



Marine
Management
Organisation

Annual Report and Accounts
1 April 2015 to 31 March 2016

Marine Management Organisation

Annual Report and Accounts for the financial year ended 31 March 2016

Presented to Parliament pursuant to Schedule 1,
Paragraphs 26, 27 and 28 of the Marine and Coastal
Access Act 2009

Ordered by the House of Commons to be printed on
18 July 2016

HC 593



© Crown copyright 2016

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://www.gov.uk/government/organisations/marine-management-organisation>.

Any enquiries regarding this publication should be sent to us at info@marinemanagement.org.uk.

Print ISBN 9781474128490
Web ISBN 9781474128506

ID 13021608 06/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

1. Performance Report

1.1 Overview

1.1.1 Chief Executive Officer's Statement	6-7
1.1.2 Purpose and activities of the Organisation	8-10
1.1.3 Key issues and risks	10-11
1.1.4 Going Concern Statement	11
1.1.5 Performance summary	11-12

1.2 Performance Analysis

1.2.1 Detailed Performance Analysis	13-19
1.2.2 Sustainability Report	20-22

2. Accountability Report

2.1 Corporate Governance Report

2.1.1 Directors' Report	25-26
2.1.2 Statement of Accounting Officer's Responsibilities	27
2.1.3 Governance Statement	28-34

2.2 Remuneration and Staff Report

2.2.1 Remuneration Report	35-40
2.2.2 Staff Report	40-43

2.3 Parliamentary Accountability and Audit Report

2.3.1 Regularity of Expenditure	44
2.3.2 Fees and Charges	44
2.3.3 Remote contingent liabilities	44
2.3.4 Long-term expenditure trends	45
The Certificate and Report of the Comptroller and Auditor General	47-48

3. Financial Statements

Statement of Comprehensive Net Expenditure	50
Statement of Financial Position	51
Statement of Cash Flows	52
Statement of Changes in Taxpayers' Equity	53
Notes to the Accounts	54-73

More information on our work can be found on our website at
<https://www.gov.uk/government/organisations/marine-management-organisation>.



1. Performance Report

1.1 Overview

1.1.1 Chief Executive Officer's Statement

The Marine Management Organisation's (MMO) role is to protect and enhance our marine environment and enable sustainable growth. In my first full year as the MMO's Chief Executive Officer, I am delighted to report that that we have delivered our commitments in fulfilling our role.

This has not been without challenge; the English seas are amongst the most crowded, complex and diverse in the world and this marine environment demands an integrated approach to planning and management.

Building upon learning and knowledge gained through marine plans already adopted, we reached another significant milestone when we submitted the draft South Marine Plan for approval to go to consultation. This is the culmination of over three years work bringing together extensive local knowledge and evidence to support sustainable development. Our simpler, faster approach to developing marine plans means that we are now able to plan the North-East, North-West, South-East and South-West marine areas simultaneously.

We have licensed activities that have contributed at least £5.7 billion of growth to the marine economy since 2010. This is supported by our programme of continual improvement to ensure that our marine licensing service is as efficient as possible, maximises value for money and proportionately manages risks to the marine environment. We have continued to develop innovative ways of working, piloting a new operational delivery model to support the Thames Tideway Tunnel, demonstrating the benefits of regulator, advisor and private sector working as partners to achieve the significant outcome of a cleaner and more useable river Thames.

We have helped protect the marine environment by supporting the delivery of Government's commitment to create a 'blue belt': a collection of ecologically coherent and well managed networks of Marine Protected Areas (MPAs) that support biodiversity in UK and UK overseas territories' waters. This has included delivering a wide programme of work to ensure that fishing activity is suitably managed in all MPAs.

We have continued to make great strides in ensuring the sustainable management of fish stocks for current and future generations. We have supported considerable change in fishing regulations with the further implementation of the landing obligation under Common Fisheries Policy (CFP) reform. Our focus on engagement and education has ensured that we work collaboratively with the industry we regulate, with this insight continuing to be invaluable in helping us make fisheries decisions, manage quota and generally find mutually acceptable ways forward wherever possible.

We have continued to deliver European funding opportunities to benefit the fisheries and aquaculture sectors. This year, we closed the European Fisheries Fund (EFF), whilst successfully opening the European Maritime and Fisheries Fund (EMFF). The benefits of the EFF will resonate for many years to come, with over 1,100 projects funded with a total value of £115 million. To ensure accessibility and a positive customer experience for users of the EMFF scheme, we developed an innovative e-application system, informed by experiences and customer insight gathered in the delivery of the EFF scheme.

At the conclusion of my first full year, I am proud of what the organisation has achieved this year. I have witnessed the incredible dedication of highly skilled and committed people who strive to engage, listen and understand the needs of our customers and stakeholders in what can be a challenging marine and political landscape.

Looking forward to 2016/17, which will be more challenging in light of the recent UK vote to leave the European Union, we will continue to develop our integrated approach for marine management, identifying opportunities for efficiencies and new ways of working, all whilst working to put the customer at the centre of our delivery.

John Tuckett

Chief Executive Officer and Accounting Officer
Marine Management Organisation

1.1.2 Purpose and activities of the Organisation

About the Marine Management Organisation (MMO)

The MMO is a public body for regulating activities in the seas around England. Our Corporate Plan 2014-17 sets out that our mission is to enable sustainable growth in our marine area and the transformation of coastal communities, while protecting and enhancing our marine environment.

Who we are

We are an Executive Non-Departmental Public Body (NDPB) established in April 2010 and given powers under the Marine and Coastal Access Act 2009. We work at arms length from Government departments but are accountable to Ministers. We are responsible to the Secretary of State for the Environment, Food and Rural Affairs and we have a wide range of responsibilities, which include implementing plan-led marine management, licensing marine works and managing UK fishing fleet capacity and UK fisheries quotas. We are the single competent authority for monitoring and reporting on UK fleet capacity and UK quotas. We are governed by a Chair and Board appointed by the Secretary of State for the Environment, Food and Rural Affairs and led by a Senior Management Team of a Chief Executive Officer and Directors.

Our statutory purpose is to make a contribution to the achievement of sustainable development taking account of all relevant facts and matters, and in a manner which is consistent and coordinated.

What we do

We are tasked with delivering the Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas. Our work includes:

Marine planning
Licensing activities in the marine area
Fisheries management
Regulation of marine industries
Protecting and enhancing the natural environment
Making European funding available to the fisheries and aquaculture sector
Providing UK statistical information to support data analysis
Preventing worldwide illegal, unregulated and unreported fishing
Promoting biodiversity

How we fulfil our role

The Marine Policy Statement provides a framework for our activities in the marine area. This key piece of national policy sits alongside important European legislation, such as the Marine Strategy Framework Directive, the Water Framework Directive, the Common Fisheries Policy, the Habitats Directive and Wild Birds Directive, the Environmental Impact Assessment Directive and the Renewable Energy Directive. National policy statements for ports, energy, renewable energy, gas supply infrastructure and oil pipelines, electricity networks infrastructure and nuclear power are all taken into account when decisions are made.

We aim to work in a collaborative, open and transparent manner, meeting our legislative and service delivery obligations, in accordance with the principles of better regulation and following the Government’s statutory guidance on sustainable development.

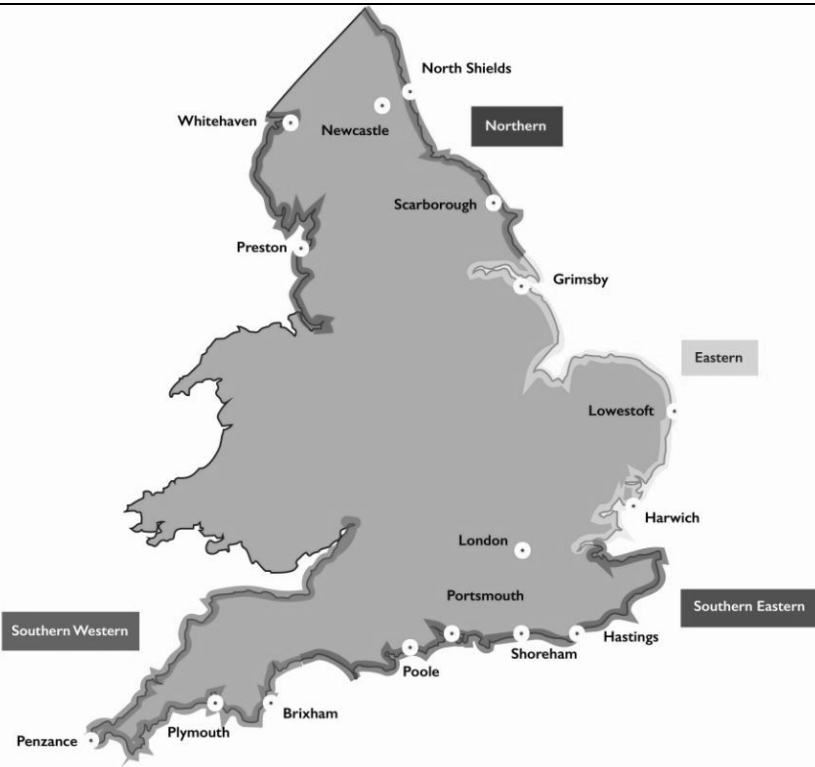
We deliver a range of functions on behalf of the Department for Environment, Food and Rural Affairs (Defra), the Department of Energy and Climate Change (DECC) and the Department for Transport (DfT). The Department for Communities and Local Government (DCLG) also have a close interest in our work. Defra is our lead sponsor and provides funding through Grant in Aid. A Cross-Government Sponsorship Group advises Ministers who are accountable to Parliament for our performance.

We continue to work closely with the Devolved Administrations, Crown Dependencies and public bodies that have a role in the marine area. This ensures consistent and transparent decision making which is widely understood and trusted.

Our governance

We are governed by a Board comprising the Chair and Non-Executive Board members who are responsible for developing the overall vision, strategy and policy, as well as the governance of the organisation. Supporting the Board is a Senior Management Team, led by a Chief Executive Officer.

There are two Board committees: the Audit and Risk Assurance Committee (ARAC) and the Remuneration Committee. The work of these Committees provides assurance to the Board that the MMO is operating as an effective body, balancing risk with delivery whilst demonstrating propriety, regularity and good value for money.

<p>Our operations</p> <p>Our operational activities were carried out at our headquarters site in Newcastle (Lancaster House, Hampshire Court, Newcastle upon Tyne NE4 7YH) as well as in London and 14 locations around the coast.</p>	
<p>Our people</p> <p>At 31 March 2016, we employed 278.4 (full time equivalent) people (2014/15: 265) primarily delivering the front line operations of implementing plan-led marine management, licensing marine works, administering European funding, fisheries enforcement and managing UK fishing fleet capacity and quotas.</p>	

Our customers

We serve a wide range of customers from a variety of sectors including the fishing industry, licence applicants, those seeking funding from the European Maritime and Fisheries Fund (EMFF) and coastal communities, amongst others. We are committed to being a transparent and accountable organisation and are dedicated to providing a high level of customer satisfaction, as well as using customer feedback to improve our services.

The Defra Strategy

As part of the Defra group the work that we do to fulfil our statutory purpose contributes to the Defra Strategy. The Defra Strategy sets out a shared vision and set of strategic objectives for the whole of the Defra group for the period up to 2020. It is intended to provide staff across the whole group of Defra organisations (including non-ministerial departments, executive agencies, non-departmental and other public bodies) with a clear, shared framework. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan.

The strategy provides a clear unifying framework as to how Defra group organisations will design and deliver their goals, and how Defra will track delivery and measure success across the whole of the Defra group. At the heart of the strategy is a shared vision for the Defra group: creating a great place for living.

Defra strategy goals are focussed on four impact objectives, which explain Defra's ambitious, long term aims, and the positive differences the Defra group will make to the UK by 2020. Defra has one delivery objective, which describes the high levels of service and value for money for the taxpayer which we will strive for.

The strategy sets out two organisational objectives outlining how the Defra group will be organised to deliver, and what Defra will be like: a Defra that will act together, be simpler, avoid duplication, maximise impact, and embrace digital and data.

Cutting across the Defra strategy are four themes that are critical to achieving Defra's objectives and will deliver important outcomes in their own right: better use of data; increasing productivity; better regulation; and working internationally.

1.1.3 Key issues and risks

We operate a structured risk and control framework which enables the identification, prioritisation and escalation of strategic, programme, project and operational risks and issues. We also continue to work with the Defra group to establish greater integration of risk management including common language and escalation processes. During 2015/16, a number of strategic risks were identified as having the potential to affect our business success, credibility and relationships with partners and these are set out in detail below:

A requirement to make in year budget reductions
An inability to enforce European Union fisheries regulations and demonstrate compliance would lead to a risk of infraction
A loss of staff morale and effectiveness as a result of resource pressures and workload demands
A failure to deliver key statutory objectives leading to reputational damage with stakeholders and Government

Action plans are in place to mitigate all of these risks, with responsible Directors as named leads. See page 32 (Governance Statement) for more information.

1.1.4 Going concern statement

The MMO's accounts have been prepared on a going concern basis. In common with other Non-Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of Grant in Aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2016/17 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the Governments' commitment to increase transparency and accountability of public services, Defra completed its triennial review of the MMO in 2013 and confirmed that the MMO's functions are necessary and should continue to be delivered by a NDPB, and that the MMO is best placed to carry out these functions.

1.1.5 Performance summary

Our contribution to the Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas is set out in our Corporate Plan 2014-17 (refreshed for 2015/16). Our Strategic Outcomes focus on the Economic, Environmental and Social pillars of sustainability (Strategic Outcomes one to three), the need for decisions to be made on the best available evidence (Strategic Outcome four) and the drive to be a highly effective public body (Strategic Outcome five) and reflects the cross cutting nature of our work. The five Strategic Outcomes are modelled in figure one below:

Figure one – Strategic Outcome Model



Detailed analysis of our performance in delivering the five Strategic Outcomes is provided in the following section (1.2 Performance Analysis).

Ensuring delivery of the Corporate Plan

For the financial year from 1 April 2015 to 31 March 2016, we set out a range of measures to track delivery of the MMO's Corporate Plan. These measures are categorised as key performance indicators (KPIs), published service standards (PSSs) and key steps (KSs) to track and measure our performance in delivering our five Strategic Outcomes. During 2015/16, the delivery of these measures was regularly assessed by the MMO's Performance and Risk Management Board (PRMB) which holds to account the MMO's Senior Management Team for delivery of the Corporate Plan. Each meeting of the MMO's Board would also be provided with detailed information on the organisation's performance to ensure that the Board were adequately enabled to monitor the performance, finances, general conduct and propriety of affairs of the MMO to ensure that it is an economic, efficient and effective organisation. We also report high level progress through Defra's Board.

1.2 Performance Analysis

1.2.1 Detailed Performance Analysis

Strategic Outcome 1 - Marine businesses are supporting sustainable growth in the UK economy

- **Objective 1.1** - To enable sustainable development in England's marine area through plan-led marine management
- **Objective 1.2** - Our proportionate approach to regulation will reduce burdens on businesses

Establishing a system of plan-led marine management is essential in the achievement of sustainable development and for providing greater economic certainty for the marine area. Following adoption in 2014/15 of the East Inshore and East Offshore marine plans, the first marine plans for England, we have been supporting implementation of these plans during 2015/16 and leading work on related monitoring.

This year, we have worked through various iterations of the South marine plan with stakeholders and Government, beginning the Government's approval process for consultation of the draft plan. In preparation for the marine plan being a material consideration, we have facilitated well received workshops for local authorities and other agencies.

We have revised our approach for delivering the remaining marine plans for England for adoption by developing all remaining plans simultaneously. We have put in place appropriate resource and programme planning, including a cross-Government Programme Board. We are now underway in preparing the Statements of Public Participation and gathering issues and evidence to inform plan preparation. These activities are supporting the aim to have all marine plans adopted by 2021.

Since 2010, activities licensed by the MMO have contributed at least £5.7 billion of growth to the marine economy, whilst the number of projects licensed this year has

marginally increased (two per cent), with 78 per cent of these licences determined within 13 weeks, reflecting that working through backlogs and focusing on improvements at the front end of the year impacted performance early in the year. Performance over the year has been on an improving trend with 90 per cent of determinations made within 13 weeks in quarter four. The mix of project complexity has also changed over time. The proportion of complex 'Band 3' projects determined represented 35 per cent of the total licences determined in 2015/16 (2014/15: 29 per cent), with total determinations (152) increasing by 24 per cent on those made in 2014/15 (123).

We have introduced a number of efficiency improvements to the application process, working with a risk-based approach to determine marine licences. This has helped us realise direct customer benefits, including determining simple applications much quicker so that in 2015/16, 74 per cent of Band 1 applications were determined within four weeks of a valid application (2014/15: 32 per cent). We continue to review the quality and consistency of our decision-making and have received ISO 9001 and 14001 accreditations.

Figure one overleaf sets out our licence determination performance and a full breakdown of licensing performance is available at <https://www.gov.uk/topic/planning-development/marine-licences>.

Figure one – Licensing decision making analysis for all bands

		Band 1	Band 2	Band 3	Rejected	Total
2014/15	Determined within 13 weeks	122	158	81	N/A	361
	Total Determined	123	180	123	N/A	426
	% Determined within 13 weeks	99%	88%	66%	N/A	85%
2015/16	Determined within 13 weeks	94	141	91	14	340
	Total Determined	94	174	152	14	434
	% Determined within 13 weeks	100%	81%	60%	100%	78%

Table one – Band overview

Band 1	Low risk project applications e.g. fast track licences
Band 2	Medium to high risk routine project applications of <£1 million development costs, that require more detailed environmental advice and consultation
Band 3	High risk complex project applications of >£1 million development costs, that require detailed assessments including Environmental Impact Assessments (EIAs) and Habitat Regulations Assessments (HRAs)

Strategic Outcome 2 - The marine environment is protected for current and future generations

- **Objective 2.1** - We will contribute towards achieving Good Environmental Status for our marine area
- **Objective 2.2** - Our management measures, including within MPAs/MCZs, contribute towards a healthy marine environment

This outcome is about protecting the marine environment, contributing to Good Environmental Status for our marine area. In doing so, we have continued our efforts to prevent and deter illegal activity through support and education in the first instance, and in the case of more serious offending, we move to investigation with a view to possible prosecution. This year, we put in place an approach that would drive our enforcement activities, supported by a combination of strategic enforcement priorities. Further support has been provided by the use of our Sectoral Compliance Plans, the use of improved sets of intelligence information and the consideration of a range of possible enforcement interventions. This ensures that we are supported by a range of monitoring activities, together with effective risk based approaches to compliance and enforcement.

We have maintained focus on creating a range of regulatory interventions that are tailored towards promoting compliance, including joint working with other regulatory and law enforcement agencies. For example, we are working with the Inshore Fisheries and Conservation Authorities (IFCAs) to explore and promote greater collaboration and the sharing of resource. Similarly, the MMO was a participant in the National Marine Asset Coordination (NMAC) trial and is helping deliver maritime security commitments made in Strategic Defence and Security Review 2015.

We successfully launched a training and accreditation scheme for MMO and IFCA officers. This will give a nationally recognised qualification to their work and will be overseen by Skills for Justice.

Our work on combatting Illegal, Unreported

and Unregulated (IUU) fishing has continued. Supporting and educating the fish importing industry to meet the challenges of complying with the IUU regulations has had increased importance, our staff have met with businesses to help them better undertake due diligence in compliance with regulation. A key achievement has been in our proactive engagement with EC officials and Defra to ensure greater mutual understanding of IUU issues, and MMO staff have taken full part in training sessions and workshops delivered by the European Fisheries Control Agency.

We have continued to deliver a programme of work to ensure that fishing activities are appropriately managed within Marine Protected Areas (MPAs) as a contribution to the Government's target of having a well-managed network of MPAs. We have undertaken assessments on the risks posed to nine MPAs where we are the lead fishery regulator. We have published and discussed initial findings with stakeholders; this liaison will continue into 2016/17 and will inform potential management measures which are due to be implemented by December 2016. In addition, we have supported Defra in the designation of additional MPAs (including 23 Marine Conservation Zones (MCZs) designated in January 2016), through the provision of advice on activities and potential management implications, and in developing management proposals for 17 offshore MPAs.

In contributing towards a healthier marine environment, we have improved our readiness for emergency oil/chemical spill incidents at sea and worked to ensure that activities do not threaten the conservation status of protected marine species.

Strategic Outcome 3 - The continuous development of coastal communities is encouraged

- **Objective 3.1** - European funding supports a sustainable future for coastal communities
- **Objective 3.2** - We will support the delivery of fisheries reform to enable a thriving and engaged fishing industry

On 31 December 2015, the European Fisheries Fund (EFF) scheme ended but the benefits of the funding will continue to materialise for years to come. Over the lifetime of the EFF programme, the MMO funded 1,129 projects and paid out £53.5 million in grant support with a total value of £115 million for the sectors. The EFF scheme has helped realise other economic benefits such as helping the turnover of the UK fishing sector increase to £928 million and the processing sector achieving a significant increase in turnover to £3,558 million. Fisheries Local Action Groups (FLAGs) have brought forward 424 projects to support local brands and new markets for fish products and maximising fishing related opportunities provided for tourism.

We will continue as the Managing Authority for the UK European Maritime and Fisheries Fund (EMFF), successfully launched in January 2016. Key aims of the new scheme are to support the implementation of the reformed Common Fisheries Policy, while supporting economic growth in the fisheries and aquaculture sectors. Our work includes delivering the scheme in England and working collaboratively with Devolved Administrations to ensure proportionate governance of the scheme in the UK. We have used our experiences and lessons learned in delivering the EFF scheme to help design and shape the new EMFF scheme, including a new e-application system and streamlined guidance.

During 2015, there were no closures of quotas at a UK level despite challenging conditions in some key stocks. This resulted from significant effort and enhanced partnership working with industry and a high standard of service delivery on quota allocations and trades. Another important factor was our strong focus on

maintaining fishing opportunities throughout the year. We also completed cross year swaps at a UK level to maximise the banking of quotas from 2015 to 2016, gaining in the region of £1 million quota for 2016 which included cod, plaice and sole.

The MMO is committed to ensuring that uptake of 95% is achieved for 80% of key quota stocks fished by the under 10 metre pool vessels. There were 19 stocks considered as 'key' in 2015 as they made up the large majority of the income in the previous year. Based upon available figures, 17 (or 89%) of these have an uptake of 95% or greater. This is an excellent result and demonstrates value for money for England's inshore fishermen from the £25 million quota stocks we manage on their behalf. Fishing effort uptake in relevant schemes was well within the limits set, both at an English and UK level. Frequent stakeholder engagement has provided a vital source of intelligence on vessel activities, allowing for limits to be set to maximise effort availability to the fleet while minimising the risk of overfishing.

The demersal landing obligation entered its first phase at the start of 2016 and we have worked closely with the fishing industry to ensure the new rules are understood through face to face engagement and the publication of comprehensive guidance. We have worked closely with Defra and industry on progressing landing obligation policy and options for 2017. We have also played an active role in collaborating with Producer Organisations to implement the obligation on those stocks already subject, including all pelagic stocks, supporting Defra at international workshops with EU partners and in shaping the domestic policy to ensure excellent delivery. In addition, our Fisheries Stakeholder Panel has continued to provide greater opportunities to engage.

Strategic Outcome 4 - Our decisions are trusted

- **Objective 4.1** - Processes are designed to make use of best available evidence and are legally robust
- **Objective 4.2** - Our decision making processes are open and transparent
- **Objective 4.3** - We will work with others to enhance the marine evidence base

Throughout the year, we have continued to demonstrate that our decisions are trusted by continuing to accrue a wide range of evidence across marine activities, so that our decision-making is informed by the most current and robust information. In July 2015, we published Part one of the MMO Evidence Strategy 2015-2020, which reflects our current delivery remit, recent developments in the relevant evidence base, Defra's revised Evidence Strategy and an increased focus on efficient delivery. This work has helped us engage more strategically with others in the Defra group and beyond to increase our profile and identify additional evidence for all of our operational functions.

We have reviewed, prioritised and published evidence requirements for the whole organisation and we are using this to actively engage with government departments, other public bodies, and independent marine scientists and researchers across the UK. Our engagement has resulted in a Knowledge Exchange Fellowship funded by the Natural Environment Research Council (NERC) to review scientific research to benefit our work. Our published register of our evidence projects continues to be updated as each new project is commissioned. This allows us to influence how money is being spent on academic research to achieve efficiencies through collaboration on areas of mutual interest. In addition, we published six evidence reports to make all commissioned research widely available to increase common understanding and use of best available evidence.

A robust and easily accessible evidence base is essential in the development of a

system of integrated marine management. We further developed our Marine Information System (MIS). MIS combines a website with geographic information systems to provide quick and simple access for everyone to marine plans and the spatial data that underpins them, including the ability to suggest new data or evidence for a marine plan not yet adopted. It also provides support to public authorities in their use of marine plans in their decision making. MIS has been accessed by users across the world and has achieved over 21,000 page views in the first year and we are currently identifying how we can increase user functionality and improve how it links with other MMO systems to support greater efficiency and innovation.

We maintained our strong record of publishing data and our evidence base, by making a proportionally significant contribution to the Defra Secretary of State commitment to make 8,000 datasets public and open by June 2016. In addition to information already published, we will be publishing over 117 high quality geospatial datasets and other information as Open Data in 2016/17.

We administered the second phase of implementation of the MMO Integrated Management System (IMS), achieving accreditation in spring 2016. IMS has now been implemented in the majority of functions and enables us to demonstrate our commitment to deliver a high quality of service and assurance to our customers and stakeholders in an environmentally sustainable and efficient manner by adopting internationally recognised best practice on business processes, leadership and management.

Strategic Outcome 5 - We are recognised to be a highly effective public body

- **Objective 5.1** - We develop our staff as high performing and engaged people with the skills to deliver current and future marine management
- **Objective 5.2** - We will deliver 'value for money' in all we do
- **Objective 5.3** - We have an effective governance framework to fully support our activities
- **Objective 5.4** - Customers are satisfied with our services and people with an interest in our decisions are engaged and consulted on matters which affect them

This year, we were confirmed as meeting the requirements of the Investors in People Standard to attain a Bronze Accreditation. We have continued to roll out a number of activities designed to support our staff and strengthen capability within the MMO. Importantly, we launched our Top Place to Work Forum to engage a cross-section of staff on issues that affect them, with continued reinforcement of learning and development opportunities open to our staff, offering access to a wealth of e-learning, coaching and mentoring through Civil Service Learning and partners. Looking further ahead, we established a commitment for continued investment in our people through the development of a bespoke programme of leadership training due to be implemented next year.

We published our new Health, Safety and Wellbeing Policy which outlines our commitment to these themes and the impact of our activities on our staff and others working at our premises or affected by our activities. We have delivered a number of training sessions to build capability for staff to ensure that they can perform their duties in a safe manner and with positive impact on their wellbeing. In addition, we have maintained our commitment to wellbeing matters through

initiatives such as an Employee Assistance provider and Mental Health First Aiders.

We have improved 'value for money' in a number of delivery areas through increased scrutiny on key commercial arrangements, the establishment of new procurement frameworks and the introduction of a spending gateway for all procurements over £10,000. This has enabled delivery of our objectives despite a year on year reduction in our budget allocation. We have continued to apply strong financial management and scrutiny during 2015/16, achieving net expenditure of £16.9 million, which is within 0.4 per cent of budget. More detailed information on our financial performance is set out under the 'Financial Review' at page 19.

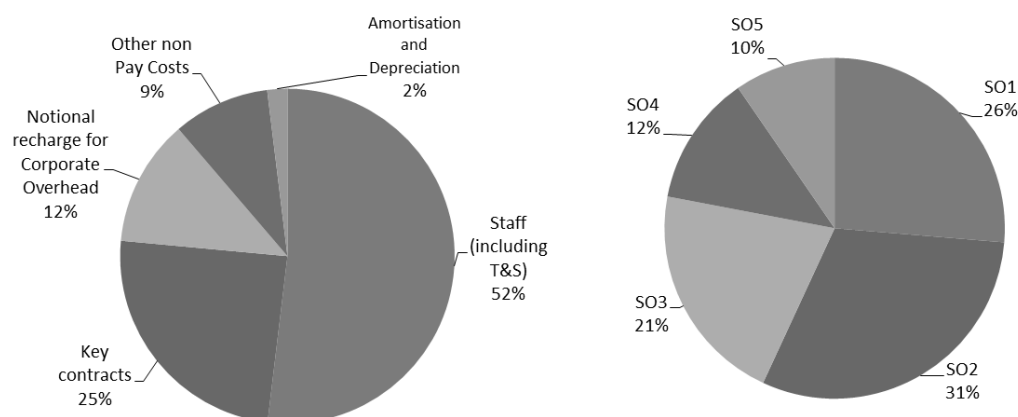
We have continued to seek the views of our customers and stakeholders through direct engagement and our annual satisfaction survey. Feedback received indicates that our customers are generally satisfied with the range of services we provide and feel engaged and consulted on matters which affect them. In addition, our people received an overall satisfaction rating of 81 per cent for the attitude, politeness and customer service skills displayed in their dealings with those we serve.

Financial Review

The 2015/16 MMO allocation of £17.0 million represents a reduction of 23.8 per cent from the 2014/15 allocation of £22.3m. Of this £5.3 million reduction, £2.9 million relates to expenditure on corporate functions which were transferred to Defra at the start of the financial year. This follows work we have undertaken with Defra 'One Business' to transfer information and communications technology (ICT), procurement and estates functions under Defra Network Corporate Services, to achieve combined efficiencies for business support. The remaining savings have been achieved through the following:

- Recurring savings achieved by reviewing key contracts and identifying opportunities to drive down cost whilst maintaining service delivery. Further, we have improved our understanding of European funding streams to ensure we can make best use of available funding.
- Refining operational delivery across the licensing function to ensure we build on the efficiencies identified as part of review.
- Continued focus on improved governance, procurement and compliance information for all budget holders which will enable all staff to support and deliver the corporate objectives through better resource planning. This included additional scrutiny over expenditure through the introduction of a spending gateway for all procurements over £10,000.

This has created capacity to not only deliver the reductions required but also created opportunity for investment in our delivery, including the recruitment of key front line operational posts. This has also facilitated continued investment (supported by EC funding) in the refresh our fisheries systems infrastructure, prioritising those processes that manage fisheries data to reduce costs, reduce burdens on stakeholders, improving quality and accuracy. The charts below show how we have allocated our gross resources by area of expenditure and by Strategic Outcome.



Long term expenditure trends

Over the six years since vesting, our annual budget allocation has reduced from £32.0 million (2010/11) to £17.0 million (2015/16) with an obligation to achieve further savings over the four year Spending Review period ending in 2019/20. The commitments made within the Spending Review will be achieved through changes to our operating model for both corporate services and operational delivery and will incrementally reduce the burden on Grant in Aid whilst ensuring a sustainable and targeted approach to delivery. In practice this means an increased reliance in external sources of income, greater emphasis on reducing the regulatory burden and greater collaborative partnerships to achieve outcomes.

1.2.2 Sustainability Report

Our environmental performance is assessed by measuring our contribution to the targets set out in the Greening Government Commitments (GGC). We have continued to work under the original GGC framework during 2015/16 in line with other government departments and performance against these targets has been disclosed within this report.

Carbon emissions are categorised within three scopes as follows:

- **Scope one: Direct Impacts** – For the MMO this relates to the emissions from consumption of fuel from vehicles on official travel which are controlled by the MMO and relates to our lease car fleet.
- **Scope two: Indirect Impacts** – This relates to the emissions from the consumption of gas and electricity through our estates.
- **Scope three:** This relates to the emissions from business travel undertaken by MMO staff.

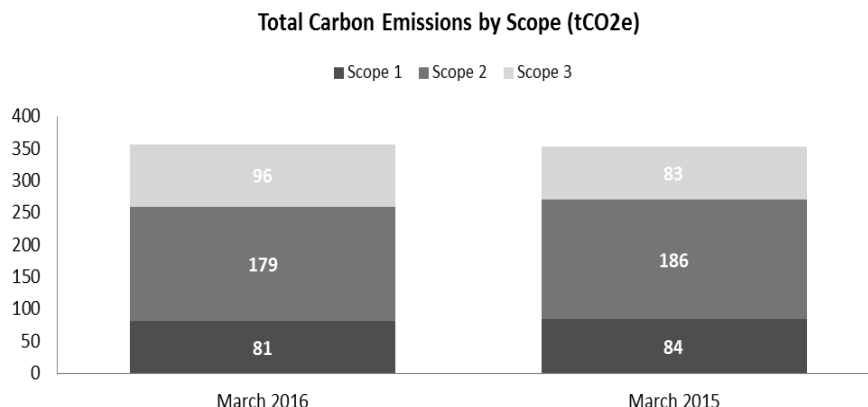
The table below shows a summary of our performance in 2015/16 compared to 2014/15:

MMO Greenhouse Gas Emissions		2015/16	2014/15 (restated)
Non financial indicators (tCO₂e)	Total Gross Emissions for Scope 1, 2 & 3	356	353
	Total Net Emissions for Scope 1, 2 & 3 (i.e. less reductions e.g. green tariffs)	356	353
	Gross emissions from Scope 1 (Direct Impacts)	81	84
	Gross emissions from Scope 2 (Indirect Impacts)	179	186
	Gross emissions from Scope 3 (business travel)	96	83
Related energy consumption (thousand KWh)	Electricity	258	260
	Gas	265	247
Financial Indicators (£'000)	Expenditure on energy*	N/A	64
	CRC Licence Expenditure (2011 onwards)	0	0
	CRC Income for recycling payments	0	0
	Expenditure on accredited offsets – Woodland Trust Enterprise	0	1
	Expenditure on official business travel	446	362

At the time of preparing the final report for 2014/15 an estimate of consumption was used for the last quarter of the year due to lags in receiving actual information. Actual data is now available and 2014/15 figures have been restated resulting in an increase of 12 tCO₂ for Scope 2 emissions. Similarly, an estimate of consumption for quarter four has been used for 2015/16 until final data is received.

*Information relating to expenditure on energy is not available as estates functions transferred from MMO to Defra Network Corporate Services at the start of the year for which MMO receive only a notional recharge.

Total carbon emissions have increased by 3 tCO₂e compared to 2014/15 with reductions in scope 1 and scope 2 emissions being more than offset by the increase in scope 3 emissions. The breakdown of emissions by scope is shown in figure one below:



The geographical spread of the business and our obligations to ensure our stakeholders are engaged in the matters which affect them continues to create pressure on emissions from our business travel shown in scope 3. The reduction in scope 2 emissions recognises ongoing progress in implementation of the Defra network estates strategy and wider alignment of the government property portfolio, which the MMO contributes to and continues to support. Scope 1 emissions have remained broadly consistent with the prior year, reflecting our continued presence to deliver our local coastal duties.

Information relating to total waste and water consumption are shown in the tables below.

Waste for Head Office		2015/16	2014/15 (restated)
Non-financial indicators (t)	Total Waste	22	23
	Non-hazardous landfill	5	4
	Non-hazardous reused/recycled	12	14
	Non-hazardous incinerated	5	5
Finite Resource Consumption - Water		2015/16	2014/15 (restated)
Non-financial indicators (m ³)	Water Consumption	1,542	1,161
Financial indicators (£'000)	Water Supply Costs	N/A	3

Performance against GGC Targets

GGC Target	Target	2015/16	Status
Reduce Greenhouse gas emissions by 25% from a 2009/10 baseline from the whole estate and business-related transport	451 tCO ₂ e	356 tCO ₂ e	Achieved
Reduce the number of domestic flights by 20%	170 flights	251 flights	Not Achieved*
Reduce the amount of waste we generate by 25% from a 2009/10 baseline	47 tonnes	22 tonnes	Achieved
Reduce water consumption from a 2009/10 baseline, and report on office water use against best practice benchmarks	<1,873 m ³	1,542 m ³	Achieved
Report on office water use against best practice benchmark	N/A	N/A	Achieved (See below)

*The total number of domestic flights recorded in 2015/16 was 251, which represents an 18% increase on the 2009/10 baseline. The challenge of operating across a wide geographical area, often in locations with poor mainland transport links, is evident in these results and represents the challenge in balancing business need with travel impact. Greater use of technology and more coordinated meeting/travel arrangements have helped reduce reliance on domestic flights; however, due to the geographical spread of MMO activities this will continue to present a challenge.

Office water use against best practice benchmark

Best practice benchmarks	Current performance against benchmarks
Sites with best performance (<4m ³ /FTE)	0%
Sites with Good performance (4-6m ³ /FTE)	40%
Sites with Poor performance (>6m ³ /FTE)	60%

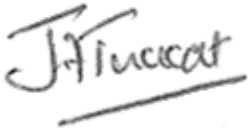
Sustainable Procurement

MMO follows the procurement processes adopted by Defra and as such contributes to the promotion of sustainable procurement across government. Supplier sustainability consideration is a standard evaluation criterion in all tenders over £10,000 and where possible, contracts are awarded through MMO frameworks and other pan government frameworks operated by the Crown Commercial Services (CCS).

Environmental Management System

The MMO started a phased implementation of the Integrated Management System with the view to gain ISO9001 and ISO14001 certificates from UKAS (United Kingdom Accreditation Service) for the organisational quality and environmental management processes. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, and implementing sound environmental practice. This has been implemented at the MMO headquarters site in Newcastle upon Tyne and also across a number of key operational teams and sites. This will continue to be rolled out across remaining MMO sites and teams over the next year.

The Accounting Officer authorised this Performance Report for issue on 13 July 2016.

A handwritten signature in dark ink, appearing to read 'J. Tuckett', with a horizontal line drawn underneath the name.

John Tuckett

Chief Executive Officer and Accounting Officer
Marine Management Organisation



2. Accountability Report

2.1 Corporate Governance Report

2.1.1 Directors' Report

Responsibility for the direction of the MMO

Non-Executive Board Members

Each member of the Board of the MMO is appointed by the Secretary of State for Environment, Food and Rural Affairs. Members may be considered for re-appointment in accordance with The Commissioner for Public Appointments' Code of Practice.

At 31 March 2016, there were seven Non-Executive Board members in post, reducing from the nine members at 1 April 2015 due to the appointments of Jane Ryder and Jeremy Loyd reaching their end date. Lord Teverson and Andrew Wells were re-appointed on 31 January 2016 for a further three years. The composition of the Board for 2015/16 was as follows:

Non-Executive Board Member	Role	Appointment date	End date
Sir William Callaghan	Chair	01/05/2011	30/04/2017
Robert James	Non-Executive Board Member	01/02/2010	31/01/2017
Derek Langslow	Non-Executive Board Member	01/02/2010	31/01/2017
Jeremy Loyd	Non-Executive Board Member	01/02/2010	31/01/2016
Nigel Reader	Non-Executive Board Member	01/02/2010	31/01/2017
Jane Ryder	Non-Executive Board Member	01/02/2010	31/01/2016
Jayne Scott	Non-Executive Board Member	01/02/2010	31/01/2017
Lord Teverson	Non-Executive Board Member	18/02/2013	31/01/2019
Andrew Wells	Non-Executive Board Member	18/02/2013	31/01/2019

The Audit and Risk Assurance Committee (ARAC) members are Nigel Reader (Chair), Derek Langslow and Lord Teverson. Lord Teverson replaced Jane Ryder as an ARAC member in 2015/16 with Jane Ryder leaving the Board at appointment end date on 31 January 2016.

The Remuneration Committee members are Jayne Scott (Chair) and Andrew Wells. Jeremy Loyd ceased to be a member of the Remuneration Committee at appointment end date on 31 January 2016.

Interests

There are no significant interests held by any of the Non-Executive Board Members which may conflict with their responsibilities. A register of Non-Executive Board Members' interests is published on the MMO's website. Related party disclosures can be seen in note 16 to the Accounts.

Senior Management Team

The Chief Executive Officer and Directors have authority and responsibility for directing the activities of the MMO and the composition from 1 April 2015 was as follows:

Senior Management Team Member	Most Current Role	Appointment date	End date
John Tuckett	Chief Executive Officer	19/01/2015	19/01/2018
Andy Beattie	Chief Operating Officer	19/01/2015	31/01/2016
Steve Brooker	Chief Planning Officer	05/03/2013	-
Michelle Willis	Director of Finance, EU and Licensing	18/02/2013	-
Dickon Howell	Acting Chief Scientific Advisor and Director of Information	22/09/2014	31/03/2016
Phil Haslam	Director of Operations	01/09/2015	28/02/2017
Craig McGarvey	Director of Business Development and Transformation	08/06/2015	08/12/2016
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	09/04/2015

Interests

The Chief Executive Officer/Accounting Officer and Directors held no interests outside of the MMO relating to the MMO's business.

Personal data related incidents

There have been no incidents of data loss involving personal information over the reporting period that required formal reporting to the Information Commissioner's Office.

2.1.2 Statement of Accounting Officer's Responsibilities

Under the Marine and Coastal Access Act 2009, the Secretary of State has directed the Marine Management Organisation 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 state of affairs of the Marine Management Organisation and of its net expenditure outturn, expenditure applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.

The Accounting Officer of Defra has appointed the Chief Executive Officer as Accounting Officer of the Marine Management Organisation. 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 Marine Management Organisation's assets, are set out in Managing Public Money issued by HM Treasury.

Disclosure of audit information to auditors

As Accounting Officer, I have taken all appropriate steps to make myself aware of any information which would be relevant to the MMO's auditors. As far as I am aware, there is no relevant audit information of which the MMO's auditor is unaware and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the MMO's auditor is aware of that information.

Furthermore, I confirm that the annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

2.1.3 Governance Statement

As Accounting Officer, I have responsibility for maintaining a sound system of risk management, governance and control that supports the achievement of the policies, aims and objectives of the Marine Management Organisation (MMO), whilst safeguarding the public funds and MMO assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. I am required to prepare a Governance Statement to provide assurances of operating sound systems of internal control and set out how these duties have been carried out.

The MMO's Senior Management Team, which comprises four Directors, a Chief Scientific Advisor, and me, has a collective responsibility for the management of the MMO and its business, in line with the Minister's priorities and the business strategy set by the MMO Board.

Oversight by the Department for Environment, Food and Rural Affairs

The MMO's functions and responsibilities are provided under the Marine and Coastal Access Act 2009. The Department for Environment, Food and Rural Affairs (Defra) is the MMO's sponsoring department and the MMO is accountable to Defra for its use of resources and its performance. The corporate governance arrangements between Defra and the MMO are set out in a Framework Document which can be found at <http://webarchive.nationalarchives.gov.uk/20140305091040/http://www.marinemanagement.org.uk/about/documents/mmo-framework-update.pdf>

Governance within the Marine Management Organisation

As a Non-Departmental Public Body (NDPB) within the Defra group, we are led by a Non-Executive Board that is responsible for setting the overall strategic direction of the MMO and evaluating its performance. Sir William Callaghan is Chair of the Board and has responsibility for ensuring that MMO policies and activities support the wider policies of the Secretary of State (SoS) and its decisions comply with statute and any direction given by the SoS. At the 31 March 2016, the Board comprised seven Non-Executive Board Members. A full list of Non-Executive Board Members is included at page 36.

Governance arrangements are currently detailed in the MMO Code of Conduct for standards of behaviour and the MMO Framework Document for accountabilities and responsibilities, planning, budgeting and control and external accountabilities. This is supported by the MMO's Corporate Plan which sets out the operational and financial framework to which the MMO adheres.

Based on this structure, executive governance is taken forward through the Senior Management Team (including Directors), led by myself. The Senior Management Team is supported by Heads of Functions that, together with their functional teams, all interact to achieve delivery of the corporate objectives.

The MMO has in place financial and non-financial Schemes of Delegation and guidance on regularity and propriety, including an Anti-Fraud and Bribery Policy and Disclosures in the Public Interest (Whistleblowing) Policy and Procedure to comply with the Public Interest Disclosure Act 1998. This has been reviewed during 2015/16 to ensure that it continues to meet all statutory requirements.

The Board delegates certain responsibilities to its principal committees: the Audit and Risk Assurance Committee (ARAC) and the Remuneration Committee. The Terms of

Reference for these committees are reviewed regularly by the Board and they are each chaired by a Board member. In addition to these committees, the MMO is supported by the role of Chief Scientific Advisor on matters of science and evidence.

Board and Committee Activity and Performance

Board

The MMO Board considers standard agenda items which include the approval of previous Board minutes and updates on actions; reports from the Chief Executive Officer and Directors, including health, safety and wellbeing; a report detailing performance in delivering the Corporate Plan; financial reporting and risk management, along with reports from its committees.

During 2015/16, the Board considered a number of matters including policies for anti-fraud and bribery, whistleblowing and handling complaints against staff; marine planning; the delegation of certain marine licensing powers; the Triennial Review of the MMO; staff survey results; leadership development; implementing Common Fisheries Policy reform and European funding. In addition, a key feature of Board discussion has been in relation to the Spending Review 2015 and Defra transformation, whilst also discussing wider strategic and operational planning; opportunities for future joint-working; the MMO's Evidence Strategy 2015-20 and better regulation. This approach has ensured that appropriate direction and escalation has been provided following substantive challenge and debate; all of which are formally documented.

I can confirm that where a conflict of interest has arisen, the Chair has initiated protocols for managing sensitivities. During the year, any conflicts considered to be prejudicial in nature have been reported to the Chair in advance to allow impartial discussions and decision making to be upheld. A full register of interests is retained and reviewed following each Board meeting.

The Board held a facilitated workshop in December 2015 to review its effectiveness informed by the results of questionnaires completed by Board members, the Chief Executive Officer and Directors. The review of effectiveness considered Governance; The work of the Board; Performance, audit and risk; Composition and culture; and Progress and impact.

During the workshop, members and attendees discussed the points flagged by participants as either needing discussion or where the Board was considered to be not currently demonstrating best practice. Key areas discussed included roles and responsibilities; departmental objectives; organisational performance; resources; risk management; skills and experience and working effectively. Overall, the Board was felt to be performing effectively with four actions identified to enhance future performance. A paper, summarising discussion and actions, was agreed by the Board in January 2016.

As part of its commitment to openness and transparency, the MMO Board convened an open Board meeting in February 2016 in which members of the public were welcome to attend and observe. It also provided the opportunity for members of the public to ask questions of the MMO Board or Senior Management Team in attendance.

The MMO Chair has completed performance reviews of all Non-Executive Board members in the reporting period, taking account of performance during 2015/16 and reflecting on individual portfolios of responsibility and discussing priorities for the future.

I can confirm that no Ministerial Directions have been received by the MMO during 2015/16.

Audit and Risk Assurance Committee (ARAC)

The ARAC currently comprises three Non-Executive Board members. In July 2015, Robin Teverson replaced Jane Ryder as a Non-Executive Board member on the ARAC, ahead of Jane Ryder's departure from the Board on the 31 January 2016. The Board receives ARAC minutes and reports from the ARAC Chair concerning the work of the Committee.

The ARAC provides an independent view on the appropriateness and adequacy of MMO governance, risk management and assurance processes. It provides constructive challenge and advice, taking account of risks, on the effectiveness of the MMO's control environment. The principal focus for activities is documented in the ARAC Terms of Reference.

The ARAC conducted its annual review of its effectiveness in December 2015, using the National Audit Office Defra Network ARAC effectiveness toolkit. During the review, members and attendees discussed the points flagged by participants as either needing discussion or where the Committee was not currently demonstrating best practice. The overall conclusion was that the ARAC is highly effective but with a small number of actions identified. The output from the review will inform any required revisions to the ARAC Terms of Reference.

During the year, the ARAC considered a variety of items which included the Internal Audit Programme; External Audit; Corporate and Strategic Risks, including those linked to Spending Review 2015 and Defra transformation; the Annual Report and Accounts (interim and final); Assurance mapping; Supplier and contract management; Review of the revised Marine Licensing (Application Fees) Regulations 2014 Statutory Instrument and Cyber security.

Throughout the year, the ARAC has continued to apply appropriate levels of scrutiny in completing its assurance work to ensure robust conclusions which inform performance improvements and the reduction of any residual risk to levels deemed acceptable.

The ARAC Chair will refer to the Board all such issues that, in posing a major risk or threat to the business integrity or reputation of the MMO, in his judgement require disclosure to the full Board or needs executive or immediate action. In addition, the Chair of the Committee will inform the Board (via the Board Chair) of any fraud, misappropriation or malpractice immediately that it is discovered or suspected. During the year, no issues required to be escalated to the Board.

An Annual Report on the key business conducted through the year, produced in support of this Governance Statement, concluded that the comprehensiveness, reliability and integrity of the assurances provided by the Senior Management Team have been appropriate and adequate for meeting the governance needs of the Board and the Accounting Officer and for supporting the decisions they have taken and their accountability obligations.

Remuneration Committee

The Remuneration Committee comprised three Non-Executive Board members to 31 January 2016, reducing to two by 31 March 2016 following the departure from the Board of Non-Executive Board member, Jeremy Loyd. The Remuneration Committee met two times

during 2015/16. The objective of the Committee is to provide assurance to the Board on the governance of remuneration and the development and implementation of Human Resources strategy, with the principal focus of activities described within the Committee's Terms of Reference. In accordance with best practice, it is a standard part of the Committee's dealings to report to the Board after every meeting and to produce a formal report on key business conducted at the end of each year.

The Remuneration Committee conducted a review of effectiveness in September 2015. During the review, members and attendees discussed a set of questions that focussed on the role and objectives of the Committee, outputs, issues, agenda and support. The Committee agreed that it was performing effectively and agreed a small number of improvement actions.

Attendance at meetings

Attendance at meetings of the Board, ARAC and Remuneration Committee in 2015/16 was good.

	Board		ARAC		Remuneration Committee	
	Available	Attended	Available	Attended	Available	Attended
Sir Bill Callaghan – Chair of Board	8	8	N/A	N/A	N/A	N/A
Nigel Reader – Chair of ARAC	8	8	5	5	N/A	N/A
Jayne Scott – Chair of Remuneration Committee	8	8	N/A	N/A	3	3
Robert James	8	8	N/A	N/A	N/A	N/A
Derek Langslow	8	8	5	5	N/A	N/A
Jeremy Loyd	7	7	N/A	N/A	2	1
Jane Ryder	7	6	2	2	N/A	N/A
Robin Teverson	8	8	3	3	N/A	N/A
Andrew Wells	8	8	N/A	N/A	3	3

Data Quality to support the Board's needs

The MMO Board agrees the form and content for all reports to be considered at Board meetings, which are minuted and coordinated by the Board Secretariat. All papers brought to the Board for discussion are validated and approved by each Director for their area of responsibility; this ensures completeness, accuracy and quality so that the content of all papers is of a standard expected for Board consideration. The Board has not raised any specific concerns with the quality of the information provided.

Compliance with the Corporate Governance Code

The MMO is required to comply with the provisions in the Corporate Governance Code or explain where it has not done so. The only provision of the code that the Board has not complied with is the requirement for a Nominations and Governance Committee. The code indicates that the role of a Nominations and Governance Committee is to: Ensure that there are satisfactory systems for identifying leadership and high potential; Scrutinise the incentive structure and succession planning for the Board and senior leadership; and

Scrutinise governance arrangements. The Board is satisfied that the relevant assurance covering each of these aspects is obtained through the Chief Executive Officer and Director of Finance, EU and Licensing, supported by the Chair of the Remuneration Committee and the Audit and Risk Assurance Committee; consequently, it does not require a Nominations and Governance Committee.

Risk, controls and compliance

The MMO operates a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. The Performance and Risk Management Board (PRMB), chaired by the Director of Business Development and Transformation, scrutinises organisational progress on performance, risk management and financial management on a monthly basis. This ensures risk is managed in a way that coordinates effort, minimises duplication, sets direction, creates an audit trail and enables timely decision making.

Risk - We are required to make further budget restrictions in 2015/16
<ul style="list-style-type: none"> ▪ This risk was mitigated in year by a monthly cycle of review, including budget meetings and financial toolkits, supplemented by MMO Performance and Risk Management Board (PRMB) scrutiny. ▪ This risk was closed recognising the sufficient mitigation provided by gateway controls; achieving income forecasts; robust business/financial planning, supported by sound commercial and financial management.
Risk - Inability to enforce European Union fisheries regulations and demonstrate compliance leads to a risk of infraction
<ul style="list-style-type: none"> ▪ This risk was mitigated in year by recruiting critical vacancies in line with the risk based enforcement model and increased capacity to support compliance with the EC control regulation. ▪ Additionally increased dialogue and engagement with EC officials in agreeing common priorities of investment to mitigate EC audit failings, which include the Under 10 Sampling Plan and traceability. ▪ Supporting Defra in developing and implementing the UK Fisheries Enforcement Control & Coordination Group, to support the single competent authority in fulfilling a UK approach to control and enforcement.
Risk - Loss of staff morale and effectiveness due to resource pressures and workload demands
<ul style="list-style-type: none"> ▪ This risk was mitigated by focussing on recruitment of critical vacancies whilst promoting open and honest dialogue to establish what is within/outside our scope of influence and prioritised activities. ▪ Additionally we launched a staff forum consisting of a cross section of MMO staff to ensure issues are identified, discussed and mitigated; examining and responding to the results of the Civil Service People Survey at Chief Executive Officer sessions; and review and discussion of staff retention/turnover issues at PRMB meetings.
Risk - Failure to deliver Key Corporate targets leading to reputational damage with stakeholders and relationship break down
<ul style="list-style-type: none"> ▪ This risk was mitigated through PRMB meetings where high-level performance is discussed, with actions agreed and tracked. ▪ In year, focused resourcing supported Marine Licensing, Coastal Operations and the European Grants teams in tackling performance issues in key areas of delivery. ▪ Additionally stronger and more focussed engagement with our stakeholders through the MMO Stakeholder Focus Group, the newly established Fisheries Stakeholder Panel and pro-active cross-sector engagement.

Information risk management

The MMO holds personal and sensitive information commensurate with its size, statutory requirements and deemed essential for business delivery. We recognise the need to maintain Information Security and all applicable controls are in line with the HMG Security Policy Framework and ensure compliance with relevant legislation. The MMO's Information Assurance and governance activities are overseen by the Information Management Group comprised of all Information Asset Owners and trained Information Assurance experts chaired by the Senior Information Risk Owner (SIRO). In September 2015, the National Archives delivered refresher training to the Senior Management Team on Information Assurance and Cyber Security.

The MMO has started phased implementation of the Integrated Management System (IMS) with the view to gain ISO9001 and ISO14001 certificates from UKAS (United Kingdom Accreditation Service) for the organisational quality and environmental management processes and to demonstrate a commitment to customer focus, quality, continuous improvement and operating in an environmentally sustainable manner. In May 2015, the MMO achieved ISO9001 and ISO14001 certified status for selected directorates, receiving further accreditations in spring 2016.

There have been no incidents of data loss involving personal information in the reporting period.

The MMO has fully participated in the Macpherson review of quality assurance of government models. The MMO does not own any business critical models but has in place appropriate quality assurance arrangements that could be (i) used in future if any models were to fall within scope, and (ii) are currently used to assure the quality of information contributed to other models.

Internal Audit

The Head of Internal Audit's (HIA's) Annual Report has provided an opinion of 'moderate'. Their opinion has been formed based on an assessment of the design and operation of the risk management framework and an assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas. Their plan of work was based on the risks identified by the Senior Management Team of the MMO and specific areas of focus were decided following discussion with Non-Executive Board Members, including the Audit and Risk Assurance Committee (ARAC).

External Audit

There are no outstanding management issue(s) from the 2014/15 audit and all management actions were reviewed as part of the 2015/16 Interim Audit.

Whistleblowing

The MMO is committed to high standards of integrity, honesty and professionalism. To support this, the MMO has in place a Whistleblowing Policy and we encourage our staff to use the procedures outlined therein to raise concerns about any past, present or imminent wrongdoing. It is also set out within the Policy that the MMO takes all concerns very seriously; all allegations will be promptly investigated and that appropriate, and proportionate, action will be taken. A recent internal audit concluded from testing that our Whistleblowing Policy was consistent with best practice guidance.

Conclusion

Overall, there are no significant control weaknesses to report and the effectiveness of the overall governance and risk frameworks has continued to be demonstrated. A comprehensive process of risk management was in place throughout the year and the four key risks identified in section 1.1.3 (page 10) have been effectively monitored and managed through the control frameworks.

2.2 Remuneration and Staff Report

2.2.1 Remuneration Report

Terms of Reference for the Remuneration Committee

The MMO Remuneration Committee is a committee of the Board that has been set up to provide assurance to the Board on the governance of remuneration and other staffing systems and processes. Members of the committee are appointed by the Board but must not include the Chair of the Board. The committee is made up of three Non-Executive Board Members.

The duties of the committee are to recommend to the Board the policy for the remuneration and performance management of all employees. The objective of such policy is to provide employees with appropriate incentives to encourage enhanced performance, so that they are rewarded in a fair manner for their contributions to the success of the MMO.

All decisions relating to Chief Executive Officer's (CEO) remuneration are decided by the Board following recommendations by the Remuneration Committee, and decisions on the Directors' remuneration are taken by the CEO for approval by the Remuneration Committee.

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. Bonus payments, benefits in kind and pension benefits are to be reported separately under Government Financial Reporting Manual 2015/16 guidance.

Pension benefits

Cash equivalent transfer values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. It is an assessment of what it costs the scheme to provide these pension benefits. The actuarial factors used in the calculation of CETV use the Consumer Price Index (CPI) as the measure used to update civil service pensions.

The real increase in the value of the CETV

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

Taxable expenses classified as benefits in kind

Taxable expenses classified as benefits in kind cover any business expenses incurred by the MMO to the extent that they are subject to UK taxation together with the associated tax. For the 2015/16 financial year this consists of costs of accommodation, travel and subsistence incurred by Non-Executive Board Members where the place of work in their

contract is their home. MMO pay the benefit in kind for Non-Executive Board Members to HMRC as part of a PAYE settlement agreement.

We publish all other business expenses incurred by our Non-Executive Board Members while on official duty which are not subject to UK taxation on our website. Expenses may be travel, hotel and other costs, including details of hospitality given and received.

Non-Executive Board Members' remuneration - (subject to audit)

Non-Executive Board Members' remuneration is determined by Defra; however, their fees and expenses are paid by the MMO. The remuneration reported in the table is actual expenditure incurred in the year. The fees reported are actual expenditure incurred in the year; where a Non-Executive Board member has been in post less than a year, the full year equivalent (FYE) is given beneath the actual amount. All payments were made under normal PAYE rules in accordance with their terms and conditions.

Non-Executive Board Member	Role	Appointment date	End date	2015/16 fee £'000	2014/15 fee £'000	Taxable expenses classified as benefits in kind 2015/16, to nearest £100	Taxable expenses classified as benefits in kind 2014/15, to nearest £100
Sir William Callaghan	Chair	01/05/2011	30/04/2017	40-45	40-45	1,300	1,300
Jayne Scott	Non-Executive Board Member	01/02/2010	31/01/2017	10-15	10-15	2,100	3,800
Derek Langslow	Non-Executive Board Member	01/02/2010	31/01/2017	10-15	10-15	1,500	1,800
Robert James	Non-Executive Board Member	01/02/2010	31/01/2017	10-15	10-15	2,400	3,600
Jeremy Loyd	Non-Executive Board Member	01/02/2010	31/01/2016	5-10 (10-15 FYE)	10-15	1,300	500
Nigel Reader	Non-Executive Board Member	01/02/2010	31/01/2017	10-15	10-15	2,500	2,000
Jane Ryder	Non-Executive Board Member	01/02/2010	31/01/2016	5-10 (10-15 FYE)	10-15	1,700	2,300
Lord Teverson	Non-Executive Board Member	18/02/2013	31/01/2019	10-15	10-15	2,500	1,600
Andrew Wells	Non-Executive Board Member	18/02/2013	31/01/2019	10-15	10-15	1,900	1,800

Non-Executive Board Members have no entitlement to performance related pay or pension contributions.

Notes

A. Remuneration Committee members are Jayne Scott (Chair), Jeremy Loyd (until 31 January 2016) and Andrew Wells.

B. ARAC members are Nigel Reader (Chair), Derek Langslow, Jane Ryder (until 31 January 2016) and Lord Teverson (from 1 February 2016).

C. Fixed term appointments for Jeremy Loyd and Jane Ryder ended on 31 January 2016.

D. Fixed term appointments for Lord Teverson and Andrew Wells ended on 31 January 2016 and were renewed for a further three years.

E. No additional paid work was carried out on behalf of the MMO by any Non-Executive Board member.

Directors' remuneration – (subject to audit)

The MMO Directors have the authority and responsibility for directing and controlling the major activities during the reporting period of 2015/16 and have influence over the entity as a whole. The salaries reported are actual expenditure incurred in the year; where a Director has been in post less than a year, the full year equivalent (FYE) is given beneath the actual amount.

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

Director	Most Current Role	Appointment date	End date	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
				2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
John Tuckett	Chief Executive Officer	19/01/2015	19/01/2018	120-125	20-25 (FYE 115-120)	0	0	0	0	47	9	165-170	30-35
James Cross	Chief Executive Officer	14/12/2011	29/08/2014		55-60 (110-115 FYE)	0	5-10	0	0	0	19	0	80-85
Andy Beattie	Chief Operating Officer	01/09/2014	31/01/2016	55-60 (80-85 FYE)	80-85 (90-95 FYE)	0	0	0	0	22	33	75-80	115-120
Steve Brooker	Chief Planning Officer	05/03/2013	-	70-75	70-75	0	0	0	0	31	33	100-105	105-110
Michelle Willis	Director of Finance, EU and Licensing	18/02/2013	-	75-80	70-75	0	5-10	0	0	32	50	105-110	130-135
Dickon Howell	Acting Chief Scientific Advisor and Director of Information	22/09/2014	31/03/2016	65-70	20-25 (65-70 FYE)	0	0	0	0	25	11	90-95	30-35
Phil Haslam	Director of Operations	01/09/2015	28/02/2017	40-45 (75-80 FYE)		0	0	0	0	N/A	N/A	40-45	0
Craig McGarvey	Director of Business Development and Transformation	08/06/2015	08/12/2016	60-65 (75-80 FYE)		0	0	0	0	N/A	N/A	60-65	0
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	09/04/2015		30-35 (65-70 FYE)	0	0	0	0	1	12	0	40-45

Band of highest paid executive disclosed in remuneration report (£'000)	120-125	115-120
Median total remuneration (£)	26,690	27,284
Ratio	4.5	4.3

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

The remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and cash equivalent transfer of pensions. The banded remuneration of the highest-paid Director in the MMO in financial year 2015/16 was £120,000 to £125,000 which represents an increase on last year (2014/15: £115,000 to £120,000). In addition to this the median total remuneration of £26,690 has reduced from last year (2014/15: £27,284) due to the changes in grade mix from staff attrition. Both of these changes have resulted in an increase in the ratio of highest paid executive compared to median total remuneration from 4.3 in 2014/15 to 4.5 in 2015/16. The median salary used in the fair pay disclosure has been calculated using salaries for all MMO staff and an annual equivalent remuneration paid to interim staff based on the grade of post they are covering.

Overall performance has been assessed against work objectives, the MMO core competence framework and role profiles. Bonus payments for each of the performance years have been made as a non-consolidated pay award where an individual has been awarded an exceeded mark. Bonuses awarded in the 2014/15 year are in respect of performance in the 2013/14 year and no bonuses were awarded in 2015/16 in respect of performance in the 2014/15 year.

Notes

A. Andy Beattie, Chief Operating Officer, left the MMO on 31 January 2016 following a four month period of sabbatical.

B. Steve Brooker was appointed to the role of Chief Planning Officer on 1 February 2016 and reduced his working hours to 0.6 FTE. Prior to this Steve held the role of Director of Marine Development on a full time basis.

C. Dickon Howell, Acting Chief Scientific Advisor and Director of Information, left the MMO on 31 March 2016.

D. Craig McGarvey is an employee of the Environment Agency and is on secondment to the MMO as Director of Business Development and Transformation. His secondment commenced on 8 June 2015 and is due to end on 8 December 2016.

E. Phil Haslam is an employee of the Eastern Inshore Fisheries and Conservation Authority and is on secondment to the MMO as Director of Operations. His secondment commenced on 1 September 2015 and is due to end on 28 February 2017.

Pension benefits – (subject to audit)

Senior Management Team	Real increase in pension (£'000)	Real increase in lump sum (£'000)	Value of pension at 31/03/2016 (£'000)	Value of lump sum at 31/03/16 (£'000)	CETV at 01/04/15 (£'000)	CETV at 31/03/16 (£'000)	Real increase in CETV (£'000)
John Tuckett	2.5 - 5.0	0	2.5 - 5.0	0	9	60	41
Andy Beattie	0.0 - 2.5	0	5 - 10	0	86	103	6
Steve Brooker	0.0 - 2.5	0	5 - 10	0	103	143	15
Michelle Willis	0.0 - 2.5	0	15 - 20	0	196	233	13
Dickon Howell	0.0 - 2.5	0	5 - 10	0	64	84	7
Carolyn Cadman	0.0 - 2.5	0.0 - 2.5	10 - 15	40 - 45	175	179	0

Pensions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). No Directors retired in 2015/16.

2.2.2 Staff Report

Staff Costs and Numbers

	2015/16 Permanently employed £'000	2015/16 Others £'000	2015/16 Total £'000	2014/15 (restated) Total £'000
Wages and salaries	8,454	770	9,224	8,700
Pension costs	1,776	0	1,776	1,531
Social security costs	665	0	665	689
Voluntary Early Release	0	0	0	245
Total Staff Costs	10,895	770	11,665	11,165

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments and temporary agency staff. Temporary staff are appointed for short term work through the Crown Commercial Framework Agreements. Expenditure on consultancy is not reflected in the numbers above and in 2015/16 totalled £43k (2014/15: £332k) as shown in Note four on page 61 of the financial statements.

Average Number of Full Time Equivalent Staff	2015/16 Number of people	2014/15 Number of people
Directly Employed	269	271
Inward Secondments	3	3
Interim Managers/Specialist Contractors	3	0
Temporary Agency Staff	8	5
Total	283	279

Pensions

The PCSPS is an unfunded multi-employer defined benefit scheme, but the MMO is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

From 1 April 2015 to 31 March 2016, employers' contributions of £1,731k were payable to the PCSPS (2014/15: £1,460k) at one of four rates in the range of 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the period under review, 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 £1k were paid to one or more of the panel of three appointed stakeholder pension providers (2014/15: £1k). Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £5k, under 1% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No employees have retired early on ill health grounds (2014/15: none). Ill health retirements are met by the pension scheme and are not included in the table above.

Reporting of Civil Service exit packages

The MMO's Voluntary Exit Scheme expired on 31 March 2015. There have been no voluntary exits in 2015/16 (2014/15: 4).

	2015/16		2014/15	
Exit package cost band	Total number of exit packages by cost band	Total resource cost £'000	Total number of exit packages by cost band	Total resource cost £'000
£10,000 - £25,000	0	0	2	43
£25,000 - £50,000	0	0	0	0
£50,000 - £100,000	0	0	1	82
£100,000 - £150,000	0	0	1	120
Total number of exit packages	0	0	4	245

Staff composition

The composition of MMO staff at 31 March 2016 is shown in the table below:

	Male	Female	Total
CEO (SCS 2 level or equivalent)	1	0	1
Director (SCS 1 level or equivalent)	4	1	5
Other Staff	154	126	280
Total	159	127	286

Sickness absence data

During the 12 month rolling period to 31 March 2016 the average number of days sickness for our staff was 5.3 days (2014/15: 5.2 days), with the wider civil service average being eight days.

Equality and Diversity

We are committed to the principle of equality and will not tolerate discrimination on grounds of a protected characteristic such as age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. We value the diversity amongst our workforce and are committed to providing a fair and equal working environment for all MMO employees. The MMO uses a recruitment system, which gives each application a unique candidate number, and all applications for employment are short-listed using candidate numbers rather than names.

The MMO aims to ensure that any employee with a disability is provided with an equal, safe, harassment and discrimination free working environment. In order to ensure that people with a disability can compete on equal terms with non-disabled people, the MMO offers a guaranteed interview to all applicants with a disability who meet the minimum criteria for a post. This then allows applicants with a disability the opportunity to demonstrate job accountabilities and behaviours at interview.

Where employees have declared a disability the MMO has been able to support them by providing appropriate adjustments in the work environment, ranging from specialist equipment, allowing time away from the desk and permitting home working.

We have also publicised and encourage managers to bring to the attention of staff the Workplace Adjustments Passport. This provides a discussion framework, helps managers work with a person to understand their needs, and how MMO can support them in their career development.

Off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, MMO is required to publish information on our highly paid and/or senior off-payroll engagements.

Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months:	Total
Existing at 31 March 2016	3
Existed for less than one year at the time of reporting	2
Existed for between one and two years at the time of reporting	1

All existing off-payroll engagements, outlined above, have provided an annual statement to confirm that they have paid the correct tax and national insurance. The confirmation has been provided to the Defra Chief Finance Officer.

2.3 Parliamentary Accountability and Audit Report

2.3.1 Regularity of Expenditure

The Marine Management Organisation's Accounting Officer, our Chief Executive Officer, is the person on whom parliament calls to account for stewardship of its resources. The standards the accounting officer is expected to deliver cover Governance, Decision-making and Financial Management.

The Marine Management Organisation complies with the HM Treasury guidance "Managing Public Money", which in short covers the principles as to how Government bodies handle public funds with probity and in the public interest. The Financial Memorandum sets out the specific financial framework, within which the Marine Management Organisation is required to operate. This is complemented by the Scheme of Delegation which is the means by which a statutory body authorises its employees to carry out certain of its functions. The Marine Management Organisation has separated its Scheme of Delegation into two parts for ease of reference:

- a financial schedule of delegations ("FSoD") which covers all financial functions or functions which have monetary implications e.g. loans, scheme payments etc.; and
- a non-financial schedule of delegations ("NFSOD") which covers all non-monetary functions e.g. licences, enforcement action etc.

Cabinet office introduced strict spending controls in 2010 on various categories of spend including advertising; external recruitment; consultancy and IT Projects or any other expenditure over £10k. To comply with this the Marine Management Organisation established the Spending Review Panel (SRP) through which expenditure in any of these categories must pass for approval prior to any commitment being made.

In addition to the above under the Governments transparency agenda, expenditure is published monthly on all transactions over £25k and Government Procurement Card spend over £500.

An annual audit of the Marine Management Organisation's Accounts is undertaken by the National Audit Office (NAO) and to compliment this we also have an ongoing internal audit programme. This helps to provide assurance to our Audit and Risk Assurance Committee that finances are being handled appropriately and with propriety.

All of the above give us assurances that our Finances are being handled with regularity.

For 2015/16, we can report that there were no losses, special payments or gifts incurred during the year to date which exceeded £300k. This is subject to audit.

2.3.2 Fees and Charges (subject to audit)

Information in respect of Fees and Charges can be seen in note five to the Accounts.

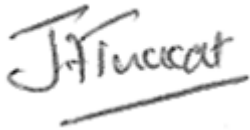
2.3.3 Remote contingent liabilities

The MMO has no contingent liabilities at 31 March 2016 and had none at 31 March 2015.

2.3.4 Long-term expenditure trends

Information in respect of long-term expenditure trends can be seen in the 'Financial Review' at page 19.

The Accounting Officer authorised this Accountability Report for issue on 13 July 2016.

A handwritten signature in dark ink, appearing to read 'J. Tuckett', with a horizontal line drawn underneath the name.

John Tuckett

Chief Executive Officer and Accounting Officer
Marine Management Organisation

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

I certify that I have audited the financial statements of the Marine Management Organisation for the year ended 31 March 2016 under the Marine and Coastal Access Act 2009. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Parliamentary Accountability disclosures that is described in those reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Marine and Coastal Access Act 2009. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Marine Management Organisation's affairs as at 31 March 2016 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Marine and Coastal Access Act 2009 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Marine and Coastal Access Act; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

15 July 2016

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



3. Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

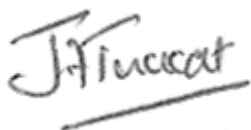
	Note	2015/16 £'000	2014/15 (restated) £'000
Expenditure			
Staff Costs	3	11,665	11,165
Other Expenditure	4	12,237	13,397
Total Expenditure		23,902	24,562
Income			
Total Income	5	(4,070)	(2,979)
Net Operating Expenditure		19,832	21,583
Other Comprehensive Net Expenditure			
Net (Gain) / Loss on revaluation of Intangibles	6	(13)	(11)
Comprehensive Net Expenditure for the year ended 31 March 2016		19,819	21,572

The notes on pages 54 to 73 form part of these accounts.

Statement of Financial Position at 31 March 2016

	Note	31 March 2016		31 March 2015	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment		51		105	
Intangible assets	6	883		1,031	
Total non-current assets			934		1,136
Current assets:					
Trade and other receivables	8	2,669		2,118	
Cash and cash equivalents	9	1,121		0	
Total current assets			3,790		2,118
Total assets			4,724		3,254
Current liabilities:					
Trade and other payables	10	(5,207)		(6,904)	
Cash and cash equivalents		0		(1,125)	
Provisions	11	(480)		(389)	
Total current liabilities			(5,687)		(8,418)
Total assets less current liabilities			(963)		(5,164)
Non-current liabilities:					
Other payables	10	(59)		(133)	
Total non-current liabilities			(59)		(133)
Assets less liabilities			(1,022)		(5,297)
Taxpayers' equity:					
General reserve			(1,091)		(5,368)
Revaluation reserve			69		71
			(1,022)		(5,297)

The Accounting Officer authorised these Financial Statements for issue on 13 July 2016.



John Tuckett
Chief Executive Officer and Accounting Officer
13 July 2016

The notes on pages 54 to 73 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
Cash flows from operating activities			
Net Operating Expenditure		(19,832)	(21,583)
Adjustment for notional corporate recharge	4	2,893	0
Adjustments for depreciation and amortisation	4	474	540
Adjustments for non-cash transactions	4	(56)	365
(Increase)/decrease in trade and other receivables	8	(551)	(742)
Increase/(decrease) in trade payables and other liabilities	10	(1,771)	(4,182)
(Increase)/decrease in payables relating to IFRIC 12	13	142	61
Use of provisions	11	91	(99)
Net cash outflow from operating activities		(18,610)	(25,640)
Cash flows from investing activities			
Purchase of intangible assets	6	(277)	(388)
Net cash outflow from investing activities		(277)	(388)
Cash flows from financing activities			
Grant from Defra		21,201	19,883
Capital element of payments in respect of finance leases		(68)	(49)
Net financing		21,133	19,834
Net increase / (decrease) in cash and cash equivalents in the period		2,246	(6,194)
Cash and cash equivalents at the beginning of the period		(1,125)	5,069
Cash and cash equivalents at the end of the period	9	1,121	(1,125)

The notes on pages 54 to 73 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Note	General Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2014		(3,682)	74	(3,608)
Changes in Taxpayers' Equity for 2014/15				
Grants from parent department		19,883	0	19,883
Net gain/(loss) on revaluation of intangible assets		0	11	11
Transfers between reserves		14	(14)	0
Comprehensive Net Expenditure for the year		(21,583)	0	(21,583)
Balance at 31 March 2015		(5,368)	71	(5,297)
Changes in Taxpayers' Equity for 2015/16				
Grants from parent department		21,201	0	21,201
Notional corporate recharges	4	2,893	0	2,893
Net gain/(loss) on revaluation of intangible assets		0	13	13
Transfers between reserves		15	(15)	0
Comprehensive Net Expenditure for the year		(19,832)	0	(19,832)
Balance at 31 March 2016		(1,091)	69	(1,022)

The notes on pages 54 to 73 form part of these accounts.

Notes to the Accounts

Note 1 Statement of accounting policies

1.1 Requirement to prepare accounts

These accounts are for the year ended 31 March 2016 and have been prepared in accordance with the Marine and Coastal Access Act (MCAA) 2009 and the Secretary of State direction there under.

The financial statements have been prepared in accordance with the 2015/16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marine Management Organisation (MMO) for the purpose of giving a true and fair view, has been selected.

The particular policies adopted by the MMO are described below. They have been applied consistently in dealing with items that are considered material to the accounts. There have been no specific judgements made by management in the process of applying these accounting policies that are considered to have had a significant effect on the amounts recognised in the financial statements.

1.2 Accounting convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible non-current assets. Reported transactions have been recognised on an accruals basis unless otherwise stated in these notes to the accounts.

1.3 Going concern

The accounts have been prepared on a going concern basis. In common with other Non Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of grant-in-aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2016/17 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the Governments' commitment to increase transparency and accountability of public services, Defra completed a review of its arm's length bodies in October 2010, and confirmed that the MMO will be retained as an executive NDPB, on the grounds of performing a technical function which should remain independent.

1.4 Non-current assets

1.4.1 Intangible non-current assets: recognition and measurement

The MMO holds a number of software licences, and title to a suite of bespoke software applications. Internally generated intangible assets are recognised as Construction in Progress (CIP) until they are brought in to beneficial use. Treatment of the development costs complies with the criteria noted in IAS38 (Intangible Assets).

1.5 Revaluation

All non-current assets other than freehold and leasehold property are reviewed quarterly using indices provided by the Office for National Statistics. Where movements in indices are material, assets are re-valued, and their value less disposal costs is depreciated over the periods in which they contribute net benefits to the business on a straight line basis.

1.6 Depreciation and amortisation

Conventionally, and in line with Defra accounting policies, depreciation and amortisation is recognised in the month after the asset was brought into beneficial use and ceases in the month in which the asset is disposed. Unless the useful life of the asset is specified by contract or other obligations, depreciation and amortisation will normally be reckoned over useful lives within the following ranges:

Office equipment	3 – 10 years
Information Technology	3 – 10 years
Vehicles	4 years
Intangible assets	2 – 12 years

1.7 Impairment

The carrying amounts of the MMO's tangible and finite life intangible assets are reviewed at each Statement of Financial Position date to establish whether there are any indications of impairment. If such indications are evident, the estimated recoverable amounts of the assets are compared to their carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value, less costs to sell, and the value in use. The value in use is an estimate of the future cash flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.8 Service concession arrangements

Defra has entered into a contract with IBM for the supply of IT services for which the MMO receives benefits. The contract is for a term of eight years commencing February 2010. The contract falls within the scope of IFRIC 12 and the MMO's share is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM for MMO to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the MMO will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.9 Employee benefits

The MMO accounts for staff costs and pension contributions in the periods for which they are payable. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The MMO is unable to identify its share of the underlying assets and liabilities. The scheme administrators carry out actuarial valuations of the scheme and prepare full accounts for the scheme.

The MMO recognises in its accounts those costs collected from it by the scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as “pension costs”. The MMO recognises a liability and expense for all other employee benefits, including unused annual leave, accrued at the Statement of Financial Position date, provided these amounts are material in the context of the overall staff costs. IAS 19.17 states that the expected costs of bonus payments should be recognised when a legal or constructive obligation to make such payments, as a result of past events, exists and a reliable estimate can be made.

1.10 Grants and subsidies

The MMO has a role designated by the Secretary of State as the UK European Fisheries Fund (EFF) Managing Authority and the Intermediate Body for England, carrying out duties in the capacity as Agent for Defra, as the Principal. The transactions of grant expenditure and the funding amounts reclaimed from the European Commission (EC) feature in Defra’s Resource Accounts and not the MMO’s Accounts. The Defra Resource Accounts include only those transactions which are in relation to the activities of the England Intermediate Body only. The MMO had adopted the role of UK Managing Authority and England Intermediary Body for the European Maritime and Fisheries Fund (EMFF) on 30 November 2015; however, formal delegation will not take place until autumn 2016.

Other UK agencies make payments to claimants for certain schemes (principally European Union (EU) Aid for fisheries enforcement and under the EU Data Collection Regulations). MMO co-ordinate this expenditure, submitting programme plans and claims to the EC. The MMO does not report within its own accounts the transactions or balances relating to third parties, unless temporarily holding funds received for onward disbursement.

Grant funding received from Home Office through the Asset Recovery Incentive Scheme, under the Proceeds of Crime Act, are a share of penalties imposed by the courts following successful prosecution of offenders by the MMO during the financial reporting period. Receipts are accrued and deferred upon notification of award by the Home Office and are only recognised as income in the Statement of Comprehensive Net Expenditure when the funding is used. Funds must be spent in the financial year in which they are earned and used on initiatives which may either reduce the instances of crime or benefit the community and unutilised funds are returned to Home Office.

1.11 Income

Income relates directly to the operating activities of the MMO. The MMO recognises programme income from the following sources:

- 1) From 6 April 2014, fees and charges have been issued in accordance with the Marine Licensing (Application Fees) Regulations 2014, supported by powers on the MCAA 2009. This revised statutory instrument allows charging for marine licence activity on a band basis, depending on the criteria of an application, as follows:
 - i) Band 1, Band 2a and Band 2b are capped fees payable in full in advance, and are recognised at the point of receipt.
 - ii) Band 2c, 2d and 2e are hourly fees charged up to a capped limit, invoiced in arrears, and are recognised on an accruals basis.
 - iii) Band 3 are uncapped hourly fees, invoiced in arrears and are recognised on an accruals basis.

- 2) The Public Bodies Act 2011 allows the Secretary of State to change the funding arrangements of certain bodies such as the MMO by means of an order. From 1 October 2014, changes to MMO's charging powers were made in an Order under section 4 of the Act allowing the MMO to recover costs incurred in monitoring sites where licensable activity is taking place, reviewing monitoring reports required from licensing holders, and in varying existing licences. Revisions to the statutory instrument made provision for changes to the Act, where such income is recognised on an accruals basis.
- 3) Fees for dredging licences issued under the Food and Environment Protection Act 1985 (FEPA) in respect of dredging, construction and disposals of waste material in the marine environment.

The income recognition for FEPA licences is based on the arrangements made with the applicant for an annual charge which is invoiced monthly in arrears.

- 4) Fees for dredging licences are issued under the Marine Works Regulations (as amended in April 2011) and inshore and offshore Habitats Regulations. Fees for Environmental Impact Assessment (EIA) decisions relating to marine works are charged under the Marine Works Regulations (as amended in April 2011). New and outstanding applications for extraction of minerals by marine dredging have transitioned into marine licence applications.

The income recognition point for Marine Mineral Dredging depends upon the stage that the application has reached. For pre-application advice the receipt is deferred until the MMO and the Centre for Environment, Fisheries and Aquaculture Science (Cefas) have completed both a full consultation and advisory review. The yearly interpretation and assessment of monitoring results income is recognised over the time period of the reviews.

- 5) Fees for navigational dredging licences are issued in accordance with the regulations made under powers in the MCAA 2009. Schedule 9 (part 4) of the regulations provided a transitional period for operators and regulators to meet the statutory requirements of the Act. This period ended on 31 March 2014, navigational dredging became enforceable from 1 April 2014.
- 6) The MMO recognises income earned from the EC as a contribution to the MMO's expenditure on enforcing fisheries regulations (EU Aid) and preparing statistical reports on the condition of UK fisheries (EU Data Collection Regulations). Income is recognised upon confirmation from the EC of the amount payable.
- 7) All other programme income is recognised when the outcome is delivered to the customer.

The MMO sets its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money", with the financial objective of recovering all recoverable costs of providing the service. Income Note 5 reports the cost under recovery.

1.12 Provisions

The MMO provides for the obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made. This is in accordance with IAS37. Future costs have not been discounted.

1.13 Value Added Tax (VAT)

As an executive NDPB the MMO is unable to recover VAT on any non-statutory services received, with one exception; the taxable pre-application advice received from Cefas and charged to customers who have requested it in advance of making applications for Marine Licences. As VAT is not recoverable on most of the activities, it is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

1.14 Contingent liabilities and remote liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the MMO discloses, for Parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote - unless disclosure of those remote liabilities is itself believed likely to increase the possibility of the liability being accrued, or the value of these remote liabilities is not material.

1.15 Financial instruments

1.15.1 Financial assets

The MMO holds trade receivables in this category. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value or recoverable amount. Provision is made when there is objective evidence that the asset is impaired. Balances are written off to net expenditure when the probability of recovery is assessed as being remote, or is uneconomic to do so.

1.15.2 Financial liabilities

These comprise trade and other payables and financial liabilities. They are initially recognised at fair value of consideration received less directly attributable transaction costs. Trade payables are not interest bearing and are stated at their nominal value.

1.15.3 Derivative financial instruments and hedging

The MMO is required to disclose the role that financial instruments had at 31 March 2016 in creating or changing the risks faced by the MMO in undertaking its activities.

The non-trading nature of the MMO's activities, and the way that MMO is financed, means that it is not exposed to the degree of financial risk faced by other business entities. MMO has no powers to borrow or invest surplus funds and financial assets and liabilities generated by the day to day operational activities, and are not held to change the risks facing the MMO in undertaking its activities.

1.16 Impending applications of newly issued accounting standards not yet effective

All International Financial Reporting Standards (IFRS), Interpretations and Amendments to Published Standards, effective at 31 March 2016, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

The MMO has reviewed the IFRSs in issue but not yet effective, to determine if there is a requirement to make any disclosures, in line with IAS 8.30. None are thought to be of significant impact to the MMO and no disclosures have been made.

Note 2 Analysis of net expenditure by segment

In accordance with IFRS 8 Operating Segments, the MMO is required to report financial information about its operating segments. These are reportable segments about which separate financial information is available and are the agreed strategic objectives. Generally, financial information is required to be reported on the same basis as it is used internally. For the MMO the Accounting Officer (CEO) and MMO Directors evaluate performance regularly by Strategic Outcome to decide how to allocate resources and assess performance, and these figures are regularly presented to the Board.

Strategic Outcome and Description	2015/16			2014/15 (restated)		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
1 - Marine businesses are supporting sustainable growth in the UK economy	6,217	(3,111)	3,106	5,857	(2,073)	3,784
2 - The marine environment is protected for current and future generations	7,225	(505)	6,720	6,933	(158)	6,775
3 - The continuous development of coastal communities is encouraged	5,260	(288)	4,972	5,112	(509)	4,603
4 - Our decisions are trusted	2,932	(152)	2,780	3,170	(239)	2,931
5 - We are recognised to be a highly effective public body	2,268	(14)	2,254	3,490	0	3,490
Total	23,902	(4,070)	19,832	24,562	(2,979)	21,583

Note 3 Staff numbers and related costs

	2015/16 Permanently employed £'000	2015/16 Others £'000	2015/16 Total £'000	2014/15 (restated) Total £'000
Wages and salaries	8,454	770	9,224	8,700
Pension costs	1,776	0	1,776	1,531
Social security costs	665	0	665	689
Voluntary Early Release	0	0	0	245
Total Staff Costs	10,895	770	11,665	11,165

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments and temporary agency staff. Temporary staff are appointed for short term work through the Crown Commercial Framework Agreements.

Information relating to senior MMO staff salaries and other benefits in kind is disclosed within the Remuneration Report on page 38 of the Annual Report. Information relating to staff numbers and other staff information is included within the Staff Report on page 40.

Note 4 Other expenditure

	Note	2015/16 £'000	2014/15 £'000
CEFAS Scientific Support for Marine Environment Work		2,706	2,606
Aerial, Surface and Satellite Surveillance		1,824	2,075
Travel, Subsistence and Hospitality		875	705
Other ICT		694	884
Shared Services (SSCL)		447	559
EU Aid		432	118
Prosecutions and Legal Services		338	410
Data and Evidence		336	481
Other Programme Costs		298	289
Defra Support Charges		186	250
Data Collection Framework		179	247
Audit Fees - Internal Audit (Defra)		132	115
Grant Expenditure		109	0
Training		107	220
Rentals payable under operating leases		80	500
Audit Fees - External Audit (National Audit Office)		49	53
Consultancy Charges		43	332
IBM Service Concession Arrangement		0	1,665
Estate Management		0	1,082
Non-cash			
Corporate Overhead Recharge		2,893	0
Amortisation	6	422	503
Provisions provided for in period	11	181	355
Depreciation		36	37
Loss on disposal		16	0
Impairment of intangible construction in progress		0	369
Provisions not required and written back	11	0	(301)
IBM Service Concession Arrangement		(56)	(4)
Utilisation of provision	11	(90)	(153)
Total		12,237	13,397

From April 2015 arrangements for paying corporate overheads moved to a notional recharge basis. The notional Corporate Overhead Recharge includes expenditure relating to estates management and the elements of the IBM Service Concession Arrangement which were previously recognised as 'Other Expenditure'.

Note 5 Income

	2015/16 £'000	2014/15 (restated) £'000
Marine Licences (Marine and Coastal Access Act 2009)	2,665	2,028
Disposal Levy	445	0
EU Aid for Fisheries Enforcement	360	109
EU Data Collection	277	105
European Fisheries Fund	280	494
Other Income	29	216
Professional Training	14	27
Total Programme Income	4,070	2,979

Fees and charges (recovered costs)

Financial objective 2015/16	Income £'000	Full Cost £'000	(Deficit) £'000
Marine Licences (Marine and Coastal Access Act 2009)	2,665	3,344	(679)
	2,665	3,344	(679)

The MMO sets its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money", with the financial objective of recovering all chargeable costs.

The information has been provided for fees and charges purposes and not for IFRS 8 purposes.

On 6 April 2011, the MMO implemented a new fees and charging instrument, underpinned by the MCAA 2009. Fees are charged for licensing activities on a tier basis using either a fixed fee (Tier 1, Tier 2) or hourly charge (Tier 3) depending on the criteria of the application. None of the income recognised in 2015/16 related to the 2011 charging instrument (2014/15: £76k).

Fees for navigational dredging licences are issued under the regulations made under powers in the MCAA 2009. Schedule 9 (part 4) of the regulations provided a transitional period for operators and regulators to meet the statutory requirements of the Act. This period ended on 31 March 2014, navigational dredging became enforceable from 1 April 2014.

On 6 April 2014, the MMO implemented a revision of the fees and charging instrument, underpinned by the MCAA 2009. Fees are charged for licensing activities on a tier basis using either a capped (Band 1, Band 2) or hourly charge (Band 3) depending on the criteria of the application.

All of the MCAA 2009 marine licensing income recognised in 2015/16 relates to the implementation of the 2014 charging instrument and of this £22k related to navigational dredging and £860k for monitoring and varying marine licences under the new powers of Order to the Public Bodies Act 2011 effective from 1 October 2014.

Disposal Levy income represents the one off recognition of MCCA 2009 income deferred from previous years. It is excluded from the cost recovery calculation as it does not relate to activity carried out in 2015/16.

The cost recovery deficit of £679k relating to MCAA 2009 marine licences has materialised due to limitations within the current statutory instrument which restrict MMO ability to recover all recoverable costs, where appropriate.

Note 6 Intangible assets

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Cost or valuation			
At 1 April 2015	3,431	357	3,788
Additions	0	277	277
Disposals	(71)	0	(71)
Transfers (Completed / Capitalised CIP)	356	(356)	0
Revaluation	21	0	21
At 31 March 2016	3,737	278	4,015
Amortisation			
At 1 April 2015	2,757	0	2,757
Charged In period	422	0	422
Disposals	(55)	0	(55)
Revaluation	8	0	8
At 31 March 2016	3,132	0	3,132
Net Book Value at 1 Apr 2015	674	357	1,031
Net Book Value at 31 Mar 2016	605	278	883

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Asset Financing			
Owned	605	278	883
On-balance sheet (SoFP) other service concession arrangements	0	0	0
Net Book Value at 31 March 2016	605	278	883

Internally generated intangible assets classified as construction in progress are development costs for new information systems. Development of new Marine Case Management System functionality was transferred into use during 2015/16.

The last revaluation of intangible assets was carried out on 31 March 2016.

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Cost or valuation			
At 1 April 2014	3,237	503	3,740
Additions	0	388	388
Transfers (Completed / Capitalised CIP)	165	(165)	0
Impairment	0	(369)	(369)
Revaluation	29	0	29
At 31 March 2015	3,431	357	3,788
Amortisation			
At 1 April 2014	2,236	0	2,236
Charged In period	503	0	503
Revaluation	18	0	18
At 31 March 2015	2,757	0	2,757
Net Book Value 31 March 2014	1,001	503	1,504
Net Book Value 31 March 2015	674	357	1,031
	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Asset Financing			
Owned	674	357	1,031
On-balance sheet (SoFP) other service concession arrangements	0	0	0
Net Book Value at 31 March 2015	674	357	1,031

Note 7 Financial instruments

As the cash requirements of the MMO are met through Grant-in-Aid provided by Defra, 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 MMO's expected purchase and usage requirements and the MMO is therefore exposed to little credit, liquidity or market risk.

Note 8 Trade receivables and other current assets

	2015/16 £'000	2014/15 £'000
Amounts falling due within one year		
Trade Receivables	1,456	1,130
Bad Debt	(143)	(141)
Deposits and Advances	0	20
Prepayments and Accrued Income	1,356	1,109
Total due within one year	2,669	2,118

There were no receivables falling due after more than one year at 31 March 2016 or 31 March 2015.

Note 9 Cash and cash equivalents

	2015/16 £'000	2014/15 £'000
Balance at 1 April 2015	(1,125)	5,069
Net changes in Cash and Cash Equivalent balances	2,246	(6,194)
Balance at 31 March 2016	1,121	(1,125)

Cash is held in accounts which are provided by Government Banking Services (GBS). The current provider is Royal Bank of Scotland.

Note 10 Trade payables and other current liabilities

	2015/16 £'000	2014/15 £'000
Amounts falling due within one year		
Trade Payables	509	569
Other taxation and social security	4	50
Accruals and Deferred Income	4,619	2,963
Other Payables:		
Defra Network	0	1,514
IBM Service Concession	75	75
Aerial & Surface Surveillance	0	1,733
Total due within one year	5,207	6,904
Amounts falling due after more than one year		
IBM Service Concession	59	133
Total due after more than one year	59	133
Total	5,266	7,037

Note 11 Provisions

	Legal Costs £'000	VMS £'000	IT £'000	31 March 2016 £'000	31 March 2015 £'000
Balance at 1 April 2015	97	103	189	389	488
Provided in the year	146	35	0	181	355
Provisions not required written back	0	0	0	0	(301)
Provisions utilised in year	0	(55)	(35)	(90)	(153)
Balance at 31 March 2016	243	83	154	480	389

The provisions utilised during the year relate to the following:

A financial obligation of £35k relating to the MMO's contractual requirement to cover the cost of new Oracle licenses required to support the service provided by SSCL.

An obligation of £48k relating to MMO's share of the cost of installing and updating vessel monitoring devices on English boats.

Note 12 Commitments under leases

Operating leases

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

	2015/16 £'000	2014/15 £'000
Buildings		
Not later than one year	319	238
Later than one year and not later than five years	756	147
Later than five years	0	15
	1,075	400
Other		
Not later than one year	20	81
Later than one year and not later than five years	56	149
Later than five years	0	0
	76	230

As at 31 March 2016, 30 cars were leased over a period of four years which is reflected in the other operating lease commitments above.

Note 13 Commitments under PFI and other service concession arrangements contracts

Defra have a contract with IBM for the provision of IT services and infrastructure assets, of which MMO is a part. This contract was renewed on 1 February 2010. It aims to support the Department by providing a modernised IT infrastructure in line with the wider government IS strategy, which will give the Department, including MMO, access to cost effective IT services and infrastructure.

The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included by MMO to reflect the capital value payments to IBM to lease IT infrastructure assets by MMO throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the MMO will derive from having access to IBM's IT infrastructure assets.

During the life of the contract, MMO has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at

the end of contract, although the Department, including MMO, has the option to purchase specified assets at net book value on exiting the contract. This gives the Department, including MMO, control of the assets during the life of the contract.

Total obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:	2015/16 £'000	2014/15 £'000
Not later than one year	79	82
Later than one year and not later than five years	67	153
Later than five years	0	0
	<u>146</u>	<u>235</u>
Less interest elements	(12)	(27)
Present value of obligations	134	208

Present value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:	2015/16 £'000	2014/15 £'000
Not later than one year	75	75
Later than one year and not later than five years	59	133
Later than five years	0	0
	<u>134</u>	<u>208</u>
Total present value of obligations	134	208

Note 14 Other financial commitments

The MMO entered into non-cancellable contracts (which are not leases or PFI contracts) as detailed below. The payments to which the MMO were committed at 31 March 2016, analysed by the period during which the commitment expires, are as follows:

	2015/16 £'000	2014/15 £'000
Not later than one year	6,006	6,080
Later than one year and not later than five years	5,397	8,998
Later than five years	1,597	1,971
Total present value of obligations	13,000	17,049

The MMO's key commitments include contracts relating to the provision of aerial, surface and satellite surveillance services and CEFAS scientific support for marine environment work.

Note 15 Contingent liabilities

The MMO has no contingent liabilities at 31 March 2016 and had none at 31 March 2015.

Note 16 Related party transactions

The MMO is an executive Non-Departmental Public Body sponsored by Defra, which is regarded as a related party. During the year, MMO has carried out a number of material transactions with Defra in the normal course of business. In addition, MMO had various material transactions with the Cefas and Seafish, for both of which Defra is regarded as the parent Department.

MMO also had transactions with other government departments the most significant of which was with the Ministry of Defence (MOD).

The following table shows the organisation where our Non-Executive Board or Directors have a related party interest.

Board Member / Senior Staff	Corporate Related Body	Total payments made (Goods & Services)	Total income received	Amount owed by MMO at 31 March 2016	Amount owed to MMO at 31 March 2016
Nigel Reader	Natural England	0	3	0	0
Jane Ryder	Seafish	153	0	130	0
Phil Haslam	Association of Inshore Fisheries and Conservation Authorities	0	0	30	0

No Non-Executive Board Member or member of the Senior Management Team has undertaken any material transactions with MMO for which they have declared an interest. Further information on Non-Executive Board Members and Directors can be found in the Remuneration Report from page 35.

Note 17 Third-party assets

Court costs recovered by the MMO can be retained, however, they must be held for a period of six months after the date of prosecution due to defendants' right to appeal. Court costs disclosed below relate to monies which have been held for a period less than the required six months and are therefore classed as a third party asset.

During 2015/16, the MMO received fishing administrative penalties imposed by English or Welsh courts on owners of fishing vessels in accordance with Sea Fishing (Penalty Notices) (England) Order 2011 SI 2011 No 758. MMO acts as custodian, however, it has no direct beneficial interest, therefore these monies are not included in the Accounts and will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

Bond receipts are sums of money deposited with the MMO by suspects or defendants as security against their failure to submit to the jurisdiction of English courts and pay the penalties for their alleged wrongdoing. They are collected when foreign fishing vessels are detained by the MMO and released from detention before the court case is concluded or the fines paid. MMO acts as custodian, however, it has no direct beneficial interest, therefore the funds held remain the property of the person depositing them unless, or until, they fail to submit to the court process or pay their penalties, in which case they are forfeited to the Crown.

The amounts are set out in the table below:

Monetary assets and monies on deposit	31 March 2016	31 March 2015
	£'000	£'000
Court Costs	63	14
Fishing Admin Penalties	65	40
Proceeds of Crime Act Incentivisation from Home Office	0	232
Bonds	75	88
Total	203	374

Note 18 Events after the reporting date

MMO's Financial Statements are laid before the House of Commons. The Annual Report and Accounts were authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General's audit certificate. IAS 10 *event after the reporting period* requires MMO to disclose the date on which the accounts are authorised for issue.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU.

More details on the MMO's financial interaction with the EU can be found in the Performance Analysis section starting at page 13.

Note 19 Prior Period Adjustments

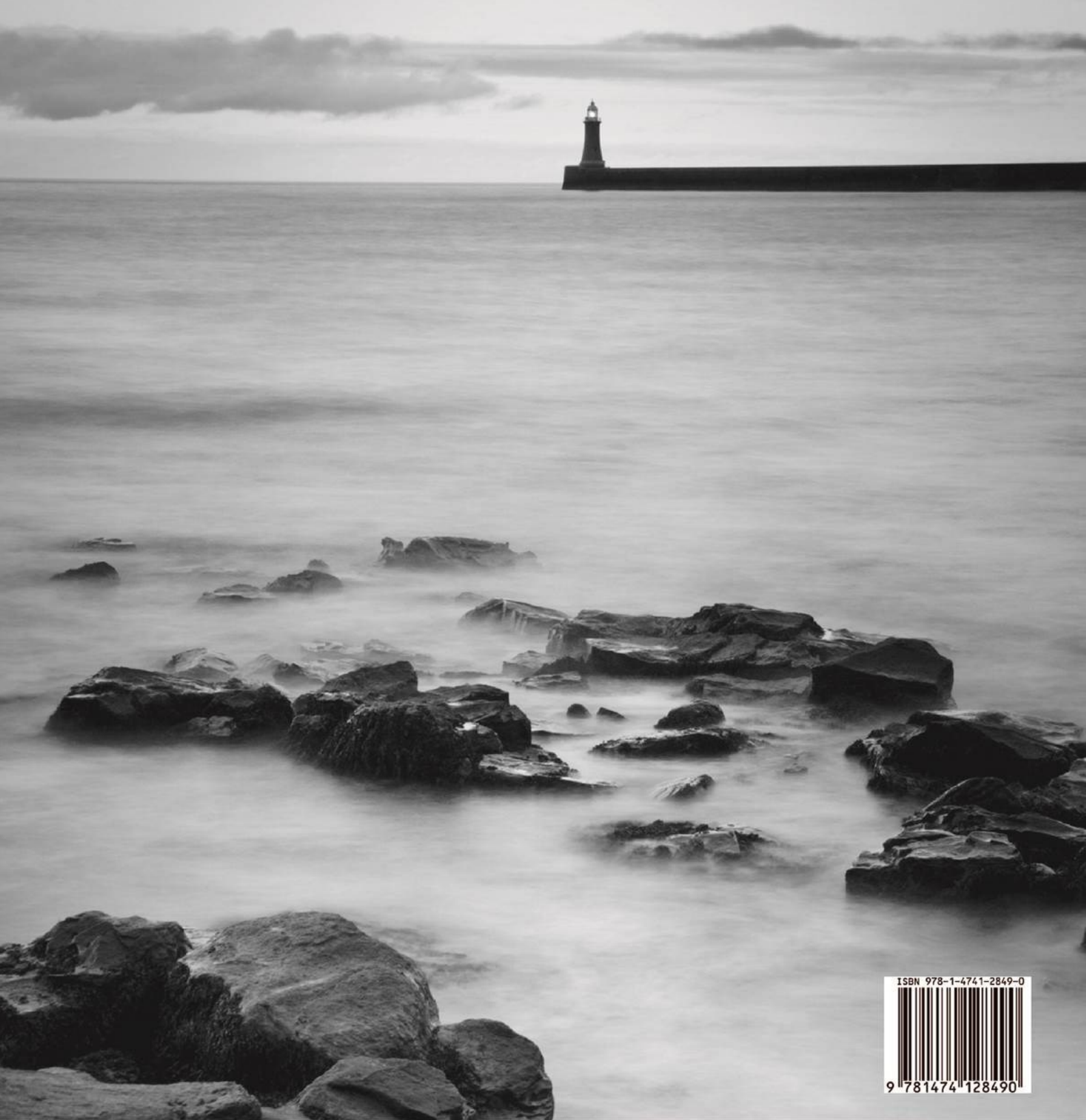
Prior year figures in relation to staff costs and EU income have been restated to align with 2015/16 presentation which reflects the gross cost of staff working on European Fisheries Fund scheme administration and the corresponding amount of EU funding received.

19.1 Effect on the Statement of Net Expenditure

The adjustments result in an increase to MMO 2014/15 staff expenditure of £0.494m and a corresponding increase of £0.494m in EU income, however, overall net expenditure remains unchanged.

19.2 Effect on the Statement of Financial Position

The adjustments have had no impact on the Statement of Financial Position for 2014/15.



**Marine
Management
Organisation**

Marine Management Organisation
Lancaster House
Hampshire Court
Newcastle Business Park
Newcastle Upon Tyne

Telephone: 0300 123 1032

www.gov.uk/mmo
Email: info@marinemanagement.org.uk