaly in the way targets are set by the European Maritime Safety Agency, and the criteria adjusted in-year. Nonetheless, the UK fell short of overall targets due to a shortage of marine surveyors, which is being addressed through the Survey and Inspection Transformation Programme.
<p>UK Ship Register</p> <p>Focus UK Ship Register (UKSR) marketing on quality owners and vessels so that the average age of 85% of the internationally trading UK flag ships greater than 500 GT is</p> <p>Maintain UK Flag State performance in the Paris MOU White list</p>	10 years	<p>The average age of 85% of the internationally trading fleet of UK vessels over 500GT is 10.58 years.</p> <p>From 1st July 2016, the UK is 2nd (out of 43) on the Paris MoU White list.</p>

Finance and Efficiency	Measure	Result
<p>Agency finance</p> <p>Deliver financial performance, including efficiency programmes, in line with published plan</p> <p>In the financial year 2015-16, reduce cost of delivering fee-earning activity by</p>	<p>Meet published targets</p> <p>At least 5% (£257k) against 2015-16 baselines</p>	<p>This target has been met.</p> <p>This target has been met.</p>

<p>Workforce</p> <p>Maintain average annual sickness absence levels below</p> <p>By March 2016, the agency workforce (full-time equivalent) will number no more than</p>	<p>7 days per employee</p> <p>1,133 FTEs</p>	<p>This target has been met. Average number of days lost per employee per year is 6.58.</p> <p>The current complement FTE is 1075.43. Total number of FTE staff (permanent 923.43 & FTA 63.09) currently in post is 986.52 (91.73% of complement).</p>
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Customer Service	Measure	Result
<p>Customer satisfaction</p> <p>Encourage the completion of online satisfaction surveys on the Registry of Shipping and Seamen, UK Ship Register, Seafarer Certification Services, and Ship Survey and Inspection activity; with a positive response rate of</p>	<p>80%</p>	<p>We conducted online customer satisfaction surveys for the Registry of Shipping and Seamen and Seafarer Certification Services producing a positive response rate of at least 85%. We were unable to conduct any customer satisfaction survey on UK Ship Register and Ship Survey and Inspection activity due to ongoing change programmes.</p>
<p>Freedom of Information</p> <p>Provide response within 20 working days in</p>	<p>93% of cases</p>	<p>All on time. This target has been met.</p>
<p>Parliamentary Questions</p> <p>Provide a response within due date (in 24 hours)</p>	<p>100% of cases</p>	<p>All on time. This target has been met.</p>
<p>Member of Parliament correspondence</p> <p>Provide a response within 7 working days in</p>	<p>100% of cases</p>	<p>All on time. This target has been met.</p>
<p>Official correspondence</p> <p>Provide a response within 20 working days in</p>	<p>80% of cases</p>	<p>All on time. This target has been met.</p>
<p>Prompt payment</p> <p>Payment of invoices within 5 working days in</p>	<p>80% of cases</p>	<p>All on time. This target has been met.</p>

Safer Lives – preventing loss of life

Around a quarter of the UK population took part in around 250 million water sports events on the sea or at the coast¹. Our prevention work aims to reduce the risk of incidents and promote a safety culture in commercial and recreational activities.

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 these requirements. This includes international negotiations, primarily through the International Maritime Organization (IMO) and the European Union (EU), but also at the International Labour Organization (ILO).

Merchant ships on the UK Ship Register undergo in-depth surveys which cover ship construction, equipment and on board 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 ensures that seafarers have the right skills, are medically fit, and hold valid certificates to serve on UK-registered ships. We worked at the ILO to develop the Maritime Labour Convention which we began to enforce on 7 August 2014. This forms the fourth pillar of international maritime law and sets out minimum requirements for seafarers to work on a ship.

Drowning Prevention

On average, 400 people drown in the UK each year, with a further 200 people committing suicide on our waters. In 2016, the Agency (along with our partner organisations) launched the National Water Safety Forum (NWSF) Drowning Prevention Strategy. This strategy aims to reduce accidental drowning fatalities in the UK by 50% by 2026 and reduce the risk amongst the highest risk populations, groups and communities. We will help deliver the aims of this strategy using an evidence-based approach, continuing to provide data for the National Water Incident database (WAID) and by being true to our values – safety, professionalism, trust and respect. Further information and reports can be found here: www.nationalwatersafety.org.uk.

In support of Drowning Prevention, the Agency's Recreational Safety Strategy can be found on our website and sets out five safety messages to:

- ensure you are properly trained for your activity
- check the weather and tides
- wear a lifejacket or appropriate buoyancy
- be responsible about alcohol
- keep in touch with family or friends when you go out on the water, for example by letting them know when to expect you to return.

We play an active part in communicating these safety messages to the public through press, social media and face to face at local events. Eight years of evidence continues to inform us that alcohol has been a causal factor in fatal incidents. Our evidence shows that over 80% of deaths were attributed to young men who had been out drinking and ended up in the water

¹ Arkenford Watersports Participation Survey, 2015

intentionally or unintentionally. Annual statistics show the majority of all accidental drowning fatalities (44%) occurred when people were out walking, for instance returning home from the pub or going for a stroll. The remainder were linked to specific water activities (ranging from sailing, motor boating to sub aqua diving), indicating that we are seeing a higher proportion of general day-to-day activities resulting in fatalities, as opposed to specific water related events.

The annual casualty review panel (in which a panel of experts review incidents to determine whether wearing a lifejacket would have saved a life), informs us that in the last 9 years 164 lives could potentially have been saved.

Our media presence

The Agency has featured in a number of high-profile television programmes over the year. We also create our own video content which is shared on social media. Some highlights of our coverage over the year include the following:

BBC One's Close Calls: Episodes include stories from the Humber area and Norfolk, with Coastguard Rescue Teams retelling their part in rescues in separate incidents. It was a great way to raise awareness amongst both the communities and the media of what HM Coastguard does.

A series of recruitment films have been made by the MCA Communications Branch featuring various Coastguard Rescue Teams to help promote the work and encourage more to join.

The Receiver of Wreck spent time with a documentary-maker to film the SS Richard Montgomery in the Medway, speaking about the MCA's role in helping to monitor this sensitive wreck.

On 1 January 2016, the final two Coastguard search and rescue helicopter bases went 'live'. A pre-recorded interview at Newquay, along with a live interview with the MCA's Assistant Director of Aviation, went out on BBC Radio Five Live.

The new HM Coastguard search and rescue helicopters are fitted with video cameras, which means that footage of rescues is often recorded. This was featured nationally and internationally during the floods of last winter, particularly the rescue of a family in Cumbria. Footage is very much in demand from the media and is released whenever possible and appropriate.

Setting international shipping standards

In January 2016, the International Maritime Organisation (IMO) Instrument Implementation (III) Code became mandatory for IMO Member States. As the Member State for all ships flying the Red Ensign, the Agency, on behalf of the UK Government, ensures oversight and governance as well as bearing ultimate responsibility for any breaches under international law.

Our aim is to enhance co-operation between government departments in the UK, overseas territories and crown dependencies to develop a better understanding of the III Code and the consequences of failure to comply, encouraging a collaborative approach to demonstrate compliance. Alongside our Red Ensign Group partners, we will develop a strategy to achieve full compliance as a flag, port and coastal state with the requirements of international Maritime Conventions and to prepare the UK Flag State for audit against the III Code standard. These conventions are as follows:

- Safety Of Life At Sea (SOLAS);
- Prevention of Pollution of Ships (MARPOL);
- Standards of Training, Certification and Watchkeeping for seafarers (STCW);
- Load Lines (Load Lines);

- Tonnage measurement of ships (Tonnage); and
- Regulations for preventing collisions at sea (COLREGS)

Safety of lives at sea

In 2015, our network of MCA-approved doctors conducted approximately 53,000 medical examinations to check seafarers were fit to work at sea. The MCA's Medical Administration Team is working with contractors to develop a new digital system to support seafarer medical examination and certification. In February 2016, the MCA hosted a workshop on reducing the number of deaths from entry into enclosed spaces. Around 100 delegates looked at the training and guidance available and the rules which apply, as well as examining how human behaviours contribute to such deaths, with a view to preventing what are in many cases entirely avoidable fatalities.

In addition to supporting maritime safety regulation, we have continued to develop complementary non-regulatory measures to improve maritime safety, in particular by changing behaviours across the industry through promulgation of human element best practice, guidance and education. Specifically we have:

- worked with partner and stakeholder organisations to review and develop human element information, education and guidance materials
- participated in a range of European and international research projects
- actively engaged with human element specialists from other industries to explore opportunities to bring their learning to the maritime industry
- reviewed the training of seafarers in leadership and management, introduced as part of the 2010 amendments to the STCW Convention – the UK's "HELM" courses (Human Element, Leadership and Management).

Commercial Fishing is judged to be the UK's most dangerous occupation². We work with the Fishing Industry Safety Group (FISG) to achieve our Ministerially-approved strategy to eliminate preventable death in the UK commercial fishing industry. In particular FISG has been promoting the wearing of personal flotation devices (PFDs) whilst fishermen are on the open deck of fishing vessels at sea. FISG has also developed new voluntary Codes of Practice for fishing vessels and continues to work towards obtaining European Maritime Fisheries Funding for free voluntary safety training.

Search And Rescue coordination

We provide a round-the-clock emergency response SAR coordination service for the UK coast and surrounding waters out to the mid-Atlantic. During 2015 our Coastguard SAR coordination network responded to around 17,000 incidents, dealing with distress and 999 calls, tasking lifeboats, helicopters, other ships in the vicinity, other emergency authorities and volunteer coastguard rescue teams.

At the end of 2015, we successfully complemented the modernisation of HM Coastguard through our Future Coastguard Programme. This has delivered the resilient and nationally-networked system of coastguard centres around the UK announced by the Government in November 2011, as well as improving the training, career paths and pay of our professional Coastguard officers. The programme has also delivered additional resources to enhance the leadership and support of our volunteer Coastguard Rescue Service.

² Marine Accident Investigation Branch, Fishing Vessel Safety Study, 2008.

Coastguard Rescue Service

Our Coastguard Rescue Service comprises around 3,500 volunteers in 340 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 17,000 times.

Last winter, our teams again supported other emergency services during severe weather events in coastal areas, for example in Cumbria. We also assisted Kent Police during Operation Stack, distributing food and water to lorry drivers queuing on the M20 as a result of industrial action by workers at the port of Calais.

Search and Rescue Helicopter (SAR – H) Service

We have continued to provide a search and rescue helicopter service under two operating contracts from our Coastguard helicopter bases in Stornoway, Sumburgh, Portland and Lee-on-Solent. This year (2015-16), has also seen SAR helicopter services progressively transfer from the military to new Coastguard bases at Inverness, Humberside, Caernarfon, Lydd, Cardiff St Athan, Newquay and Prestwick under a separate contract, marking the end of the military's involvement in civilian aeronautical SAR. During this period, our helicopters carried out 1,680 missions in the UK.

The Aeronautical Rescue Coordination Centre (ARCC), which is responsible for the coordination of aeronautical SAR response in the UK SAR Region, has also successfully transferred from the military to HM Coastguard. The ARCC is now fully operational at our National Maritime Operations Centre (NMOC) in Fareham, successfully taking responsibility from the RAF at Kinloss.

These changes demonstrate the Agency's ability and appetite to grow and do more.

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 exports³. A safe environment for ships and professional seafarers supports growth by facilitating healthy trade and a vibrant shipping sector. 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, we create a level playing field for the UK maritime sector and influence ships operating in UK waters and seafarers on UK ships to follow best and safe practices.

We work in partnership with colleagues across Government and key stakeholder representatives in negotiating international maritime policies, regulations and technical standards, principally at the IMO, the European Commission (EC) and at the European Maritime Safety Agency (EMSA).

The following Regulations have been introduced this year:

- Merchant Shipping (Standards of Training, Certification and Watchkeeping) Regulations 2015, Statutory Instrument (SI) 2015/782
- Merchant Shipping (Code of Safe Working Practices) (Amendment and Revocation) Regulations 2015, SI 2015/1692
- Merchant Shipping (Vessels in Commercial Use for Sport or Pleasure) (Amendment) Regulations 2016, SI 2016/353
- Merchant Shipping (Small Workboats and Pilot Boats) (Amendment) Regulations 2016, SI 2016/354

All four Regulations include the statutory review clause.

Building on the success of the Government's Red Tape Challenge (during which we achieved a total of £1.58 million savings to business annually); we are now revising the maritime legislative framework to implement ambulatory referencing for key international maritime conventions.

To facilitate innovation and support a thriving maritime sector, we collaborated with industry to produce practical equivalent Codes of Practice, the Hovercraft Code and the proposed High Speed Offshore Craft Code.

Ten impact assessments were submitted to the Regulatory Policy Committee for scrutiny. In total, four received amber opinions pre consultation and six achieved green 'fit for purpose' opinions against their final validation upholding our reputation within Government in this area.

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 4,346 in-depth surveys of UK registered ships, and 2,422 inspections during 2015-16. We also carried out 1,068 Port State Control (PSC) inspections of foreign ships in the 2015 calendar year to check that they were meeting regulations concerning safety

³ Focus on Ports 2006 (DfT)

standards and living conditions.

We authorise six Recognised Organisations (ROs), which are members of the International Association of Classification Societies Ltd (IACS) to carry out a proportion of our statutory equipment construction survey work on UK ships. For smaller vessels that operate under the UK Codes of Practice we have authorised 34 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 includes regular meetings and audits of their offices and surveyors.

This year, during inspections we found deficiencies on 690 ships and detained 49 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 102 new cases and conducted 14 prosecutions.

Further details are available at:

<https://www.gov.uk/government/publications/mca-enforcement-unit-prosecutions-2015>

Ship Register

Flag State Control offers an effective method of implementing safety standards for ships and seafarers. The UK Ship Register (UKSR) is one of the best performing flags in the major Port State Control regimes. It has a reputation for maintaining the highest international standards, with an efficient ship registration service and dedicated Customer Account Managers.

During 2015-16, there were 80 new ship registrations (1.85m Gross Tonnage (GT)) and at the end of March 2016 the UK Ship Register stood at 14.87m GT and 1,323 vessels. In calendar year 2015, the total tonnage on the UKSR increased by 8%, reversing three years of decline.

The UK remains within the upper quartile of 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 the UK, nine Overseas Territories (OTs) and three Crown Dependencies (CDs), each of which operate their own British ship register. Any vessel on these registers is a 'British ship', and is entitled to fly the British Merchant Shipping flag the 'Red Ensign' (or a version of it defaced with the appropriate national colour).

Together with the UK Ship Register, the Red Ensign Group has a combined size of 48.8 million GT. We will continue to work collaboratively with colleagues within the OTs and CDs to ensure all ships flying the Red Ensign are being maintained and operated to the highest maritime safety standards. This is overseen through a programme of regular monitoring visits to check that maritime standards are maintained in line with UK and local legislation. In 2015-16, we undertook monitoring visits of the Isle of Man, Anguilla, Jersey and Guernsey.

The 2015 REG Conference was hosted by the Bermuda Government and took forward some key elements of maritime policy and strategy, including:

- compliance with the IMO Instruments Implementation Code;
- investigation of marine casualties; and
- training and qualification standards for Flag State surveyors.

We also hosted the REG Technical Forum which met twice in 2015-16 alongside a number of separate working groups to develop 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.

Some 48,367 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). In 2015-16 we issued over 5,700 Notices of Eligibility (NOEs) and 14,600 CoCs and CECs. We also issue around 1,200 Boat Master's Licences annually for commercial operations on inland waterways.

We also manage the Support for Maritime Training (SMarT) Scheme. In 2015-16, SMarT provided funding for a total of 1,811 officer trainees, including 752 new officer trainees who started their training and 653 who completed their training.

Navigation

The MCA operates the Dover and Sunk Vessel Traffic Services (VTS). We recognise the other 24 VTS in the UK and monitor standards in establishments delivering VTS training.

We provide maritime advice to other Government organisations (e.g. Department of Energy & Climate Change, the Marine Management Organisation, Marine Scotland and The Planning Inspectorate) on marine licensing activities, marine planning, marine protected areas and Offshore Renewable Energy Installations. The MCA has met all its obligations in these growth areas. We inform Government (e.g. DfT, Ofcom, UKSSC) position on matters affecting maritime radio spectrum, both national and international.

To meet our international obligations under Chapter IV and Chapter V of the Safety of Life at Sea (SOLAS) Convention 1974 (as amended), we

- administer and deliver the UK Civil Hydrography Programme (CHP) and ensure that UK home waters are adequately surveyed for the safe update of navigational charts and products. To augment this effort, the MCA collaborate with a number of delivery partners such as the Channel Coastal Observatory and CEFAS to promote common standards and accelerate survey progress;
- develop and maintain standards, policy and guidance for the carriage and use of navigational and radio equipment on board ships, implement and monitor routing and reporting measures to assist safe navigation and improve the provision of information to the mariner by means of Maritime Safety Information and appropriate E-navigation implementation;
- co-ordinate technical developments for SafeSeaNet and Long Range Identification and Tracking (LRIT) through our Consolidated European Reporting System (CERS).

We have also conducted eight Port Marine Safety Code Health Checks, liaising with other government departments and industry to improve the application of the Code and Guide to Good Practice requirements and recommendations. We have also compiled and issued a report to industry highlighting emerging trends in compliance from health check activity.

Cleaner Seas – protecting the environment

With nearly 17,000 kilometres of coast, the UK has one of the longest coastlines in Europe. The UK Exclusive Economic Zone (UK EEZ) encompasses a sea area of some 300,000 square kilometres within which a large and complex offshore oil and gas industry exists, alongside one of the world's busiest international shipping lanes. Whilst oil pollution is a major source of environmental damage, vessels transporting other hazardous and noxious substances (HNS) also present a pollution risk. Though the frequency and scale of actual marine pollution incidents continue to fall, the risk from marine pollution remains and requires proactive management.

Counter Pollution

The UK has obligations under two key international conventions concerned with protecting the marine environment from pollution:- the 1973 International Convention for the Prevention of Pollution from Ships (MARPOL Convention), and the 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC Convention). Detailed UK regulation stems from these to cover both shipping and the offshore oil and gas industry.

After saving human life, the MCA's key purpose in responding to a maritime incident is to protect public health, the marine and terrestrial environment and UK's economic interests. The Agency's Counter Pollution and Salvage Branch (MCA CPS) seeks to prevent or deal with pollution from both ships and offshore installations. As the "National Competent Authority (NCA)" we deliver scientific and technical support and operational response to actual or threatened pollution in the UK EEZ. In co-operation with other Government and Non-Government Organisations, local authorities and the commercial oil spill response industry, the Agency provides a national collaborative reaction capability that is designed to achieve effective counter-pollution Preparedness and Response and, able to combat the full range of pollution risks. The MCA also provides international assistance under a variety of regional agreements. The Branch considers and formulates policy in support of these response activities in concert with DfT.

As the NCA, the Agency has the lead responsibility for maintaining and implementing the UK's National Contingency Plan for Marine Pollution from Shipping and Offshore Installations (the NCP). The recently revised Plan covers marine pollution from oil or other hazardous and noxious substances. It explains the circumstances in which the Agency will deploy national resources and sets out a framework for dealing with major pollution incidents that threaten UK interests and covers all incidents in, or likely to affect, the UK EEZ. The Plan is a living document which is continually updated as both response structures and technology evolve.

The presence of an Emergency Towing Vessel to cover the Northern and Western Isles of Scotland has been extended until 30 September 2016. Future provision will be subject to further analysis and risk assessment.

The UK continues to pursue a significant upgrade to its aerial dispersant spraying capability. While there have been some small setbacks to our plans to introduce a new generation of dispersant spray aircraft, we are confident that the first of our newly configured aircraft will be in service before the end of 2016.

Receiver of Wreck

The Receiver of Wreck administers much of Part IX of the Merchant Shipping Act 1995 as it relates to matters of wreck and salvage. All recovered wreck material must be reported to the Receiver of Wreck. During 2015, 296 reports of recovered wreck material were received.

The Receiver deals with all wreck, regardless of age, size or apparent value. The 296 reports of salvage received in 2015 are varied in nature, ranging from a complete wooden gun carriage from a 17th Century warship and a 1.5 ton naval gun barrel of the late 1800s to silver coins, ships' bells, small boats, fishing equipment and even a hot tub.

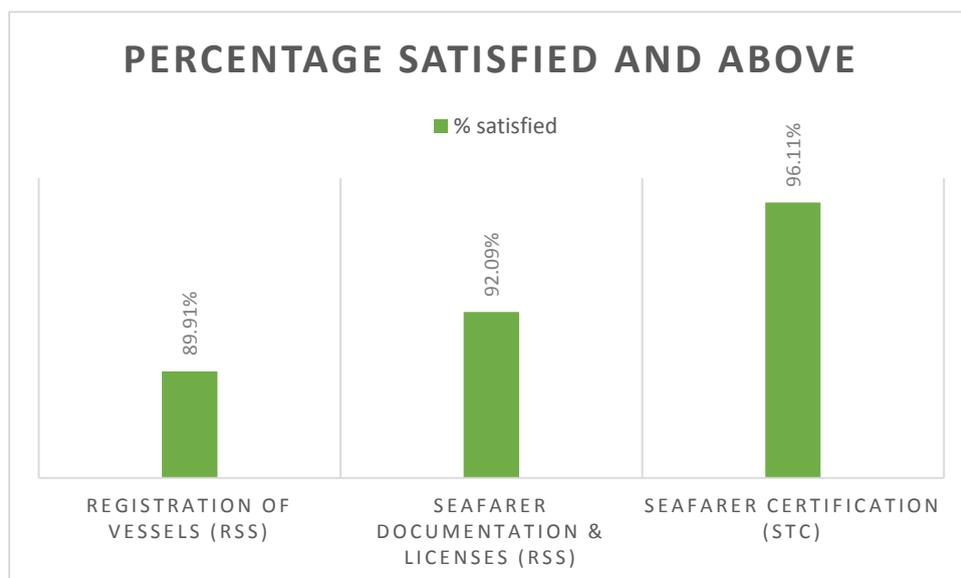
Also in 2015, the Receiver of Wreck and the MCA's Enforcement Unit were able to arrange for some historic wreck artefacts to be presented to museums in their countries of origin. These items related to criminal investigations and prosecutions. A bronze cannon of the mid-1500s was presented to the Dutch city of Zierikzee and a First World War U-boat propeller has been returned to the German authorities for display at the National Naval Memorial at Laboe near Kiel.

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 in:

- Seafarer Training & Certification;
- Registry of Shipping and Seamen.

The satisfaction ratings for all surveys conducted for the period 2015-16 are set out below. The average satisfaction percentage is 92.7%. All surveys have returned a satisfaction score of 80% and above, as required by the MCA Business Plan 2015-16.



UK Ship Register and Survey & Inspection activities have not been subject to traditional customer service surveys this year, due to the ongoing major change programme.

Feedback surveys for UK Ship Register have been carried out at various shows throughout the year including Sea Asia Singapore, Monaco Boat Show and London International Shipping Week. These qualitative surveys indicated that customers perceive the UK Ship Register as a quality flag but with relatively high cost, this will be taken into account as we revitalise the UK Ship Register in 2016-17.

Our people

Our people are our greatest asset and we are accredited at Silver status within the Investors in People (IiP) standard. The 2015 annual Agency People Survey recorded the same staff engagement index (59%) as 2014. Given the continued themes of change, this is a credible result and will provide a strong foundation for us all to take positive action from the survey outcome. We continued to show improving scores in areas such as leadership and the management of change and our Directors and senior leaders have put in place further plans for improvement.

We continue to celebrate the excellent work that our staff do through features in our in-house communication "Coast to Coast"; certificates to mark long service; Special Performance Bonuses; and Chief Executive's Awards to recognise outstanding contributions. We also use the formal Honours process to nominate exceptional staff and volunteers for national awards.

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 established an Agency Inclusion Group to support our inclusion champions in their role.

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 assiduously follow the Civil Service Code.

We train to develop our staff. Learning and development activity during 2015-16 included:

- continuing to deliver and evolve the Coastguard curriculum to meet both the extant HMCG training competency framework and emerging operational needs;
- working in partnership with City & Guilds to develop an accreditation scheme for Coastguard Technical Training;
- finalising a new task-based technical training scheme for surveyors to meet the requirements of the IMO Instruments Implementation Code;
- promoting the use of Civil Service Learning to support staff to identify and undertake a wide range of personal development and mandatory training solutions to meet individual and business needs.

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, in particular through the Joint Negotiation and Consultation Committee (JNCC).

MCA staff in post

	Total Permanent & Contract Staff
Staff in post at 1 April 2015	999.67
Staff in post at 31 March 2016	1005.51

These figures have been produced on a full time equivalent basis (rather than headcount) to reflect part time working arrangements, excluding temporary agency staff. Of the above staff in post at 31 March 2015, 325 (32%) were female and 680 were male (2014-15; 313 female and 687 male).

In the reporting year, the gender split for Directors (including the Chief Executive) was as set out in the following tables:

Executive Directors	Female	Male
1 April 2015 to 16 February 2016	0	4
17 February 2016 to 28 March 2016	0	5
29 March 2016 to 31 March 2016	1	4
The year 2014-15	1	3
Non- executive Directors	Female	Male
1 April 2015 to 31 December 2015	1	2
1 January 2016 to 31 March 2016	0	2
The year 2014-15	1	2

	Total Permanent & Contract Staff
Starters	135
Leavers	
Resignation	41
Retirement (age)	26
End of Fixed Term Contract	6
Dismissal	2
Transfer to Other Government Department (OGD)	9
Retirement (ill health)	-
Voluntary Early Retirement (VER) & Early Severance (VES)	55
Deceased	-
Total leavers	139

During the 2015-16 financial year, one employee retired early on ill health grounds (2014-15: None). During 2015-16, 6,431.87 (2014-15: 5,731.95) working days were taken as sickness absence. This equates to 6.57 (2014-15: 5.79) days lost per employee (full time equivalent).

Health and Safety

Management Arrangements

The MCA continues to refresh its Health and Safety (H&S) policies and arrangements to ensure that it is actively managed across the Agency. The Senior Executive Group (SEG) and the National H&S Committee are responsible for overseeing the MCA's safety management system and lead on safety improvements.

A monthly H&S report is tabled and discussed at the SEG, Directorate Management Boards and Executive Board meetings. In addition, H&S deep dive presentations on targeted areas are held quarterly at SEG. H&S is an agenda item at all Management meetings.

The performance of the Agency's safety management system is measured using performance indicators within the balanced scorecard. Significant changes in performance are reported to the SEG, Executive and Directorate Management Boards.

The MCA National H&S Committee meets quarterly and is attended by trade union representatives and chaired by a member of SEG. The volunteer Coastguard Rescue Service is also represented at this forum.

Occupational Health & Safety Initiatives

The draft H&S Strategy is currently in the final stages of review by the Management Boards and will be published by the end of July 2016.

The H&S Team, in partnership with Human Resources, continue to develop the MCA's stress management strategy. Stress management workshops continued in 2015-16 and Mental Health Awareness workshops were also rolled out. In addition to the professional support provided by the MCA, a Mental Health Buddy Network has been set up to provide an independent and empathic ear to staff in need.

Improvements in the standards of management supervision and competency standards by HM Coastguards continued throughout 2015-16.

The contract for the MCA's occupational health provider is now established and continued to supply the MCA's staff and volunteers with independent health services throughout 2015-16.

Attendance Management

The Agency's sickness absence rate is reported monthly to the Executive Board and the SEG. In addition, the MCA's management information system allows managers at all levels to monitor and analyse the sickness absence in their areas of responsibility. Sickness absence is discussed with HR staff at the regular Management Board meetings.

Training

Induction training for new staff includes site specific introduction for H&S arrangements, including general safety, fire safety, first aid and welfare arrangements. Mandatory training for all staff includes basic fire safety and Display Screen Equipment (DSE) training and assessment. Where required, staff will also undertake manual handling training. Line managers now complete the new Civil Service Learning (CSL) packages *Health & Safety Awareness for Managers* and all staff complete *Health & Safety Awareness for all Staff*. All new Coastal Officers receive specific H&S Training, and new marine surveyors are provided with H&S Awareness Training as part of their induction training package.

Safe systems of work for coastguard staff and volunteers, and marine surveyors continue to be integrated into operational training. "Hot topics" (also known as "toolbox talks") have been introduced to stimulate discussion of topical health & safety matters at management

meetings.

Coastguard Operational Managers attended Trauma Risk Management (TRIM) practitioner courses in 2016 to help them identify potential work-related stress cases early and before they develop into a work related stress illness. The TRIM methodology is now in the process of being rolled out across all HMCG operational areas.

The Head of Estates arranged for fire safety management courses to be delivered to key stakeholders in the business.

Update on improvements from last year's plans

There continues to be strong and active commitment from the Executive Board and the Senior Executive Group to continuously improve health and safety standards in the agency. Health and Safety is also reviewed in more detail by the local management boards.

Senior Leaders have led pressure / stress management courses across the MCA.

Communication of MCA health & safety messages and policies will be reviewed with recent successful initiatives such as 'Hot Topics' (for team meetings) being taken further.

Issues identified as areas for improvement are embedded in internal quality audits.

Customer feedback mechanisms for accident and near miss reporting has been improved, in anticipation of embedding the key elements in a culture change programme.

Core policies, such as accident reporting and risk assessment, are still in the process of being revised to make them more user-friendly and practicable.

Plans for the year ahead

There will continue to be strong and active commitment from the EB and SEG to continuously improve Health and Safety standards in the Agency.

The updated MCA Health and Safety Strategy will be published in summer 2016. Directors will engage with staff and volunteers and lead on implementation.

The means of the communication of Health and Safety messages and policies in the Agency will continue to be reviewed during all management meeting.

Further Health and Safety issues identified as areas for improvement will be embedded in internal quality audits as key themes.

Core policies such as accident reporting and risk assessment will continue to be revised to make them more user friendly and practicable.

Customer feedback mechanisms for accident and near miss reporting will be further improved using key elements of the HMCG Just Culture Programme.

Through consultation with staff, a new manual handling policy will be developed, published and embedded in training and safe operating procedures.

Sustainable Development

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

Overview

The MCA is fully committed to achieving the targets set within the Greening Government Commitments (GGC) Agenda. We have recently published a strategy that sets out how we plan to meet the GGC targets.

The estates team, supported by senior management, continues to lead the Agency in identifying cost effective and efficient means to achieve our targets. The below table provides a high level overview of where we are at the moment and what we must achieve by 2020 to meet GGC targets:

	Baseline Value	Target Value	Required Reduction
Cut greenhouse gas emissions by 31% (tCO ₂ e)	5,038.03	3,476.24	1,561.79
Reduce Waste by 25% (tonnes)	115.80	86.85	28.95
Reduce Water Consumption Further (m ³ per FTE)	12.28	4-6	6.28 (minimum)
Reduce paper use by 50% (reams)	7,026	3,513	3,513

The Agency also recognises 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://webarchive.nationalarchives.gov.uk/20130402151656/http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/11public-bodies/pbs-maritime-coastguard.pdf>

The MCA Estate

The MCA's estate comprises just under 500 sites around the UK, many in remote locations. These sites are key to the operational delivery of the organisation.

The diverse nature of the MCA estate means that properties vary greatly in size, age, condition and location which presents a challenge in reducing energy consumption. The estates team has worked collaboratively with internal and external stakeholders to identify short and long term plans to achieve the target reductions.

Case Study – Forward Plan Embedding Efficiency across the Coastal Estate

To align effective estate management with the strategic objectives of the MCA and meet our sustainability targets, the estates team has developed with MCA property consultants a property management tool. This tool includes for every site the collection, analysis and review of energy costs and usage. Information is presented in a dashboard format that enables a thorough examination and pattern/trend analysis which provides evidence to identify anomalies and challenge usage.

This work will provide critical insight into the performance of the estate and enable the compilation of a plan to drive down consumption and embed sustainability into the workplace. Actions will include adopting different working practices, deploying new technologies, introducing building management systems to manage energy usage / generation and refining the working and operational environments for staff and volunteers.

Due to the operational and geographically dispersed nature of the estate a long term approach is required. We plan to deliver of a streamlined, sustainable and highly effective estate over a 5-year period, commencing 2016-17.

Plans for the Future

From the next financial year we will be working toward the achievement of GGC targets as follows:

- focusing on waste avoidance and waste management targets;
- reducing domestic UK flights.

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

<https://www.gov.uk/government/publications/greening-government-commitments-targets/greening-government-commitment-targets>

External Relations

The Agency's key relationships include those with:

- our safety partners (RNLI, RYA and other rescue and governing body organisations);
- industry (including for example 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.

Sir Alan Massey

Chief Executive

11 July 2016



Accountability report

Corporate Governance Report

Directors' Report

The Executive Board is the highest decision-making body in the MCA. We set out its role and relationship with other management groups in the Governance Statement (see page 32). The composition of the board, including advisory and non-executive members, during the year is shown below:

Sir Alan Massey, who was **Chief Executive** and the Agency's Accounting Officer.

Richard Parkes, who was **Executive Director of Maritime Operations** leading Her Majesty's Coastguard (HMCG) through a period of significant transformation. His key responsibilities are the delivery of the six internationally recognised Coast Guard functions through the national network of Coastguard Operation Centres, the volunteer Coastguard Rescue Service (CRS), Aeronautical Rescue Coordination Centre (ARCC) and Search and Rescue Helicopter (SAR (H)) provision. He led the Future Coastguard Programme which has successfully modernised HMCG; as Senior Responsible Owner, he has also been responsible for the successful transfer of the ARCC function from the MoD into HMCG. He continues to lead the SAR Helicopter Programme which sits on the Government Major Projects Portfolio and is transforming this service from a mix of civilian and military provision to a purely civilian service provided by HMCG.

Bill Dunham, who was **Executive Director of Strategy and Corporate Services**. His key responsibilities are strategic planning, performance monitoring, corporate governance and financial controls, the health and safety of our staff and volunteers, ICT, Asset Management, Human Resources, Learning and Development, and the Senior Information Risk Owner (SIRO). He is leading the Survey and Inspection Transformation Programme as the Senior Responsible Officer. He was appointed from 20 January 2015, but was paid by the Royal Marines up to and including 31 March 2015. He therefore received no remuneration from the MCA until 1 April 2015.

Simon Barham, who was appointed **Director of the UK Ship Register** on 17 February 2016. His key responsibilities are attracting owners of quality ships to the UK flag to secure its long-term commercial growth and success, and delivery of front-line services including vessel registration, seafarer services and survey and audit of all UK Ship Register vessels.

Katy Ware, who was appointed **Director of Maritime Safety and Standards** on 29 March 2016. Her key responsibilities are for the safety and quality of seafarers and ships under the Red Ensign and our survey and inspection regime.

Chris Thomas, who was **Acting Director of Maritime Safety and Standards** from 12 January 2015 to 28 March 2016.

Jane Jackson, who attended the board in an advisory capacity as **Chief Financial Officer**.

Alex Jablonowski, **David Snelson** and (until 31 December 2015) **Alison White** served as Non-Executive Directors.

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 has 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
- prepare the Financial Statements on a going concern basis

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

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

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 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 MCA's assets, are set out in Managing Public Money published by 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 colleagues in the Maritime Directorate and the International Security and Environment (ISE) Group of the DfT, who assist the Accounting Officer in discharging his 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 and facilitates the safety of shipping and seafarers, saves lives and protects the maritime environment. The Agency provides a 24 hour maritime search and rescue service and other coastguard functions; enforces the safety of shipping and the welfare of seafarers through the survey and inspection regime; processes the registration and certification of ships and seafarers; and manages pollution prevention and response.

The Agency has a commercial relationship with key international shipping customers accruing fees which are a significant proportion of the Agency's budget. Our people are a diverse mix of professional seafarers recruited from the international shipping market, skilled search and rescue coordinators, administrative and policy civil servants and a very significant cadre of Coast Rescue volunteers.

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. In his leadership of this work, the Accounting Officer is supported by two principal management groups: the Executive Board (EB) and the Senior Executive Group (SEG).

This Governance Statement details the arrangements in place for the financial year 1 April 2015 to 31 March 2016. Specifically, it focuses on internal controls, risk management and the wider risk environment. Progress with the Agency's major change programmes and other commitments in its Business Plan are captured elsewhere in the Annual Report and Accounts.

Agency Management

The Agency is accountable to the Secretary of State for Transport through an Advisory Board, which meets quarterly. The Advisory Board reviews the Chief Executive's and the Agency's performance against its plans and resources and also considers risk which is reviewed when appropriate at the ISE Group Board.

Members of the MCA Advisory Board in 2015-2016 were:

- Lucy Chadwick (Director General, International Strategy and Environment (ISE) Group, DfT, Chair);
- Ian Woodman (Director of Maritime, DfT);
- Emma Silvertown (Head of Maritime Administration Secretariat, DfT);
- Sir Alan Massey (Chief Executive, MCA);
- Bill Dunham (Director Strategy & Corporate Services, MCA);
- Richard Parkes (Director of Maritime Operations, MCA);
- Chris Thomas (Acting Director of Maritime Safety and Standards, MCA)
- Katy Ware (Director of Maritime Safety and Standards) from March 2016
- Jane Jackson (Chief Financial Officer, MCA);

- Alex Jablonowski (External Member) and
- Alison White (External Member) until 31 December 2015.

In addition, and in accordance with the outcome of the Smith Commission, the Scottish Government is represented at the Advisory Board by a senior official to enable the Scottish Government to contribute to the discussion of strategic issues affecting the MCA.

Executive Board

The Executive Board (EB) is the most senior decision-making corporate management group in the Agency and meets monthly (except during August). It is responsible for establishing and overseeing the implementation of the Agency's strategic direction as detailed in its Terms of Reference. The EB takes decisions in relation to the range, appetite and tolerance of corporate risks. Members of the EB are Directors and Non-Executive Directors, and the Chief Financial Officer attends in an advisory capacity. A representative of the Agency's sponsoring Directorate in the DfT attends as an advisor, as does the chair of the Senior Executive Group (see overleaf).

Attendance at EB meetings in 2015-16 was as follows:

Sir Alan Massey (Chief Executive Officer, Chair)	11 of 11
Bill Dunham (Director of Strategy & Corporate Services)	11 of 11
Richard Parkes (Director of Maritime Operations)	10 of 11
Simon Barham (Director of UK Ship Register)	2 of 2
Katy Ware (Director of Maritime Safety and Standards)	1 of 1
Chris Thomas (Acting Director of Maritime Safety and Standards)	10 of 10
Paul Coley (Chair of SEG)	10 of 10
Jane Jackson (Chief Financial Officer)	9 of 11
David Snelson (Non-Executive Director)	10 of 11
Alex Jablonowski (Non-Executive Director)	11 of 11
Alison White (Non-Executive Director)	8 of 8

A file of declared interests for Executive and Non-Executive Directors is maintained. Declarations of conflicts of interest is a standing agenda item at each EB meeting.

Activities of the Executive Board

The EB focuses on future strategy and direction, performance oversight, risk and accountability. Meetings have reviewed progress, risks and opportunities associated with major change programmes, including the modernisation of Her Majesty's Coastguard and the Ship Survey and Inspection Transformation Programme. The EB regularly reviews health and safety strategic risks, and staff engagement.

The EB holds periodic strategy discussions, outside of its standard business agenda, to consider a wide range of matters of strategic importance. It also considers its own leadership in response to feedback from the staff survey.

Comprehensive Spending Review (CSR)

The Agency achieved its full target cost reductions in 2015-2016 as set in the Spending Round 2013. During 2015-16 the Agency submitted operational funding requirements for the Spending Review (SR15), and received an adequate settlement to deliver the Agency objectives over the SR15 period delivering savings in Admin and Capital investment.

Senior Executive Group

The Senior Executive Group takes operational and tactical decisions about the deployment of assets and resources and provides assurance and advice to the Executive Board on matters of compliance and governance.

Risk Environment

The Agency continues to operate in a high risk environment. The pressure of international maritime obligations and commercial pressures in the maritime sector form the backdrop to an organisation which continues to undergo major changes in all its directorates, with the constant requirement for further efficiency and cost savings.

During the year there has been real progress on Survey and Inspection Transformation, but issues still remain with the implementation of Shared Services.

A new Risk Challenge Panel is in development to provide the EB and SEG with further assurance by challenging and reviewing the Agency's risk registers.

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 Escalation processes are in place so that threats and opportunities can be identified and managed appropriately. Examples of risk escalation include failure of UK to meet PSC Directive requirements and failure to meet obligations under the IMO Instruments Implementation Code (III Code). SEG and EB are provided with a monthly Risk paper, which highlights issues and decisions required. The Audit and Risk Assurance Committee provide challenge to the Agency Risk process and advised the Accounting Officer as appropriate.

Principal Risks in 2015-16

Through 2015-16, a total of 14 risks, issues and tolerated risks were actively managed on the corporate risk register. Key risks relating to the Agency's major change programmes:

- **Shared Services** - Following the MCA migration to the Government ISSC1 platform in December 2014, support was extended to the end of July 2015, however, issues around areas such as Customer Accounts continued. Regular reviews between MCA, DfT and Shared Services have resulted in improvements but there remains a package of work to be addressed. A process to allow more regular updates and a more integrated approach to Releases is planned for 2016-17. The Agency has had to retain additional local controls to ensure governance around our accounts information and limitations of the system still result in the use of manual workarounds.
- **Survey and Inspection Transformation Programme (S & I TP)** - The business case has been approved by Treasury and the programme has moved to the consultation process. The

Risks have been updated to reflect the change. There are still several major risks to the successful delivery of the S&I TP: Responses to the S&I Transformation consultation with staff and stakeholders were reviewed by an Independent Review Panel which recommend some minor changes to the proposals.

Top Three Priority Concern in 2015 -16

The Accounting Officer considers the concerns listed below to be the Agency's top three priority concerns:

- **Cyber Vulnerability** – Internal and external vulnerabilities that could affect the delivery of and co-ordination of rescue services. Pro-active management of cyber risks are reviewed at EB/SEG level. Work is ongoing implementing security policies and embedding good security practices. *(For more information on this see Information Assurance and Data Handling section of this document.)*
- **Loss of Life at Sea** – Departmental changes and transformation programmes continue as they address Agency area's that need updating and improving. With the Future Coastguard Programme approaching business as usual and the S&I Transformation Programme approval the Agency is committed to it values, Safer Live, Safer Ships and Cleaner Seas. *(For more information on this see Safer Lives, Safer Ships and Cleaner Seas sections of this document.)*
- **Harm to Own Workforce** – Work is ongoing to reduce sick absence due to work related injuries through bespoke H&S Awareness training sessions. Work on analysing the root cause of work related stress illnesses is also ongoing. *(For more information on this see Health and Safety section of this document.)*

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 confirm compliance. No subsequent reviews have taken place within this reporting period.

Audit and Risk Assurance 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 and Risk Assurance Committee (ARAC). The ARAC is made up of the MCA's three Non-Executive Directors, one of whom is appointed as Chair, and meets quarterly.

During the year, the committee has concentrated on the following:

- External Surveillance Visits findings and
- Internal Audit findings

The Committee has had Deep Dive presentations on the following areas throughout the year:

- Survey and Inspection SGS Audit Findings – lessons learnt
- Purchase to Pay Audit Report
- Review of MCA Payroll Audit Report
- Future Coastguard – Business as usual risks and assurances

The Committee is provided with a review on Fraud, Whistleblowing and the Hospitality Register every six months.

The Accounting Officer, Director of Strategy and Corporate Services and Chief Financial Officer

attend the ARAC meetings and other attendees include the National Audit Office (NAO) Director with responsibility for the Agency, KPMG Audit Director, the DfT Group and Government Internal Audit Agency (GIAA) Head of Internal Audit; other Executive Directors and Senior Managers attend for specific agenda items. Attendance by ARAC members in 2015-16 was as follows:

Alex Jablonowski (Chair of the ARAC)	4 of 4
David Snelson	4 of 4
Alison White (1 April 2015 to 31 December 2015)	3 of 3

Fraud, Bribery and Whistleblowing

The Agency remains committed to reducing incidents of fraud. When identified, investigations are carried out and lessons extracted to strengthen the control environment and reduce the likelihood of recurrence.

Internal and External Audit

Our Quality Management System is externally certified to the international ISO 9001:2008 Standard. Transition to auditing to the ISO 9001:2015 Standard will commence 2016-2017. The requirements of the Standard are applied to all business processes and activities.

The Agency's annual Internal Quality Audit (IQA) programme supports its continuing certification to ISO 9001 and the focus over 2015-2016 was to achieve recertification from the Agency's external certifying body, SGS. In 2015 there was a substantial risk of the Agency losing its ISO 9001 certification after the SGS recertification visit of the Survey and Inspection activities of the Agency. Major non conformities were identified in the areas listed below:

- Lack of Management oversight, both at local and management board level.
- Inability to clearly demonstrate competency of all personnel undertaking S&I activities.
- Failure to undertake liferaft service station inspections at the required interval and failure to maintain adequate records.
- Failure to demonstrate control over STCW Short Course approvals.

A corrective action plan was immediately implemented to rectify these non conformities and recertification was achieved after the SGS Surveillance visit in June 2015. To ensure the continued implementation of the lessons learnt from the external audit, the corrective action plan is still in operation, and Marine Office activities are reviewed on a regular basis by the Agency's technical performance managers. This has been a most valuable step in the Agency's longstanding commitment to continuous improvement.

The IQA programme is based upon the analysis of risks and other factors identified by Directors, and developed in collaboration with GIAA team, and are approved by the SEG, EB and the ARAC.

GIAA operates to standards defined in the Government's Public Sector Internal Audit Standards and its 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 GIAA Head of Internal Audit's Opinion provided an overall 'Moderate' assurance rating on the adequacy and effectiveness of the MCA's arrangements for corporate governance, risk management and internal control. During the year the benefits of co-operation and collaboration in delivering the GIAA and IQA audit effort continued to be realised.

The local Management Boards, SEG and EB monitor progress on management actions agreed for

internal and external audits at their monthly meetings, and by the ARAC at their quarterly meetings. Agreed outcomes have been the implementation of improved Coastguard management and supervisory processes and the re-establishment of Technical Performance Manager Marine Office Reviews.

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, Transport Scotland); and our parent department, the DfT.

Shared Services

The MCA was the only Agency to migrate to the Government ISSC1 Shared Services platform in December 2014. The MCA's migration was managed as part of the overall DfT programme and no other DfT Agencies will be migrating on to this Shared Services platform. The Agency experienced a number of serious system issues, mainly in the following areas:

- Inability to provide its credit customers with accurate customer accounts information
- Inability to provide accurate Financial Accounting information

Resource intensive manual workarounds were adopted to overcome these issues and enable the Agency to provide its customers with limited customer account information and produce an accurate set of year-end financial accounts.

Improvements are now being made to the system and work is ongoing to fully resolve these issues. A number of significant user interface updates are due to be released in 2016 and the contract with the service provider, Arvato, is being renegotiated to improve contract terms and reduce Agency costs.

Future Coastguard Programme

The Future Coastguard programme has been a complex undertaking incorporating major changes to organisational structure, individual roles, conduct of operations and technology. Working to an ambitious timetable the Programme has delivered every aspect of this major change at a time of economic restraint and always remained focused on the desired overall corporate outcome.

The Programme was formally closed at the final Programme Board on 14 January 2016 following the last transition to the new SAR Co-ordination Network which completed at Dover at the end of December 2015. The Programme Board ratified the completion of the programme against its objective of implementing the Blueprint announced by the Government in November 2011. The Programme was closed down in line with 'Managing Successful Programmes' (MSP) guidelines with enduring work streams, benefits management and risks formally passed to 'business as usual' owners.

Search and Rescue Helicopter

The MCA started operating its new search and rescue helicopter service during 2015-16. The service has been very successfully established at seven purpose built Coastguard facilities, all operating with brand new technically advanced helicopters. All state-operated SAR helicopters in the UK now do so in Coastguard livery.

Health and Safety

The Agency has continued its proactive approach to Health and Safety management engaging with the Department of Transport on central safety, health and wellbeing initiatives and developing its

own Agency specific health & safety strategy for the next three years.

Health and Safety Deep Dive presentations are given quarterly at the SEG meetings and Health and Safety is discussed in detail at directorate Management Board Meetings.

The marked reduction in the number of physical injuries to both staff and volunteers causing lost time has continued. Lessons identified are acted upon and routinely shared with all staff and volunteers.

By carefully monitoring trends and causes of sickness absence, we continue to improve our understanding of pressure and stress in the Agency and work closely with Human Resources to develop initiatives and management protocols for the effective management of stress within the workplace.

The auditing of the Health & Safety management system is now firmly embedded in the internal quality management system with each audit round examining the implementation of a variety of health and safety policies and instructions. This has enabled management to take appropriate corrective actions where required and led to a continuous cycle of improvement in both operational and non-operational areas.

Information Assurance and Data Handling

As mandated by the Cabinet Office the MCA has appointed Information Asset Owners (IAO) to manage and protect identified assets. IAOs ensure compliance with the Mandatory Minimum Measures which followed the Data Handling Review and take responsibility for assessing asset use and risk. Risks and issues are recorded on risk registers, which are treated as 'living' documents. Assets and associated risk registers are formally reviewed on a continuous basis and are submitted to Information Assurance (IA) for oversight biannually, prior to being presented to DfT for formal review.

At each financial year end IA assesses MCA practices against HM Government Security Policy Framework and its expected security outcomes. This assessment is submitted by means of a formal Departmental Security Health Check return to DfT for inclusion into the Departmental return to the Cabinet Office. This return is agreed and signed off by the Accounting Officer and the Senior Information Risk Owner.

Other areas of security focus:

- The MCA has progressed with a successful phased rollout of the mandated Government Common Access Passes (CAP);
- IA continue to develop security policy against the updated ISO standard 27001:2013. Implementation of security policy will continue as part of business as usual;
- Formal site visits by the Centre for the Protection of National Infrastructure (CPNI) have occurred, with the latest visit being conducted at Dover;
- IA continue to support user education and awareness training through regular reminders according to actual or perceived threats to the MCA;
- As directed by the Cabinet Office the formal process of National Security Vetting aftercare commenced Q2 2015. The process aims to ensure that those in trusted positions with elevated privileges do not present unknown risk and that the 'insider threat' is minimized;
- Staff responsibilities towards matters concerning security are reinforced through various means, including the Weekly Bulletin, direct mail shots and poster campaigns;
 - CPNI guidance towards encouraging a positive security culture will be embraced through 2016-17 and a formal awareness schedule is planned.
- Physical security risk assessments which assess the effectiveness of the physical security of

manned sites continue to be actioned on a rolling annual basis. Remedial work is addressed by exception;

- An ARA physical security audit is planned for quarter 1 of 2016-17 and will consider the governance and application of security at selected sites.
- Memorandums of Understanding have been developed to ensure safe data sharing and partnering initiatives can be supported between the MCA and other external partners to UK Government.

Management Assurance

The DfT Resource & Strategy Group made a number of changes to the Management Assurance process and statements in October 2015. The information reported in the return for the 2015-16 exercise were subject to challenge by SEG, EB and the ARAC.

In accordance with DfT guidance the Agency's system of internal control is monitored and reviewed and regular reports are made to the SEG, EB and to the ARAC. Where weaknesses have been identified, action plans to improve the control mechanism have been established. The assurance process enables me as Accounting Officer to draw confidence and provide a 'moderate' assurance on the effectiveness of risk management, governance and control processes throughout 2015-16.

Remuneration and Staff 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.

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.

The officials covered by this report hold appointments which are open-ended, with the exception of Bill Dunham and Simon Barham. 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

Remuneration and pension entitlements of senior management (audited)

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members or regular attendees) of the Agency.

Single total figure of remuneration

Officials	2015-16				2014-15			
	Salary (£000)	Bonus payments (£000)	Pension benefits ⁴ (£000)	Total benefits (£000)	Salary (£000)	Bonus payments (£000)	Pension benefit (£000)	Total benefits (£000)
Sir Alan Massey <i>Chief Executive</i>	115-120	-	45-50	160-170	115-120	-	40-45	155-165
Richard Parkes <i>Director</i>	85-90	20-25	30-35	125-140	85-90	10-15	25-30	120-135
Bill Dunham ⁵ <i>Director</i>	85-90	-	30-35	115-125	-	-	-	-
Chris Thomas ⁶ <i>Acting Director</i>	75-80	-	30-35	105-115	15-20	-	20-25	35-45
(Full year equivalent)	75-80				75-80			
Simon Barham ⁷ <i>Director</i>	10-15	-	0-5	10-20				
(Full year equivalent)	85-90							
Katy Ware ⁸ <i>Director</i>	0-5		0-5	0-10				
(Full year equivalent)	80-85							
Philip Naylor ⁹ <i>Director</i>					80-85	-	40-45	120-130
(Full year equivalent)					105-110			
Jane Jackson ¹⁰ <i>Chief Financial Officer</i>	70-75	-	15-20	85-95	70-75	-	15-20	85-95
(Full year equivalent)	70-75				70-75			
David Snelson <i>Non-Executive Director</i>	10-15	-	N/A	10-15	10-15	-	N/A	10-15
Alex Jablonowski <i>Non-Executive Director</i>	15-20	-	N/A	15-20	15-20	-	N/A	15-20
Alison White ¹¹ <i>Non-Executive Director</i>	10-15	-	N/A	10-15	10-15	-	N/A	10-15
Band of Highest Paid Director's Total	115-120				115-120			
Total Remuneration (£000)								
Median Total	£29,241				£25,626			
Remuneration								
Ratio	4.03				4.55			

Notes to the table:

Full Year Equivalent (FYE) salaries are disclosed where officials' appointments began or ended part way through the year. Remuneration for MCA employees is disclosed only for the period over which they were paid as executive or advisory members.

⁴ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

⁵ Bill Dunham was a Director from 20 January 2015 but up to 31 March 2015 was paid by the Royal Marines receiving no MCA remuneration. However, terminal leave compensation £000 5-10 paid by the MCA in 2015-16 arising from his RM service is not included in the table above.

⁶ Chris Thomas was Acting Director from 12 January 2015 until 28 March 2016.

⁷ Simon Barham was appointed Director from 1 March 2016.

⁸ Katy Ware was appointed Director from 29 March 2016.

⁹ Philip Naylor left the MCA on 5 January 2015.

¹⁰ Jane Jackson was appointed Chief Financial Officer from 20 January 2015 and was Acting Director from 3 March 2014 to 19 January 2015, receiving remuneration until 28 February 2015.

¹¹ Alison White left the MCA on 31 December 2015.

There were no benefits in kind paid to any directors in 2015-16 or 2014-15. In 2015-16, no employee (2014-15: no employee) received remuneration in excess of the highest-paid director. Remuneration ranged from £17,275 to £117,938 (2014-15: £16,256 to £117,000).

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. The bonuses reported in 2015-16 bonuses relate to 2014-15 performance and the comparative bonuses reported for 2014-15 relate to the performance in 2013-14.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

A decrease in the total remuneration of the highest paid director has led to a decrease in the ratio for 2015-16.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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.

	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Values (CETV)		Real increase in CETV
			At 31/3/16	At 31/3/15	
			£000	£000	
Sir Alan Massey <i>Chief Executive</i>	10-15	2.5-5	268	204	34
Richard Parkes <i>Director</i>	25-30	0-2.5	499	433	29
Bill Dunham <i>Director</i>	0-5	0-5	27	-	20
Chris Thomas <i>Director</i>	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-5	281	231	28
Simon Barham <i>Director</i>	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 0-2.5	4	-	3
Katy Ware <i>Director</i>	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 0-2.5	-	-	-
Jane Jackson <i>Chief Financial Officer</i>	25-30 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	424	392	10

Civil Service Pensions

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 4.6% and 8.05% of pensionable earnings for classic and 4.6% and 8.05% for premium, classic plus and nuvos. The alpha scheme was introduced on 1 April 2015 and many employees were automatically switched to this new scheme. 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 and alpha, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the

scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. 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.

Staff costs (audited)

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

	Permanently employed staff	Others	2015-16	2014-15
	£000	£000	£000	£000
Wages and salaries	35,282	913	36,195	36,601
Social security costs	2,859	-	2,859	2,972
Other pension costs	7,042	-	7,042	6,228
Sub Total	45,183	913	46,096	45,801
Early departure costs	2,716	-	2,716	149
Early departure provisions	(2,110)	-	(2,110)	1,385
Total gross costs	45,789	913	46,702	47,335
Less capitalised staff costs	(36)	-	(36)	(283)
Total net costs	45,753	913	46,666	47,052

Early departures costs and provisions include pensions and other compensation payments not disclosed under Exit Packages in this report. Early departure provisions is the non-cash amount of the annual cost.

During 2015-16 no employees retired early on ill health grounds (2014-15: no employees); the total accrued pension liabilities in the year amounted to £nil (2014-15: £nil).

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 2015-16, employer contributions of £6,983,595 were payable to the PCSPS (2014-15: £6,167,475) 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 2016-17, the rates will be in the range 20% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £59,546 (2014-15: £53,439) 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. No employer contributions 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 (2014-15: £3,249, 0.8% of pensionable pay).

Contributions due to the partnership pension providers at the balance sheet date were £6,012 (2014-15: £4,598). Contributions prepaid at that date were £Nil.

Staff numbers (audited)

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

	Permanently employed staff	Others	2015-16	2014-15
Direct service delivery and support	735	52	787	805
Corporate support	169	16	185	183
Board members	5	-	5	4
Directly employed	909	68	977	992
Others – temporary	-	24	24	23
Total	909	92	1,001	1,015

The Agency's Coastguard Rescue Service has approximately 3,500 volunteers.

Staff composition

Male and female employees by number for the year ending 31 March 2016 were:

	Male	Female	2015-16
Senior Civil Service – Band 2	1	-	1
Senior Civil Service – Band 1	3	1	4
Board members and Senior Civil Service	4	1	5
All other employees	666	344	1,010
Total	670	345	1,015

Sickness absence data

	2015-16	2014-15
Working days taken as sickness absence	6,466.87	5,731.95
Average number of days lost per employee per year	6.58	5.79

Staff policies for disabled persons applied during the financial year:

Full and fair consideration to applications for employment by the agency is given by actively encouraging disabled individuals to apply for opportunities. Where such individual candidates can demonstrate that they meet the minimum requirements for a role we offer an interview under the 'Two Ticks' scheme.

The continued employment of, and appropriate training for, agency employees who may become disabled is promoted by applying the MCA's policy of making reasonable adjustments throughout any individual's employment to enable them to work, develop and progress.

Expenditure on consultancy

Agency expenditure on consultancy in 2015-16 was £168,827 (2014-15: £168,167).

Off-payroll engagements

Engagements costing the Agency more than £220 per day and lasting more than six months were:

	2015-16
Number of existing engagements as of 31 March 2016	10
Length of existing engagements	
Less than one year at time of reporting	2
Between one and two years at time of reporting	1
Between two and three years at time of reporting	6
Between three and four years at time of reporting	-
Four or more years at time of reporting	1

All existing off-payroll engagements, outlined above, have been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

	2015-16
New engagements or those reaching six months in duration	2
Right to request information about income tax and national insurance contributions	2
Request for information made	2
Information has been received	2
Information has not been received	-
Engagement terminated as a result of information not being received	-

Exit packages (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<£10,000	-	-	1	5	1	5
£10,000 - £25,000	-	-	30	34	30	34
£25,000 - £50,000	-	-	16	10	16	10
£50,000 - £100,000	-	-	4	5	4	5
£100,000 - £150,000	-	-	1	-	1	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages	-	-	52	54	52	54
Total resource cost (£)	-	-	1,423,493	1,165,134	1,423,493	1,165,134

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.

Parliamentary Accountability Disclosures (Audited)

Regularity of expenditure

No losses or special payments or gifts in excess of £300,000 were incurred or made (2014-15: None).

Fees and Charges

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).

	2015-16			2014-15		
	Income	Expense	Net	Income	Expense	Net
	£000	£000	£000	£000	£000	£000
Statutory services						
Marine surveys	4,705	4,404	301	4,322	4,045	277
Registration of ships	957	720	237	918	690	228
Seafarers' examinations and certification	2,315	2,116	199	2,336	2,135	201
Other statutory services	658	288	370	284	124	160
Subtotal	8,635	7,528	1,107	7,860	6,994	866
Operational services						
Emergency helicopter flights	644	2,268	(1,624)	355	1,250	(895)
Navigational warning broadcasts	451	643	(192)	599	854	(255)
Subtotal	1,095	2,911	(1,816)	954	2,104	(1,150)
Other services	486	467	19	924	717	207
Total	10,216	10,906	(690)	9,738	9,815	(77)

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 shows direct income and expenditure and excludes the allocation of overheads to activity.

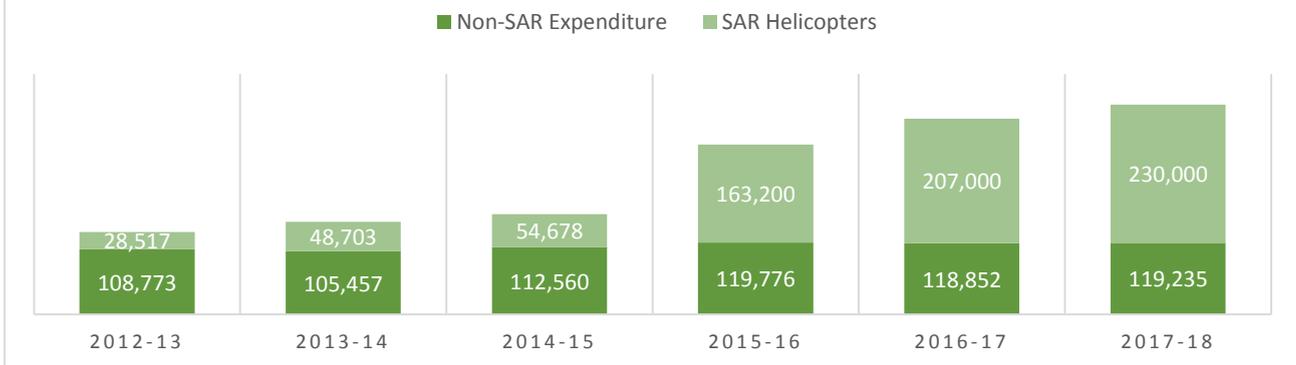
Remote contingent liabilities

To report any liabilities too remote to report as contingent liabilities.

Long term expenditure trends

MCA net expenditure will continue to increase since the MCA began to provide all UK SAR Helicopter services under the new SAR arrangements which began in April 2015.

MCA NET EXPENDITURE 2012-13 TO 2017-18



Sir Alan Massey

Chief Executive

11 July 2016

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 2016 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 and Staff Report and the Parliamentary Accountability disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer 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 my staff and me 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 purpose 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 Agency's affairs as at 31 March 2016 and of the net operating expenditure 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

20 July 2016

Financial statements

Statement of Comprehensive Net Expenditure

For the year ending 31 March 2016

	Note	2015-16 £000	2014-15 £000
Income from sale of goods and services	[4]	(10,216)	(9,738)
Other operating income	[4]	(2,438)	(3,259)
Total operating income		(12,654)	(12,997)
Staff Costs	[2]	46,666	47,052
Purchase of goods and services	[3]	238,321	124,953
Depreciation and impairment charges	[3]	10,424	8,393
Provision expense		602	257
Other operating expenditure	[3]	(991)	(420)
Total operating expenditure		295,022	180,235
Net operating expenditure		282,368	167,238
Finance income			
Finance expense		-	-
Borrowing costs on provisions		-	-
Net expenditure for the year		282,368	167,238
Other comprehensive net expenditure			
Items which will not be reclassified to net operating expenditure:			
Net (gain)/loss on:			
Revaluation of property, plant and equipment		(2,269)	(3,120)
Revaluation of intangible assets		(5)	52
Revaluation of inventories		(67)	117
Comprehensive net expenditure for the year		280,027	164,287

The notes on pages 58 to 76 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	Note	31 March 2016		31 March 2015	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	[6,7]	80,946		78,501	
Intangible assets	[8,9]	3,753		6,310	
Inventories	[10]	3,810		3,743	
Trade and other receivables	[13]	61		13	
Total non-current assets			88,570		88,567
Current assets					
Assets classified as held for sale	[12]	1,140		115	
Trade and other receivables	[13]	8,488		7,512	
Cash and cash equivalents	[14]	1,286		1,174	
Total current assets			10,914		8,801
Total assets			99,484		97,368
Current liabilities					
Trade and other payables	[15]	(48,574)		(26,752)	
Provisions	[16]	(1,324)		(3,782)	
Total current liabilities			(49,898)		(30,534)
Total assets less current liabilities			49,586		66,834
Non-current liabilities					
Other payables	[15]	(531)		(681)	
Provisions	[16]	(2,202)		(1,252)	
Total non-current liabilities			(2,733)		(1,933)
Total assets less total liabilities			46,853		64,901
Taxpayers' equity and other reserves					
General fund		31,112		50,346	
Revaluation reserve		15,741		14,555	
Total equity			46,853		64,901

The notes on pages 58 to 76 form part of these accounts.

Sir Alan Massey
Chief Executive
11 July 2016

Statement of Cash Flows

for the year ending 31 March 2016

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net expenditure for the year		(282,368)	(167,238)
Adjustments for non-cash transactions	[3]	10,035	8,230
(Increase)/decrease in inventories	[10]	(67)	117
less movements in inventories relating to items not passing through the Statement of Comprehensive Net Expenditure		67	(117)
(Increase)/decrease in trade & other receivables	[13]	(1,024)	(2,243)
less movements in trade and other receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	(71)
Increase in trade and other liabilities	[15]	21,673	1,577
less movements in trade and other liabilities relating to items not passing through the Statement of Comprehensive Net Expenditure		(899)	(1,988)
Use of provisions	[16]	(2,415)	(364)
Net cash outflow from operating activities		(254,998)	(162,097)
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,253)	(9,150)
Purchase of intangible assets		(446)	(487)
Proceeds of disposals of property, plant and equipment		836	373
Decrease in non-current financial assets – receivables		-	41
Net cash outflow from investing activities		(6,863)	(9,223)
Cash flows from financing activities			
Current year consolidated fund (supply)		262,000	172,000
Capital element of finance lease payments		(27)	(27)
Net financing		261,973	171,973
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		112	653
Receipts due to the Consolidated Fund		-	-
Payment of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		112	653
Cash and cash equivalents at the beginning of the period	[14]	1,174	521
Cash and cash equivalents at the end of the period	[14]	1,286	1,174

The notes on pages 58 to 76 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ending 31 March 2016

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2014		44,998	12,718	57,716
Net Parliamentary Funding		171,254	-	171,254
Non-cash charges: auditor's remuneration	[2]	75	-	75
Non-cash charges: DfT services	[2]	143	-	143
Comprehensive net expenditure for the year		(167,238)	-	(167,238)
Revaluation gains and losses		-	2,951	2,951
Transfers between reserves		1,114	(1,114)	-
Changes in taxpayers' equity for 2014-15		5,348	1,837	7,185
Balance at 31 March 2015		50,346	14,555	64,901
Net Parliamentary Funding		262,496	-	262,496
Non-cash charges: auditor's remuneration	[2]	91	-	91
Non-cash charges: DfT services		-	-	-
Comprehensive net expenditure for the year		(282,368)	-	(282,368)
Revaluation gains and losses		-	2,341	2,341
Transfers between reserves		1,155	(1,155)	-
CFERS payable to the Consolidated Fund		(608)	-	(608)
Changes in taxpayers' equity for 2015-16		(19,234)	1,186	(18,048)
Balance at 31 March 2016		31,112	15,741	46,853

The notes on pages 58 to 76 form part of these accounts.

Notes to the Agency's Accounts

Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2015-16 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.

The statements cover the period 1 April 2015 to 31 March 2016 and 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.

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 Adoption of new and revised standards

The following accounting standards and amendments to accounting standards have been adopted by the agency for the first time for the financial year beginning on 1 April 2015 and have not had a material impact on the agency:

- IFRS 13 provides consistent guidance on the fair value measurement for all relevant balances and transactions covered by IFRS. Although IFRS 13 is applied without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context limiting the circumstances in which valuation is prepared under IFRS 13.
- The FReM adopts IAS 16 and IAS 38 with the effect that assets held for service potential are valued on an existing use basis, typically Depreciated Replacement Cost.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2016, and have not been applied in these financial statements. The following new standards may affect the financial statements if they are adopted by the Financial Reporting Manual, after further consultation:

- IFRS 9 addresses classification, measurement and impairment of financial assets and is still subject to analysis and consideration by HM Treasury with a view to inclusion in the 2018-19 FReM. It is thought that IFRS 9 will result in terminology changes only.
- IFRS 15 covers the recognition of revenues from contracts with customers. It is not thought that this will materially affect the timing of recognition or amounts recognised.
- IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The probable impact is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest). The agency's statement of financial position is likely to be significantly affected because arrangements for helicopters used in the provision of helicopter search and rescue services and for leasing many properties may have to be recognised.
- IFRS 9 and IFRS 15 are expected to be effective from 1 January 2018 and IFRS 16 is expected

to be effective from 1 January 2019.

The MCA does not consider that any other new or revised standard or interpretation will have a material impact.

1.03 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 2014. The five yearly valuation is supplemented by annual indexation for intervening years in line with the direction in the FRM. Revaluation indices are supplied by external property consultants.
- 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 not charged on freehold land and assets in the course of construction. Other assets are depreciated from the month following acquisition on a straight line basis over their estimated remaining lives as follows:
 - Freehold buildings - up to a maximum of 50 years.
 - Leasehold buildings - over the lower of the lease term and the estimated remaining life.
 - Leasehold improvements – up to a maximum of ten years.
 - Equipment - over the following standard lives:
 - Vehicles, boats and other plant 3-10 years
 - Communications equipment 5-10 years
 - IT and office equipment 3-10 years

1.04 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 net current replacement cost less accumulated amortisation, which is charged from the month after acquisition. 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.

1.05 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 - 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. Revaluation surpluses are taken to the revaluation reserve.

1.07 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 1.03.

1.08 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.

1.09 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 2016 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 for in accordance with IAS 19.

Additional details relating to the PCSPS are included within the Remunerations and Staff Report under pensions.

1.10 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 includes estimates for the staff exit packages for the Survey and Inspection Transformation Programme announced in March 2016 which is being implemented over three years and for the migration to a Shared Service Centre. Provisions are disclosed at Note 15.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Third Party Assets

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

1.16 Critical judgements

Under IAS 17 Leases, arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. The Agency has assessed that its arrangements to provide search and rescue helicopter services contain leases, which it has classified as operating leases, principally because the contract terms are not for the major part of the economic life of the assets.

2. Staff costs

	31 March 2016 £000	31 March 2015 £000
Net costs for the year	46,666	47,052

Further analysis of staff costs is provided in the Remuneration and Staff Report.

3. Other Expenditure

	2015-16		2014-15	
	£000	£000	£000	£000
Cash items				
SAR helicopters				
MCA Gap SAR-H	52,897		54,678	
UK SAR helicopter service	110,303		-	
		163,200		54,678
Shipping industry grants and services:				
Grants for Merchant Navy training	13,776		14,698	
Civil hydrographic surveys	6,320		5,316	
Weather bulletins and navigational warnings	894		460	
Other services to industry	322		302	
		21,312		20,776
Emergency towing vessels	2,222		2,461	
Coastguard volunteers	2,850		2,664	
Aerial spraying and surveillance	2,375		2,275	
Other counter pollution	801		683	
International Maritime Organisation and other bodies	1,661		1,775	
Accommodation, maintenance and utilities	12,867		11,864	
Telecommunications	10,782		10,893	
IT services and supplies	5,430		4,577	
Staff transfers, training and other costs	4,441		3,710	
Travel, subsistence and hospitality	4,118		3,625	
Transport and other coastguard equipment	2,393		1,760	
Telephony, postage and office supplies	1,741		1,585	
Legal and professional	734		807	
Other cash items	1,394		820	
		53,809		49,499
Total cash items		238,321		124,953
Non-cash items				
Depreciation	7,265		7,133	
Amortisation	2,014		994	
Impairment of non-current assets	1,145		266	
Provisions provided for in year (net)	602		257	
Loss/(profit) on disposal of non-current assets	(419)		404	
Net revaluation (gains)/losses	(663)		(1,113)	
Other non-cash items	-		214	
Auditors' remuneration and expenses	91		75	
Total non-cash items		10,035		8,230
		248,356		133,183

Operating lease rentals are included in Other Expenditure under the Cash items shown below:

	2015-16	2014-15
	£000	£000
SAR helicopters	44,108	16,053
Accommodation, maintenance and utilities	2,509	2,470
Operating lease rentals	46,617	18,523

SAR helicopters

On 1 April 2015, the MCA began to provide search and rescue helicopter services under the UK Search & Rescue Helicopter Service (UK SAR H) contract, signed in March 2013, which will see the delivery of a UK-wide service from ten bases for between eight and ten years. As at 1 January 2016, seven bases were operational under the UK SAR H contract, delivering a service previously provided by the Ministry of Defence. During 2015-16, the MCA also provided services from further four bases under existing contractual arrangements known as Gap-SAR-H; which continues up to 30 June 2017. All ten bases under the UK SAR contract will be operational by 1 July 2017.

Grants and services to the shipping industry

The Agency disbursed grants of £13,776,000 net of administration costs to the shipping industry in 2015-16 (2014-15: £14,698,000). These grants funded the Support for Maritime Training Scheme (SMarT) for maritime officer trainees.

In accordance with Merchant Shipping Acts and international conventions signed by the UK Government the Agency provided services to the shipping industry at a cost of £7,536,000 in 2015-16 (2014-15: £6,078,000).

The United Kingdom Hydrographic Office (UKHO) holds in its database the results of civil hydrographic surveys performed by private firms under contract to the Maritime and Coastguard Agency. The cost of obtaining UK civil survey data rests with the MCA with which the intellectual property rights remain.

Auditors' remuneration and expenses for the 2015-16 audit was £75,000. Additional remuneration of £16,000 for the delayed 2014-15 audit has also been incurred.

4. Income

	2015-16	2014-15
	£000	£000
Statutory services	8,635	7,860
Operational services	1,095	954
Other services	486	924
Other operating income	1,830	3,259
Income retained by the agency	12,046	12,997
Payable to Consolidated Fund:		
Consolidated Fund Extra Receipts	608	-
Total	12,654	12,997

The agency receives income mainly from fees and charges for the delivery of front line services provided on a full cost basis to external customers as part of its operating activities.

- Statutory Services – survey and registration of ships, examination and certification of seafarers.
- Operational Services – emergency helicopter flights and radio warning broadcasts.
- Other Services - 'Wider Market' surveying activities and other non-statutory services.
- Other Operating Income - receipts for costs recharged to the DFT and other costs recovered from other government departments and rent receipts.
- Consolidated Fund Extra Receipts – income paid to consolidated fund not retainable by MCA
- Services income is recorded only when the requested service is provided.
- Other income is recorded when the service is provided or costs are recovered.

5. 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.

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 from the provision of some of these services.

The Maritime Operations segment is responsible for delivery of Coastguard, Search and Rescue (SAR) operations on land, at sea, and counter pollution.

Strategy and Corporate Services provide the necessary financial, corporate governance, health and safety, risk management, information assurance, corporate development, procurement services, Information and Communication Technology and Estates Infrastructure, Human Resources and Shared Services to the Agency. This segment was renamed Strategy and Corporate Services in January 2015, taking on some responsibilities from the Maritime Operations segment, but reporting was not changed until 1 April 2015.

Operating segment 2015-16	Staff costs	Other operating costs	Total operating costs	Operating income	Net operating costs
	£000	£000	£000	£000	£000
Maritime Safety & Standards	16,276	27,001	43,277	(9,201)	34,076
Maritime Operations	21,519	177,653	199,172	(1,940)	197,232
Strategy & Corporate Services	9,623	41,018	50,641	(591)	50,050
Office of the Chief Executive	1,358	953	2,311	(314)	1,997
Total costs	48,776	246,625	295,401	(12,046)	283,355

Operating segment 2014-15 (Restated)	Staff costs	Other operating costs	Total operating costs	Operating income	Net operating costs
	£000	£000	£000	£000	£000
Maritime Safety & Standards	16,217	26,196	42,413	(9,020)	33,393
Maritime Operations	22,032	73,044	95,076	(928)	94,148
Strategy & Corporate Services	7,469	32,954	40,423	(2,850)	37,573
Office of the Chief Executive	1,334	989	2,323	(199)	2,124
Total costs	47,052	133,183	180,235	(12,997)	167,238

6. Property, plant and equipment

as at 31 March 2016

	Land	Buildings	Vehicles and Boats	Comms 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 2015	5,447	80,095	12,707	30,144	20,500	4,988	6,985	160,866
Additions	-	2,136	783	1,322	2,034	348	1,941	8,564
Disposals	(107)	(4,561)	(55)	(22)	-	(19)	-	(4,764)
Impairments	-	-	-	-	(561)	-	-	(561)
Transfers	-	2,768	-	2,814	(86)	-	(5,496)	-
Reclassification	(315)	(1,226)	-	-	-	-	-	(1,541)
Revaluations	304	4,394	22	33	320	102	-	5,175
As at 31 March 2016	5,329	83,606	13,457	34,291	22,207	5,419	3,430	167,739
Depreciation								
As at 1 April 2015	-	37,470	9,692	20,440	11,522	3,241	-	82,365
Charge in year	-	2,620	656	1,907	1,823	259	-	7,265
Disposals	-	(4,251)	(55)	(22)	-	(19)	-	(4,347)
Impairments	-	-	-	-	(219)	-	-	(219)
Reclassification	-	(516)	-	-	-	-	-	(516)
Revaluations	-	1,941	18	22	198	66	-	2,245
As at 31 March 2016	-	37,264	10,311	22,347	13,324	3,547	-	86,793
Net Book Value								
As at 1 April 2015	5,447	42,625	3,015	9,704	8,978	1,747	6,985	78,501
As at 31 March 2016	5,329	46,342	3,146	11,944	8,883	1,872	3,430	80,946

	Land	Buildings	Vehicles and Boats	Comms 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	5,329	44,418	3,146	11,944	8,883	1,872	3,430	79,022
Finance Leased	-	1,924	-	-	-	-	-	1,924
Net Book Value	5,329	46,342	3,146	11,944	8,883	1,872	3,430	80,946

Analysis of net book value of Land and Buildings by tenure:

	Land	Buildings	Land	Buildings
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£000	£000	£000	£000
Freehold	5,329	34,940	5,447	31,147
Long leasehold (lease has 50 or more years to run from balance sheet date)	-	3,799	-	3,965
Short leasehold (lease has less than 50 years to run from balance sheet date)	-	7,603	-	7,513
Total	5,329	46,342	5,447	42,625

A formal valuation of the Agency's entire estate by external surveyors was last carried out as at 31 March 2014. Valuations were made by K Maguire MRICS of GVA James Barr and D Letherby MRICS of Hartnell Taylor Cook in accordance with the Statement of Asset Valuation Practice and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Assets with Heritage Characteristics

The Maritime and Coastguard Agency has 27 (2014-15: 28) operational assets held for use in its business detailed within these accounts which have some heritage asset characteristics. None of these assets are held for the primary purpose of contribution to knowledge and culture, or on behalf of the nation's heritage.

The agency has a Coastguard Operations Centre, Coastal Operational Bases, Coastal Rescue Stations and Radio Sites operating from 11 properties classed as Grade II listed buildings or as buildings of architectural or historical merit or from 16 other properties situated within conservation areas or other special sites and areas.

7. Property, plant and equipment

as at 31 March 2015

	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 2014	5,201	76,876	13,275	26,800	13,174	4,193	9,833	149,352
Additions	-	550	44	875	1,143	773	6,227	9,612
Disposals	(203)	(686)	(403)	-	(106)	-	-	(1,398)
Impairments	-	-	(87)	-	(384)	-	-	(471)
Transfers	-	585	-	2,015	6,475	-	(9,075)	-
Reclassifications	-	(3,369)	-	-	-	-	-	(3,369)
Revaluations	449	6,139	(122)	454	198	22	-	7,140
As at 31 March 2015	5,447	80,095	12,707	30,144	20,500	4,988	6,985	160,866
Depreciation								
As at 1 April 2014	-	35,497	9,463	18,575	10,049	2,952	-	76,536
Charge in year	-	2,890	781	1,586	1,602	274	-	7,133
Disposals	-	(116)	(400)	-	(106)	-	-	(622)
Impairments	-	-	(63)	-	(139)	-	-	(202)
Reclassifications	-	(3,369)	-	-	-	-	-	(3,369)
Revaluations	-	2,568	(89)	279	116	15	-	2,889
As at 31 March 2015	-	37,470	9,692	20,440	11,522	3,241	-	82,365
Net Book Value								
As at 1 April 2014	5,201	41,379	3,812	8,225	3,125	1,241	9,833	72,816
As at 31 March 2015	5,447	42,625	3,015	9,704	8,978	1,747	6,985	78,501
Asset Financing								
Owned	5,447	40,410	3,015	9,704	8,978	1,747	6,985	76,286
Finance Leased	-	2,215	-	-	-	-	-	2,215
Net Book Value								
As at 31 March 2015	5,447	42,625	3,015	9,704	8,978	1,747	6,985	78,501

8. Intangible assets

as at 31 March 2016

	Software Licences	Software	Under Development	Total
	£000	£000	£000	£000
Cost				
As at 1 April 2015	12,980	2,980	2,663	18,623
Additions	33	127	93	253
Disposal	-	(44)	-	(44)
Transfers	21	2,290	(2,311)	-
Revaluations	26	7	-	33
As at 31 March 2016	13,060	5,360	445	18,865
Amortisation				
As at 1 April 2015	11,305	1,008	-	12,313
Charge for year	784	1,229	-	2,013
Disposals	-	(44)	-	(44)
Impairment	-	803	-	803
Revaluations	24	3	-	27
As at 31 March 2016	12,113	2,999	-	15,112
Net Book Value				
As at 1 April 2015	1,675	1,972	2,663	6,310
As at 31 March 2016	947	2,361	445	3,753

	Software Licences	Software	Under Development	Total
	£000	£000	£000	£000
Asset financing				
Owned	947	2,361	445	3,753
Net Book Value As at 31 March 2016	947	2,361	445	3,753

<i>Analysis of major intangible assets</i>	Asset Cost 31 March 2016 £000	Net Book Value 31 March 2016 £000	Amortisation Approx. years remaining
Radio Equipment Refresh – Software	2,248	1,138	1 - 6
All Other Intangible Assets less than £1,000k Net Book Value	17,134	2,615	Nil to 10
	19,382	3,753	

9. Intangible assets

as at 31 March 2015

	Software Licences £000	Software £000	Under Development £000	Total £000
Cost				
As at 1 April 2014	12,394	2,378	2,784	17,556
Additions	52	65	1,177	1,294
Transfers	723	575	(1,298)	-
Revaluations	(189)	(38)	-	(227)
As at 31 March 2015	12,980	2,980	2,663	18,623
Amortisation				
As at 1 April 2014	10,783	695	-	11,478
Charge for year	668	326	-	994
Revaluations	(146)	(13)	-	(159)
As at 31 March 2015	11,305	1,008	-	12,313
Net Book Value				
As at 1 April 2014	1,611	1,683	2,784	6,078
As at 31 March 2015	1,675	1,972	2,663	6,310

	Software Licences £000	Software £000	Under Development £000	Total £000
Asset financing				
Owned	1,675	1,972	2,663	6,310
Net Book Value As at 31 March 2015	1,675	1,972	2,663	6,310

Analysis of major intangible assets	Asset Cost 31 March 2015 £000	Net Book Value 31 March 2015 £000	Amortisation Approx. years remaining
Radio Equipment Refresh - Software	2,288	1,371	1 - 7
Information Security Management System (ISMS) projects	1,607	1,607	Under Development
All Other Intangible Assets less than £1,000k			
Net Book Value	14,728	3,332	Nil to 5
	18,623	6,310	

10. Inventories

	31 March 2016 £000	31 March 2015 £000
Stockpile goods		
Balance at 1 April	3,743	3,860
Net gain/(loss) on revaluation	67	(117)
Balance at 31 March	3,810	3,743

The Agency maintains stocks of dispersants at a minimum capability level for use in major pollution incidents. Any revaluation gains arising from annual revaluation are taken to a revaluation reserve.

11. Impairments

	2015-16 £000	2014-15 £000
Property, plant and equipment		
IT and Office Equipment	342	244
Vehicles and boats	-	22
Intangible assets		
Software	803	-
Total impairment costs	1,145	266

All impairment costs were charged directly to the Statement of Comprehensive Net Expenditure. In the year ended 31 March 2016, they were incurred against IT Software made obsolescent by technical changes and IT Hardware no longer required after the transfer of operations to Coastguard Operation Centres.

12. Assets classified as held for sale

	31 March 2016 £000	31 March 2015 £000
Balance at 1 April	115	115
Reclassification from property, plant and equipment	1,025	-
Balance at 31 March	1,140	115

A surplus property has been made available for sale which is expected to be sold at a high valuation after a change in expected use. The sale of another property made available for sale in the year ended 31 March 2014 is still considered to be highly probable.

13. Trade receivables and other assets

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year		
Trade receivables	1,774	487
VAT receivables	812	656
Other receivables	369	377
Prepayments	3,210	4,714
Accrued income	2,323	1,278
Total current	8,488	7,512
Amounts falling due after more than one year		
Other receivables	61	13
Total non-current	61	13
Total current and non-current	8,549	7,525

14. Cash and cash equivalents

The movement in cash balances in the years to 31 March 2016 was:

	2015-16	2014-15
	£000	£000
Balance at 1 April 2015 & 2014	1,174	521
Net change in cash balances	112	653
Balance at 31 March 2016 & 31 March 2015	1,286	1,174

The Agency does not hold any cash equivalents as defined at IAS 7 Statement of Cash Flows para 7. The Government Banking Service (GBS), RBS & Citibank provide current account banking services.

The following balances were held at:

	31 March 2016	31 March 2015
	£000	£000
Office of HM Paymaster General / RBS / Citi (GBS)	1,286	1,174
Total bank balances	1,286	1,174

15. Trade payables and other liabilities

	31 March 2016	31 March 2015
	£000	£000
Amounts falling due within one year		
Other taxation & social security	1,847	874
Trade payables	111	866
Other payables	-	738
Accruals	40,877	19,599
Deferred income	4,311	3,364
Finance lease obligations	150	145
	47,296	25,586
Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:		
Consolidated fund overfunding	670	1,166
Consolidated fund extra receipts	608	-
	1,278	1,166
Total current	48,574	26,752
Amounts falling due after more than one year		
Finance lease obligations	531	681
Total non-current	531	681
Total current and non-current	49,105	27,433

16. Provisions for liabilities and charges

	Early departure costs £000	Leasehold dilapidations £000	Other £000	Total £000
As at 1 April 2015	3,098	1,258	678	5,034
Provided in the year	532	584	33	1,149
Not required written back	(233)	(22)	-	(255)
Utilised during year	(2,415)	-	-	(2,415)
Unwinding of discount	5	8	-	13
Balance at 31 March 2016	987	1,828	711	3,526
Current liability	154	459	711	1,324
Non-current liability	833	1,369	-	2,202
Balance at 31 March 2016	987	1,828	711	3,526

Analysis of expected timing of discounted cash flows:

	Early departure costs £000	Leasehold dilapidations £000	Other £000	Total £000
Within 1 year	154	459	711	1,324
2-5 years	794	342	-	1,136
6-10 years	39	121	-	160
Over 10 years	-	906	-	906
Balance at 31 March 2016	987	1,828	711	3,526

Future estimated costs have been discounted, where the effect of discounting is significant, at rates announced by HM Treasury. Leasehold dilapidations cash flows over 10 years include £572,000 expected to be called within 50 years, £304,000 after more than 50 years and £30,000 after more than 75 years.

Early departure costs

The provision for early departure costs includes 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.

The provision also includes exit packages expected to be paid under the Agency's modernisation and transformation programmes. Final Future Coastguard Modernisation payments were made in 2015-16 after the closure of the remaining 11 stations. An additional provision for estimated staff costs under the Survey and Inspection Transformation Programme announced in March 2016 has been added this year.

Leasehold dilapidations

The provision for leasehold dilapidations represents the estimated expenditure required to return leasehold rental properties to their original condition if this is a requirement of the lease. The estimates are subject to uncertainty regarding timing and the extent of works required.

Other

Other provisions have been made against a variety of claims by third parties.

17. Capital commitments

	31 March 2016	31 March 2015
	£000	£000
Contracted capital commitments not otherwise included in these accounts:		
Installation of CCTV security systems at operating centres	222	-
Coastguard Rescue Station development	133	-
Upgraded telephony system	142	140
Vehicle fit outs	474	-
Other commitments	94	901
Property, plant and equipment	1,065	1,041
Consolidated European Reporting System software updates	156	-
Other commitments	18	2
Intangible assets	174	2
Total	1,239	1,043

18. Commitments under leases

18.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2016	31 March 2015
	£000	£000
<i>Obligations under operating leases for the following periods comprise:</i>		
SAR helicopter contracts		
Not later than one year	53,595	44,187
Later than one year and not later than five years	225,800	227,172
Later than five years	211,927	268,872
Total	491,322	540,231
Land		
Not later than one year	37	37
Later than one year and not later than five years	60	29
Later than five years	447	37
Total	544	103
Buildings		
Not later than one year	993	997
Later than one year and not later than five years	2,445	2,550
Later than five years	5,496	6,359
Total	8,934	9,906
Total obligations	500,800	550,240
Total commitments under leases		
Not later than one year	54,625	45,221
Later than one year and not later than five years	228,305	229,751
Later than five years	217,870	275,268
Total	500,800	550,240

SAR helicopter contracts

Helicopter search and rescue services managed by the MCA are provided under two SAR Helicopter contracts which include arrangements treated as non-cancellable operating lease commitments. From 1 April 2015, the MCA began to provide services over the entire UK search and rescue region from 10 bases under a ten year contract signed in March 2013. UK SAR services were previously provided by both the Ministry of Defence and the MCA in different sectors across the country. On 1 January 2016 the MCA became the sole provider of UK SAR services operating from seven bases under the new contract and from three bases under the old contract which began operating under the new contract on 1 April 2016.

18.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods.

	31 March 2016	31 March 2015
	£000	£000
<i>Obligations under finance leases for the following periods comprise:</i>		
Buildings		
Not later than one year	182	182
Later than one year and not later than five years	592	729
Later than five years	-	46
Total	774	957
Less future interest payments	(93)	(131)
Present value of lease obligations	681	826
Present value of lease payments		
Payable within one year	150	145
Payable later than one year and not later than five years	531	638
Payable later than five years	-	43
Present value of minimum lease payments	681	826

Finance lease charges included in the Statement of Comprehensive Net Expenditure are £37,829 (2014-15: £43,899).

19. Contingent Assets

The Agency seeks to recover costs from counter pollution incidents. 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 2015-16, the MCA recovered costs of £642,000 mainly from claims made against the owners of MV Lysblink Seaways, MV Flaminia and MV Hoegh Osaka (2014-15: £ nil).

20. Contingent Liabilities

The agency has legal claims and challenges made against it from time to time in carrying out its duties as a regulator. The total of such claims at 31 March 2016 has been estimated to be £1,500,000 (2014-15: £nil). The likelihood of any liability arising is deemed possible but not likely and any such claims will be defended against vigorously.

21. Events after the Reporting Period

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

There have been no other 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. IAS 10 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 14 July 2016.

22. 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 and the Met Office.

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

23. 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.



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