



Maritime &  
Coastguard  
Agency

2017-18

# Maritime & Coastguard Agency **Annual Report and Accounts**

Safer Lives | Safer Ships | Cleaner Seas



**Maritime & Coastguard Agency**  
**Annual Report and Accounts**  
**2017-2018**

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# Performance report

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# Non-Executive Chairman's introduction

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I am delighted to present the Maritime & Coastguard Agency's Annual Report & Accounts for 2017-18. This document sets out our performance and achievements for the last year.

As a direct response to the recommendations from the Maritime Growth study I joined the Agency in January 2017 as the first Non-Executive Chairman. Last year was my first full year in post, during this time the UK Flag has increased by 1m GT and is now at the highest level since 2013.

Work is continuing to increase the Flag further with an ambitious target of achieving 30m Gross Tonnage (GT) by 2023. Launched at London International Shipping Week, the UKSR team is now fully established and working with industry to ensure we raise our profile further.

Good progress has been made with the Survey and Inspection Transformation Programme (S&ITP) and in 2017-18 we successfully recruited a number of new surveyors. New terms and conditions, which include weekend working, were introduced throughout recruitment. This will help us fulfil our commitments to our survey and inspection targets and improve responsiveness in service delivery.

Our Coastguard search and rescue operations are highly respected. We have witnessed Her Majesty's Coastguard adapt to a wide range of new challenges both at sea and increasingly inland. Inland rescues performed by our search and rescue helicopters represent around fifty percent of their total rescues.

In the coming year, I intend, along with our senior leadership team, to engage with industry stakeholders and our partner organisations to drive the Agency's transformation into a global maritime leader. A number of projects will be undertaken in 2018 looking at possible commercial opportunities to utilise the knowledge and skills within the MCA.

As always, the commitment of our staff has been key to us achieving so many of our targets for 2017-18 and will also be key to our future success. I am grateful to the Directors and their staff for their hard work and support over the past year and I look forward to meeting the challenges next year.

Michael Parker  
Non-Executive Chairman

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# Chief Executive's foreword

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The Maritime & Coastguard Agency's vision is to be the world's best maritime safety organisation. In the past year, I'm delighted to report on the further strides we've made towards this goal.

The Survey and Inspection Transformation Programme has made strong progress in our efforts to be more commercially understanding and responsive to the needs of our shipping customers. Our new terms and conditions led to a highly-competed recruitment exercise, and our existing surveyor workforce is being supplemented with new recruits committed to excellent customer service.

The United Kingdom's iconic Red Ensign continues to attract new ships, and the UK Ship Register now stands at its highest level since June 2013 with 16.4m GT, making it the 5<sup>th</sup> largest in Europe. Our commitment to excellence in quality and service will be even more important as we prepare the ground for the UK's withdrawal from the European Union and the global opportunities that may lie beyond. We are proud of the services we provide to shipping companies and to seafarers, and our staff get regular, positive feedback from their clients. This commitment and our marketing plans will help us achieve our ambitious target of growing the UK Ship register to 30m GT by 2023.

Meanwhile the MCA stands readier than ever to respond to emergencies at sea, on the coast and inland. In the last year, our coastguard search and rescue (SAR) service answered the call swiftly and effectively to over 22,000 incidents, sometimes in the worst of conditions. Our 3,500 volunteers, led and supported by over one hundred professional Coastguard Officers, are now improving their capability to tackle new challenges, including national flood response and drowning prevention work. Our new re-engineered network of coastguard operations centres is increasingly exploiting the new opportunities to coordinate, collaborate and distribute the SAR workload efficiently throughout the UK and its waters. We are not afraid to learn lessons, and we asked the Irish Coast Guard to look specifically at our handling of a particular incident in September 2017 off the Cornish coast. That peer review has helpfully prompted us to work more closely with local communities and other local emergency responders.

Last year saw the successful transition to our UK-wide search and rescue helicopter service. Our attention is now on the new UK Search and Rescue Second Generation (UKSAR2G) programme, focussed on innovation and collaboration with other government users of aviation services.

We are determined to press ahead in introducing digital technology and its benefits to our customer-facing services. In the coming year we will offer user-friendly, online services for seafarer documentation, medical administration and ship registration, bringing the MCA into line with modern customer expectations.

In terms of our own workforce, I am delighted that the Agency has once again been recognised as a high-performing Civil Service organisation with a staff engagement index of 65%. The Agency's engagement score has steadily increased by 10% over the last five years. This reflects our commitment to do the best for our people, embrace their talent and grow their potential through our training and development programmes. At the same time, we have been clear about the challenges we face with some experiences of real or perceived bullying and harassment, and we were disappointed not to achieve the more demanding benchmark needed for a Silver 'Investors in People' accreditation. We have taken decisive action to improve personal behaviours with the support of coaches for senior staff, the training and appointment of Respect Ambassadors and the introduction of new Employee Engagement Groups. Our early experience is positive, and we will see the impact next year.

So next year will build on the good work already undertaken around improving services for our customers, embedding commercial awareness and ensuring that the MCA is a more fulfilling place to work for our people. I have announced my plan to step down in the autumn of 2018, after eight years in charge. I am hugely proud of what we have achieved in that time and I am confident that the Agency is in good shape for my successor to move it on further, in its vision to be the best maritime safety organisation in the world.

Alan Massey  
Chief Executive

# Who we are and what we do

## Maritime and Coastguard Agency

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.

- We produce legislation and guidance and provide certification to ships and seafarers. Through our survey and inspection regime, we enforce standards for ship safety, security, pollution prevention and seafarer health, safety and welfare.
- We provide a national 24-hour maritime and coastal search and rescue (SAR) emergency response throughout the UK.
- 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.
- 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.
- Our Business Plan for 2018-19 sets out details of our strategic and commercial ambitions, including:
  - continuing to implement the Survey and Inspection Transformation Programme and deliver against agreed milestones;
  - taking a commercial approach to the UK Ship Register and growing the fleet towards 30m GT by 2023;
  - reviewing our SAR missions to ensure that we are delivering a 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;
  - developing our people and building on talent.

A copy of our Business Plan for 2018-19 can be found at:

<https://www.gov.uk/government/publications/mca-business-plan-2018-to-2019>

## Management Commentary

Effective management plays an important part in delivering our services to our customers. Our Governance Statement on page 39 describes how we do this and outlines the principal risks facing the Agency.

## Our achievements in 2017-18

The Agency has achieved recognition as a high performing Civil Service organisation for staff engagement, achieving an engagement index of 65%, which represents a growth of 10% over the last 5 years.

The Agency this year has begun its journey of transitioning our Headquarters in response to the Governments 'The Way We Work' strategy (TW3) by rationalising storage and moving towards a paperless culture, promoting and enabling shared-desking to optimise space and maximise capacity. The work will continue throughout 2018-19 with the aim of consistently improving the work environment, backed up by an ongoing overhaul of Knowledge and Information Management processes.

The UK Search and Rescue Programme successfully concluded in 2017-18 on time and to budget. All ten search and rescue helicopter bases are fully operational. The Programme was subject to a final review by an external review team on behalf of the Infrastructure and Projects Authority. The review, which looked at benefits realisation, awarded the programme a green delivery confidence rating. The UK Search and Rescue Programme team was proud to reach the final shortlist for Project Delivery Excellence at the Civil Service Awards.

We have been striving to provide our customers with 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 of scale. This in addition to the efficiencies being realised across the Agency is helping to ensure that we provide the best value for money.

Our seafarer training and certification team continue to provide an excellent service, with over 90% of customers surveyed saying they received a good or excellent service.

Due to added emphasis on the UK Drowning Prevention Strategy, the number of preventable drownings around our coastline and waterways has reduced. The reduction highlights the positive impact of continuing our prevention activity working with other National Water Safety forum members on saving lives around our coast and waterways.



The UK Ship Register grows from strength to strength, with a total fleet of 16.4m GT, the highest in nearly five years.

Navigation Safety Branch have prioritised the safe and efficient passage for vessels operating within UK home waters and have surveyed around 6,000 km<sup>2</sup> of seabed in the last year.

We successfully prosecuted 10 enforcement cases in 2017-18, thereby adding to the safety of the maritime community.

Our Receiver of Wreck team has dealt with around 7,000 individual pieces of wreck across the UK.

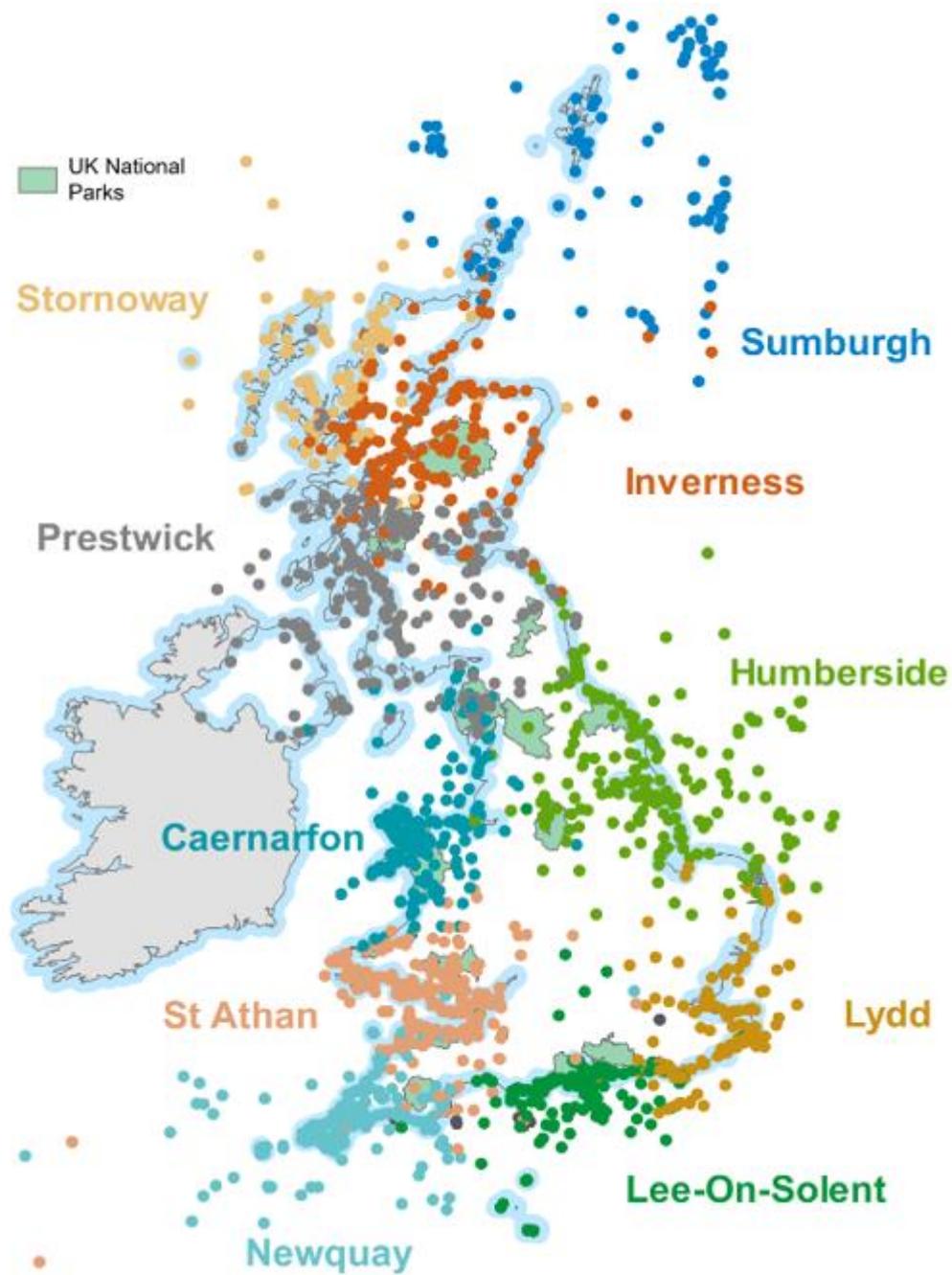
The Survey & Inspection Transformation Programme started its 4-year implementation plan in early 2017.

By March 2018, significant progress had been made including the moving existing MCA staff into the new organisation structure and introducing the new terms and conditions for surveyors (including contractual weekend and remote working). The first round of external recruitment activity for Marine Surveyors also completed with over 330 applications received and 20 posts offered. This intense recruitment activity will continue every year for at least the next 4 years as the risk of retirements, expected because of the skewed age demographic of the surveyor workforce, manifests itself.



Rationalising the Marine Office estate remains on schedule; reducing to nine offices by March 2019. The next steps also include finalising and embedding the new ways of working, training new surveyors and developing digital solutions. These activities require time and input from the front-line surveyor and business delivery staff but are essential to enable all the efficiencies and programme benefits to be realised.

# Location of civilian search and rescue helicopter taskings, year ending March 2018



Source: Search and Rescue Helicopter Statistics, Department for Transport

## Overall trends

Overall helicopter taskings in 2017-18 were 2,636, this higher level of demand was because the eleven SARH civilian helicopter bases were not being fully operational prior to January 2016. Of the ten bases operational, Prestwick and Newquay had the most takings, responding to 361 and 359 taskings respectively.

During the last quarter of the year (January to March 2018) there were 601 taskings, a 20% increase compared to the same quarter in the previous year. This increase in taskings may be as result of the adverse snowy weather in February and March, which led to an increase in helicopter call outs from the Lee-On-Solent, St Athan, Stornoway and Newquay bases.

The 2016-17 period reported a higher peak in taskings during the month of August compared to the same month in the 2017-18 year, however, the main pattern in taskings for the 2017-18 year was generally in line with 2016-17.

## Notable incidents

On the evening of Monday 1 May 2017, the Coastguard helicopter from Prestwick rescued a surfer who spent more than 32 hours in the water. Belfast Coastguard coordinated the search for a missing surfer, which included a large search of the sea and shoreline by Coastguard Rescue Teams from Campbeltown, Southend, Gigha, Tarbert and Port Ellen, as well as RNLI Lifeboats from Campbeltown, Islay and Red Bay. He was found 13 miles off the coast of Scotland by the Prestwick helicopter crew, kitted out in all the right clothing which no doubt helped him survive for so long at sea.

The Coastguard helicopter from St Athan rescued two young men clinging to the rocks off Hartland Point on 15<sup>th</sup> February 2018, after they became cut off by the tide. With 6ft waves crashing over them, they were at immediate risk of being washed out to sea. Once on scene the helicopter crew rescued the men in under 2 minutes, despite the winchman being hit by a large unsighted wave as he was manoeuvred towards the two casualties.

Surviving freezing temperatures for three days, a missing walker was found alive on 16<sup>th</sup> January 2018 after a large joint rescue effort made by Mountain Rescue Teams and the Coastguard helicopters from Prestwick and Caernarfon. The walker was reported missing in the Scafell Pike area and over 3 days, a large search operation was carried out. The missing walker was found alive in boggy ground after rescuers heard his shouts for help, and he was airlifted to hospital.

The Coastguard helicopters from Stornoway and Inverness, working together, flew 400 miles in Gale Force 9 conditions to rescue an unwell crewman from his fishing vessel on 17<sup>th</sup> August 2017. With the Inverness helicopter providing additional support, known as 'top cover', Stornoway's helicopter flew to the vessel and winched the man on board in very challenging conditions. The casualty was flown back to Benbecula airport and transferred to the Inverness aircraft, who flew the casualty to hospital for treatment.

The Coastguard helicopter service has also been involved in a number of 'unusual' rescues this year, including:

Rescuing thirteen people trapped in the gondola of the Jurassic Skyline tower on Festival Pier in Weymouth on the evening of 6<sup>th</sup> September 2017. The crew of the Coastguard helicopter from Lee-on-Solent hovered at around 180ft at a close distance (5ft) from the top of the tower to carry out the rescue safely.

The Coastguard helicopter from Humberside assisted the Yorkshire Ambulance Service on 5<sup>th</sup> October 2017 with a medical evacuation at York Minster. Because of the inaccessible nature of the steeple, the casualty was winched onboard the Coastguard helicopter and taken to hospital.

On 4<sup>th</sup> August 2017 the Coastguard helicopter from Caernarfon rescued a man from the top of Milner's Tower, Port Erin, after he was taken ill. Due to his condition he was unable to move down the stairs and so needed to be airlifted from the top of the tower.

The Coastguard helicopter from St Athan rescued an unwell man from the top of the 300ft high Worcester Cathedral Bell Tower on 3<sup>rd</sup> July 2017. The helicopter crew navigated around the tall spires to winch the casualty on board quickly and take him to hospital.

## Delivering against our 2017-18 Business Plan

The Key Performance Indicators (KPIs) are directly linked to the MCA's strategic targets set out in the Business Plan 2017-18 and provide management with accurate and relevant information from which to make informed and appropriate decisions. The KPIs are reported monthly through the internal Boards (MCA Board, Executive Committee & Senior Executive Group) who have management oversight of the KPIs via the Balanced Score Card (BSC) where risks and mitigation are identified.

Performance against the targets is set out below:



### Changing our Agency

### Measure

### Result

|                                                                                                                                                                                                                                                                                                                                                                                                                          |                         |                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Survey and Inspection Transformation Programme (S&amp;ITP):</b></p> <p>We will successfully implement the following milestones contributing to the UKSR Growth Agenda:</p> <p>We will implement the new organisation structure, moving existing staff across onto the revised terms and conditions of employment and begin recruitment for new surveyors to augment and future proof the S&amp;I workforce by:</p> | <p>31 December 2017</p> | <p>This KPI has been met.</p> <p>Following the introduction of the new terms and conditions for surveyors (including contractual weekend and remote working) the new organisation structure was implemented in December 2017.</p> <p>The first external recruitment campaign was completed in December.</p>                                                |
| <p>We will deliver the S&amp;ITP estate transformation in line with Government estate objectives by:</p> <p>Closing of Marine Office Tyne and the opening of a smaller satellite at South Shields by:</p>                                                                                                                                                                                                                | <p>31 May 2017</p>      | <p>This KPI has been met.</p> <p>The Tyne Marine Office closed on 3<sup>rd</sup> March 2017 and the North East Exam Centre opened on 13<sup>th</sup> March 2017.</p>                                                                                                                                                                                       |
| <p>Relocation of Marine Office Hull (Beverley) within the Beverley area by:</p>                                                                                                                                                                                                                                                                                                                                          | <p>30 June 2017</p>     | <p>This KPI has been met.</p> <p>Hull Marine Office was successfully relocated and opened on 2<sup>nd</sup> May 2017.</p>                                                                                                                                                                                                                                  |
| <p>Preparatory work for the opening of a Marine Office in the Ipswich/Colchester area to enable future closedown of Marine Office Norwich, Marine Office Harwich and Marine Office Orpington by:</p>                                                                                                                                                                                                                     | <p>31 October 2017</p>  | <p>This KPI has been met.</p> <p>The new site at Colchester was acquired by 31 October 2017. The office was officially opened on 12<sup>th</sup> March 2018. The transition of services from Harwich is complete; the phased transition of services from Orpington and Norwich Marine Offices will take place according to the S&amp;ITP estates plan.</p> |

|                                                                                                                                                                                                                                                                                                                                                 |                                |                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Finalise relocation of Marine Office Plymouth within the Plymouth area</p>                                                                                                                                                                                                                                                                   | <p>31 October 2017</p>         | <p>This KPI has been met.<br/>Oceansgate site has been identified as the sustainable solution for Plymouth Marine Office, Heads of Terms are being finalised</p>                                         |
| <p><b>Survey and Inspection Transformational Service Delivery</b></p> <p>We will introduce weekend working across our surveyor workforce on the adoption of new terms and conditions by:</p>                                                                                                                                                    | <p>30 September 2017</p>       | <p>This KPI has been met.<br/>New terms and conditions for surveyors (including contractual weekend and remote working) have been introduced to existing staff and new entrants.</p>                     |
| <p>We will provide the ability for our surveyor workforce to work remotely from the Marine Office</p>                                                                                                                                                                                                                                           | <p>30 September 2017</p>       | <p>This KPI has been met.<br/>Marine Office surveyors now have the capability to work remotely. A number of technical projects and programmes are underway to improve remote working capabilities.</p>   |
| <p><b>MCA Digital Strategy</b></p> <p>Transitioning to digital technology, we will improve the way we deliver a range of our services. This year we will provide online access to our customers in the following areas:</p> <p>The online Ship Registration service will have completed beta testing and be available for our customers by:</p> | <p>30 September 2017</p>       | <p>This KPI has not been met.<br/>The Beta trial will now be available for customers during the 2018-19 financial year.</p>                                                                              |
| <p>The online Seafarer Training and Certification plus the Approved Doctors Information Systems will enter beta testing by:</p>                                                                                                                                                                                                                 | <p>31 March 2018</p>           | <p>This KPI has not been met.<br/>The expectation is that the majority of services will be live by the end of December 2018 with final system improvements and enhancements completed by March 2019.</p> |
| <p>Currently over 84,000 paper-based transactions are completed annually, and we predict an online utilisation rate of at least:</p>                                                                                                                                                                                                            | <p>50% of all transactions</p> | <p>This KPI has not been met.<br/>This target can only be achieved on completion of the previous two KPIs</p>                                                                                            |



## Our Services

## Measure

## Result

|                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                       |                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Search and Rescue</b></p> <p>We will review a percentage of incidents to which the national network has responded to assess the effectiveness of outcomes and learn any appropriate lessons for future operations.</p>                                                                                                                                                                                                                           | <p>5% of incidents in the national network</p>        | <p>This KPI has been met.</p> <p>The MCA reviewed 9% of incidents in the national network.</p>                                                                                                                                                                                                                                                                |
| <p>Search and Rescue Helicopters will be available at each location for at least</p>                                                                                                                                                                                                                                                                                                                                                                   | <p>98% of the time</p>                                | <p>This KPI has been met.</p> <p>The overall availability of the search and rescue helicopters was 99.17%.</p>                                                                                                                                                                                                                                                |
| <p><b>Port State Control</b></p> <p>To meet the European Directive requirement for Port State Control (PSC) inspections, designed to check the safety of foreign-registered ships calling at UK ports (including Gibraltar)</p> <p>In the event that the UK becomes an Overburdened State, we will mitigate any shortfall by continuing to inspect as many Priority I (PI) ships as possible and Priority II (PII) ships to make up the shortfall.</p> | <p>100% of Directive target</p>                       | <p>This KPI has not been met.</p> <p>The UK (including Gibraltar) became an overburdened state<sup>1</sup> in July 2017 and did not meet the Directive target for the calendar year 2017.</p> <p>The UK (including Gibraltar) carried out a total of 1312 inspections against a target of 1419 meaning there was an overall shortfall of 107 inspections.</p> |
| <p><b>UK Ship Register</b></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 are greater than 500 GT in:</p>                                                                                                                                                                                                                                    | <p>10 years</p>                                       | <p>This KPI has been met.</p> <p>The average age in this context is 10 years.</p>                                                                                                                                                                                                                                                                             |
| <p>Maintain UK Flag State performance in the Paris Memorandum of Understanding (MOU) White list</p>                                                                                                                                                                                                                                                                                                                                                    | <p>Remain in the upper quartile of the White List</p> | <p>This KPI has been met.</p> <p>The UK is 9<sup>th</sup> out of 42 on the Paris MOU White List.</p>                                                                                                                                                                                                                                                          |

<sup>1</sup> the Member State is “overburdened” when the number of Priority I ships calling in its ports exceeds the inspection fair share allocated to that Member State. If that happens, the Member State may have a greater number of misses, but it must also meet the fair share with Priority I ships only

|                                                                                                                                                                                                                                                                                                                                                                                            |                                            |                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>We will work with the Maritime Growth Implementation team (DfT) to create and implement a business plan to transform the product delivered from UKSR within the existing Agency structure in advance of decisions on the future of the register as recommended in the Maritime Growth Study and the UK Ship Register Advisory Panel report.</p>                                         | <p>31 August 2017</p>                      | <p>This KPI has been met.<br/>A business plan has been created and this is now being implemented. A marketing plan has been developed to attract quality ships and owners to the UK Flag.</p>                                           |
| <p>We will use our professional knowledge and expertise to implement recommendations of the Maritime Growth Study to promote the UK Ship Register brand, deliver enhanced customer service and significantly grow the fleet towards 30m GT</p>                                                                                                                                             | <p>By 2020</p>                             | <p>This KPI is ongoing.<br/>The fleet has grown from 15.5 GT to 16.4 GT in 2017/18.</p>                                                                                                                                                 |
| <p><b>Pollution response</b><br/>Verification aircraft available to be tasked to respond to pollution incidents</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 engage within 30 minutes of incident activation in at least</p> | <p>98% of the time</p> <p>95% of cases</p> | <p>This KPI has been met.<br/>Verification aircraft availability was 100%.</p> <p>This KPI has been met.<br/>Counter Pollution and Salvage Officer were engaged in incident response within 10 mins of activation in 100% of cases.</p> |



## Meeting our customer needs

## Measure

## Result

|                                                                                                                                                                                                                                                                                                                 |               |                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Customer satisfaction</b><br>Encourage the completion of online satisfaction surveys on the Registry of Shipping and Seafarers and Seafarer Certification Services with a positive response rate (the total number of responses indicating agree and strongly agree to the overall satisfaction question) of | 85% and above | This KPI has been met.<br>The MCA Customer Charter commitment to service improvement is measured by annual customer satisfaction surveys, in 2017-18 the MCA received 115 out of 116 responses 99.1%. |
| <b>Parliamentary Questions</b><br>Provide a response within due date (in 24 hours)                                                                                                                                                                                                                              | 100% of cases | This KPI has been met.<br>68/68 (100%).                                                                                                                                                               |
| <b>Freedom of information</b><br>Provide response within 20 working days in                                                                                                                                                                                                                                     | 93% of cases  | This KPI has been met.<br>96/97 (99%).                                                                                                                                                                |
| <b>Member of Parliament correspondence</b><br>Provide a response within 7 working days in                                                                                                                                                                                                                       | 100% of cases | This KPI has been met.<br>78/78 (100%).                                                                                                                                                               |
| <b>Official correspondence</b><br>Provide a response within 20 working days in                                                                                                                                                                                                                                  | 80% of cases  | This KPI has been met.<br>24/24 (100%).                                                                                                                                                               |
| <b>Prompt Payment</b><br>Payment of invoices within 5 working days in                                                                                                                                                                                                                                           | 80% of cases  | This KPI has been met.<br>90.41%.                                                                                                                                                                     |



## Financial responsibilities

### Measure

### Result

|                                                                                                                                                                                                          | Measure          | Result                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Agency Finance</b></p> <p>MCA will deliver within the budgets as published in the Main Estimate and Supplementary Estimate. MCA Finance will also deliver any other targets set by Department.</p> | Meet set targets | <p>This target has been met.</p> <p>The MCA budget was revised through Supplementary Estimate and was underspent at the end of the year</p> <p>.</p>                                                 |
| <p><b>Workforce</b></p> <p>Ensure average number of working days lost to sickness absence does not exceed.</p>                                                                                           | 7 days per FTE   | <p>This KPI has been met.</p> <p>In 2017-18 there was an average of 6.81 days lost due to sickness per FTE.</p>                                                                                      |
| <p>By March 2018, the agency workforce (full time equivalent) will be no more than</p>                                                                                                                   | 980 FTE          | <p>This KPI has not been met.</p> <p>Current FTE stands at 1057.76, the 980 figure was targeted prior to Transformation Programmes and does not factor in the 'growth' of the Agency's business.</p> |

## Financial Performance Analysis

The MCA is net funded through the Department of Transport supply estimate broken down by resource and capital expenditure 2017-18 amounting to £354.65million (2016-17: £334.99million).

In 2017-18 the Agency had Net Asset totals of £64.3million, comprising total assets of £117.8million less total liabilities of £53.4million. Our non-current assets include Property, Plant and Equipment and Intangible Assets (£101.8million).

In year our capital expenditure was £19.1million (2016-17 £16.5million) and was mostly spent on improving the Agency's IT hardware and software.

Net Operating Costs £328.4million (2016-17 £312.4million)

Total Operating Costs £342.8million (2016-17 £325.4million)

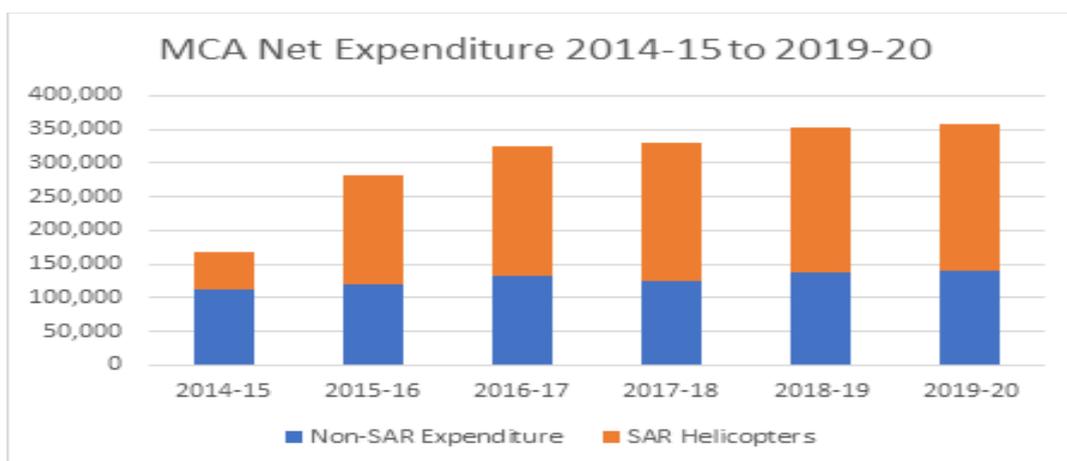
Total Income £14.3million (2016-17 £13.0million)

Net Operating Costs have increased by £16.1million the main elements of which were increased provision of UK Search and Rescue Helicopter Service £11.7million and enhancements to digital capability £2.4million.

Total Income has increased by £1.3million mainly due to the settlement of large pollution claims.

### MCA Long Term Expenditure Trends

MCA net expenditure has increased significantly in recent years since April 2015 when the MCA began to provide all UK SAR Helicopter services under new SAR contracts. From 2018-19 these services will all be provided throughout the year for the first time and future increases will be much less significant. Non-SAR Expenditure on upgrading essential core services and on maintaining chargeable services not fundable by increased charges are also expected to further increase expenditure in the next two years.



## Safer Lives – preventing loss of life

Around 16.3 million adults took part in water sports events on the sea or at the coast in the UK in 2017<sup>2</sup>. 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 their enforcement. This includes international negotiations, primarily through the International Maritime Organization (IMO) and the European Union (EU), but also at the International Labour Organization (ILO).

Vessels on the UK Ship Register undergo in-depth surveys which cover ship construction, equipment and on-board operations. We enforce international safety requirements on foreign flagged vessels through the Paris MoU Port State Control arrangements. We also conduct checks on the safety of fishing vessels and the domestic fleet of small passenger ships.

We ensure seafarers have the right skills, are medically fit, and hold valid certificates to serve on UK-registered ships. In 2014, we worked with the ILO to develop the Maritime Labour Convention, the fourth pillar of international maritime law, setting out minimum requirements for seafarers to work on a ship.

### Drowning Prevention

On average, 400 people drown in the UK each year<sup>3</sup>, with a further 200 people committing suicide in our waters<sup>4</sup>. 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 help deliver the aims of this strategy using an evidence-based approach, continuing to provide data for the National Water Incident Database (WAID). Further information and reports can be found here: [www.nationalwatersafety.org.uk](http://www.nationalwatersafety.org.uk).

We play an active part in drowning prevention creating our own drowning prevention strategy to support the national picture. We communicate many educational safety messages to the public through press, social media and face to face at local events.

Our statistics show most of all accidental drowning fatalities occurred when people were spending leisure time at the beach, walking or swimming outdoors. The Arkenford Watersports Participation survey shows that these activities are most accessible to the public, need no training or equipment and therefore have a much higher participation rate. The remainder of the fatalities 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.

Nine years of evidence continues to inform us that alcohol has been a causal factor in fatal incidents. Our evidence<sup>5</sup> shows that of all accidental fatalities where alcohol was a contributing factor 86% are men who ended up in the water intentionally or unintentionally.

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<sup>2</sup> Arkenford Watersports Participation Survey, 2017

<sup>3</sup> These 400 fatalities are non-commercial incidents.

<sup>4</sup> Data from the National Water Safety Forum (NWSF) Water Incident Database (WaID)

<sup>5</sup> MCA fatality data.

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 10 years 180 lives could potentially have been saved.

## **Our public and media presence**

The Agency continues to be featured in a wide range of external media stories, the majority of which are positive in tone, 91% according to our most recent quarterly media monitoring analysis.

Our social media profile continues to grow – our audiences on Facebook and Twitter have climbed to just under 50,000 followers each. Some fifteen of our tweets have been ranked #1 by ‘GreatUKGovTweets’ during the year. Our rescue footage is getting picked up by US, Australian, Indian, Russian and Chinese news stations.

The MCA and HM Coastguard continue to feature in a wide range of television programmes, raising our profile and spreading the vital safety message of who to contact in a coastal emergency. This reporting year we have featured in BBC1’s Island Medics and Close Calls: on Camera, Channel 4’s Britain’s Wildest Weather and Lost and Found, ITV’s Unbelievable Moments Caught on Camera and Channel 5’s Winter Road Rescue, World’s Greatest Mountains and Nailing the Fraudsters.

The top-rated feature for HM Coastguard, providing our largest viewing figures to date, was broadcast in December 2017, when we featured an emotional reunion live on ITV’s This Morning of a missing surfer with the HMCG SAR helicopter crew who found him.

## **Setting international shipping standards**

In January 2016, the International Maritime Organization (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 (REG) 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;
- Tonnage measurement of ships (Tonnage); and
- Regulations for preventing collisions at sea (COLREGS).

Under the Government's Conflict Stability and Security Fund Programme, the Agency is providing additional support to the REG Overseas Territories to build stronger sustainable capability and reduce contingent liability in the event of a maritime incident. Working with our overseas colleagues we have completed coastal state gap analyses and search and rescue capability reviews to identify where further collaboration and training can be of benefit. Support is also being given to the Attorneys General to review and update their versions of the national maritime legislative frameworks, and direct to the Maritime Administrations through training of local surveyors.

## **Safety of lives at sea**

The Agency continued development of non-regulatory measures to help improve maritime safety and seafarer health and wellbeing. Our work with stakeholders to develop educational and guidance materials resulted in the publication of "Being Human in safety critical organisations" which aims to improve understanding of the impact of normal human physical and mental capabilities in safety performance, leadership and management and how we can use this knowledge to promote the development of best practice. The recently formed UK Human Element Development Group, an MCA led cross-industry strategic body, identified industry's top human element priorities. We have made significant progress in addressing these, including the establishment of significant work packages to develop the principles of "Just Culture" in maritime organisations, a review of the Human Element, Leadership and Management training syllabus, and the development of a Non-Technical Skills framework for the maritime industry.

We continued to play an active role internationally in the revision of the IMO guidelines on fatigue and have begun work with stakeholders to address issues of physical and mental wellbeing at sea.

In 2017, our network of MCA approved doctors conducted approximately 53,300 medical examinations to check that seafarers were fit to work at sea. Work continues on the development of a new on-line system to support seafarer medical examination and certification. We introduced a new supplementary colour vision test for seafarers in the deck department, replacing the Holmes Wright B lantern test with a Colour Assessment and Diagnosis (CAD) test.

We held a public consultation exercise on implementation of the International Labour Organization's Work in Fishing Convention (No. 188), introduced amended legislation on working time for inland waterway vessels and made amendments to UK legislation implementing the Maritime Labour Convention, 2006.

## **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 2017 our Coastguard SAR coordination network responded to over 22,000 incidents, dealing with distress and 999 calls, tasking lifeboats, helicopters, other ships in the vicinity, other emergency authorities and volunteer coastguard rescue teams.

## **Coastguard Rescue Service**

Our Coastguard Rescue Service comprises on average 3,500 volunteers in 340 teams dispersed around the coast of the UK. 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, flood, mud and cliff rescue and in 2017-18 were deployed on operational tasking for over 260,000 hours. The volunteers are led and managed by 105 employed operational staff.

We remain committed to supporting the UK wide Coastal local resilience forums (LRF's), who's aims are to plan and prepare for localised incidents and catastrophic emergencies, and we contribute to the mitigation of local risks. We also remain poised to respond to requests for mutual aid; a good example being the deployment of Coastguard assets to assist other emergency

services and health boards during the 2018 severe weather events.

### **Search and Rescue Helicopter (SAR – H) Service**

The UK Search and Rescue Helicopter service (UKSARH) has been successfully operating from its ten bases throughout 2017-18. The final bases that successfully transitioned to the new Bristow Helicopters UK SAR contract were Lee-on-Solent and Shetland in April and Stornoway in July. New British-built Leonardo AW189 helicopters were rolled out to our Prestwick and Lee-on-Solent bases. Seven further AW189s will be rolled out to three other UKSAR bases in 2018-19.

## Safer Ships – improving maritime safety

Shipping is vital to the UK, as an island nation; in terms of volume, the UK relies on shipping for about 95% of its imports and exports<sup>6</sup>. A safe environment for ships and professional seafarers supports growth by facilitating healthy trade and a vibrant shipping sector. The Agency works 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 practices.

We work in partnership with colleagues across Government and key stakeholders to negotiate international maritime policies, regulations and technical standards, principally at the IMO, the ILO and the European Union.

The following Regulations have been introduced this year:

- The Merchant Shipping (Registration of Ships) (Amendment) Regulations 2017 No. 879
- The Merchant Shipping (Working Time: Inland Waterways) (Amendment) Regulations 2017 No. 1149
- The Merchant Shipping (Safety Rules and Standards for Passenger Ships) (Miscellaneous Amendments) Regulations 2018 No. 53
- The Merchant Shipping (Maritime Labour Convention) (Hours of Work) Regulations 2018 No. 58
- The Merchant Shipping (Prevention of Pollution from Noxious Liquid Substances in Bulk) Regulations 2018 No. 68
- The Merchant Shipping (International Load Line Convention) (Amendment) Regulations 2018 No. 155
- The Fishing Vessels (Codes of Practice) Regulations 2017 No. 943

We have commenced a series of projects using ambulatory reference to provide a more streamlined and responsive introduction of future changes to international maritime conventions.

One of which (Load Line) has been introduced this year. There are currently eight projects introducing ambulatory reference at various stages of transposition.

To facilitate innovation and support a thriving maritime sector, we collaborated with industry and have published the Codes of Practice for Fishing Vessels and the Safety Code for Passenger Ships Operating Solely in UK Categorized Waters whilst progressing the Workboat Code with the view to publication in 2018.

We published over 150 documents providing the UK maritime sector with additional guidance on safety and general information.

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<sup>6</sup> Focus on Ports 2006 (DfT)

## Monitoring and enforcing standards

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

We undertook 3,467 in-depth surveys of UK registered ships, and 2,732 inspections during 2017. We also carried out 1,312 Port State Control (PSC) inspections of foreign ships in the 2017 calendar year to check that they were meeting regulations concerning safety standards and living conditions.

We authorise six Recognised Organisations (ROs), which are members of the International Association of Classification Societies (IACS), to carry out a proportion of our statutory survey work. 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 1,346 ships and detained 50 of them. Where inspections or general maritime intelligence reveal significant breaches of maritime legislation, we may undertake stronger enforcement action. Last year, we investigated 79 new cases and conducted 10 prosecutions.

## UK Ship Register

Flag State oversight offers an effective method of implementing safety standards for ships and seafarers. The UK Ship Register has a reputation for maintaining the high international standards, with an efficient ship registration service, dedicated Customer Account Managers and Technical Managers providing the very best levels of service, putting the UK at the forefront of global shipping.

During 2017-18, there were 81 new ship registrations (1.59m Gross Tonnage (GT)) and at the end of March 2018 the UK Ship Register stood at 16.4m GT with 1,315 vessels. The total tonnage on the Register increased by 8.2%, the third consecutive year of growth.

The UK remains within the upper quartile of the Paris Memorandum of Understanding (MOU) White List and the Tokyo MoU White List of Quality Flag States. We have also 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 for the British flag of 51.3 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 2017-18, we undertook monitoring visits of Anguilla, Bermuda, the Turks & Caicos and Gibraltar.

The 2017 REG Conference was hosted by the Cayman Islands Government and took forward some key elements of maritime policy and strategy, including:

- progress and strategy to ensure compliance with the IMO Instruments Implementation Code across the group ahead of the forthcoming IMO audit, including the support provided by the MCA's Conflict, Stability and Security Fund (CSSF) project referred to previously;
- agreement on the creation of a new REG Business Strategy Forum; and
- agreement on the publication and launch of the new Red Ensign Yacht Code.

We also hosted the REG Technical Forum which met three times in 2017-18 alongside a number of separate working groups to develop technical policy and to improve consistency across all the REG Registers

## **Seafarers**

The MCA supports 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 49,970 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). In 2017-18 we issued over 5,400 Notices of Eligibility (NOEs) and 14,058 CoCs and CECs. We also issued around 880 Boat Master's Licences for commercial operations on inland waterways.

## **Navigation Safety**

The Agency 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 Business, Energy & Industrial Strategy, the Marine Management Organisation, Marine Scotland and The Planning Inspectorate) on marine licensing activities, marine planning, marine protected areas and Offshore Renewable Energy Installations. We inform Government (e.g. DfT, BEIS) position and engage across industry on matters related to autonomous shipping and maritime cyber-security. We also inform Government (e.g. DfT, Ofcom) 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 publications. To augment this effort, the MCA collaborates with a number of delivery partners such as the UKHO and the Channel Coastal Observatory to promote common standards and accelerate survey progress;
- administer and deliver the UK Marine Weather Service (MWS), ensuring that authoritative shipping forecasts are communicated to sea-users to aid in their decision making. To support this work, the MCA collaborates with a number of delivery partners such as the Met Office and the BBC to assure the integrity of our forecast delivery;
- 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; and
- co-ordinate technical developments for SafeSeaNet and Long Range Identification and Tracking (LRIT) through our Consolidated European Reporting System version 3 (CERS3).

Working in association with the UK Hydrographic Office (UKHO), the MCA funds and delivers the UK Civil Hydrography Programme (CHP), which delivers these SOLAS obligations to reduce the number of maritime incidents, the associated potential for loss of life, vessels, equipment and damage to the marine environment caused from polluting incidents at sea. The CHP deliverables are fully supported with metadata which states that the intellectual property rights (IPR) rests with the MCA. All CHP deliverables are freely available under the Open Government Licence and are crown copyright as these surveys are funded and commissioned by a Government agency. The CHP bathymetric data are made freely available from the INSPIRE portal hosted by the UKHO.

We have also conducted eight Port Marine Safety Code health-checks as well as a number of follow-up visits and have liaised with other government departments and industry to improve the application of the Code and Guide to Good Practice requirements and recommendations. We have also published a report to industry highlighting emerging trends in compliance from our health-check activity.

## Cleaner Seas – protecting the environment

With over 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 773,000 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 risks of and from marine pollution remain and require proactive management under a strategy to deliver prevention, preparedness and response.

### 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).

After saving human life, the Maritime and Coastguard Agency's (MCA) key purpose in responding to a maritime incident is to protect public health, the marine and terrestrial environment and UK's economic interests. In its role as the National Competent Authority (NCA) and in co-operation with Government and non-Government stakeholders the MCA is responsible for the prevention of, preparedness for and response to marine pollution from shipping and offshore installations in the UK Exclusive Economic Zone. Its preparedness and response activities are led by a small specialised team, the Counter Pollution and Salvage (CPS) Branch. The team's activities include developing policy and strategy; co-ordinating the UK's incident response; providing technical and scientific support relating to pollution response; managing equipment and dispersant stockpiles; delivering training; auditing ports and reviewing port oil spill contingency plans.

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). This explains the circumstances in which the Agency will deploy national resources, 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.

Beginning In the latter half of 2017 the CPS Branch are currently the focus of a business analysis review designed to ensure that the risks of environmental pollution are being effectively addressed and that the MCA's counter pollution activities are matched to the preparedness and response requirement.

### 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 regardless of age, size or apparent value. During 2017, 361 reports of wreck material were received, amounting to nearly 7,000 individual items which included silver ingots, hundreds of 16<sup>th</sup> and 18<sup>th</sup> Century silver coins, pottery sherds dating from the Roman era through to the 19<sup>th</sup> Century, fishing vessels and even a door knocker.

## **Secretary of State's Representative for Maritime Salvage and Intervention (SOSREP)**

The role of the SOSREP is to represent the Secretaries of State for Transport (in relation to ships) and Business, Energy and Industrial Strategy (in relation to offshore installations) by removing or reducing the risk to safety and the environment arising from accidents involving ships, fixed or floating platforms or sub-sea infrastructure. The intervention powers available to the SOSREP extend to UK territorial waters (12 nautical miles from the coast/baseline) for safety issues and to the UK Exclusive Economic Zone (200 nautical miles or the median line with a neighbouring state) for pollution related incidents. For pollution incidents from offshore installations the powers extend to the UK Continental Shelf (as defined by the Continental Shelf Act 1964). The SOSREP is empowered to make crucial and often time-critical decisions, without delay and without recourse to higher authority, where such decisions are in the overriding interest of the UK. The SOSREP has the ultimate and decisive voice for maritime salvage, offshore containment and intervention.

Following the retirement of the previous incumbent, from April 2018 the SOSREP post is being filled on an interim basis by the current Deputy to the SOSREP. A recruitment exercise will be carried out later in 2018 to identify a permanent post holder for the SOSREP role.

## Our people

Our people are our greatest asset. We successfully retained our accreditation to the Investors in People (IIP) standard. The standard has become more demanding and we did not achieve the Silver benchmark, but we have put in place an action plan that will lead to a reassessment in October 2018.

The 2017 Annual People Survey People results showed an increase of 1% in our engagement scores to 65%, which represents a 10% increase over the past five years or so. That steady and sustained improvement means that we are now a high performing civil service organisation.

The People Survey also highlighted that the Agency has a higher incidence of reported bullying and harassment than the Civil Service in general. We have faced that challenge head-on and in the summer of 2017, we commissioned independent research to help us understand any underlying issues. Our IIP assessment also highlighted the need for more work around improving the behaviours of some of our people and improving our communications. As a result, we have introduced new Employee Engagement Groups to promote better communications and we have trained and appointed a network of Respect Ambassadors to support people when it comes to raising concerns about behaviours. We have also introduced an in-house Respect Workshop and all staff will attend one of these sessions by October 2019.

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, reward vouchers 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 two 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. Drawing on the lessons from research by the Harvard Business School, we have reviewed our approach to advertising jobs to ensure that they are not gender biased, and we have used more pictures of women in technical roles to attract female applicants. We treat all staff fairly, with dignity and respect.

As an Equal Opportunities employer, the Maritime and Coastguard Agency actively encourages applications from people with disabilities. Where such individual candidates can demonstrate that they meet the essential requirements of the role the MCA will guarantee them an interview under the Guaranteed Interview 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.

We train to develop our staff. Learning and development activity during 2017-18 included:

- design and delivery of a change leadership development programme for the senior management of Survey and Inspection equipping them with the capabilities to lead the change resulting from the SITP;
- continuing to meet the development needs of our emerging leadership talent and established manager through our MCA specific Growing Potential and Propel programmes;
- launching a leadership development programme for developing the senior leadership team across the DMO directorate following on from the Future Coastguard programme; and
- driving the apprenticeships offer into the mindset of the Agency leadership securing the MCA uptake.

The Agency believes that it is to the mutual benefit of the MCA and our staff that employees are represented by Trade Unions. We have recognised both 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).

## External Relations

The Agency's key relationships include those with:

- our safety partners (RNLI, RYA, Trinity House, NLB and other rescue and governing body organisations);
- maritime industry and seafarers;
- 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.
- Transport Scotland, with whom we signed an MoU on 29 November 2016.

## Health and Safety

### Management Arrangements

The MCA continues to refine its health and safety (H&S) policies, plans and arrangements to ensure that standards are actively managed across the Agency. The Senior Executive Group (SEG) and the National H&S Committee remain 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, Coastal Senior Officers Group (SOG), Survey and Inspection (S&I) National Management Group (NMG), Directorate Management Boards and MCA Board meetings. In addition, H&S deep dive presentations on targeted areas are held quarterly at SEG's request. 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 a recently revised balanced scorecard and in accordance with DfT centre initiatives. Significant changes in performance are reported to the SEG, MCA Board 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.

The MCA Health & Safety team regularly attend the DfT Health and Safety Forum, working with Departmental colleagues to lead on new and common health and safety initiatives.

### Occupational Health & Safety Initiatives

The MCA's latest health and safety strategy was published in February 2017. The published Directorate Strategy Implementation Plans (SIPs) include the implementation of the health and safety strategy.

The H&S Team, in partnership with Human Resources, continue to strive for improvements in pressure and stress management. A Wellbeing Manager's post has been established in HR and several steps have been taken to improve the health, safety and wellbeing of staff and volunteers both at work and outside of work. Recent work has included developing a stress action plan to improve the means of gathering management information on stress and then use this information to refine our policies and practices.

Led by Heads of Branch, the following achievements are noteworthy for 2017-18:

- Refinement of HM Coastguard risk assessments and safe operating practices;
- Delivery of Coastal Operations Area Commander practical workshops this year. These included risk control, building management and equipment safety;
- Development of detailed Building Custodian guidance by Estates HQ;
- Review of generic risk assessments and risk control measures by the Survey & Inspection branch.

In the spirit of 'Just Culture', lessons identified from accidents and near misses are now published on the internal microsite in a revised and more engaging format. Linked to this, a large pool of MCA staff have been trained in accident root cause analysis. These staff will lead the more serious accident or near miss investigations.

## **Update on improvements from last year's plans**

Putting the 'health' into Health & Safety:

- Refinement of stress management practices by the People Committee, HR and the H&S team;
- Appointment of a Wellbeing & Inclusion Manager by HR to help drive health and wellbeing initiatives;
- Mental health first aid courses run in March 2017 together with well received 'Wellbeing' and 'Inclusion' weeks in September 2017; and
- Mental health buddy network in operation serving all MCA staff.

Topical health & safety matters are included in all internal audits, e.g. a recent 'deep dive' into fire safety, legionella control and asbestos management across the Estate.

H&S is an essential element of projects, a good example of where this has been embraced is the Smarter Ways of Working project.

## **Attendance Management**

The Agency's sickness absence rate is reported monthly to SEG, the People Committee, the Directorate Boards and MCA Board. 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**

The 'first 100 days' Induction training for new staff includes site specific introduction for H&S arrangements, including general and 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 also undertake manual handling training. Line managers 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 package.

## Plans for the year ahead

Senior management are keen to build on this progress and develop a robust and enduring safety culture. Over the next year we will:

- Publish and further refine Health & Safety Specific, Measurable, Attainable, Realistic and Timely (SMART) objectives in all Directorate Strategic Implementation Plans.
- Promote Health & Safety training needs analysis by Directorates, e.g. are there sufficient risk assessors, trained accident investigators, first aiders, fire wardens etc
- Upgrade the Cardinus e-learning package for DSE training and risk assessment. The new cloud-based package will be a significant improvement for end users.
- Explore options for a cloud-based accident and near miss reporting system with the aim of making it easier to report and analyse accident and near misses.
- Review vehicle safety and driver training in the Agency.
- Engage with staff to ensure that all Health & Safety policies and procedures are updated and, more importantly, practicable for end users.

Deep dive into staff engagement results and sickness absence figures to identify best practice in stress management and the principal causes of stress.

## 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 the MCA's baseline, where we are at the moment and what we must achieve by 2020 to fully meet GGC targets.

|                                                                                                                                                              | Baseline Value | Target Value | Required Reduction | Current Level |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|--------------------|---------------|
| Cut greenhouse gas emissions by at least 36% from a 2009-10 baseline.                                                                                        | 5,711          | 3,883        | 1,828              | 4,884         |
| Reduce the amount of waste going to landfill to less than 10%                                                                                                | 0              | 9.99         | 0                  | 0             |
| Reduce government's paper use by at least 50% from a 2009 to 2010 baseline                                                                                   | 7,167          | 3,583        | 3,584              | 6,176         |
| Reduce overall water consumption by 9% against 2009-10 baseline, ensuring continuous improvement where this level has already been achieved. (entire estate) | 5,160          | 4,696        | 464                | 9,734         |
| Reduce the number of domestic business flights by at least 30% from the 2009 to 2010 baseline                                                                | 4,045          | 2,832        | 1,213              | 4,383         |

## Water

Initial water consumption figures detailed in the table on page 32, were understated, depicting usage from only part of our estate due to historic recording requirements. The current figures depict our full usage and provide a baseline for future reduction measures. Our reduction approach is twofold, comprising individual targets based on utilisation of the estate and more general practical measures aimed at reducing overall consumption.

## Flights

In line with the GGC Framework the Agency has a specific target to reduce domestic flights against a 2009-10 baseline. Reducing the number of domestic flights made represents a challenge for the Agency due to the operational nature of our business. The agreed approach to this will be a combination of challenging specific travel at a Directorate level, promoting developments in technology to enable regular use of alternatives to travel such as video, SKYPE and telephone conferencing, and the publication of revised travel guidance. Our current usage statistics provide an accurate baseline from which to make reductions: the previous baseline did not include all flights. Understanding our usage is informing the ways in which we will reduce our use of domestic flights. Our travel communications strategy and engagement plan aim to drive behavioural change and we are working to develop improved technology that will further reduce our travel requirement.

## The MCA Estate Reducing Energy Consumption and Waste

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 required target reductions.

Property management tools and reports have been developed to achieve the targets and involve the collection, monitoring and analysis of energy costs and usage data. The evidence provided will enable anomalies to be identified and usage to be challenged. This work will provide critical insight into the performance of the estate and has enabled the compilation of a plan to drive down consumption and embed sustainability into the workplace. Actions have included 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 a streamlined, sustainable and highly effective estate.

### **Cross Organisational Working Group**

To better enable the Agency to deliver the efficiencies required under GGC, a cross-organisational working group has been established. This allows each of the Directorates to be represented and provides a point of contact to take forward plans and initiatives consistently across the organisation. This cross-organisational approach will also be essential in terms of monitoring and recording data at localised level as well as challenging behaviours and encouraging positive cultural shifts.

### **Climate Change Adaption**

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>

## Sustainable Procurement

The Maritime and Coastguard Agency recognises the significant impact that our procurement decisions have on sustainability outcomes and we are committed to ensuring that our supply chain supports our sustainable development goals. We are working toward the targets in the GGC, in particular by:

- issuing guidance notes to staff on sustainable procurement, which underwent significant revisions this year to include emerging issues like modern slavery in the supply chain.
- training all staff within the Procurement Team and contract managers across the Agency in sustainable procurement principles and having the promotion of sustainable procurement as a key objective for each of them.
- including basic sustainability requirements in all procurement processes, and more advanced criteria where contracts are high value or have a high sustainability risk.
- actively engaging with suppliers and internal order placers to promote continuous improvement in sustainability performance throughout the term of a contract.
- sustainable procurement successes this year include:
  - the introduction and piloting of two new tools to help priorities our sustainable procurement focus and measure social value in contracts respectively;
  - the introduction of sustainable procurement performance targets for contract managers for the first time.

## Plans for the Future

From the next financial year, we will be working toward the achievement of GGC targets by focusing on waste avoidance and waste management targets and 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>

**Sir Alan Massey**

**Chief Executive**

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# Accountability report

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# Corporate Governance Report

## Directors' Report

The MCA 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 39). The composition of the board, including advisory and non-executive members, during the year is shown below:

**Michael Parker**, who was appointed **Non-Executive Chairman**.

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

**Richard Parkes**, who was **Director of Maritime Operations and HM Coastguard**. 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 continues to lead the SAR Helicopter Programme which sits on the Government Major Projects Portfolio.

**Bill Dunham**, who was **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).

**Katy Ware**, who was appointed **Director of Maritime Safety and Standards** on 29 March 2016. Her key responsibilities are the UK's statutory obligations as a flag Administration in respect of the safety, security and protection of the environment from shipping, of UK ships, where ever they are operating in the world and foreign flagged vessels in UK waters. She is also responsible for the safety of the UK domestic passenger ship and fishing fleet as well as the UK Navigational safety regime and Civil Hydrography Programme. As Permanent Representative of the UK to the International Maritime Organization (IMO), she is responsible for the oversight and negotiation of UK policy and interests in relation to international maritime matters within the IMO and EU.

She is leading the Survey and Inspection Transformation Programme as the Senior Responsible Officer.

**Doug Barrow**, was appointed **Director of the UK Ship Register** on 1 April 2017. 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.

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

**Chris Thomas**, who attended the board in an advisory capacity as **Chair of the Senior Executive Group**, (SEG).

**Alex Jablonowski**, **Noel Shanahan** (appointed 1 June 2017) served as Non-Executive Directors.

**Kirsty Wicks**, who attended the board on behalf of the DfT Sponsorship team for Maritime.

## 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 are accountable through the DfT Maritime Directorate to DG International Security and Environment (DG ISE). I am responsible to the Secretary of State as detailed in the Agency's Framework Document.

All our work contributes to our vision of being the world's best maritime safety organisation, committed to Safer Lives, Safer Ships, and Cleaner Seas. To deliver this, I am supported by three principal management groups: the MCA Board, ExCom (Executive Committee) and the Senior Executive Group (SEG).

This Governance Statement details the arrangements in place for the financial year 1 April 2017 to 31 March 2018. 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 2017-18 Business Plan are captured elsewhere in the Annual Report and Accounts.

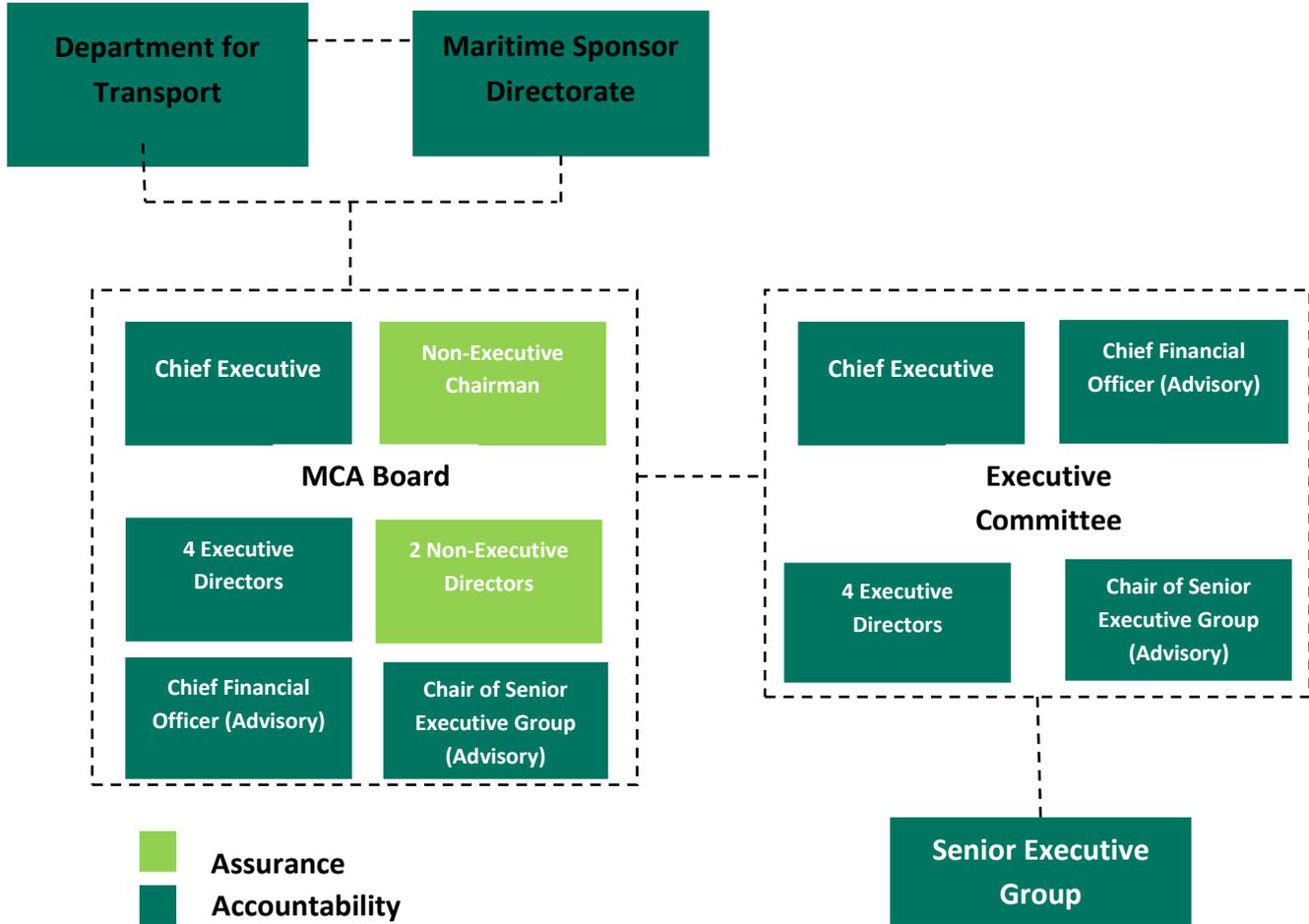
## Agency Management

I have ensured that the Agency's governance framework is designed to comply with the guidance laid down in HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice 2011. An external Governance review of compliance against the Code was not conducted within this reporting period.

The Agency's accountability to the Secretary of State for Transport is exercised through a Sponsorship Board, which meets quarterly under the chairmanship of the Director General, ISE. A representative of the Scottish Government attends this Board to contribute on strategic issues of specific relevance to Scotland. Internally, the MCA is managed by its Board and an Executive Committee. The MCA Board is chaired by the Non-Executive Chairman and has both strategic and business oversight responsibilities supported by the Executive Committee (ExCom) and the Senior Executive Group (SEG). ExCom meets monthly to make decisions on strategic issues largely, but not solely, based on advice from SEG. Directors may also directly raise issues emanating from their own Management Boards. SEG meets monthly to make operational decisions and provide advice to the Executive Committee on matters of risk, compliance and governance. The People Committee is charged by the MCA Board to take forward cross-Agency initiatives relating to the engagement, motivation, wellbeing and effective management of the MCA's people.

In terms of information assurance and data control, the Security Working Group is a monthly board and is chaired by the Senior Information Risk Owner (SIRO). The SIRO is responsible for assuring the maintenance of a culture of good information management and continuous review of the effectiveness of extant security policy. The SIRO is charged with the application of security controls to mitigate risks to our core IT assets, which include, data, information, equipment, people, premises, third parties and technology.

The precise governance relationships and arrangements between these groupings continues to evolve in light of practical experience during the course of the 2017-2018 reporting year. The Agency's high level management structure is set out below:



## Board membership and attendance

| Board Member     | Title                                           | No. of meetings attended |
|------------------|-------------------------------------------------|--------------------------|
| Michael Parker   | Non-Executive Chairman                          | 11/11                    |
| Sir Alan Massey  | Chief Executive Officer                         | 11/11                    |
| Richard Parkes   | Director of Maritime Operations & HM Coastguard | 10/11                    |
| Bill Dunham      | Director of Strategy & Corporate Services       | 11/11                    |
| Katy Ware        | Director of Maritime Safety and Standards       | 9/11                     |
| Doug Barrow      | Director of UK Ship Register                    | 11/11                    |
| Alex Jablonowski | Non-Executive Director                          | 8/11                     |
| Noel Shanahan    | Non-Executive Director (from 1 June 2017)       | 9/9                      |
| Jane Jackson     | Chief Financial Officer                         | 11/11                    |
| Chris Thomas     | Chair of Senior Executive Group                 | 11/11                    |
| Kirsty Wicks     | Head of Maritime Sponsorship                    | 10/11                    |

## Risk Management and Governance

I am responsible for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book), and the DfT Departmental Risk Policy and Guidance. Escalation processes are in place within our management structures (ExCom, SEG and Directorate boards) to identify, manage and mitigate risks appropriately. I am also supported and advised by the Audit and Risk Assurance Committee (ARAC).

### Principal Risks in 2017-18

Through 2017-18, a total of 19 risks were actively managed on the corporate risk register. Key risks relating to the Agency's major change programmes are:

**Data as an asset** – Our ability to enable the efficient discharge of our operational and administrative obligations and to provide digital services to our customers is highly dependent on convenient, secure and quick access to information. Failure to deliver programmes such as Knowledge Information Management (KIM) and Cloud Transformation (CTP) would put at risk the implementation of large scale transformation programmes including S&ITP and Smarter Working. Failure to adequately deliver the Vessel Registration (Waves), Seafarer (SDS) and Doctors (ADIS) projects would impact on modern standards and expectations of customer service.

**Survey and Inspection Transformation Programme (SITP)** - Following the overwhelming vote to accept revised terms and conditions for Marine Surveyors, all existing MCA Marine Surveyors have been offered roles in the new organisation and moved onto the new terms and conditions that include 7-day working and UK-wide deployability. The new contractual terms and conditions, supported by a commensurately more attractive remuneration package, will mitigate the risk of business failure through surveyor non-availability. Highly successful recruitment campaigns this year have further mitigated the risk associated with the age demographic and potential retirement of the workforce over the next three to five years. At the same time, significant changes to surveyor training schemes and deployment regimes will enable more agile response to safety imperatives and customer demand.

**Cyber risk** – It is recognised that there is a limited ability to recognize and respond to external cyber vulnerabilities. Cyber threat capability and the sophistication of delivery means that there is an inherent risk that the agency, its networks and assets are susceptible to external threats. Compromise could impact the confidentiality, integrity and availability of systems, assets and information including that which is necessary to deliver critical coastguard operations, publicly accessible services. Compromise may also have an impact on the agency's obligation to fulfil legislative obligation and impede on business as usual operations. To reduce likelihood of the risk occurring the MCA seeks continued board level support for security policy, development of a risk focused information security management system underpinned by the ISO27001:2013 standard, consistent approach to security awareness and training. Programmes of change to mitigate risk include ISO27001:2013 development and certification, deployment of protective monitoring and cyber threat analysis, and deployment of network vulnerability management systems and processes.

## Priority Concerns in 2017-18

As Accounting Officer, I consider the concerns listed below to be the Agency's higher priority concerns:

**National Radio Service** – The existing radio network infrastructure that links our 155 remote radio sites to the HMCG Operations Centres needs to be replaced; given that the analogue BT Kilostream product that underpins the existing network is being withdrawn from the market in March 2020. This, along with other elements of MCA's IT infrastructure, is a vital part of the national SAR coordination network that enables HM Coastguard to fulfil its role as a Category One Responder (Maritime) along with the Police, Fire and Ambulance services. The programme to replace this core component of Critical National Infrastructure requires substantial new funding and is essential to the continued resilient provision of the MCA's emergency response capability.

**Failure of UK to meet Port State Control (PSC) Directive** – Failure to meet PSC Directive requirements would risk the UK's being infracted by the EU and could compromise the safety of shipping. The improved availability and capability of MCA surveyors envisaged under the S&ITP programme addresses this major risk

During the year it became evident that the agency needed to strengthen its programme, project and portfolio management activities to support the growing digital requirements of our operational business. ICT developments are expanding radically, with ever increasing demands on resources and capability. The Board agreed to establish a Portfolio Management Office, and this will be in place during 2018-19

## Audit and Risk Assurance Committee

I seek 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 two Non-Executive Directors, one of whom is appointed as Chair, and the Non-Executive Chairman, and meets quarterly, which I attend, and with the Chief Financial Officer in attendance.

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

- External surveillance visit findings
- Internal audit programmes and findings
- The submission of the Agency's Management Assurance return to DfT

Attendance by ARAC members in 2017-18 was as follows:

| Committee Member                               | No. of meetings attended |
|------------------------------------------------|--------------------------|
| Alex Jablonowski (Chair of the ARAC)           | 4 of 4                   |
| Michael Parker                                 | 4 of 4                   |
| Noel Shanahan (from 1 <sup>st</sup> June 2017) | 3 of 3                   |

## Fraud, Bribery and Whistleblowing

The Agency is committed to reducing the incidence of fraud. When identified, investigations are carried out and lessons extracted to strengthen the control environment and reduce the likelihood of recurrence. Fraud, bribery and whistleblowing are discussed at ARAC biannually.

## Internal and External Audit

Our Quality Management System is externally certified, by SGS, to the international ISO 9001:2015 standard, and the requirements of the Standard are applied to all business processes and activities. Transition to the ISO 9001:2015 standard commenced in 2016-2017 and continued throughout the 2017-2018 financial year. In February 2018 the Agency, (with the agreed exception of HMCG), successfully transitioned to ISO 9001:2015 standard. The new standard places greater emphasis on leadership engagement and the use of a more structured approach to address the Agency's risks and opportunities.

The Agency's annual Internal Quality Audit (IQA) programme supports its continuing certification to ISO 9001. In order to maintain its certification during the course of 2017-18, the Agency was required to address major non-conformities in the areas listed below:

- Management effectiveness – reporting and communicating;
- Control of documents;
- Training and Competence; and
- Equipment checks.

The IQA programme is based upon the analysis of risks and other factors identified by Directors and developed in collaboration with DfT's Government Internal Audit Agency (GIAA) team. It is approved by the Agency's Management Boards and ARAC.

DfT 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 ARAC and EB identify as key risks. Cyber Security is a key risk area for the Agency and an action plan is now in place to implement recommendations from the GIAA Cyber Security audit. The outcome for the 2017-18 programme identified that 90% of audits received an overall 'moderate' opinion or above.

The GIAA Group Chief Internal Auditor 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. Although GIAA have given the Agency the same assurance rating as 2016-17, GIAA consider that the 2017-18 opinion reflects a stronger control environment with evidence of significant improvement over a number of areas.

The MCA Board, SEG and local Management Boards monitor progress on management actions agreed for internal and external audits at their monthly meetings. Progress is also monitored by ARAC at its quarterly meetings.

## External Partners

The Agency's key relationships include those with: our safety partners (RNLI, RYA and other rescue and governing organisations); the maritime industries; other government departments (MOD, BEIS, DEFRA, DExEU, DIT, FCO, Home Office, HMT, Cabinet Office, Transport Scotland); and our parent department, the DfT.

## Health and Safety

The Agency published a revised Health & Safety (H&S) strategy on 28<sup>th</sup> February 2017 and has made good progress this year in continuously improving H&S standards across the business. GIAA conducted an audit of the Agency's implementation of the H&S strategy in December 2017 which concluded with a 'substantial' rating for the Agency. This was reflective of how well H&S has been embedded into Directorates' business and embraced by management. To keep up this momentum, H&S plans/objectives have been included in the evolving Directorate 5-year strategic implementation plans.

H&S papers are produced each month for the MCA Board, SEG and Directorate Management Board Meetings. Proactive actions arising from these meetings and the quarterly National H&S meetings have led to significant enhancements to the Agency's safety culture. Notable improvements have included building safety management; refinement of HMCG safe operating practices; updated licensing for the collection and storage of time-expired and operational pyrotechnics, and the training of a large pool of staff in accident root-cause analysis.

RIDDOR and general accident rates for staff and volunteers have shown a downward trend over the last year. Lessons identified from accidents and near-misses are discussed at HQ and local management meetings, and summaries are anonymised and published for the benefit of all staff and volunteers.

The long-term trend in days lost due to stress-related illness has reduced although a recent upward trend has focused the MCA Board and People Committee attention on reviewing the root causes of stress and identifying successful line management interventions. Allied to this has been a greater emphasis on staff wellbeing in the Agency, addressing both workplace and lifestyle factors. Examples of successful 'health' initiatives include the appointment of a

Wellbeing & Inclusion Manager; Wellbeing and Inclusion weeks (September 2017); the mental health first aid courses; mental health 'buddy' network in operation; and implementation of working-time monitoring via Agresso Business World (ABW).

Performance review of the Agency's H&S management system is now firmly embedded in the internal audit programme, with this year's focus being primarily on estates management by both HQ and local management. SEG have agreed that different H&S themes will be included for each quarter of the 2018-19 internal audit programme. This will permit a 'deep dive' into topical or newly implemented H&S policies and procedures.

## **Information Assurance and Data Handling**

As mandated by the Cabinet Office the MCA has appointed Information Asset Owners (IAO) to manage and protect business-critical operational and information assets. IAOs continue to have a responsibility on behalf of the Accounting Officer to understand what information is held and how it is used, and for reviewing risks to the confidentiality, integrity and availability of their information assets, including those in their delivery chain. At each financial year end Information Assurance Branch (IA) assess MCA practices against the HMG Security Policy Framework and its expected security outcomes by means of a Departmental Security Health Check for DfT.

The IA branch managed all areas of information legislation on behalf of SIRO and was central to the planned implementation of changes which supports the EU General Data Protection Regulation at pre-and post-implementation in May 2018. Main areas of security strategy incorporate:

- Development of security policy against the updated ISO standard 27001:2013. Moving to full implementation of this security policy will continue as part of business as usual;
- Assurance of obligations under the Centre for the Protection of National Infrastructure (CPNI) 'Emergency Services' sector and ensuring the confidentiality, integrity and operational availability of CNI related infrastructure, data centres and associated information assets, networks;
- Scoping and conduction IT Security Health Checks by external providers as approved by the National Cyber Security Centre. These health checks provide assurance that our systems are protected from unauthorised access or change and that significant weaknesses to our infrastructure, and our data, are identified and remediated;
- The support of programmes of system/service refresh/change, including the decommissioning of legacy hardware and ensuring replacements apply the right level of technical security to preserve the confidentiality, integrity and availability of the system, and data. Furthermore, IA ensures suppliers maintain and align development to commercial security best practice and UK Government guidelines;
- The holistic management of people from onboarding activities, i.e. assuring the application of National Security Vetting where necessary for individuals (staff and contractors) in trusted positions and subsequent annual aftercare, to reinforcing security responsibilities through consistent awareness and education, through proactive strategy and/or as a reaction to actual and or perceived threats.
- Management of cyber vulnerabilities by engaging with ICT to track, manage and remediate vulnerabilities that could affect MCA infrastructure and data.
- Application of physical security controls at manned sites as a result of physical security risk assessments which are actioned on a rolling annual basis and/or when changes to the physical asset estate occur.

- Ensure safe data sharing and that partnering initiatives are understood and supported by documented memorandums of understanding.

## **Management Assurance**

The DfT Resource & Strategy Group made a number of changes to the Management Assurance process and statements in the 2017-18 returns. The information reported in the Management Assurance return was thoroughly scrutinised by the MCA Board, ARAC and SEG.

The Agency's system of internal controls is monitored in accordance with DfT guidance and are regularly reviewed by the MCA Board, ARAC and SEG. Where weaknesses have been identified, action plans to improve control mechanisms have been established.

The Non-Executive Directors have been involved in MCA Board meetings throughout 2017-18, and based on this exposure to the Agency, and having received management and other assurances, the Audit and Risk Assurance Committee approve the content of this Governance Statement and endorse the Head of Internal Audit opinion.

The assurance process enables me as Accounting Officer to draw confidence and provide a 'substantial' assurance on the effectiveness of risk management, governance and control processes throughout 2017-18.

**Sir Alan Massey**

**Chief Executive**

# Remuneration and Staff Report

## Remuneration policy

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

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

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

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

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

Executive Directors of the MCA who are Senior Civil Servants may be on fixed term contracts, including the MCA Chief Executive. The contracts may provide for the individual to receive standard Senior Civil Service (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 the Non-Executive Chairman and Non-Executive Directors are negotiated under the terms of their appointment, as approved by the Department for Transport and the MCA Chief Executive respectively.

## 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 or were open-ended, with the exception of 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](http://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                                                        | 2017-18       |                       |                                      |                       | 2016-17       |                       |                        |                       |
|------------------------------------------------------------------|---------------|-----------------------|--------------------------------------|-----------------------|---------------|-----------------------|------------------------|-----------------------|
|                                                                  | Salary (£000) | Bonus payments (£000) | Pension benefits <sup>1</sup> (£000) | Total benefits (£000) | Salary (£000) | Bonus payments (£000) | Pension benefit (£000) | Total benefits (£000) |
| <b>Sir Alan Massey</b> <i>Chief Executive</i>                    | 120-125       | 0                     | 47                                   | 165-170               | 115-120       | -                     | 46                     | 165-170               |
| <b>Richard Parkes</b> <i>Director</i>                            | 85-90         | 25-30                 | 11                                   | 120-125               | 85-90         | 20-25                 | 88                     | 195-200               |
| <b>Bill Dunham</b> <i>Director</i>                               | 90-95         | 0                     | 36                                   | 125-130               | 90-95         | -                     | 35                     | 125-130               |
| <b>Katy Ware</b> <i>Director</i>                                 | 80-85         | 0-5                   | 32                                   | 115-120               | 80-85         | -                     | 91                     | 170-175               |
| <b>Richard Pellew</b> <sup>2</sup> <i>Acting Director</i>        | -             | -                     | -                                    | -                     | 45-50         | -                     | 87                     | 130-135               |
| (Full year equivalent)                                           | -             | -                     | -                                    | -                     | 65-70         | -                     | -                      | -                     |
| <b>Doug Barrow</b> <sup>3</sup> <i>Director</i>                  | 110-115       | 0                     | 45                                   | 155-160               | -             | -                     | -                      | -                     |
| (Full year equivalent)                                           | 115-120       | 0                     | 45                                   | 160-165               | -             | -                     | -                      | -                     |
| <b>Simon Barham</b> <sup>4</sup> <i>Director</i>                 | -             | -                     | -                                    | -                     | 35-40         | -                     | 12                     | 45-50                 |
| (Full year equivalent)                                           | -             | -                     | -                                    | -                     | 85-90         | -                     | -                      | -                     |
| <b>Jane Jackson</b> <i>Chief Financial Officer</i>               | 75-80         | 0-5                   | 13                                   | 90-95                 | 70-75         | 0-5                   | 20                     | 95-100                |
| <b>Chris Thomas</b> <i>Chair SEG</i>                             | 75-80         | 0-5                   | 11                                   | 90-95                 | 75-80         | 0-5                   | 14                     | 90-95                 |
| <b>Michael Parker</b> <sup>5</sup> <i>Non-Executive Chairman</i> | 50-55         | 0                     | N/A                                  | 50-55                 | 5-10          | -                     | -                      | 5-10                  |
| <b>David Snelson</b> <sup>6</sup> <i>Non-Executive Director</i>  | -             | -                     | -                                    | -                     | 10-15         | -                     | N/A                    | 10-15                 |
| <b>Alex Jablonowski</b> <i>Non-Executive Director</i>            | 10-15         | 0                     | N/A                                  | 10-15                 | 10-15         | -                     | N/A                    | 10-15                 |
| <b>Noel Shanahan</b> <sup>7</sup> <i>Non-Executive Director</i>  | 5-10          | 0                     | N/A                                  | 5-10                  | -             | -                     | -                      | -                     |
| (Full year equivalent)                                           | 10-15         | 0                     | N/A                                  | 10-15                 | -             | -                     | -                      | -                     |

<sup>1</sup> 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.

<sup>2</sup> Richard Pellew was appointed Acting Director on 1 August 2016 and served until 31 March 2017.

<sup>3</sup> Doug Barrow was appointed Director on 10 April 2017.

<sup>4</sup> Simon Barham was appointed Director from 1 March 2016 and left the MCA on 29 July 2016.

<sup>5</sup> Michael Parker was appointed Non-Executive Chairman on 1 January 2017 to serve until 31 December 2019.

<sup>6</sup> David Snelson left the MCA on 31 December 2016.

<sup>7</sup> Noel Shanahan was appointed Non-Executive Director on 26 June 2017 to serve until 25 June 2020.

## 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. There were no benefits in kind paid to any directors in 2017-18 or 2016-17.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2017-18 relate to performance in 2016-17 and the comparative bonuses reported for 2016-17 relate to performance in 2015-16.

## Pension Benefits

The pension details of members of the 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 31/3/18 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 31/3/18                             | At 31/3/17 |                       |
|                                             | £000                                                              | £000                                                         | £000                                   | £000       | £000                  |
| Sir Alan Massey <i>Chief Executive</i>      | 20-25                                                             | 2.5-5                                                        | 370                                    | 325        | 40                    |
| Richard Parkes <i>Director</i>              | 30-35                                                             | 0-2.5                                                        | 686                                    | 633        | 10                    |
| Bill Dunham <i>Director</i>                 | 5-10                                                              | 0-2.5                                                        | 85                                     | 55         | 22                    |
| Doug Barrow <i>Director</i>                 | 0-5                                                               | 2.5-5                                                        | -                                      | N/A        | (9)                   |
| Katy Ware <i>Director</i>                   | 25-30                                                             | 0-2.5                                                        | 333                                    | 299        | 12                    |
| Jane Jackson <i>Chief Financial Officer</i> | 30-35 plus 35-40 lump sum                                         | 0-2.5                                                        | 543                                    | 508        | 2                     |
| Chris Thomas <i>Chair SEG</i>               | 15-20 plus 45-50 lump sum                                         | 0-2.5 plus 0-2.5 lump sum                                    | 343                                    | 309        | 10                    |

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website <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.

## Pay multiples

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

The banded remuneration of the highest paid executive board member in the Agency in the financial year 2017-18 was £120,000-125,000 (2016-17: £115,000-120,000). This was 3.9 times (2016-17, 3.8) the median remuneration of the workforce, which was £31,110 (2016-17, £31,272). An increase in the highest paid director's remuneration has slightly increased the ratio from 3.83 to 3.89 for 2017-18.

In 2017-18, no employee (2016-17: no employee) received remuneration greater than the highest-paid director's remuneration. Remuneration ranged from £16,684 to £121,116 (2016-17: £17,275 to £119,917). 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.

## Staff costs (audited)

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

|                         | Permanently<br>employed<br>staff | Others     | 2017-18       | 2016-17       |
|-------------------------|----------------------------------|------------|---------------|---------------|
|                         | £000                             | £000       | £000          | £000          |
| Wages and salaries      | 38,802                           | 671        | 39,473        | 37,120        |
| Social security costs   | 4,483                            | -          | 4,483         | 3,786         |
| Other pension costs     | 7,331                            | -          | 7,331         | 7,228         |
| <b>Total net costs</b>  | <b>50,616</b>                    | <b>671</b> | <b>51,287</b> | <b>48,134</b> |
| Staff costs expensed    |                                  |            | 51,149        | 47,950        |
| Staff costs capitalised |                                  |            | 138           | 184           |

## 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 2017-18, employer contributions of £7,356,456 were payable to the PCSPS (2016-17 restated: £7,087,436) at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. For 2017-18, 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 2017-18 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 £104,465 (2016-17 restated: £92,427) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.5% 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 (2016-17: None).

Contributions due to the partnership pension providers at the balance sheet date were £8,324 (2016-17 restated: £9,687). Contributions prepaid at that date were £Nil.

## Staff numbers (audited)

|                                     | Permanently employed staff | Others     | 31 March 2018 | 31 March 2017 |
|-------------------------------------|----------------------------|------------|---------------|---------------|
| Direct service delivery and support | 804                        | 24         | 828           | 817           |
| Corporate support                   | 202                        | 24         | 226           | 205           |
| Board members                       | 5                          | -          | 5             | 5             |
| Directly employed                   | 1,011                      | 48         | 1,059         | 1,027         |
| Others – temporary                  |                            | 60         | 60            | 23            |
| <b>Total</b>                        | <b>1,011</b>               | <b>108</b> | <b>1,119</b>  | <b>1,050</b>  |

There were no early retirements in the year caused by ill health (2016-17: None). 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 2018 were:

|                                        | Male       | Female     | 2017-18      |
|----------------------------------------|------------|------------|--------------|
| Senior Civil Service – Band 2          | 1          | -          | 1            |
| Senior Civil Service – Band 1          | 3          | 2          | 5            |
| Board members and Senior Civil Service | 4          | 2          | 6            |
| All other employees                    | 693        | 360        | 1,053        |
| <b>Total</b>                           | <b>697</b> | <b>362</b> | <b>1,059</b> |

## Sickness absence data

|                                                   | 2017-18  | 2016-17  |
|---------------------------------------------------|----------|----------|
| Working days taken as sickness absence            | 7,003.27 | 5,850.63 |
| Average number of days lost per employee per year | 6.81     | 5.95     |

## Staff policies for disabled persons applied during the financial year

As an Equal Opportunities employer, the Maritime and Coastguard Agency actively encourages applications from people with disabilities. Where such individual candidates can demonstrate that they meet the essential requirements of the role the MCA will guarantee them an interview under the Guarantee Interview 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 2017-18 was £94,000 (2016-17 Restated: £168,000).

## Off-payroll engagements

Engagements costing the Agency more than £245 per day and lasting more than six months were:

|                                                    | <b>2017-18</b> |
|----------------------------------------------------|----------------|
| Number of existing engagements as of 31 March 2018 | 44             |
| <b>Length of existing engagements</b>              |                |
| Less than one year at time of reporting            | 16             |
| Between one and two years at time of reporting     | 24             |
| Between two and three years at time of reporting   | 3              |
| 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.

|                                                                                                                         | <b>2017-18</b> |
|-------------------------------------------------------------------------------------------------------------------------|----------------|
| New engagements or those reaching six months in duration                                                                | 12             |
| Number of these engagements which were:                                                                                 |                |
| Assessed as caught by IR35                                                                                              | -              |
| Assessed as not caught by IR35                                                                                          | 12             |
| Engaged directly (via PSC contracted to agency) and are on the Agency payroll.                                          | -              |
| Reassessed for consistency /assurance purposes during the year from whom assurance has been requested but not received. | -              |
| Required a change to IR35 status following a consistency review.                                                        | -              |

## Facility Time Publication Requirements

Disclosures required under the Trade Union (Facility Time Publication Requirements) Regulations 2017 which came into force on 1 April 2017 are shown in the table below, as reported to DfT on 23 April 2018.

|                                                                                                                          |                      |
|--------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Relevant Union Officials</b>                                                                                          |                      |
| Number of employees who were relevant union officials during the relevant period                                         | 20                   |
| Full-time equivalent employee number                                                                                     | 1048                 |
| <b>Percentage of time spent on facility time</b>                                                                         | Number of employees: |
| 1-50%                                                                                                                    | 20                   |
| <b>Percentage of pay bill spent on facility time</b>                                                                     |                      |
| Total cost of facility time                                                                                              | £7,629               |
| Total pay bill                                                                                                           | £49,638,809          |
| Percentage of the total pay bill spent on facility time                                                                  | 0.02%                |
| <b>Paid trade union activities</b>                                                                                       |                      |
| Time spent on paid trade union activities as a percentage of total paid facility time hours (no paid activities in year) | 0%                   |

## Exit packages (audited)

| Exit package cost band               | Number of compulsory redundancies |         | Number of other departures agreed |         | Total number of exit packages by cost band |         |
|--------------------------------------|-----------------------------------|---------|-----------------------------------|---------|--------------------------------------------|---------|
|                                      | 2017-18                           | 2016-17 | 2017-18                           | 2016-17 | 2017-18                                    | 2016-17 |
| <£10,000                             | -                                 | -       | 3                                 | 3       | 3                                          | 3       |
| £10,000 - £25,000                    | -                                 | -       | -                                 | 12      | -                                          | 12      |
| £25,000 - £50,000                    | -                                 | -       | -                                 | 9       | -                                          | 9       |
| £50,000 - £100,000                   | -                                 | -       | -                                 | 2       | -                                          | 2       |
| £100,000 - £150,000                  | -                                 | -       | -                                 | -       | -                                          | -       |
| £150,000 - £200,000                  | -                                 | -       | -                                 | -       | -                                          | -       |
| <b>Total number of exit packages</b> | -                                 | -       | 3                                 | 26      | 3                                          | 26      |
| <b>Total resource cost (£)</b>       | -                                 | -       | 23,556                            | 581,039 | 23,556                                     | 581,039 |

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)

## Remote 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 likelihood of any liability arising is deemed possible but remote and any such claims will be defended against vigorously. The total of such claims at 31 March 2018 has been estimated to be £1,500,000 (2016-17: £Nil).

## Losses and special payments

The Agency made ex-gratia or injury compensation special payments in 2017-18 amounting to £373,000 (2016-17: Surveyor workforce bonuses £648,000). These payments arose from 8 cases and the highest payment made was £231,000. No other losses or special payments or gifts over £300,000 were incurred or made (2016-17: None).

## Fees and Charges

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

|                                           | 2017-18      |              |            | 2016-17      |              |            |
|-------------------------------------------|--------------|--------------|------------|--------------|--------------|------------|
|                                           | Income       | Expense      | Net        | Income       | Expense      | Net        |
|                                           | £000         | £000         | £000       | £000         | £000         | £000       |
| <b>Statutory services</b>                 |              |              |            |              |              |            |
| Marine surveys                            | 4,416        | 4,066        | 350        | 4,906        | 4,591        | 315        |
| Registration of ships                     | 1,066        | 827          | 239        | 936          | 704          | 232        |
| Seafarers' examinations and certification | 2,385        | 2,175        | 210        | 2,827        | 2,584        | 243        |
| Other statutory services                  | 223          | 97           | 126        | 357          | 156          | 201        |
| <b>Total</b>                              | <b>8,090</b> | <b>7,165</b> | <b>925</b> | <b>9,026</b> | <b>8,035</b> | <b>991</b> |

The financial objective of each service is full recovery of service costs in accordance with HM Treasury's 'Managing Public Money'. The above table shows direct income and expenditure and excludes the allocation of overheads to activity.

**Sir Alan Massey**

**Chief Executive**

**10 July 2018**

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the financial statements of the Maritime and Coastguard Agency for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

### In my opinion:

- the financial statements give a true and fair view of the state of the Maritime and Coastguard Agency's affairs as at 31 March 2018 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 regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Maritime and Coastguard Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Maritime and Coastguard Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Maritime and Coastguard Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.

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

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse****17 July 2018****Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP



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# Financial statements

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# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2018

|                                                                    |      | 2017-18         | 2016-17         |
|--------------------------------------------------------------------|------|-----------------|-----------------|
|                                                                    | Note | £000            | £000            |
| Income from sale of goods and services                             | [3]  | (11,625)        | (11,849)        |
| Other operating income                                             | [3]  | (2,710)         | (1,194)         |
| <b>Total operating income</b>                                      |      | <b>(14,335)</b> | <b>(13,043)</b> |
| Staff Costs                                                        | [2]  | 51,149          | 47,950          |
| Purchase of goods and services                                     | [2]  | 283,540         | 267,509         |
| Depreciation and impairment charges                                | [2]  | 9,016           | 10,374          |
| Provision expense                                                  | [2]  | 93              | (386)           |
| Other operating expenditure                                        | [2]  | (1,032)         | (38)            |
| <b>Total operating expenditure</b>                                 |      | <b>342,766</b>  | <b>325,409</b>  |
| <b>Net operating expenditure for the year</b>                      |      | <b>328,431</b>  | <b>312,366</b>  |
| <b>Other comprehensive net expenditure</b>                         |      |                 |                 |
| Items which will not be reclassified to net operating expenditure: |      |                 |                 |
| <b>Net (gain)/loss on:</b>                                         |      |                 |                 |
| Revaluation of property, plant and equipment                       |      | (1,811)         | 601             |
| Revaluation of intangible assets                                   |      | 49              | (61)            |
| Revaluation of inventories                                         |      | (183)           | (358)           |
| <b>Total net revaluation gains and losses</b>                      |      | <b>(1,945)</b>  | <b>182</b>      |
| <b>Comprehensive net expenditure for the year</b>                  |      | <b>326,486</b>  | <b>312,548</b>  |

The notes on pages 66 to 81 form part of these accounts.

# Statement of Financial Position

as at 31 March 2018

|                                              | Note | 31 March 2018 |                 | 31 March 2017 |                 |
|----------------------------------------------|------|---------------|-----------------|---------------|-----------------|
|                                              |      | £000          | £000            | £000          | £000            |
| <b>Non-current assets</b>                    |      |               |                 |               |                 |
| Property, plant and equipment                | [5]  | 86,534        |                 | 81,928        |                 |
| Intangible assets                            | [6]  | 15,272        |                 | 9,487         |                 |
| Inventories                                  | [8]  | 4,351         |                 | 4,168         |                 |
| Trade and other receivables                  | [10] | 76            |                 | 54            |                 |
| <b>Total non-current assets</b>              |      |               | <b>106,233</b>  |               | <b>95,637</b>   |
| <b>Current assets</b>                        |      |               |                 |               |                 |
| Assets classified as held for sale           | [9]  | 979           |                 | -             |                 |
| Trade and other receivables                  | [10] | 10,212        |                 | 7,247         |                 |
| Cash and cash equivalents                    | [11] | 335           |                 | 4,072         |                 |
| <b>Total current assets</b>                  |      |               | <b>11,526</b>   |               | <b>11,319</b>   |
| <b>Total assets</b>                          |      |               | <b>117,759</b>  |               | <b>106,956</b>  |
| <b>Current liabilities</b>                   |      |               |                 |               |                 |
| Trade and other payables                     | [12] | (50,615)      |                 | (51,614)      |                 |
| Provisions                                   | [13] | (1,020)       |                 | (1,266)       |                 |
| <b>Total current liabilities</b>             |      |               | <b>(51,635)</b> |               | <b>(52,880)</b> |
| <b>Total assets less current liabilities</b> |      |               | <b>66,124</b>   |               | <b>54,076</b>   |
| <b>Non-current liabilities</b>               |      |               |                 |               |                 |
| Other payables                               | [12] | (212)         |                 | (374)         |                 |
| Provisions                                   | [13] | (1,598)       |                 | (1,719)       |                 |
| <b>Total non-current liabilities</b>         |      |               | <b>(1,810)</b>  |               | <b>(2,093)</b>  |
| <b>Total assets less total liabilities</b>   |      |               | <b>64,314</b>   |               | <b>51,983</b>   |
| <b>Taxpayers' equity and other reserves</b>  |      |               |                 |               |                 |
| General fund                                 |      | 48,999        |                 | 37,441        |                 |
| Revaluation reserve                          |      | 15,315        |                 | 14,542        |                 |
| <b>Total equity</b>                          |      |               | <b>64,314</b>   |               | <b>51,983</b>   |

The notes on pages 66 to 81 form part of these accounts.

**Sir Alan Massey**  
**Chief Executive**  
**10 July 2018**

# Statement of Cash Flows

for the year ended 31 March 2018

|                                                                                                                                                | Note | 2017-18<br>£000  | 2016-17<br>£000  |
|------------------------------------------------------------------------------------------------------------------------------------------------|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                                                                                    |      |                  |                  |
| Net expenditure for the year                                                                                                                   |      | (328,431)        | (312,366)        |
| Adjustments for non-cash transactions                                                                                                          | [2]  | 8,157            | 10,022           |
| (Increase)/decrease in inventories                                                                                                             | [8]  | (183)            | (358)            |
| less movements in inventories relating to items not passing through the Statement of Comprehensive Net Expenditure                             |      | 183              | 358              |
| (Increase)/decrease in trade & other receivables                                                                                               | [10] | (2,987)          | 1,248            |
| less movements in trade and other receivables relating to items not passing through the Statement of Comprehensive Net Expenditure             |      | 842              | 60               |
| Increase in trade and other liabilities                                                                                                        | [12] | (1,161)          | 2,883            |
| less movements in trade and other liabilities relating to items not passing through the Statement of Comprehensive Net Expenditure             |      | (1,344)          | (7,768)          |
| Use of provisions                                                                                                                              | [13] | (343)            | (215)            |
| <b>Net cash outflow from operating activities</b>                                                                                              |      | <b>(325,267)</b> | <b>(306,136)</b> |
| <b>Cash flows from investing activities</b>                                                                                                    |      |                  |                  |
| Purchase of property, plant and equipment                                                                                                      |      | (11,845)         | (7,571)          |
| Purchase of intangible assets                                                                                                                  |      | (3,088)          | (3,910)          |
| Proceeds of disposals of property, plant and equipment                                                                                         |      | 1,490            | 38               |
| <b>Net cash outflow from investing activities</b>                                                                                              |      | <b>(13,443)</b>  | <b>(11,443)</b>  |
| <b>Cash flows from financing activities</b>                                                                                                    |      |                  |                  |
| Current year consolidated fund (supply)                                                                                                        |      | 335,000          | 321,000          |
| Capital element of finance lease payments                                                                                                      |      | (27)             | (27)             |
| <b>Net financing</b>                                                                                                                           |      | <b>334,973</b>   | <b>320,973</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b> |      |                  |                  |
| Receipts due to the Consolidated Fund                                                                                                          |      | -                | -                |
| Payment of amounts due to the Consolidated Fund                                                                                                |      | -                | (608)            |
| <b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>  |      | <b>(3,737)</b>   | <b>2,786</b>     |
| <b>Cash and cash equivalents at the beginning of the period</b>                                                                                | [11] | <b>4,072</b>     | <b>1,286</b>     |
| <b>Cash and cash equivalents at the end of the period</b>                                                                                      | [11] | <b>335</b>       | <b>4,072</b>     |

The notes on pages 66 to 81 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

|                                                 | Note | General<br>Fund<br>£000 | Revaluation<br>Reserve<br>£000 | Total<br>Reserves<br>£000 |
|-------------------------------------------------|------|-------------------------|--------------------------------|---------------------------|
| <b>Balance at 1 April 2016</b>                  |      | <b>31,112</b>           | <b>15,741</b>                  | <b>46,853</b>             |
| Net Parliamentary Funding                       |      | 318,225                 | -                              | 318,225                   |
| Non-cash charges: auditor's remuneration        | [2]  | 72                      | -                              | 72                        |
| Comprehensive net expenditure for the year      |      | (312,366)               | -                              | (312,366)                 |
| Revaluation gains and losses                    |      | -                       | (182)                          | (182)                     |
| Transfers between reserves                      |      | 1,017                   | (1,017)                        | -                         |
| CFERS payable to the Consolidated Fund          |      | (619)                   | -                              | (619)                     |
| <b>Changes in taxpayers' equity for 2016-17</b> |      | <b>6,329</b>            | <b>(1,199)</b>                 | <b>5,130</b>              |
| <b>Balance at 31 March 2017</b>                 |      | <b>37,441</b>           | <b>14,542</b>                  | <b>51,983</b>             |
| Net Parliamentary Funding                       |      | 339,404                 | -                              | 339,404                   |
| Non-cash charges: auditor's remuneration        | [2]  | 80                      | -                              | 80                        |
| Comprehensive net expenditure for the year      |      | (328,431)               | -                              | (328,431)                 |
| Revaluation gains and losses                    |      | -                       | 1,945                          | 1,945                     |
| Transfers between reserves                      |      | 1,172                   | (1,172)                        | -                         |
| CFERS payable to the Consolidated Fund          |      | (667)                   | -                              | (667)                     |
| <b>Changes in taxpayers' equity for 2017-18</b> |      | <b>11,558</b>           | <b>773</b>                     | <b>12,331</b>             |
| <b>Balance at 31 March 2018</b>                 |      | <b>48,999</b>           | <b>15,315</b>                  | <b>64,314</b>             |

The notes on pages 66 to 81 form part of these accounts.

# Notes to the Agency's Accounts

## 1. Statement of significant accounting policies

### 1.01 Basis of preparation

The financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply 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 2017 to 31 March 2018 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.

### 1.02 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.

### 1.03 Adoption of new and revised standards

No new accounting standards became effective for the first time in 2017-18.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018 and have not been applied in these financial statements. The following new standards may affect future 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 for the MCA.
- IFRS 15 covers the recognition of revenues from contracts with customers. HM Treasury released an exposure draft for inclusion in the 2018-19 FReM. 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. It is expected to be included in the 2019-20 FReM. The probable impact is that there will be earlier recognition of expenditure on leases (amortisation and interest). It is not yet clear when or with what degree of adaptation this standard will be reflected in the FReM. The Agency's statement of financial position would likely be significantly affected if IFRS 16 is adopted because arrangements for helicopters used in the provision of helicopter search and rescue services and for leasing many properties may have to be recognised.

All three standards above have been endorsed by the EU to date. The full impact will not be known until these standards are adopted or adapted. The MCA does not consider that any other new or revised standard or interpretation will have a material impact.

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

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

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out every five years, 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 FReM. Revaluation indices are supplied by external property consultants.
- Plant and equipment are valued at fair value using appropriate price indices published by the Office for National Statistics (ONS).
- 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:
    - Transport Equipment 3-10 years
    - Information Technology 3-10 years
    - Furniture and Fittings 3-10 years
    - Plant and Machinery 5-10 years

## 1.05 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 valued at fair value using appropriate price indices published by the ONS. Amortisation 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.

Intellectual property rights to data which is freely available for download under Open Government Licence on government websites are not capitalised.

## 1.06 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.

## **1.07 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. As such they are deemed to be non-current assets by the FReM and are valued at net replacement cost rather than net realisable value. Revaluation surpluses are taken to the revaluation reserve.

## **1.08 Finance leased assets**

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

## **1.09 Provisions for liabilities and charges**

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

## **1.10 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits for which the Agency is unable to identify its share of underlying liabilities. The Agency therefore 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.

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

## **1.11 Early departure costs**

Additional pension costs arising from early departures are not funded by the Principal Civil Service Pension Scheme except where departure is due to ill-health. For early departures not funded by the scheme the full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure in that year, regardless of the method of payment.

The provision for early departures covers all future commitments to employees who have retired from the Agency and its forebears which will not be met from the Principal Civil Service Pension Scheme. The early departures provision also includes estimates for the staff exit packages for the S&ITP announced in March 2016 which is being implemented over three years. Provisions are disclosed at Note 13.

## **1.12 Value Added Tax**

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

## **1.13 Operating income**

Operating income relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided, on a full cost basis, to external customers. Most of the Agency's operating income is received in advance of service provision and is recognised as deferred income until the service has been provided. Income is stated after deduction of Value Added Tax.

## **1.14 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.

## **1.15 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.

## **1.16 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. Operating expenditure

|                                                                                              | 2017-18 |                | 2016-17 |                |
|----------------------------------------------------------------------------------------------|---------|----------------|---------|----------------|
|                                                                                              | £000    | £000           | £000    | £000           |
| <b>Staff costs</b>                                                                           |         |                |         |                |
| Wages and salaries                                                                           | 38,664  |                | 35,976  |                |
| Agency staff                                                                                 | 671     |                | 960     |                |
| Wages and salaries – total                                                                   | 39,335  |                | 36,936  |                |
| Social security costs                                                                        | 4,483   |                | 3,786   |                |
| Other pension costs                                                                          | 7,331   |                | 7,228   |                |
|                                                                                              |         | <b>51,149</b>  |         | <b>47,950</b>  |
| <b>Purchase of goods and services - cash</b>                                                 |         |                |         |                |
| <u>Search and rescue helicopters</u>                                                         |         |                |         |                |
| UK SAR helicopter service                                                                    | 197,247 |                | 138,374 |                |
| MCA Gap SAR-H                                                                                | 6,317   |                | 53,502  |                |
|                                                                                              |         | <b>203,564</b> |         | <b>191,876</b> |
| <u>Other goods and services</u><br><u>(including shipping industry support and services)</u> |         |                |         |                |
| Support for maritime training                                                                | 13,668  |                | 13,474  |                |
| Civil hydrographic surveys                                                                   | 5,615   |                | 7,300   |                |
| Weather bulletins and navigational warnings                                                  | 761     |                | 762     |                |
| Other shipping services                                                                      | 327     |                | 316     |                |
| Pollution response                                                                           | 3,533   |                | 2,944   |                |
| Coastguard volunteers                                                                        | 3,291   |                | 3,479   |                |
| Emergency towing vessels                                                                     | 3,589   |                | 2,741   |                |
| Subscriptions to IMO and other international bodies                                          | 1,597   |                | 1,542   |                |
| Accommodation                                                                                | 12,163  |                | 12,330  |                |
| Telecommunications                                                                           | 13,485  |                | 11,043  |                |
| IT services and supplies                                                                     | 4,689   |                | 3,845   |                |
| Travel, subsistence and hospitality                                                          | 3,975   |                | 3,946   |                |
| Other administration costs                                                                   | 4,475   |                | 4,172   |                |
| Other service costs                                                                          | 5,113   |                | 4,646   |                |
| Other staffing costs                                                                         | 2,381   |                | 1,824   |                |
| Other cash items                                                                             | 1,234   |                | 1,197   |                |
|                                                                                              |         | <b>79,896</b>  |         | <b>75,561</b>  |
| <b>Sub Total - Cash items</b>                                                                |         | <b>283,460</b> |         | <b>267,437</b> |
| <b>Non-cash items</b>                                                                        |         |                |         |                |
| <b>Depreciation and impairment charges</b>                                                   |         |                |         |                |
| Depreciation                                                                                 | 8,543   |                | 7,700   |                |
| Amortisation                                                                                 | 912     |                | 2,233   |                |
| Impairment of non-current assets                                                             | -       |                | (6)     |                |
| Net revaluation (gains)/losses                                                               | (439)   |                | 447     |                |
|                                                                                              |         | <b>9,016</b>   |         | <b>10,374</b>  |
| <b>Other operating expenditure</b>                                                           |         |                |         |                |
| Loss/(profit) on disposal of non-current assets                                              |         | (1,032)        |         | (38)           |
| <b>Purchase of goods and services</b>                                                        |         |                |         |                |
| Auditors' remuneration and expenses                                                          |         | 80             |         | 72             |
| <b>Provision expense</b>                                                                     |         |                |         |                |
| Provisions (released) provided in year                                                       | (4)     |                | (311)   |                |
| Unwinding of discount on provisions                                                          | (20)    |                | (15)    |                |
| Provision for bad/doubtful debt                                                              | 117     |                | (60)    |                |
|                                                                                              |         | <b>93</b>      |         | <b>(386)</b>   |
| <b>Total non-cash items</b>                                                                  |         | <b>8,157</b>   |         | <b>10,022</b>  |
| <b>Total other expenditure</b>                                                               |         | <b>291,617</b> |         | <b>277,459</b> |
| <b>Total operating expenditure</b>                                                           |         | <b>342,766</b> |         | <b>325,409</b> |

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

|                                | 2017-18       | 2016-17       |
|--------------------------------|---------------|---------------|
|                                | £000          | £000          |
| Search and rescue helicopters  | 55,532        | 53,595        |
| Accommodation                  | 2,716         | 2,715         |
| <b>Operating lease rentals</b> | <b>58,248</b> | <b>56,310</b> |

## SAR helicopters

MCA provides all search and rescue helicopter services in the UK. Since 1 July 2017, the MCA has provided UK-wide services from ten bases operating solely under the UK Search & Rescue Helicopter Service (UK SAR H) contract. The previous MCA Gap SAR-H contract providing services in four UK regions ended on 30 June 2017.

## Services to the shipping industry

The Agency operates the Support for Maritime Training Scheme (SMarT) for maritime officer trainees. The Agency provided funding after costs in 2017-18 of £13,668,000 (2016-17: £13,474,000).

The Agency provided further services to the shipping industry as required by Merchant Shipping Acts and international conventions costing £6,703,000 in 2017-18 (2016-17: £8,378,000).

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 data is freely available from the UKHO for download under the Open Government Licence. The MCA bears the cost of obtaining UK civil hydrographic survey data and holds the crown copyright.

## 3. Income

|                                            | 2017-18       | 2016-17       |
|--------------------------------------------|---------------|---------------|
|                                            | £000          | £000          |
| Statutory services                         | 8,090         | 9,026         |
| Operational services                       | 2,690         | 2,201         |
| Other services                             | 845           | 622           |
| Other operating income                     | 2,710         | 1,194         |
| <b>Total Income</b>                        | <b>14,335</b> | <b>13,043</b> |
| Income retained by the Agency              | 14,335        | 12,424        |
| Income to be paid to the Consolidated Fund | -             | 619           |

The Agency receives income mainly from fees and charges for the delivery of front line services (see also Fees and Charges at page 56 within the Accountability Report). The Agency provides these services 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.
- Services income is recorded only when the requested service is provided.
- Other income is recorded when the service is provided or when costs are recovered.

## 4. Operating segments

The Agency is funded by central government, its primary tasks are service driven but it does receive income from the provision of some services. The Agency's operating segments, known as Directorates, are based around the services it provides. In addition, the Office of the Chief Executive segment provides support to the CE and some centralised functions for the Agency. These are set out below and presented on the same basis as the internally reported information that is provided to the Executive Committee and MCA Board. This is in line with the requirements of IFRS 8. Each segment has a director providing representation on the MCA board.

The Directorate of 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.

The Maritime Safety and Standards segment covers delivery of survey, inspection, 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.

The UK Ship Register provides vessel registration and seafarer services. It also provides services for large yachts through Ensign, the large yacht unit of the MCA.

| Operating segment<br>2017-18          | Staff<br>costs | Other<br>operating<br>costs | Total<br>operating<br>costs | Operating<br>income | Net<br>operating<br>costs |
|---------------------------------------|----------------|-----------------------------|-----------------------------|---------------------|---------------------------|
|                                       | £000           | £000                        | £000                        | £000                | £000                      |
| Chairman and Chief Executive's Office | 1,501          | 1,068                       | 2,569                       | (163)               | 2,406                     |
| Strategy & Corporate Services         | 8,103          | 42,901                      | 51,004                      | (1,700)             | 49,304                    |
| Maritime Safety & Standards           | 15,841         | 10,937                      | 26,778                      | (5,272)             | 21,506                    |
| Maritime Operations                   | 21,675         | 221,488                     | 243,163                     | (2,790)             | 240,373                   |
| UK Ship Register                      | 4,029          | 15,223                      | 19,252                      | (4,410)             | 14,842                    |
| <b>Total costs</b>                    | <b>51,149</b>  | <b>291,617</b>              | <b>342,766</b>              | <b>(14,335)</b>     | <b>328,431</b>            |

| Operating segment<br>2016-17          | Staff<br>costs | Other<br>operating<br>costs | Total<br>operating<br>costs | Operating<br>income | Net<br>operating<br>costs |
|---------------------------------------|----------------|-----------------------------|-----------------------------|---------------------|---------------------------|
|                                       | £000           | £000                        | £000                        | £000                | £000                      |
| Chairman and Chief Executive's Office | 1,434          | 959                         | 2,393                       | (80)                | 2,313                     |
| Strategy & Corporate Services         | 7,103          | 39,771                      | 46,874                      | (859)               | 46,015                    |
| Maritime Safety & Standards           | 14,918         | 13,186                      | 28,104                      | (5,798)             | 22,306                    |
| Maritime Operations                   | 20,962         | 208,735                     | 229,697                     | (1,981)             | 227,716                   |
| UK Ship Register                      | 3,533          | 14,808                      | 18,341                      | (4,325)             | 14,016                    |
| <b>Total costs</b>                    | <b>47,950</b>  | <b>277,459</b>              | <b>325,409</b>              | <b>(13,043)</b>     | <b>312,366</b>            |

## 5. Property, plant and equipment

2017-18

|                            | Land         | Buildings     | Transport Equipment | Information Technology | Furniture and fittings | Plant and Machinery | Assets in the course of construction | Total          |
|----------------------------|--------------|---------------|---------------------|------------------------|------------------------|---------------------|--------------------------------------|----------------|
|                            | £000         | £000          | £000                | £000                   | £000                   | £000                | £000                                 | £000           |
| <b>Cost or Valuation</b>   |              |               |                     |                        |                        |                     |                                      |                |
| As at 1 April 2017         | 5,444        | 82,417        | 14,763              | 37,203                 | 1,981                  | 4,834               | 4,371                                | 151,013        |
| Additions                  | -            | 2,538         | 780                 | 3,558                  | 168                    | 279                 | 5,024                                | 12,347         |
| Disposals                  | (81)         | (3,856)       | (1,341)             | -                      | -                      | -                   | -                                    | (5,278)        |
| Reclassification           | (320)        | (350)         | 681                 | 1,146                  | 70                     | 1,137               | (3,966)                              | (1,602)        |
| Revaluations               | 213          | 3,019         | 426                 | 355                    | 12                     | 66                  | -                                    | 4,091          |
| <b>As at 31 March 2018</b> | <b>5,256</b> | <b>83,768</b> | <b>15,309</b>       | <b>42,262</b>          | <b>2,231</b>           | <b>6,316</b>        | <b>5,429</b>                         | <b>160,571</b> |
| <b>Depreciation</b>        |              |               |                     |                        |                        |                     |                                      |                |
| As at 1 April 2017         | -            | 38,041        | 10,565              | 17,404                 | 412                    | 2,663               | -                                    | 69,085         |
| Charge in year             | -            | 2,493         | 708                 | 4,624                  | 216                    | 502                 | -                                    | 8,543          |
| Disposals                  | -            | (3,480)       | (1,341)             | -                      | -                      | -                   | -                                    | (4,821)        |
| Reclassification           | -            | (589)         | -                   | -                      | -                      | -                   | -                                    | (589)          |
| Revaluations               | -            | 1,392         | 254                 | 135                    | 3                      | 35                  | -                                    | 1,819          |
| <b>As at 31 March 2018</b> | <b>-</b>     | <b>37,857</b> | <b>10,186</b>       | <b>22,163</b>          | <b>631</b>             | <b>3,200</b>        | <b>-</b>                             | <b>74,037</b>  |
| <b>Net Book Value</b>      |              |               |                     |                        |                        |                     |                                      |                |
| As at 1 April 2017         | 5,444        | 44,376        | 4,198               | 19,799                 | 1,569                  | 2,171               | 4,371                                | 81,928         |
| <b>As at 31 March 2018</b> | <b>5,256</b> | <b>45,911</b> | <b>5,123</b>        | <b>20,099</b>          | <b>1,600</b>           | <b>3,116</b>        | <b>5,429</b>                         | <b>86,534</b>  |
| <b>Asset Financing</b>     |              |               |                     |                        |                        |                     |                                      |                |
| Owned                      | 5,256        | 44,872        | 5,123               | 20,099                 | 1,600                  | 3,116               | 5,429                                | 85,495         |
| Finance Leased             | -            | 1,039         | -                   | -                      | -                      | -                   | -                                    | 1,039          |
| <b>Net Book Value</b>      |              |               |                     |                        |                        |                     |                                      |                |
| <b>As at 31 March 2018</b> | <b>5,256</b> | <b>45,911</b> | <b>5,123</b>        | <b>20,099</b>          | <b>1,600</b>           | <b>3,116</b>        | <b>5,429</b>                         | <b>86,534</b>  |

### Analysis of net book value of buildings owned

|                                                          | 31 March 2018 | 31 March 2017 |
|----------------------------------------------------------|---------------|---------------|
|                                                          | £000          | £000          |
| Freehold buildings                                       | 35,306        | 34,348        |
| Buildings and improvements on properties occupied under: |               |               |
| Operating leases more than 50 years                      | 3,443         | 3,278         |
| Operating leases less than 50 years                      | 6,123         | 5,340         |
| <b>Total owned buildings</b>                             | <b>44,872</b> | <b>42,966</b> |

A formal valuation of the Agency's estate by external surveyors was last carried out as at 31 March 2014. Valuations were made by K Maguire MRICS of GVA and 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 MCA has 27 (2016-17: 27) 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.

### Property, plant and equipment (continued)

| 2016-17                    | Land         | Buildings     | Transport Equipment | Information Technology | Furniture and Fittings | Plant and machinery | Assets in the Course of Construction | Total          |
|----------------------------|--------------|---------------|---------------------|------------------------|------------------------|---------------------|--------------------------------------|----------------|
|                            | £000         | £000          | £000                | £000                   | £000                   | £000                | £000                                 | £000           |
| <b>Cost or Valuation</b>   |              |               |                     |                        |                        |                     |                                      |                |
| As at 1 April 2016         | 5,329        | 83,606        | 13,457              | 54,684                 | 1,531                  | 5,702               | 3,430                                | 167,739        |
| Additions                  | -            | 487           | 1,188               | 1,984                  | 455                    | 396                 | 4,371                                | 8,881          |
| Disposals                  | -            | (1,256)       | (591)               | (21,984)               | (5)                    | (1,495)             | -                                    | (25,331)       |
| Reclassifications          | 325          | 2,679         | 397                 | 1,423                  |                        | 162                 | (3,430)                              | 1,556          |
| Revaluations               | (210)        | (3,099)       | 312                 | 1,096                  |                        | 69                  | -                                    | (1,832)        |
| <b>As at 31 March 2017</b> | <b>5,444</b> | <b>82,417</b> | <b>14,763</b>       | <b>37,203</b>          | <b>1,981</b>           | <b>4,834</b>        | <b>4,371</b>                         | <b>151,013</b> |
| <b>Depreciation</b>        |              |               |                     |                        |                        |                     |                                      |                |
| As at 1 April 2016         | -            | 37,264        | 10,311              | 35,139                 | 249                    | 3,830               | -                                    | 86,793         |
| Charge in year             | -            | 2,770         | 642                 | 3,830                  | 168                    | 290                 | -                                    | 7,700          |
| Disposals                  | -            | (1,256)       | (590)               | (21,985)               | (5)                    | (1,495)             | -                                    | (25,331)       |
| Reclassifications          | -            | 697           | -                   | -                      | -                      | -                   | -                                    | 697            |
| Revaluations               | -            | (1,434)       | 202                 | 420                    |                        | 38                  | -                                    | (774)          |
| <b>As at 31 March 2017</b> |              | <b>38,041</b> | <b>10,565</b>       | <b>17,404</b>          | <b>412</b>             | <b>2,663</b>        | <b>-</b>                             | <b>69,085</b>  |
| <b>Net Book Value</b>      |              |               |                     |                        |                        |                     |                                      |                |
| As at 1 April 2016         | 5,329        | 46,342        | 3,146               | 19,545                 | 1,282                  | 1,872               | 3,430                                | 80,946         |
| <b>As at 31 March 2017</b> | <b>5,444</b> | <b>44,376</b> | <b>4,198</b>        | <b>19,799</b>          | <b>1,569</b>           | <b>2,171</b>        | <b>4,371</b>                         | <b>81,928</b>  |
| <b>Asset Financing</b>     |              |               |                     |                        |                        |                     |                                      |                |
| Owned                      | 5,444        | 42,966        | 4,198               | 19,799                 | 1,569                  | 2,171               | 4,371                                | 80,518         |
| Finance Leased             | -            | 1,410         | -                   | -                      | -                      | -                   | -                                    | 1,410          |
| <b>Net Book Value</b>      |              |               |                     |                        |                        |                     |                                      |                |
| <b>As at 31 March 2017</b> | <b>5,444</b> | <b>44,376</b> | <b>4,198</b>        | <b>19,799</b>          | <b>1,569</b>           | <b>2,171</b>        | <b>4,371</b>                         | <b>81,928</b>  |

## 6. Intangible assets

2017-18

|                                        | Software<br>Developments | Software<br>Licences | Under<br>Development | Total         |
|----------------------------------------|--------------------------|----------------------|----------------------|---------------|
|                                        | £000                     | £000                 | £000                 | £000          |
| <b>Cost</b>                            |                          |                      |                      |               |
| As at 1 April 2017                     | 4,461                    | 7,747                | 5,091                | 17,299        |
| Additions                              | 1,204                    | 138                  | 5,393                | 6,735         |
| Disposal                               | -                        | (4,191)              | -                    | (4,191)       |
| Reclassifications                      | 64                       | -                    | (30)                 | 34            |
| Revaluations                           | (84)                     | (51)                 | -                    | (135)         |
| <b>As at 31 March 2018</b>             | <b>5,645</b>             | <b>3,643</b>         | <b>10,454</b>        | <b>19,742</b> |
| <b>Amortisation</b>                    |                          |                      |                      |               |
| As at 1 April 2017                     | 690                      | 7,122                | -                    | 7,812         |
| Charge for year                        | 685                      | 227                  | -                    | 912           |
| Disposals                              | -                        | (4,191)              | -                    | (4,191)       |
| Revaluations                           | (20)                     | (43)                 | -                    | (63)          |
| <b>As at 31 March 2018</b>             | <b>1,355</b>             | <b>3,115</b>         | <b>-</b>             | <b>4,470</b>  |
| Net book value at 1 April 2017         | 3,771                    | 625                  | 5,091                | 9,487         |
| <b>Net book value at 31 March 2018</b> | <b>4,290</b>             | <b>528</b>           | <b>10,454</b>        | <b>15,272</b> |

Software assets providing core services for the Channel Navigation Information Service valued at £3,000,000 and intellectual property under development for use in pollution response aerial spraying valued at £8,056,000 are the most significant intangible assets by value reported. No intangible assets are financed by lease arrangements.

2016-17

|                                        | Software     | Software<br>Licences | Under<br>Development | Total         |
|----------------------------------------|--------------|----------------------|----------------------|---------------|
|                                        | £000         | £000                 | £000                 | £000          |
| <b>Cost</b>                            |              |                      |                      |               |
| As at 1 April 2016                     | 5,360        | 13,060               | 445                  | 18,865        |
| Additions                              | 2,518        | -                    | 5,091                | 7,609         |
| Disposal                               | (3,986)      | (5,676)              | -                    | (9,662)       |
| Reclassification                       | 495          | 238                  | (445)                | 288           |
| Revaluations                           | 74           | 125                  | -                    | 199           |
| <b>As at 31 March 2017</b>             | <b>4,461</b> | <b>7,747</b>         | <b>5,091</b>         | <b>17,299</b> |
| <b>Amortisation</b>                    |              |                      |                      |               |
| As at 1 April 2016                     | 2,999        | 12,113               | -                    | 15,112        |
| Charge for year                        | 1,665        | 568                  | -                    | 2,233         |
| Disposals                              | (3,986)      | (5,676)              | -                    | (9,662)       |
| Revaluations                           | 12           | 117                  | -                    | 129           |
| <b>As at 31 March 2017</b>             | <b>690</b>   | <b>7,122</b>         | <b>-</b>             | <b>7,812</b>  |
| <b>Net book value at 1 April 2016</b>  | <b>2,361</b> | <b>947</b>           | <b>445</b>           | <b>3,753</b>  |
| <b>Net book value at 31 March 2017</b> | <b>3,771</b> | <b>625</b>           | <b>5,091</b>         | <b>9,487</b>  |

## 7. Impairments

|                                                                   | 2016-17<br>£000 |
|-------------------------------------------------------------------|-----------------|
| <b>Charged to the Statement of Comprehensive Net Expenditure:</b> |                 |
| <b>Assets held for sale</b>                                       |                 |
| Impairment reversal                                               | (6)             |
| <b>Total impairment costs</b>                                     | <b>(6)</b>      |

## 8. Inventories

|                                | 31 March 2017<br>£000 |
|--------------------------------|-----------------------|
| <b>Stockpile goods</b>         |                       |
| Balance at 1 April             | 3,810                 |
| Net gain/(loss) on revaluation | 358                   |
| <b>Balance at 31 March</b>     | <b>4,168</b>          |

The Agency maintains minimum capability level dispersants stocks for use in major pollution incidents.

## 9. Assets classified as held for sale

|                                                     | 31 March 2018<br>£000 | 31 March 2017<br>£000 |
|-----------------------------------------------------|-----------------------|-----------------------|
| Balance at 1 April                                  | -                     | 1,140                 |
| Reclassification from property, plant and equipment | 979                   | -                     |
| Impairment reversal                                 | -                     | 6                     |
| Transfers out                                       | -                     | (1,146)               |
| <b>Balance at 31 March</b>                          | <b>979</b>            | <b>-</b>              |

Assets held for sale includes a significant site which continues to be measured at its value in use. This constitutes a prudent estimate in the context of ongoing negotiations.

## 10. Trade receivables and other assets

|                                                                                                      | 31 March 2018<br>£000 | 31 March 2017<br>£000 |
|------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Amounts falling due within one year</b>                                                           |                       |                       |
| Trade receivables                                                                                    | 2,011                 | 1,678                 |
| VAT receivables                                                                                      | 934                   | 817                   |
| Other receivables                                                                                    | 200                   | 369                   |
| Prepayments                                                                                          | 4,891                 | 3,337                 |
| Accrued income                                                                                       | 1,217                 | 1,046                 |
|                                                                                                      | <b>9,253</b>          | <b>7,247</b>          |
| <b>Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:</b> |                       |                       |
| Consolidated fund overfunding                                                                        | 959                   | -                     |
|                                                                                                      | <b>959</b>            | <b>-</b>              |
| <b>Total current</b>                                                                                 | <b>10,212</b>         | <b>7,247</b>          |
| <b>Amounts falling due after more than one year</b>                                                  |                       |                       |
| Other receivables                                                                                    | 76                    | 54                    |
| <b>Total non-current</b>                                                                             | <b>76</b>             | <b>54</b>             |
| <b>Total current and non-current</b>                                                                 | <b>10,288</b>         | <b>7,301</b>          |

## 11 Cash and cash equivalents

|                             | 2017-18    | 2016-17      |
|-----------------------------|------------|--------------|
|                             | £000       | £000         |
| Balance at 1 April          | 4,072      | 1,286        |
| Net change in cash balances | (3,737)    | 2,786        |
| <b>Balance at 31 March</b>  | <b>335</b> | <b>4,072</b> |

The following balances were held at:

|                                   | 31 March 2018 | 31 March 2017 |
|-----------------------------------|---------------|---------------|
|                                   | £000          | £000          |
| Government Banking Service        | 335           | 4,072         |
| <b>Total balances at 31 March</b> | <b>335</b>    | <b>4,072</b>  |

## 12. Trade payables and other liabilities

|                                                                                                      | 31 March 2018 | 31 March 2017 |
|------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                      | £000          | £000          |
| <b>Amounts falling due within one year</b>                                                           |               |               |
| Other taxation & social security                                                                     | 1,091         | 1,189         |
| Trade payables                                                                                       | 1,509         | 2,292         |
| Other payables                                                                                       | 814           | 1,770         |
| Accruals                                                                                             | 42,406        | 38,248        |
| Deferred income                                                                                      | 3,348         | 3,894         |
| Finance lease obligations                                                                            | 162           | 157           |
|                                                                                                      | <b>49,330</b> | <b>47,550</b> |
| <b>Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:</b> |               |               |
| Consolidated fund overfunding                                                                        | -             | 3,445         |
| Consolidated fund extra receipts                                                                     | 1,285         | 619           |
|                                                                                                      | <b>1,285</b>  | <b>4,064</b>  |
| <b>Total current</b>                                                                                 | <b>50,615</b> | <b>51,614</b> |
| <b>Amounts falling due after more than one year</b>                                                  |               |               |
| Finance lease obligations                                                                            | 212           | 374           |
| <b>Total non-current</b>                                                                             | <b>212</b>    | <b>374</b>    |
| <b>Total current and non-current</b>                                                                 | <b>50,827</b> | <b>51,988</b> |

### 13. Provisions for liabilities and charges

|                                 | Early departure<br>costs<br>£000 | Leasehold<br>dilapidations<br>£000 | Other<br>£000 | Total<br>£000 |
|---------------------------------|----------------------------------|------------------------------------|---------------|---------------|
| As at 1 April 2017              | 194                              | 2,036                              | 755           | 2,985         |
| Provided in the year            | 79                               | 494                                | 300           | 873           |
| Not required written back       | (6)                              | (484)                              | (387)         | (877)         |
| Utilised during year            | (172)                            | -                                  | (171)         | (343)         |
| Unwinding of discount           | -                                | (20)                               | -             | (20)          |
| <b>Balance at 31 March 2018</b> | <b>95</b>                        | <b>2,026</b>                       | <b>497</b>    | <b>2,618</b>  |
| Current liability               | 82                               | 441                                | 497           | 1,020         |
| Non-current liability           | 13                               | 1,585                              | -             | 1,598         |
| <b>Balance at 31 March 2018</b> | <b>95</b>                        | <b>2,026</b>                       | <b>497</b>    | <b>2,618</b>  |

Analysis of expected timing of discounted cash flows:

|                                 | Early departure<br>costs<br>£000 | Leasehold<br>dilapidations<br>£000 | Other<br>£000 | Total<br>£000 |
|---------------------------------|----------------------------------|------------------------------------|---------------|---------------|
| Within 1 year                   | 82                               | 441                                | 497           | 1,020         |
| 2-5 years                       | 13                               | 352                                | -             | 365           |
| 6-10 years                      | -                                | 120                                | -             | 120           |
| Over 10 years                   | -                                | 1,113                              | -             | 1,113         |
| <b>Balance at 31 March 2018</b> | <b>95</b>                        | <b>2,026</b>                       | <b>497</b>    | <b>2,618</b>  |

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 £629,000 expected to be called within 50 years, £345,000 after more than 50 years and £139,000 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. Further provision for estimated staff costs under the S&ITP originally 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.

## 14. Commitments under leases

### 14.1 Operating leases

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

|                                                                               | 31 March 2018  | 31 March 2017  |
|-------------------------------------------------------------------------------|----------------|----------------|
|                                                                               | £000           | £000           |
| <b>Obligations under operating leases for the following periods comprise:</b> |                |                |
| <b>SAR helicopter contracts</b>                                               |                |                |
| Not later than one year                                                       | 56,378         | 55,532         |
| Later than one year and not later than five years                             | 227,779        | 227,213        |
| Later than five years                                                         | 98,038         | 154,982        |
| <b>Total</b>                                                                  | <b>382,195</b> | <b>437,727</b> |
| <b>Land</b>                                                                   |                |                |
| Not later than one year                                                       | 97             | 39             |
| Later than one year and not later than five years                             | 74             | 56             |
| Later than five years                                                         | 28             | 456            |
| <b>Total</b>                                                                  | <b>199</b>     | <b>551</b>     |
| <b>Buildings</b>                                                              |                |                |
| Not later than one year                                                       | 1,720          | 1,124          |
| Later than one year and not later than five years                             | 3,554          | 2,599          |
| Later than five years                                                         | 6,391          | 5,413          |
| <b>Total</b>                                                                  | <b>11,665</b>  | <b>9,136</b>   |
| <b>Total obligations</b>                                                      | <b>394,059</b> | <b>447,414</b> |
| <b>Total commitments under leases</b>                                         |                |                |
| Not later than one year                                                       | 58,195         | 56,695         |
| Later than one year and not later than five years                             | 231,407        | 229,868        |
| Later than five years                                                         | 104,457        | 160,851        |
| <b>Total</b>                                                                  | <b>394,059</b> | <b>447,414</b> |

### SAR helicopter contracts

Helicopter search and rescue services managed by the MCA are provided under the UK SAR H contract which includes arrangements treated as non-cancellable operating lease commitments.

## 14.2 Finance leases

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

|                                                                             | 31 March 2018 | 31 March 2017 |
|-----------------------------------------------------------------------------|---------------|---------------|
|                                                                             | £000          | £000          |
| <b>Obligations under finance leases for the following periods comprise:</b> |               |               |
| <b>Buildings</b>                                                            |               |               |
| Not later than one year                                                     | 182           | 182           |
| Later than one year and not later than five years                           | 228           | 410           |
| Later than five years                                                       | -             | -             |
| <b>Total</b>                                                                | <b>410</b>    | <b>592</b>    |
| Less future interest payments                                               | (36)          | (61)          |
| <b>Present value of lease obligations</b>                                   | <b>374</b>    | <b>531</b>    |
| Present value of lease payments                                             |               |               |
| Payable within one year                                                     | 162           | 157           |
| Payable later than one year and not later than five years                   | 212           | 374           |
| Payable later than five years                                               | -             | -             |
| <b>Present value of minimum lease payments</b>                              | <b>374</b>    | <b>531</b>    |

Finance lease charges amounting to £25,690 (2016-17: £31,760) are included in the Statement of Comprehensive Net Expenditure.

## 15. Capital commitments

|                               | 31 March 2018 | 31 March 2017      |
|-------------------------------|---------------|--------------------|
|                               | £000          | £000<br>(Restated) |
| Property, plant and equipment | 847           | 2,257              |
| Intangible assets             | 488           | 4,949              |
| <b>Total</b>                  | <b>1,335</b>  | <b>7,206</b>       |

## 16. 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 2017-18, the MCA recovered costs of £924,000 from claims made against the owners of MV Transocean Winner, MV V Due and other vessels (2016-17: £243,000).

## 17. 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 2018 for which the likelihood of any liability arising is deemed to be possible and not remote has been estimated to be £Nil (2016-17: £1,500,000).

## **18. Events after the reporting period**

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 accounts are certified by the Comptroller and Auditor General.

## **19. Related party transactions**

The MCA is an Executive Agency of the 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.

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

## **20. 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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