Maritime and Coastguard Agency

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Annual Report and Accounts 2010-11

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An executive agency of the Department for Transport

The Maritime and Coastguard Agency

Annual Report and Accounts 2010-11

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Contents

Our vision is to be the best maritime safety organisation in the world.

We aim to be the most trusted global source of maritime competence and safety advice to industry and the public, committed to ***Safer Lives, Safer Ships, Cleaner Seas***.

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

Foreword

The Maritime and Coastguard Agency aspires to be the world's best maritime safety organisation. This is a demanding but credible goal: we have the systems, the experience, the track record and - above all - the people to achieve it.

Our remit is wide, covering the whole of the UK's coast and coastal waters. At one end of the spectrum we work hard to avoid accidents and bad practices at sea through prevention: by educating, inspecting, regulating and – where necessary – enforcing. Yet the sea and coast are naturally dangerous places, and things will, unavoidably, sometimes go wrong. At that point, we act swiftly at the other end of the spectrum to initiate and coordinate effective emergency response through search, rescue and pollution control. Taken together, the MCA's many activities and responsibilities require a skilled, committed, professional workforce of marine surveyors; administrators; policy-makers; and uniformed members of HM Coastguard – both full-time and volunteer. We ask a lot of them: and they invariably deliver.

This year we have begun an ambitious programme of continuous improvement. In part, this has been our response to stringent measures introduced in the Government's Spending Review, which will see the Agency's operating budget reduced by some 21.3% by March 2015. But this programme also recognises the need to streamline and modernise the way we do business across the board, to keep pace with technology, the needs of our customers, and the ever-growing potential of our own people. Milestones this year have included launching in December our formal proposals to modernise HM Coastguard; and in January implementing a whole new European maritime inspection regime, based on the targeted inspection of the highest risk ships visiting UK ports. These have been challenging tasks on top of 'business as usual', at a time when all our resources have been under considerable stretch.

I am very proud to be leading the MCA at this time. We play a big part in the safety of life, the cleanliness of our environment, the promotion of safe trade and the health of our national economy. There is much to do and to live up to. We have a clear sense of purpose, and a bright future to strive towards. Effectiveness, efficiency and value for money will remain our guiding principles, within an Agency that will be increasingly focussed on its core values of Safety, Professionalism, Respect and Trust.

Sir Alan Massey
Chief Executive

Directors' Report

Who We Are

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

Our most important role is to improve safety, and we do this through both prevention and response activities. All of our work contributes to our vision of being the world's best maritime safety organisation, dedicated to *Safer Lives, Safer Ships, Cleaner Seas.*

Agency Management

We are answerable to the Secretary of State for Transport through our Advisory Board which reviews the Chief Executive's and the Agency's performance against its plans, targets and resources.

The Advisory Board comprised the following members for 2010-11:

- Richard Hatfield (Director General, International Networks and Environment Group / renamed International Security and Environment from January 2011, DfT, Chair)
- Peter Cardy (Chief Executive, MCA, until 30 April 2010)
- Richard Parkes (Acting Chief Executive, MCA, from 1 May until 20 July 2010)
- Alan Massey (Chief Executive, MCA, from 21 July 2010)
- Ian Woodman (Director of Maritime and Dangerous Goods, DfT)
- Nick Court (Head of Shipping Policy Division, DfT)
- Sue Ketteridge (Director of Finance and Governance, MCA)
- Helen Jameson (Head of Resource Management and Planning, International Networks and Environment Group, DfT, until December 2010)
- Bob Banham (External Member)
- Julian Lee (External Member)

The Chief Executive is supported by the Executive Board. They met regularly during the year to discuss strategic issues affecting the Agency. At each meeting they reviewed the following areas:

- Health, safety, security and environment (HSSE) matters;
- Progress against targets;
- Corporate risks and risk management;
- The Agency's financial position and budgetary pressures; and
- The Balanced Scorecard (a traffic light system of key Agency performance factors).

Members of the Executive Board within the financial year 2010-11 were:

- Executive Directors:
    - Peter Cardy – Chief Executive (until 30 April 2010)
    - Alan Massey – Chief Executive (from 21 July 2010)
    - Philip Naylor – Director Maritime Services
    - Richard Parkes – Director Corporate Support (Acting Chief Executive from 1 May to 20 July 2010)
    - Sue Ketteridge – Director Finance & Governance
    - Chris Thomas – Acting Director Corporate Support (1 May to 21 July 2010)
- Non-Executive Directors:
    - Julian Lee
    - Bob Banham
    - Nigel Palmer

The Non-Executive Directors challenge and support the Board to ensure that it operates in the best interests of the Agency and its stakeholders. They are not employees of the Agency and are not affiliated with the Agency in any way other than their work for the Executive Board and in some cases the Advisory Board. They are also the permanent members of the Audit Committee.

Performance Summary

Our performance against our Targets, Service Standards and Outcomes is monitored throughout the year and reported at each Executive Board meeting.

Our Targets 2010-11
Our year end performance against the targets set out below has been validated by the DfT's Audit and Risk Assurance team.

Target	Performance	
	2010-11	2009-10
1. Maintain the quality of maritime emergency coordination and response by the Coastguard.	Achieved	Achieved
2a. Helicopters tasked to respond to incidents will be airborne within 15 minutes during daylight hours and 45 minutes at night in at least 98% of cases.	Achieved (99.61%)	Achieved (99.59%)
2b. At each MCA Search and Rescue helicopter base, a helicopter will be available at least 98% of the time to respond to incidents.	Achieved (99.00%)	Achieved (98.17%)
3. Meet the internationally required target to inspect 25% of foreign vessels in UK ports under PSC arrangements, with an increasing emphasis on inspecting available ships judged to be high risk.	Achieved (25.25%) (See note[1])	Achieved (25.75%)
4. Maintain the quality of the UK Ship Register by reducing the level of deficiencies recorded on UK ships inspected abroad, and maintain a position on the Paris MOU White List which is comparable to registers of a similar size and reputation.	Achieved	Achieved
5. As a Category 1 Responder, continue to meet the provisions of the Civil Contingencies Act including increased engagement with Local Resilience Forums (LRF).	Achieved	Achieved
6. Respond promptly to potential and actual pollution from ships around the UK coast, drawing effectively on resources including our emergency tugs, and following the procedures set out in the National Contingency Plan.	Achieved	Achieved

Outcomes
We monitor four outcomes that provide a broad indication of our effectiveness. These outcomes are reported in the 'Safer Lives', 'Safer Ships' and 'Cleaner Seas' sections of this document alongside the work we undertake to influence them. More details can be found on our website.

[1] On 1 January 2011, our existing target of inspecting 25% of all foreign vessels in UK ports changed to inspecting set proportions of higher risk ships. These targets are reported to the EU on an annual basis; the reported performance of 25.25% relates to the period to 31 December 2010. Performance for 1 January 2011 to 31 December 2011 will be reported in next year's Annual Report and Accounts. More details can be found on our website: www.dft.gov.uk/mca.

Service Standards

Everyone in the MCA is committed to excellent customer service, and to ensure we continually deliver this level of service we monitor our performance against the following service standards.

Standard	Performance	
	2010-11	2009-10
We will act promptly and appropriately when alerted to a maritime emergency.		
In 98% of cases, we will answer 999 telephone calls and maritime distress signals within 10 seconds in accordance with the Code of Practice for the Emergency Call Service.	See note[2]	See note [2]
When a volunteer Coastguard Rescue Team is alerted, the team members will get to their Rescue Station as soon as they can. Once the Rescue Team is ready to proceed from its Station, it will arrive at the scene of an incident within 30 minutes in 90% of cases.	Achieved (93%)	Achieved (93%)
In 98% of incidents, within five minutes of being alerted about an incident we will take a decision on the appropriate search and rescue response and initiate action if necessary.	See note [2]	See note [2]
We will process applications for seafarer documents and certificates quickly.		
In 95% of cases, we will assess your eligibility to sit an exam within 20 working days.	Achieved (99%)	Achieved (96%)
In 95% of cases, we will issue your Certificate of Competency (COC) within 10 working days.	Achieved (98%)	Achieved (97%)
In 95% of cases, we will issue your revalidated Certificate of Competency within 10 working days.	Achieved (99%)	Achieved (100%)
In 90% of cases, we will assess your Certificate of Equivalent Competency (CEC) application and issue the Confirmation of Receipt of Application (CRA) within 10 working days	Achieved (98%)	Achieved (99%)
We will process ship-related certificates, surveys and inspections quickly.		
In 95% of cases, we will issue your survey or audit certificate within 10 working days of completion of a satisfactory survey.	Achieved (100%)	Achieved (100%)
In 90% of cases, we will complete your plan approval within 20 working days	Achieved (96%)	Not achieved (84%)
In 95% of cases, on receipt of the signed carving and marking note, we will issue your registration certificate within 5 working days (for merchant ships, pleasure vessels, fishing vessels and bareboat charter ships).	Achieved (100%)	Achieved (100%)
In 95% of cases, we will issue your registration certificates within 10 working days (for small ships – under 24 metres).	Achieved (100%)	Achieved (100%)
We will provide a full response to enquiries quickly.		
No measures.		
We will provide a full response to complaints quickly.		
We will respond to 90% of complaints within 10 working days.	Not achieved (88%) See note[3]	Achieved (91%)
We will respond to telephone calls promptly and endeavour to resolve all enquiries at the first call.		
No measures.		
We will use reliable and accurate methods to measure customer satisfaction on a regular basis.		
• Where current performance is greater than 90%, the metric should be to 'maintain or improve' on that level • Where performance is below 90%, the metric should be to 'improve' on the current level.	See note[4]	87%

[2] Due to ongoing industrial action data relating to this service standard is incomplete.

[3] The number of complaints is relatively small (50 received in 2010-11) and we are looking carefully at how we tackle them in the future.

[4] The Agency conducted a review of how it measured customer satisfaction and undertook developmental work to improve the quality and rates of response, this included moving from a paper based to an electronic collection method. No customer surveys were conducted during the 2010-11 financial year.

Management Commentary

Effective management plays an important part in delivering our services to our customers. Our Statement on Internal Control on page 27 describes some of the ways we go about this.

We also meet the ISO 9001:2008 Quality Management Systems standard that covers: quality management systems; management responsibility; resource management; product realisation; and measurement, analysis and improvement. Our internal quality audits, combined with external monitoring, provide assurance against the standard and help support business improvement.

Service Improvement

We are improving the information we make available to industry and the public. We have enhanced our public facing content on the DirectGov website (www.direct.gov.uk), which is a one-stop-shop for all government information and services; and we have also moved our business information and systems to the Business Link website (www.businesslink.gov.uk) - the government's free business information and support service.

We developed improved management and enrolment instructions and a `Volunteer Handbook' to clarify our relationship with our Coastguard Rescue Officers, leading to improved management of the Coastguard Rescue Service. We have also set up an email address for people to volunteer to be Coastguard Rescue Officers, which attracts daily enquiries.

We have continued our programme of research to improve our service provision and inform our safety messages. Individual research projects are discussed throughout this report, and more details are available on our website: www.dft.gov.uk/mca/mcga-aboutus-research2.htm

We are working to improve the physical, procedural and technical security of our staff, our sites and the information we hold. During 2010-11 we:

- continued to implement a new Government Secure Intranet (GSi) environment across our offices;
- documented and commenced implementation of ISO 27001 based Information Security Management System (ISMS);
- continued to enhance the physical security at all our sites; and
- delivered information protection training for all our staff.

During 2010-11 we had no personal data related incidents.

Sustainable Development

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

Activity during 2010-11 included:

- completing automated meter reading (AMR) installations across the entire building portfolio;
- revising travel plans at major offices which now includes the introduction of a national salary sacrifice scheme for the purchase of bicycles and a national bus ticket discount scheme;
- a national water audit with all actions and works identified now being implemented;
- boiler optimisation at our HQ Office resulting in significant gas savings;
- several lighting projects including the installation of LED lighting in the HQ conferencing areas and lifts; and
- continued involvement of regional sustainable development champions.

There are more details in our Sustainability Report (Annex A) on page 68 of this report.

Our activities and estate are kept under review as we recognise the importance of adapting to climate change as part of our planning processes. The Agency's estates management strategy aims to:

- support the Agency's business needs;
- ensure compliance with statute and policy;
- maximise the useful life of the properties by timely maintenance; and

- maintain the value of the portfolio as a government asset by effective management.

Our full estates management strategy can be found on our website.

Our People

This year has seen some significant changes in the way that we deliver our HR services. We are part of the Civil Service-wide Next Generation HR programme which aims to deliver a responsive and professional HR service with better business outcomes at a significant cost reduction. This will be achieved through reducing the number of staff in our HR function and focusing on partnering with the business. We are fully involved with the rest of the DfT on the development of the programme.

Our diversity function has been centralised within DfT and as part of the new working arrangement DfT diversity specialists facilitated an Equality Impact Assessment workshop for our Executive Board and Senior Management Team. We have continued to deliver against our diversity action plan and we remain committed to equality of opportunity in recruitment, development and promotion. We treat all staff fairly, with dignity and respect. Diversity is fundamental to our employment practices and to the way we deliver our services; we remain totally committed to meeting the requirements of the Equality Act (which came into force in October 2010) as we were its precursor legislation.

We actively encourage disabled individuals to apply for opportunities and operate the 'Two Ticks' guaranteed interview scheme. Throughout an individual's employment we will make reasonable adjustments to enable them to work, develop and progress. We follow the Civil Service Code.

In November our recruitment work transferred to the DfT's Departmental Resourcing Group located in Swansea. As a result of the Civil Service-wide recruitment freeze implemented in May, recruitment activity has reduced, but using the exemptions process, we continue to fill front-line surveyor and coastguard vacancies and other business critical posts.

In recognition of the importance of health and well-being in our workplace, we arranged for five voluntary `well-being' clinics to be held across the Agency.

So that we can retain a skilled workforce, we continue to train and develop our staff, making full use of the government's schemes for apprenticeships and work-based NVQs. We also started using the DfT's Transport Learning Group (TLG) from January 2011 to deliver generic professional skills training. Learning and development activity during 2010-11 included:

- delivering the Marine Surveyors' Customised Award Scheme;
- training over 150 of our Port State Control officers and administrative support of the Paris MOU-led new inspection regime which came into force in January;
- delivering Coastguard technical training courses in SAR co-ordination, communications and planning, and technical coast rescue;
- a successful NVQ pilot with three staff completing Customer Service, four completing Business Administration and four completing Learning and Development NVQs; and
- three successful apprenticeships: one in Customer Service and two in Business Administration.

We also recruited two more trainee graduate surveyors in the second year of our graduate recruitment programme, making a total of four.

MCA staff in post

	Total Permanent & Contract Staff
Staff in post at 1 April 2010	**1156.51**
Staff in post at 31 March 2011	**1077.27**

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

Summary of starters and leavers

	Total Permanent & Contract Staff
Starters	**43**
Resignation	58
Retirement (age)	33
End of Fixed Term Contract	23
Dismissal	6
Transfer to Other Government Department (OGD)	2
Retirement (ill health)	3
Voluntary Early Retirement (VER)/Voluntary Early Severance (VES)	6
Total leavers	**131**

These figures reflect actual headcount.

During 2010-11, 7,556.46 (2009-10: 8,873.61) working days were taken as sickness absence. This equates to 6.91 (2009-10: 7.67) days lost per employee (full time equivalent).

<u>Risk</u>

The Agency's principal risks are associated with the operational delivery of our services to our customers. We maintain a corporate risk register which is used by the Executive Board to record and manage all significant risks. Risks are assessed in respect of their potential impact on: Agency performance, reputation and cost. Each risk identified has an associated mitigation strategy with an assigned action officer. Progress is regularly reviewed, challenged and recorded. More information about our approach to risk management and more generally about our internal control arrangements, can be found in the Statement of Internal Control at page 27.

<u>Relationships</u>

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

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

Safer Lives – Preventing loss of life

Each year over 13 million adults take part in over 200 million leisure activities on the sea or at the coast. Through our prevention work we seek to minimise the number of activities that go wrong, and through our response work ensure that effective resources are in place should something go wrong.

Prevention

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

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

The MCA ensure that seafarers have the right skills, are medically fit, and hold valid Certificates to serve on UK-registered ships. The MCA has adopted seafarer fatigue as a safety theme, as this is a major contributor to maritime accidents. We are working at the IMO to review ship safe manning requirements, and we are implementing the provisions of the consolidated Maritime Labour Convention into UK law.

Fishing is judged to be the UK's most dangerous occupation[5] and the MCA has had improvements in fishing vessel safety as one of its main safety themes.

We have continued to work towards our Recreational Safety Strategy which can be found on our website and sets out five key safety messages to:

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

We have appointed eight National Liaison Officers for various recreational activities who provide the public with information about our safety messages and campaigns. At an international event in Canada we learned lessons from other countries about their educational campaigns and we are now working on joint events to promote the wearing of lifejackets.

For several years we have been working in partnership with the RNLI and RYA to improve the wear rate of lifejackets in the leisure sector. We have carried out annual expert panel reviews to assess the number of lives that may have been saved if a person had been wearing a lifejacket. We now have four years' worth of data which tells us that 86 maritime deaths between 2007 and 2010 may have been avoided if those involved had worn a lifejacket or buoyancy aid. Our campaign focuses on making people aware of the benefits of properly fitted lifejackets with spray hoods and crotch straps, and the dangers of cold water shock.

We are continuing to work together with other stakeholders as part of the National Water Safety Forum (NWSF) on the Water Incident Database (WAID) which brings together in one place, information and research about incidents, casualties and fatalities in, on or by the water. The 2009 WAID Fatalities Report of UK water related fatalities was published this year and can be found here: www.nationalwatersafety.org.uk.

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[5] Marine Accident Investigation Branch, Fishing Vessel Safety Study, 2008.

Our coastguard rescue teams and helicopters have again featured in several new reality/documentary TV series, including Real Rescues and Highland Emergency; and continue to feature on several reruns, including Seaside Rescue. These programmes support our safety messages and highlight the dangers of the sea.

We have continued our seafarer fatigue safety theme alongside applying and enforcing the Hours of Work Regulations. We have published 'Human Element: A Guide to Human Behaviour for the Maritime Industry' in collaboration with industry; continued our participation in the EC-funded HORIZON project on watchkeeper fatigue; continued our Human Element Advisory Group (HEAG) programme in conjunction with industry; and sought to influence international opinion of the importance of fatigue. Supportive articles have been published in Lloyds List highlighting our work.

Our broader work for seafarers has included implementing EC directives on occupational health and safety issues. Two directives were implemented and work was started on amending directives. We also published new guidance for industry on enclosed spaces and working on dead ships, and continued with proposals for the implementation of the Maritime Labour Convention, 2006.

We maintained our network of MCA approved doctors who conducted over 47,000 medicals in 2010 to check seafarers were fit to work at sea.

As part of our small fishing vessel safety theme we are working with industry and Seafish (the authority for the seafood industry) to find ways of reducing the number of deaths and accidents that occur. We have:

- prepared draft Codes of Practice for 24m and Over Vessels, 15-24m Vessels and under 15m Vessels, for formal consultation;
- provided guidance on drills for skippers and crew, and continued to conduct drills as part of the survey and inspection process;
- continued to inspect working and living conditions; and
- developed material for social networking sites on fishing safety.

Across our lifejacket and small fishing vessel safety themes, we are working with the RNLI and Seafish to develop guidance on suitable Personal Flotation Devices (PFDs) which can be worn whilst working on deck, and we attended Fishing Expedition 2010 to promote lifejacket wear on all fishing vessels.

Response

We provide a 24-hour a day, 365 days a year emergency response coordination service for the UK coast and surrounding waters out to the mid-Atlantic. Our 19 maritime rescue coordination centres (MRCCs) responded to over 22,000 incidents, dealing with distress or 999 calls and coordinating rescues where necessary, tasking lifeboats, helicopters, other ships in the vicinity or volunteer coastguard rescue teams.

In December we launched a full public consultation on our proposals for a modernised Coastguard service that would be able to:

- respond to changes in the wider maritime world;
- exploit the potential of our technology with a networked national service;
- give our people more satisfying jobs with new skills, more opportunities to use them, and better pay and career structures;
- introduce greater flexibility in working arrangements;
- establish a national rescue coordination service in fewer locations; and
- improve the leadership of our volunteer Coastguard Rescue Officers - the heart of our coastal rescue capability and the bedrock of our local knowledge.

Ministers will consider the responses to the consultation and make a decision about a way forward. More information can be found here:
http://www.dft.gov.uk/mca/hm_coastguard_proposals_for_modernisation_consultation_2010.htm.

Our Coastguard Rescue Service comprises some 3,500 volunteers in 368 teams around the UK coast. They give their time to respond to emergencies and spread safety messages in their local communities. They are trained in the specialist skills of search, mud and cliff rescue and this year were called out over 14,000 times. In addition to their traditional roles our teams supported the responses to floods in Cornwall and Yorkshire.

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

We have continued to provide a dedicated search and rescue helicopter capability, by contract, from our bases in Stornoway, Sumburgh (Shetland), Portland and Lee-on-Solent. This year our helicopters responded to 769 missions. We are working with the DfT to continue to provide a helicopter search and rescue capability beyond 2013.

Outcome 2: To reduce the frequency and severity of incidents within the UK Search and Rescue (SAR) Region
Our analysis of deaths at the coast shows a decrease between 2009 and 2010 and is at a 10 year low. When looking at the three year rolling average for maritime accidents, this has fallen to a new three year low of 110.

Safer Ships – Improving maritime safety

Shipping is vital to the UK, delivering over 95%[6] of our visible trade and contributing well in excess of £1M an hour to our economy[7]. A safe environment for ships and professional seafarers is vital to healthy trade and a vibrant shipping sector, and we work closely with the maritime industry to enhance standards of safety in all aspects of maritime activity.

Setting Standards

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

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

Our principal activities this year included:

- preparing for the Conference of Parties to the UN Framework Convention of Climate Change meeting in Copenhagen;
- successful re-election of the UK to the IMO Council for the forthcoming biennial period;
- implementing 'Technical Requirements for Inland Waterway Vessels' Regulations;
- implementing Health and Safety at Work Regulations on:
    - Asbestos;
    - Artificial Optical Radiation;
    - Work at Height;
    - Biological and Chemical Agents; and
- implementing the new Port State Control (PSC) Directive (2009/16/EC) with a more risk-based approach to the selection of foreign ships for inspection.

Monitoring and Enforcing Standards

By vigorously monitoring compliance with policies, regulations and technical standards, we are able to provide an assurance of safety, take enforcement action when required and prevent shipping incidents.

We undertook 3,747 in-depth surveys of UK registered ships, and 4,500 inspections during 2010-11. We also carried out 1,666 Port State Control (PSC) inspections of foreign ships to check that they were meeting regulations concerning safety standards and living conditions.

As part of our seafarer fatigue safety theme we are targeting both UK and foreign flag ships to check that regulations concerning hours of work and rest are complied with.

We authorise seven classification societies to carry out some 85% of our statutory ship and equipment construction survey work on UK ships. For smaller vessels that operate under a recognised Code of Safety, we have authorised 16 Certifying Authorities to work on our behalf. We undertake a risk-based approach to monitoring, and last year this included regular meetings and audits. We also monitored audits of other organisations, including Seafish and the Helideck Certification Agency (HCA).

During inspections we found deficiencies on 1,070 ships and detained 41 of them. Where inspections, surveys or general maritime intelligence reveal significant breaches of maritime legislation we may undertake stronger enforcement action. Last year we investigated 107 new cases, conducted 16 prosecutions, and stripped one officer of his Certificate of Competency. Further details are available at: www.mcga.gov.uk/c4mca/mcgaprosecutions.

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[6] Report by the Centre for Logistics and Supply Chain Management, Cranfield School of Management on behalf of the Department for Transport (DfT) LP 0507, 2007

[7] Chamber of Shipping report 'British shipping & maritime services - world leaders' 2011

Outcome 1: A reduced rate of accidents and accident related deaths involving UK registered merchant ships and fishing vessels

Merchant Vessels
Although the rate of accidents to UK merchant vessels rose in 2010 to 86.7 per 1,000 vessels, this is inconsistent with the long term trend and we have not seen evidence to suggest that this is anything other than an abnormal occurrence. We will, however, continue to monitor this. The rate of crew deaths also rose, but again, this is inconsistent with the long term trend.

Fishing Vessels
The number of accidents involving UK registered fishing vessels increased in 2010, primarily due to an increase in the number of accidents attributed to machinery failure. Despite this increase, the three year trend has fallen to a new low of 41.8 per 1,000 fishing vessels. The annual and three year trend loss rates for fishing vessels have both continued to fall.

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

During 2010-11 there were 87 new ship registrations (1.56m Gross Tonnage) and at the end of March the UK Ship Register stood at 17.49m GT and 1,489 vessels.

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

The Red Ensign Group (REG) comprises 12 UK crown dependencies and overseas territories with their own ship registers. We ensure that the REG Registers maintain the highest international maritime standards in accordance with UK policy by undertaking regular monitoring visits. In 2010-11 we audited the Turks & Caicos Islands, Montserrat and Falkland Islands.

The 2009 REG Conference was hosted by Anguilla and discussed issues of maritime policy and strategy, including:

- implementation of the voluntary IMO Member State Audit Scheme;
- the constitutional relationship of the REG; and
- publication of the REG Passenger Yacht Code.

Two REG technical forums were also hosted by the MCA to improve consistency in the application of technical policy.

Outcome 4: An enhanced safety record for the UK and Red Ensign Fleet
For the fifth year in succession, there were no reported ship losses amongst the Red Ensign Fleet. Our level of deficiencies has fallen in overall terms since 2008 although our detentions increased slightly on 2009-10.

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

In July we attended the Seafarer Training, Certification and Watchkeeping (STCW) conference in Manila which agreed to revise the whole convention of the same name.

50,000 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). We issued over 8,200 new CoCs and CECs and 4,800 Notices of Eligibility (NOEs).

We also managed the Support for Maritime Training (SMarT) Scheme. In 2010-11 SMarT provided funding for a total of 1840 officer trainees, including: 850 new officer trainees who started their training; and 621 officer trainees who completed their training.

Navigation

We also provide services to enhance safe navigation.

The MCA operates the Dover and Sunk Vessel Traffic Services (VTSs), and The NAB and Bristol Channel services are operated on our behalf. We recognise the other 21 VTSs in the UK, and monitor standards in the training establishments delivering VTS training.

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

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

Cleaner Seas – Protecting the environment

The 11,072 miles of UK coastline, and the seas around it are home to over 8,000 species of wildlife. Our prevention work reduces pollution from shipping and our response activities minimise its impact.

To help prevent pollution we brought into force this year the following amendments to regulations:
- Prevention of Air Pollution from Ships; and
- Prevention of Pollution by Sewage and Garbage.

We have also undertaken international negotiations to produce regulations to improve energy efficiency in shipping. To detect marine pollution in UK waters we use satellite surveillance to identify possible pollution at sea. A surveillance aircraft is then tasked to verify the type of pollution and quantity and to identify the risk to the UK.

To respond to pollution we can call on:
- the Secretary of State's Representative for Maritime Salvage and Intervention (SOSREP);
- an expert team of counter pollution and salvage officers, including mariners, scientists and logistics experts; and
- surveillance and spraying aircraft.

Major interventions included:
- responding to a large fire onboard the YEOMAN BONTRUP in harbour; and
- responding to a fire onboard the fish processing vessel ATHENA at sea.

The Receiver of Wreck is responsible for the administration of merchant shipping legislation relating to wreck and salvage. During 2010, 352 reports were received, relating to more than 2,000 individual items and incidents. These ranged from motor yachts aground, to Second World War aircraft to a mid-16th century bronze cannon.

We are pleased to have been able to assist a number of museums and other heritage organisations in acquiring historic wreck material for their collections, including an internationally significant collection of Middle Bronze Age weapons, tools and jewellery acquired by the British Museum and examples of 19th century copper ingots acquired by the German Mining Museum and the National Museum of Wales.

Outcome 3: A reduced number of incidents of pollution from shipping activities in the UK Pollution Control Zone
The number of UK ships with deficiencies under the MARPOL Convention has increased slightly although the three year average has continued to decrease. The percentage of foreign vessels inspected in the UK with deficiencies has now fallen for four consecutive years.

Financial Review for the Year

Accounts Direction

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

Financial Summary

The MCA is funded by the DfT Request for Resource 1 Line B (RfR1B). During the 2010-11 financial year the Agency's net operating cost was £127,428,000 as detailed within the Financial Statements, being the cost of undertaking the Agency's statutory, ministerial and international obligations and responsibilities whilst remaining within the approved resource expenditure budget.

The MCA continues to invest in non-current assets supporting operational requirements, both maintaining and improving the asset base, additions to non-current assets amounted to £4,399,000 during the financial year. The investment spending relates to key strategic projects including security accreditation and associated test environment, communications equipment, Consolidated European Reporting System, automatic identification systems hardware, finance system licences and additions to the MCA Vehicle Fleet.

Loans, and other receivables and payables, where arising from contractual obligations, are initially measured at fair value and thereafter at amortised cost using the effective interest rate method until all contractual rights to cash flows expire or are transferred without recourse. Loans and other receivables are tested annually for impairment and the difference between the carrying amount and the impaired value is written off to operating costs. The carrying value of loans and receivables on the balance sheet is net of a provision for impairment. Cash and cash equivalents are shown at fair value which is either the sterling balance or the sterling equivalent of foreign currency balances as at the balance sheet date. The Agency had no loans at year end.

There have been no significant events after the reporting period.

On 20 October 2010 the Government announced the outcome of the Comprehensive Spending Review, as part of which the Agency's indicative budget was set for the four years 2011-12 to 2014-15. Significant changes in our objectives and activities arising from the announcement included the decisions that:

- the continued provision of Emergency Towing Vessel (ETV) cover around the coast of the UK at taxpayer expense can no longer be justified; the current ETV contract will not be renewed on expiry in September 2011, saving some £10M annually. The MCA is talking to the shipping and salvage industries about the level of assurance available from commercial salvage operators when the ETVs are withdrawn;
- we should look closely at the value of the continued provision of the Maritime Incident Response Group (MIRG) which trains and equips 15 fire brigades for firefighting at sea. There is the potential to save up to £340K annually and we are talking to coastal fire services and the shipping industry about our approach to this provision;
- from the commencement of financial year 2011-12, the MCA will be subject to an Administrative costs regime covering its support and policy functions, and in line with other departments will be required to reduce these costs by 33% over the Spending Review period; and
- a consultation about the modernisation of the Coastguard Service should be launched setting out proposals to establish two nationally networked Maritime Operations Centres. These would be located at Aberdeen and the Southampton/Portsmouth area and capable of managing maritime incidents wherever and whenever they occur. These would be supported by a 24 hour centre at Dover looking over the busy Channel Traffic Separation Scheme, and five other sub-centres, fully integrated into the national network around the coast and operating during daylight hours.

We place contracts in line with Government Policy, EU Procurement Regulations and UK Public Contracts Regulations. We aim to pay all bills by contractual deadlines, or within 30 days of receiving a valid invoice. We met this target in 99.90% of cases. In line with a government wide initiative to pay bills within five days, our performance was 94.33%.

At the year end, all trade creditors were paid. Resulting credit for days at year end was therefore nil.

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

Statement on Internal Control

The importance of satisfactory internal controls is recognised and the effectiveness of such internal controls has been reviewed, and the disclosures made in the Financial Statements are in accordance with HM Treasury's guidance on corporate governance. Internal audit has concluded that:

> The operation of risk management, control and governance in the MCA has been adequate and effective during 2010/11.

This overall opinion was supported by their view in each of the following areas:

Risk Management

Risk Management continues to embed throughout the Agency with focus on reassessing and further developing the Agency's risk appetite as well as providing a consistency in approach across the organisation, managed by the Risk Advisory Group. Our 2010/11 review recognised a number of current improvements that were ongoing by the Risk Team but highlighted the need for the Agency's risk approach to be harmonised across the different disciplines.

Governance

Governance arrangements meet the requirements of the Treasury's Corporate Governance Code of Good Practice and our 2010/11 review in this area raised no significant concerns. The Senior Management Team, which supports the Executive Board by leading on planning and the delivery of high level goals, are currently evaluating their terms of reference to ensure they maintain their effectiveness. An Audit Committee, chaired by a Non-Executive Director provides assurance to the Accounting Officer that the necessary financial and governance systems and processes are in place.

Internal Control

The internal control environment continues to operate effectively and consistently. Our audits identified some areas where controls needed to be improved and strengthened, particularly in the processes supporting the application and authorisation of overtime, to reduce the Agency's exposure to risk.

Pension Liabilities

Past and present employees, including those on fixed term appointments, are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or a choice of Partnership Pension schemes. Details of pension treatment are outlined in note 1.12 of the Annual Accounts.

External Auditors

The statutory audit of our Financial Statements is undertaken by the Comptroller and Auditor General under the provisions of the Government Resources and Accounts Act 2000. The cost of audit services for the financial year ending 31 March 2011 was £75,000. No other fee was received in respect of non-statutory work.

Disclosure of Audit Information to the MCA Auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the MCA auditors are unaware.

The Accounting Officer has taken all necessary steps to make himself aware of any relevant audit information, and to establish that the MCA auditors are aware of that information.

Alan Massey

Sir Alan Massey
Chief Executive
13 June 2011

Remuneration Report

Remuneration Policy

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

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

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

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

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

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

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

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

Service Contracts

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

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

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk

Remuneration (including salary) and pension entitlements (Audited)

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

Remuneration (salary, bonuses and payments in kind)

Officials	2010-11 Salary £'000	2010-11 Bonus Payments £'000	2010-11 Benefits in kind (to nearest £100)	2009-10 Salary £'000	2009-10 Bonus Payments £'000	2009-10 Benefits in kind (to nearest £100)
Sir Alan Massey *Chief Executive* (from 20 July 2010)[8]	55-60 (115-120 full year equivalent)	0	0	Not Applicable	Not Applicable	Not Applicable
Peter Cardy *Chief Executive* (until 30 April 2010)	10-15 (120-125 full year equivalent)	5-10	0	120-125	10-15	0
Richard Parkes *Acting Chief Executive* (from 1 May 2010 to 19 July 2010)	15-20 (90-95 full year equivalent)	0	0	Not Applicable	Not Applicable	Not Applicable
Richard Parkes *Director* (excluding the period from 1 May 2010 to 19 July 2010)	60-65 (80-85 full year equivalent)	5-10	0	80-85	5-10	0
Philip Naylor *Director* (from 27 April 2009)	105-110	0	0	95-100 (105-110 full year equivalent)	0	0
Sue Ketteridge *Director*	75-80	5-10	0	75-80	0	0
Chris Thomas *Acting Director* (from 1 May 2010 to 25 July 2010)	15-20 (70-75 full year equivalent)	0	0	Not Applicable	Not Applicable	Not Applicable
Bill McFadyen *Acting Director* (until 31 May 2009)	Not Applicable	Not Applicable	Not Applicable	10-15 (70-75 full year equivalent)	0-5	0
Bob Banham *Non-Executive Director*	10-15	0	0	10-15	0	0
Julian Lee *Non-Executive Director*	10-15	0	0	10-15	0	0
Nigel Palmer *Non-Executive Director*	10-15	0	0	10-15	0	0

Salary

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

[8] Sir Alan Massey has been MCA Chief Executive since 20 July 2010 but was paid by the Royal Navy up to and including 7 October 2010. The figures shown in these accounts represent payments made by the MCA, and therefore reflect the period from 8 October 2010 onwards.

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

Bonuses
Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. 2010-11 bonuses relate to 2009-10 performance and 2009-10 bonuses relate to 2008-09 performance.

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

For 2010-11, employers' contributions of £6,231,627 were payable to the PCSPS (2009-10: £6,181,513) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. For 2011-12, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 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 £32,804 (2009-10: £27,117) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,056 (2009-10: £2,007), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £5,654. Contributions prepaid at that date were £Nil.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website: http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx.

Ill Health Retirement

Employees left retiring early on ill health grounds are detailed in Note 2.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Pension Benefits (Audited)

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

Officials	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10[9]	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sir Alan Massey *Chief Executive* (from 20 July 2010)	0 - 5	0 - 2.5	19	0	17
Peter Cardy *Chief Executive* (until 30 April 2010)	5 - 10	0 - 2.5	123	120	3
Richard Parkes *Director and Acting Chief Executive* (see Remuneration table for dates)	15 - 20	0 - 2.5	250	215	16
Philip Naylor *Director*	5 - 10	2.5 - 5	62	25	26
Sue Ketteridge *Director*	25 - 30 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 0 - 2.5	384	352	1
Chris Thomas *Acting Director* (from 1 May 2010 to 25 July 2010)	5 - 10 plus lump sum of 15 - 20	0 - 2.5 plus lump sum of 0 - 2.5	99	95	9

Exit Packages - Civil Service and other compensation schemes - exit packages (Audited)

Cost of Exit Package 2010-11, (2009-10)	**Number of Compulsory Redundancies**	**Number of Other Departures**	**Total Number of Exit Packages**
<£10,000	0 (0)	4 (1)	4 (1)
£10,000 - £25,000	0 (0)	1 (0)	1 (0)
£25,000 - £50,000	0 (1)	1 (0)	1 (1)
£50,000 - £100,000	0 (1)	1 (0)	1 (1)
£100,000- £150,000	0 (0)	0 (0)	0 (0)
£150,000- £200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (2)	7 (1)	7 (3)
Total resource cost /£	£0 (£84,786)	£162,421 (£7,795)	£162,421 (£92,581)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit

[9] The actuarial factors used to calculate CETVs were changed in 2010/11. the CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Compensation for loss of office

Neil Goodall left under Compulsory Early Retirement terms on 14 September 2008. He received ongoing compensation payments of £10-15k during 2010-11 (2009-10: £10-15k).

Sir Alan Massey
Chief Executive
13 June 2011

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Maritime and Coastguard Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs and of its income and expenditure, 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 and in particular to:

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

The former Accounting Officer of the Department for Transport, Sir David Rowlands, designated the Chief Executive of the Maritime and Coastguard Agency, Peter Cardy, as Accounting Officer from 29 May 2007. Robert Devereux appointed Richard Parkes in succession as Acting Chief Executive and Interim Accounting Officer from 1 May 2010 and subsequently Sir Alan Massey as Chief Executive and Accounting Officer from 20 July 2010. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Agency's Framework Document and the Accounting Officer's memorandum, issued by HM Treasury and published in Managing Public Money.

Statement on Internal Control 2010–11

1. **Scope of responsibility**

1.1 As Accounting Officer (AO), I have responsibility for maintaining a sound system of internal control that supports the achievement of the MCA's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

1.2 The Agency's targets are set by the Department for Transport (DfT) after discussion between the sponsors and the Agency and will invariably cover core functions, safety initiatives and organisational efficiency. These objectives are announced annually to Parliament through a Written Ministerial Statement and formally published in the Agency's Annual Reports and Accounts.

1.3 The MCA is an Executive Agency of DfT and works closely within the Security and Maritime Directorate and the International Strategy and Environment (ISE) Group, who assist me in discharging my accountability for the Agency. The Agency has a defined process for consulting with Ministers which is reviewed on an annual basis.

1.4 I am supported in my role by the Agency's Executive Board (EB), which I chair and which meets eleven times a year. The EB comprises the Directors of Finance and Governance, Corporate Support, Maritime Services, and the Agency's three non-Executive Directors. The EB decides the strategic direction of the Agency, overseen by the Agency's Advisory Board which is chaired by the Director General acting as the Agency Owner. I attend the Advisory Board and other members include the Directors of Finance and Governance and of Maritime Services, the Agency's policy and financial Sponsors, and one or more non-executive members appointed by the Director General. The Advisory Board reviews the financial, corporate and business plans of the Agency, related corporate risks and performance against objectives, on behalf of the Secretary of State.

1.5 The Agency's Senior Management Team (SMT) meets eleven times a year and supports and advises the EB by leading cultural change, contributing to the Agency's strategic direction and delivering high level goals, outcomes and objectives. The Agency's Audit Committee comprising three non-Executive Directors, one of whom chairs the Committee, meets four times a year. The membership of the annual Quality System Management Review (QSMR) Board, which I chair, comprises Executive and non-Executive Directors, the SMT and the Head of Internal Audit. These key Agency fora provide support on risk, control and governance issues and associated assurance.

1.6 Since becoming AO in July 2010 I have initiated changes and improvements, not only to improve outcomes and processes, but also to ensure that we can sustain the support of our clients, our customers and the public.

2. **The purpose of the system of internal control**

2.1 The system of internal control established within the Agency is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

2.2 The Agency's system of internal control is called the Internal Control Assurance Framework (ICAF). This seeks to identify and prioritise risks to the achievement of Agency's policies, aims and objectives, the likelihood of those risks being realised and the impact should they be realised; and manage them in an efficient, effective and economical manner. The ICAF accords with Treasury guidance and has been in place within the MCA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts. The ICAF also enables the Agency to gather information on assurance areas and the system of internal control being maintained throughout the Agency.

2.3 Two ICAF reviews were carried out in 2010-11. In order to further embed understanding of the ICAF process, a seminar was held in May 2010 attended by Directors, Assistant Directors and others with key roles in the overall process, including a representative from the National Audit Office (NAO).

2.4 The internal audit of the ICAF process completed in March 2011 provided a Good overall opinion. The audit found that sound systems of internal control were established and operating effectively, including the production of the control assessments, the independent challenge and the evidence available to support the assessments made.

3. **Capacity to handle risk**

3.1 I acknowledge my responsibility for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book) and formally approve the Agency's Risk Management Policy at least annually. The EB supports me in this role and is responsible for agreeing and approving the Agency's approach to risk management, as documented in the EB's Terms of Reference. The Director of Finance and Governance is the Agency's Risk Champion and leads discussions on risk at EB meetings, supports strategic development of the risk model, and agrees changes to the Corporate Risk Register and ISE risks, before final EB approval. The Risk Champion is also responsible for the Risk Management Policy which outlines the Agency's approach to and the responsibilities for effective control of corporate risks and managing risks in a 'no surprises, no blame' culture.

3.2 The EB is assisted by the SMT whose Agency-wide representation provides an effective means to strengthen risk management arrangements. The SMT's sub-group, the Risk Advisory Group (RAG), provides a monthly review and challenge function; it is supported by the Lead Auditor, Corporate Risk who, as a member of DfT Risk Managers' group, ensures the sharing of knowledge, experience and good practice. The RAG is also attended by Head of Internal Audit and the chair of the MCA Audit Committee. This systematic approach to risk management ensures that the Agency can continue to seek 'smarter', more efficient ways of achieving its goals within a risk-aware environment, even though pressure on resources looks set to remain a constant theme.

3.3 The Agency's focus on learning and development is supported by our continuing commitment to Investors in People (IiP), which underpins our efforts to improve performance and maximise objectives through the effective management and development of our people. Risk management awareness training is identified through the Personal Development Plan (PDP) process. During 2010 -11, training courses and customised risk workshops and presentations were delivered by the Lead Auditor Corporate Risk, and further work is underway to ensure that all staff who have a specific responsibility for managing risk are identified and provided with appropriate initial and refresher training.

3.4 In accordance with the Corporate Governance Code of Good Practice I seek independent advice and assurance on the Agency's processes for risk management, governance and internal control through quarterly Audit Committee meetings. The Audit Committee's roles and responsibilities are detailed in its Terms of Reference. I attend their meetings; other attendees include the NAO Director responsible for MCA, the DfT Group and MCA Heads of Internal Audit, Executive Directors and others with substantial corporate responsibility.

3.5 The Internal Audit team who assess the MCA, operate to standards defined in the Government's Internal Audit Standards and their work is based upon the analysis of risks to which the Agency is exposed and by what the Audit Committee and EB identify as the key MCA risks. At the time of writing the SIC discussions with management indicated that an Acceptable overall opinion would be provided for the Internal audit of risk management completed in May 2011.

4. **The risk and control framework**

4.1 The Agency's established Risk Management procedure has been communicated to staff and volunteers and is available through the provisions of the Agency's Quality Management System (QMS). The Agency's Management System is externally certified to the international ISO 9001:2008 Quality Management Standard. It applies to all business processes and activities, and provides a robust framework for controlled documentation, training and development arrangements, to ensure the competence of staff and effective service delivery.

4.2 Corporate risks which present a significant threat to the Agency's delivery of targets and key performance objectives, require Agency wide resources, and/or which require management at EB level, are managed in the Corporate Risk Register. Each Directorate and the OCE Division have an established risk register covering risks which may have an effect on the achievement of objectives, but which can be managed within their delegated resources. These registers are subject to frequent management review, and are a standing agenda item at all management board meetings. This hierarchy of risk registers ensures that corporate risks are identified, assessed and managed using the established criteria. Each risk is assigned an owner who is responsible for managing the risk, including the allocation of tasks to action officers. A summary of risks in the Corporate Risk Register is published on the Agency's Intranet. Similar publication of information on Directorate and OCE risks will take effect from the next business year.

4.3 A seminar to consider and define the Agency's risk appetite was held in year and attended by Directors, Assistant Directors and a NAO representative. The agreed approach, based on the HM

Treasury Guidance, was approved by the EB and is included in the Risk Management Policy and Procedure. This is a potentially valuable tool in assessing our work and resource priorities, in conjunction with business planning activities.

4.4 A risk maturity assessment was conducted using the HM Treasury Risk Management Assessment Framework. This was the first such assessment and confirmed that the Agency's approach to risk was shown to be appropriate to the level of risk and resources available. Useful opportunities for improvement were also identified such as the potential better to describe, for particular organisational activities, the specific risk management activities to be undertaken; these improvement opportunities are being taken forward via creation of a risk management network which will bring a broader understanding of how and where all types of risks are managed, documented and monitored, and also provide a vehicle for continuous improvement.

4.5 Where risks cannot be effectively managed within the Agency, an established process is in place to escalate them to DfT, in accordance with the DfT Group Risk Management Framework. Two examples of risks escalated to DfT, are 'the UK will not be ready to ratify the Maritime Labour Convention by the time it comes into force' and 'that litigation action is taken against the Agency if HMRC refuse an application for tonnage tax'. Whilst the Agency has done all it can to mitigate the late transposition of legislation and subsequently the risk of infraction, further mitigation is outside of the Agency's control. These risks were therefore communicated to DfT and also highlighted in the recent internal audit of the Risk of Infractions.

4.6 The Agency consults Ministers regularly on risk. Ministerial submissions incorporate both financial and risk implications, highlighting financial responsibilities and the risk of accepting or rejecting the recommendations. In addition, major projects and programmes are managed using the PRINCE 2 project management methodology as well as having an initial OGC Gateway Risk Potential Assessment.

4.7 The Agency continues to manage industrial relations, with steps being taken to mitigate the risk of industrial action short of a strike. Contingency plans are also in place to manage any strike action. I have communicated a vision to staff and signalled my intent to work positively with the Agency's recognised Trades Unions to explore avenues for moving away from industrial action.

4.8 As a result of the comprehensive spending review proposals have been submitted to Ministers in relation to modernising the Coastguard. As a result, a consultation exercise has been initiated in accordance with HM Government Code of Practice on consultation and will continue until 5 May 2011. On completion of the consultation period, the Agency will move into the response-evaluation stage of the process before providing advice to Ministers.

4.9. The MCA continued to work with the Ministry of Defence on a project to deliver a harmonised search and rescue helicopter service (SAR-H). On 16 December 2010, a joint Written Ministerial Statement by the Secretary of State for Transport and the Secretary of State for Defence explained that the preferred bidder had disclosed to the Ministry of Defence a potential issue in connection with its bid. A subsequent joint statement on 8 February explained that in the light of the information disclosed and with due consideration, it would not be appropriate to proceed with either the preferred bid or the wider procurement process. The MCA has been cooperating with the ongoing investigation into the issue disclosed by the preferred bidder. At the same time, DfT has been exploring options to maintain continuity of search and rescue operations, drawing as much on the extensive evidence compiled in support of the SAR-H project as is appropriate and sensible.

4.10 In areas where there is the potential for fraud, the Agency amends practices and procedures to minimise likelihood and risk. Processes are in place to ensure segregation of duties, including certifying and authorising travel and expenses forms and invoices, and to ensure separation of certifying and signing arrangements for ship survey certificates. Non- Executive Directors, the Director Finance and Governance and Head of Internal Audit discuss fraud and whistle blowing casework on a regular basis and suspected areas of fraud are investigated. During the year there has been a slight increase in detected cases of potential fraud; however the MCA remains committed to reduce incidents of fraud and where it occurs instigates appropriate investigations and implements any lessons learned in order to strengthen the control environment and thus reduce the opportunity for fraud to take place.

4.11 Following notification from HM Treasury about an increase in attempted fraud following the publication of Government Departments' spending data as part of the Transparency agenda, the Agency has been proactive in raising awareness and taking preventative action. For example, the process for making changes to supplier bank account details has been amended to include increased checking requirements. Preparations are also underway, in liaison with DfT, for the forthcoming implementation of the Bribery Act 2010.

Information and data handling
4.12 Information is vital to the work carried out by the Agency and it is important that customers and the public trust us to look after their personal and sensitive data in the course of our duties. Failure to comply with security policies is monitored as a risk in the Agency's Corporate Risk Register. To ensure the Agency remains focused on data handling and information security, annual refresher training has been undertaken in the form of a series of electronic training and awareness modules for all Managers and their staff. The modules included on-line training packages with assessments and a short series of films that focus on staff behaviour. The Governmental protective marking system has been communicated and implemented within the Agency in accordance with mandatory requirements.

4.13 The Agency has assigned Information Asset Owners (IAOs) to assets. All IAOs have received briefing sessions from the Data Handling Manager to enable them to understand and discharge their roles and responsibilities in managing their information assets. IAOs also complete annual refresher training (Protecting Information level 3) as required by the Cabinet Office to ensure they are aware and have the appropriate level of knowledge when processing information. IAOs carry out monthly reviews by completing asset risk assessments, which are dynamic documents used to capture potential risks to the asset and ensuring that they are managed and mitigation plans implemented. These risk assessments provide assurance to the Agency's Senior Information Risk Owner (SIRO) that information is being managed appropriately within a secure environment. The 2010/11 Internal audit of Information Systems /Infrastructure (Data Handling) provided an overall Acceptable opinion.

4.14 An Information Security Management System (ISMS) is also being developed which will support this accreditation and also support our compliance with the Cabinet Office Security Policy Framework (SPF). Our compliance is measured annually through a return against each of the mandatory requirements in the SPF which is submitted for the year ended 31 March 2011 to Central DfT and onwards to the Cabinet Office. Significant progress has been made specifically with the level of physical security UK-wide. Alongside accreditation and ISMS development new solutions are being approved and implemented to allow secure remote working and to assist surveyors working overseas. Plans are in place to improve security awareness and further security refresher training has been prepared for the 2011/12 year. These improvements and developments are contributing to our ongoing level of Information Assurance maturity which is measured against the Cabinet Office Information Assurance Maturity Model (IAMM) annually. This year's IAMM return, for the year ended 31 March 2011 is indicating a growing level of maturity at a satisfactory level.

5. Review of effectiveness
5.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the MCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Executive Board, the Audit Committee and RAG, and a plan is in place to address weaknesses and ensure continuous improvement of the system.

5.2 On two occasions in 2010-11, Directors reviewed internal control within their areas of responsibility and completed evidence-based ICAF assurance returns; these were subject to challenge and agreed actions monitored and documented evidence retained. The Audit Committee also carried out a challenge function and provided an opinion on whether overall levels of assurance reported are soundly based. The challenge functions have not resulted in any significant weaknesses being identified.

5.3 HM Treasury guidance is followed on the monitoring of income and expenditure within the Agency. Reports are submitted on a monthly basis to DfT to comply with the reporting processes. The Agency, DfT and Advisory Board review the MCA's financial position periodically. Monthly reports are submitted by Directors examining their income and expenditure accounts, variance reports are submitted for period to date and year end. Year end forecasts are updated monthly and re-profiling carried out as required. Project managers complete monthly progress reports allowing them to track the status, risks/issues, and budgets of projects centrally, and to report to senior management.

5.4 The Agency is proactive in identifying and addressing the outcomes of audits carried out by external bodies. In response to the NAO's audit on the Growth in the UK Merchant Fleet and the Public Account

Committee's (PAC's) reports of February and October 2009 respectively, the Agency has implemented a number of key improvements including the introduction of a graduate training scheme to address surveyor vacancies, prioritising different types of inspections and reviewing the survey delegation policy. The NAO carried out a follow up review in October 2010, and found that the Agency had taken appropriate action to implement PAC's recommendations.

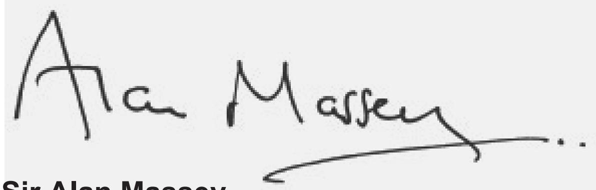
5.5 Other external audit/inspection activity carried out in year of Agency activities included the bi-annual Office of the Surveillance Commissioner's inspection in relation to the Regulation of Investigatory Powers Act (RIPA) 2000 and its RIP (S)(A) equivalent, the annual Civil Service Commissioner's recruitment compliance review and the DfT Transport Security review of the MCA accreditation of Company Security Officer and Ship Security Officer training. Progress on the effective implementation of any resulting agreed audit actions and recommendations is monitored by the Audit Committee and at QSMR Board meetings.

5.6 My assessment of the effectiveness of the control environment is therefore informed by: reviews and monitoring carried out by senior managers; the Internal and IQA programme of audits (approved by the Audit Committee and QSMR Board respectively); the external audits of our controls and systems carried out by the QMS certification body; and by other external inspections and reviews. The Audit Committee and QSMR Board maintain an overview of process performance and improvement measures and receive reports on the outcome of internal and external audits. IQA and Internal audit continue to work together to develop collaborative arrangements and bring about improvements in targeting audit resources more effectively, prevent duplication of effort, and to improve the control environment.

5.7 The Quality Manager's opinion, based on the IQA audits conducted, was that the Agency's processes, service delivery, and management system arrangements were effective for 2010-11.

5.8 The outcome of the Internal Audit 2010-11 programme was that 94% of audits received an acceptable assurance or above. One audit of the 18 conducted, that of Overtime Procedures, resulted in an overall weak assurance. Management actions to address deficiencies have been agreed and are being progressed and reviewed by the Agency's Audit Committee. The Head of Internal Audit's opinion on the adequacy and effectiveness of the Agency's governance, risk management and internal control arrangements in 2010-11 concluded that the Agency's arrangements have been adequate and effective for 2010-11 and will result in an overall acceptable level of assurance being awarded.

The information provided enables me to draw confidence and provide an acceptable assurance.



Sir Alan Massey
Chief Executive
13 June 2011

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 Maritime and Coastguard Agency (MCA) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

Opinion on the financial statements
In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM treasury directions issued thereunder.

Opinion on other matters
In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Directors' Report within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road

20 June 2011

Annual Accounts of the Maritime and Coastguard Agency for the Year Ended 31 March 2011

Financial Statements

Statement of Comprehensive Net Expenditure
for the year ended 31 March 2011

	Note	Staff Costs £'000	Other Costs £'000	2010-11 Income £'000	2009-10 Restated £'000
Programme Costs					
Staff Costs	[2]	(44,206)			(44,567)
Establishment, Accommodation and Other Administrative Costs	[3]		(28,128)		(33,256)
Programme Costs	[4]		(68,832)		(68,084)
Income	[5]			13,738	12,610
Totals		(44,206)	(96,960)	13,738	(133,297)
Net Operating Cost				(127,428)	(133,297)

Other Comprehensive Expenditure
for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000
Net gain / (loss) on revaluation of Property Plant and Equipment	[22]	(1,507)	3,793
Net gain / (loss) on revaluation of Intangibles		0	0
Net gain / (loss) on revaluation of available for sale financial assets		0	8
Total Other Comprehensive Expenditure for the year ended 31 March 2011		(1,507)	3,801

Accounting policies and notes forming part of these accounts are on pages 39 to 67.

Statement of Financial Position
as at 31 March 2011

	Note	31 March 2011		31 March 2010		1 April 2009	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets:							
Property, plant and equipment	[10 & 11]	58,175		62,435		57,957	
Intangible assets	[8 & 9]	4,910		5,356		4,965	
Stockpile goods	[12]	2,906		2,568		2,235	
Financial assets (receivables)	[13]	81		120		157	
Total non-current assets			66,072		70,479		65,314
Current assets							
Assets classified as held for sale	[14]	43		62		35	
Inventories	[15]	556		592		266	
Trade and other receivables	[16]	5,358		4,649		6,330	
Cash and cash equivalents	[17]	616		890		1,091	
Total current assets			6,573		6,193		7,722
Total assets			72,645		76,672		73,036
Current liabilities							
Trade and other payables	[18]	(13,388)		(15,746)		(15,613)	
Other liabilities	[19]	(2,858)		(1,110)		(1,158)	
Total current liabilities			(16,246)		(16,856)		(16,771)
Non-current assets plus / (less) net current assets / liabilities			56,399		59,816		56,265
Non-current liabilities							
Finance Lease Payable	[20]	(1,187)		(1,308)		(1,421)	
Provisions	[19]	(1,868)		(3,386)		(1,755)	
Total non-current liabilities			(3,055)		(4,694)		(3,176)
Assets less Liabilities			53,344		55,122		53,089
Taxpayers' Equity							
General Fund	[21]	36,293		35,243		36,567	
Revaluation reserve	[22]	16,912		19,741		16,522	
Donated asset reserve	[22]	139		138		0	
Total taxpayers' equity			53,344		55,122		53,089

Notes on pages 39 to 67 form part of these accounts.

Sir Alan Massey
Chief Executive
13 June 2011

Statement of Cash Flows
for the year ended 31 March 2011

	Note		2010-11 £'000		Restated 2009-10 £'000
Cash flows from operating activities					
Net operating cost			(127,428)		(133,297)
Adjustments for non-cash transactions	[3]		7,627		8,468
(Increase) Decrease in trade & other receivables	[16]		(709)		1,680
(Increase) Decrease in stockpile goods	[12]		(338)		(333)
(Increase) Decrease in inventories	[15]		36		(326)
Increase (Decrease)in trade payables	[18 & 20]		(2,457)		20
(Increase) Decrease in consolidated fund overfunding payable	[28D]	1		201	
(Increase) Decrease in consolidated fund extra receipts payable	[29]	24		128	
			25		329
Increase (Decrease) in provisions for liabilities and charges	[19]		230		1,583
IAS 19 – Employee benefits – staff holiday accrual impact as at 31 March 2009					(39)
Net cash outflow from operating activities			(123,014)		(121,915)
Cash flows from investing activities					
Purchase of property, plant and equipment	[10 & 11]		(3,270)		(7,620)
Purchase of intangible assets	[8 & 9]		(1,129)		(1,817)
Proceeds of disposal of property, plant and equipment			152		169
(Increase) Decrease in non current financial assets – receivables			39		37
Net cash outflow from investing activities			(4,208)		(9,231)
Cash flows from financing activities					
Financing for year from the consolidated fund as per Statement of Changes in Taxpayers' Equity	[28D]	127,000		131,301	
Increase (Decrease) in consolidated fund overfunding payable	[28D]	(1)		(201)	
Cash inflows from consolidated fund			126,999		131,100
Increase (Decrease) in consolidated fund extra receipts payable	[29]		(24)		(128)
Finance lease repayments			(27)		(27)
Net cash inflow from financing activities			126,948		130,945
Net increase (decrease) in cash and cash equivalents in period			(274)		(201)
Cash and cash equivalents at the beginning of the period			890		1,091
Cash and cash equivalents at the end of the period			616		890

Notes on pages 39 to 67 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund** £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Total Reserves £'000
Balance at 1 April 2009		**36,567**	**16,522**	**0**	**53,089**
Movements in reserves					
Additions					
Recognised in Statement of Comprehensive Expenditure	[22]	0	3,790	3	3,793
Transfers between reserves		571	(571)		0
Non current assets held for sale impacted in taxpayers' equity		8			8
Restatement of Early Retirement Provision		(85)			(85)
Receipt of donated assets		0		135	135
Non – cash charges – audit fees		85			85
Non – cash charges – DfT services		93			93
Comprehensive Expenditure for the year		(133,297)			(133,297)
Sub-total		(96,058)	19,741	138	(76,179)
Drawdown from the consolidated fund for the year		131,301			131,301
Balance at 31 March 2010		35,243	19,741	138	55,122
Changes in taxpayers' equity for 2010-11					
Movements in reserves					
Additions					
Recognised in Statement of Comprehensive Expenditure	[22]		(1,508)	1	(1,507)
Transfers between reserves		1,321	(1,321)		
Other general reserve movement *		(13)			(13)
Non – cash charges – audit fees		75			75
Non – cash charges – DfT services		95			95
Comprehensive Expenditure for the year		(127,428)			(127,428)
Sub-total		(90,707)	16,912	139	(73,656)
Drawdown from the consolidated fund for the year		127,000			127,000
Balance at 31 March 2011		36,293	16,912	139	53,344

*Correction of overcharged depreciation in prior year in general reserve on donated asset.
**Prior year General Fund has been restated to reflect the exclusion of Consolidated Fund Extra Receipts/Payables (CFERs) (see notes 1.02.3C and 29) and the notional cost of capital charge (see note 1.02.3A)

	£'000
Prior Year Comprehensive Expenditure before restatement	(134,103)
Add non cash cost of capital 2009-10	1,814
Less CFERs reported last year as income 2009-10	(1,008)
Restated Prior Year Comprehensive Expenditure	(133,297)

Notes on pages 39 to 67 form part of these accounts.

Notes to the Agency's Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2010-11 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 Maritime and Coastguard Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the MCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.01 Accounting Convention

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

1.02 Changes in accounting policy and disclosures

1.02.1 New IFRS standards and interpretations adopted early.

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

1.02.2 New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may need to be adopted in subsequent periods:

IFRS 9 Financial Instruments, which will replace IAS 39. IFRS 9 is expected to improve and simplify the reporting of financial instruments. Application of this standard is required for reporting periods beginning on or after 1 January 2013. Earlier application is permitted. It is planned that IFRS 9 will be applied initially in 2013-14. Initial application of IFRS 9 is expected to have a limited impact.

IAS 24 Related Party Disclosures has been revised. The revisions to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled, or significantly influenced by a government. Application of the revised IAS 24 is required for reporting periods beginning on or after 1 January 2011. Earlier application is permitted. It is planned that IAS 24 will be applied initially in 2011-12.

1.02.3 FReM
The Government Financial and Reporting Manual (FReM) includes the following accounting changes that have been issued and will be effective in 2010-11:

A) The notional Cost of Capital calculated for each class of business, as required by HM Treasury, which used to be added as a notional cost to the Agency's expenditure to represent the cost of borrowing from Government, will no longer be applicable. The current year's financial statements reflect this and prior years have been restated accordingly.

B) The adaptation of IAS 36 Impairment of Assets has no impact on either this current year 2010-11, or 2008-09 & 2009-10 prior years published financial statements.

C) Due to their immateriality, the MCA has decided under section 13.4.8 of the FReM to exclude CFERs from its Statement of Comprehensive Net Expenditure, amounts collected or surrendered on behalf of the Consolidated Fund & prior years have been re-stated accordingly within the Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity. Amounts receivable or payable at the year end are within the Statement of Financial Position.

1.03 Non Current Assets: intangible assets

Capitalisation

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

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

Intangible assets are amortised over 3-5 years.

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

Operating software essential to the running of hardware is capitalised with the associated hardware as property, plant and equipment.

1.04 Non-current assets: property, plant and equipment

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

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out on a five yearly basis, the latest being undertaken as at 31 March 2009. The five yearly valuation is supplemented by annual indexation for intervening years as directed by the Government Accounting direction in the FReM. Revaluation indices used for these 2010-11 accounts are supplied via by the DfT (Department for Transport).
- Other plant and equipment are valued on a net current replacement cost basis. Assets are revalued using appropriate price indices published by the Office for National Statistics.
- Revaluation surpluses on property, plant and equipment are taken to the revaluation reserve. Revaluation deficits are written off against any revaluation surplus for the asset concerned and otherwise to the Statement of Comprehensive Net Expenditure.
- Depreciation is charged on a straight line basis on each main class of tangible non current property, plant & equipment asset as follows:
    - Freehold land and assets in the course of construction are not depreciated.
    - Freehold buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the Agency's external property management advisors, or adjusted by indices published by the Office for National Statistics, up to a maximum of 50 years.
    - Leasehold buildings are depreciated over the primary term of the lease or the estimated remaining life of the asset, whichever is the lower.
    - Leasehold building improvements are depreciated over the estimated remaining life of the asset, to a maximum of ten years.
    - Equipment is depreciated on current cost over the estimated remaining life of the asset using the following standard lives:
        - Vehicles, boats and other plant 3-10 years
        - Communications equipment 5-10 years
        - IT and office equipment 3-10 years
    - Donated Assets are revalued & depreciated in the same manner as other like assets.
    - Property, plant and equipment are stated at their valuation less accumulated depreciation. Depreciation is charged in the month of acquisition, and none in the month of disposal.

1.05 Non-current assets held for sale

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

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

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

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

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

Contractual provisions are measured in accordance with note 1.09.

1.09 Provisions for Liabilities and Charges
The Agency maintains a number of balance sheet provisions. These provisions are reviewed annually as at the balance sheet date and are adjusted to reflect the latest best estimate of the liability. These adjustments are reflected in the Statement of Comprehensive Net Expenditure for the year. Where the time value of money is material, the future estimated cash flows are discounted to present values using the appropriate discount rate set by HM Treasury.

1.10 Notional Costs
In accordance with HM Treasury's Managing Public Money, notional charges at the appropriate rate are included for audit fees and the services provided by the DfT.

In accordance with recent HM Treasury direction MCA Accounting Policy is revised to reflect that the Cost of Capital charge is no longer applicable and prior years' accounts have been restated for this change, see 1.02.3A.

1.11 Research and Development
Non-current assets acquired for use in research and development are depreciated over the life of the associated research project, or according to the asset category, if the asset is to be used for subsequent production work.

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

The Scheme is actuarially valued periodically and as at 31 March 2011 there were no additional accounting entries required other than those shown in these accounts. If the MCA is required to meet obligations in the future these will be accounted in accordance with IAS 19.

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

1.13 Early Departure Costs
Additional pension costs arising from early departures are not funded by the Principal Civil Service Pension Scheme except where departure is due to ill-health. For early departures not funded by the scheme the full amount of the liability for the additional costs is charged to the Operating Cost Statement in that year, regardless of the method of payment. The provision for early departures covers all future commitments to employees who have retired from the Agency and its forebears which will not be met from the Principal Civil Service Pension Scheme. The provision is disclosed at Note 19.

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

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

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

1.17 Administration and Programme Expenditure
HM Treasury recognises that all of the Agency's activities relate to the delivery of frontline services, hence all income and expenditure is shown as programme costs in the reporting of the Agency's financial results to DfT and HM Treasury.

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

1.19 Financing from the Consolidated Fund
Outstanding financing from the Consolidated Fund at the end of the financial year is no longer repaid or received in the following financial year, but the balance is carried forward on a rolling basis.

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

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

IAS 17 Leases has been amended. The revision clarifies that where a lease includes both land and buildings elements, they are separately assessed in accordance with the general guidance on the classification of leases in IAS 17, taking into account that land normally has an indefinite economic life. Thus the land element may be classified as a finance lease, even if title is not expected to pass to the lessee. Initial application of the revised IAS 17 is assessed to have limited impact.

1.22 Third Party Assets
The MCA does not hold any third party assets as custodian or trustee.

1.23 PFI

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

2. Staff Numbers and Related Costs

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

	2010-11	2009-10
Board members	4	4
Frontline service deliverers and direct support staff	948	963
Corporate support staff	174	182
Temporary Agency Staff	17	22
Total	1,143	1,171

The average employment status was:-

	2010-11	2009-10
Permanent Staff	1,085	1,092
Fixed Term Contract Staff	41	57
Temporary Agency Staff	17	22
Total	1,143	1,171

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

	2010-11 £'000	2009-10 Restated £'000
Wages and salaries	34,978	35,392
Staff holiday & TOIL accrual	163	4
Social security costs	2,631	2,584
Other pension costs	6,242	6,210
Early departure costs	257	494
Agency staff	461	507
Sub Total	44,732	45,191
Less costs of staff engaged on capital projects	(526)	(624)
Less recoveries in respect of outward secondments	0	0
Total net costs	44,206	44,567

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

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

	2010-11	2009-10
Average staff numbers engaged on capital projects	14.1	15.0

	2010-11 £'000	2009-10 £'000
Wages and salaries	419	494
Social security costs	31	38
Other pension costs	76	92
	526	624

Staff numbers and costs detailed include the following outward secondments of average staff numbers and associated costs:

	2010-11	2009-10
Average staff numbers on outward secondment	1.8	2.1

	2010-11 £'000	2009-10 £'000
Wages and salaries	71	148
Social security costs	6	13
Other pension costs	15	32
	92	193
Less recoveries	0	0
	92	193

During 2010-11 three employees retired early on ill health grounds (2009-10 two employees); the total accrued pension liabilities in the year amounted to £3,308 (2009-10: £4,553).

3. Establishment, Accommodation and Other Administrative Costs

	2010-11		2009-10 Restated	
	£'000	£'000	£'000	£'000
Establishment costs		5,473		8,230
Coastguard costs		2,394		2,560
Transport, travel and subsistence		3,105		3,668
Premises including leases		9,529		10,330
Non-Cash Items:				
Amortisation of intangible non current assets	1,565		1,426	
Depreciation of other tangible non current property plant & equipment assets	5,913		6,638	
Non cash adjustment to correct overcharged prior year depreciation on donated asset	(13)		0	
Impairment of assets held for sale	5		30	
Revaluation losses written off	24		15	
Revaluation losses written back	(2)			
Loss/(profit) on disposal of non current assets	(35)		181	
Notional costs*:				
DfT support services	95		93	
Audit fee (statutory audit)	75		85	
		7,627		8,468
		28,128		33,256

* Notional costs are included as follows:

i. DfT support services: These are included to reflect an estimate of the cost of services provided by other units within the DfT. The amounts are calculated to reflect the full cost of providing these services to the Agency.

ii. Audit fee: This is included for the annual certification audit of the Agency's Financial Statements by the National Audit Office. The auditors received no remuneration for non audit services.

Notional costs for 2009-10 have been restated to remove cost of capital charges of £1,814,000 following a change in government accounting policy.

4. Programme Costs

	2010-11		2009-10	
	£'000	£'000	£'000	£'000
SAR helicopters		28,199		27,183
Emergency towing vessels		11,621		12,244
Telecommunications		7,733		6,244
Aerial spraying and surveillance		2,322		2,222
Marketing, public relations and printing		316		975
Membership subscriptions to international bodies		1,654		1,530
Counter pollution		3		29
Vehicle and boat fleet		723		651
Storage of equipment stockpiles		523		681
Coast rescue equipment		492		371
Uniforms		382		464
Radio surveys, inspections and advisory work		142		158
Research and technical advice projects		230		435
Channel navigation		19		210
Satellite communications		201		211
Maritime Incident Response Group equipment		300		408
Ex-gratia payments		1,019		353
Other		385		384
Current Grants:				
Assistance for Merchant Navy training	0		(1)	
Crew Relief Compensation Scheme	1,257		1,874	
		1,257		1,873
Disbursements:				
Civil hydrography	5,970		6,260	
Weather bulletins and navigational warnings	5,273		5,146	
Other services to industry	68		52	
		11,311		11,458
		68,832		68,084

Current Grants: The Agency disbursed grants of £1,257,174 net of administration costs, to the shipping industry in 2010-11 (2009-10: £1,873,112).

Disbursements: The Agency provided services to the shipping industry at a cost of £10,816,623 in 2010-11 (2009-10: £11,458,262), in accordance with Merchant Shipping Acts and international conventions signed by the UK Government.

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

5. Income

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

	2010-11 Appropriated in Aid £'000	2009-10 Appropriated in Aid Restated £'000
Statutory services	8,727	7,718
Operational services	725	687
Other services	1,303	1,471
Other income	2,983	2,734
Total	13,738	12,610

All income is derived from the delivery of frontline services by the Agency in 2010-11, with the exception of £124,950 (2009-10: £376,727) of other income relating to the recharge of expenditure for early retirements and departures of Agency staff charged to the DfT in respect of the Shared Services project.

Income is recorded on the following basis:-

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

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

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

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

Revenue received of £739,000 in 2010-11(2009-10: £1,008,000), mainly relating to the registration of ships and fishing vessels, and which is paid to the Consolidated Fund as Extra Receipts is now disclosed in Note 29 following a change in HM Treasury guidance. Prior year is restated to reflect this.

European Income

	2010-11 £’000	2009-10 £’000
Other European Income – Research	13	21
Total European Income	13	21

European income received is for 4 small research projects where the expenditure was recovered from the EU. This recovers mainly internal costs so effectively reduces the burden on the UK Exchequer.

6. Operating Segments

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

The Corporate Services segment provides the Agency’s infrastructure, management of contracts and manages Human Resources. The Agency derives income from the provision of non core services that use its infrastructure.

The Maritime Services segment covers delivery of Coastguard, survey, inspection and counter pollution responsibility. Income is received on the provision of some of these services.

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

The Chief Executive’s Department covers departmental costs including enforcement, communications and secretariat, along with research and planning. A small income stream is derived from research and consultancy projects.

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

Operating segment	Staff costs £'000	Establishment and accommodation costs £'000	Other programme costs £'000	Total operating costs £'000	Operating income £'000	Net operating costs £'000
Corporate Services	(5,707)	(17,595)	(51,809)	(75,111)	2,584	(72,527)
Maritime Services	(34,955)	(9,589)	(15,657)	(60,201)	11,012	(49,189)
Finance and Governance	(1,441)	(161)	(1,087)	(2,689)	1	(2,688)
Chief Executive's Office	(1,491)	(782)	(279)	(2,552)	141	(2,411)
Shared Services Centre	(612)	(1)	0	(613)	0	(613)
Total costs	(44,206)	(28,128)	(68,832)	(141,166)	13,738	(127,428)

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

7. Analysis of services for which a fee is charged

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

	2010-11 Income £'000	2010-11 Expenditure £'000	2010-11 Net £'000	2009-10 Income £'000	2009-10 Expenditure £'000	2009-10 Net £'000
Statutory Services						
Marine surveys	5,537	5,182	355	5,513	6,079	(566)
Registration of ships	352	602	(250)	0	1,133	(1,133)
Seafarers' examinations and certification	2,634	2,725	(91)	2,203	1,895	308
Other statutory services	204	248	(44)	186	2	184
Subtotal	8,727	8,757	(30)	7,902	9,109	(1,207)
Operational Services						
Emergency helicopter flights	232	735	(503)	242	766	(524)
Navigational warning broadcasts	493	675	(182)	428	586	(158)
Subtotal	725	1,410	(685)	670	1,352	(682)
Other Services						
Meteorological Office observations	0	0	0	0	0	0
Wider market initiatives	1,254	1,073	181	1,380	1,067	313
Non-statutory services and training	49	50	(1)	101	103	(2)
Subtotal	1,303	1,123	180	1,481	1,170	311
Total	10,755	11,290	(535)	10,053	11,631	(1,578)
Income not included in the analysis of services for which a fee is charged (see note below)						
Offshore pollution receipts	83	140	(57)	4	23	(19)
EU projects funding	13	13	0	21	21	0
Other income	103	103	0	179	179	0
Proportion of ETV costs recovered from The Minister of Defence of the French Republic	1,387	1,387	0	1,274	1,274	0
Civil hydrography receipts	494	494	0	0	0	0
Dept of Energy & Climate Change	392	392	0	389	389	0
Shared Service Project recharge	125	125	0	377	377	0
Accommodation receipts	308	308	0	265	265	0
Wreck salvage	24	42	(18)	45	59	(14)
Surveillance flight	54	54	0	3	3	0
Subtotal	2,983	3,058	(75)	2,557	2,590	(33)
Total operating income	13,738	14,348	(610)	12,610	14,221	(1,611)

The financial objective of each of the services is full recovery of service costs in accordance with HM Treasury's 'Managing Public Money'. Income that is not derived from fees and charges is not included in the analysis of services for which a fee is charged. Expenditure relating to income that is not included in the analysis for services for which a fee is charged is now included and the 2009-10 analysis has been restated to reflect this.

Non – Current Assets

8. Intangible assets as at 31 March 2011

2010-11	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
Cost				
As at 1 April 2010	9,498	1,084	0	10,582
Reclassifications	(9)	0	0	(9)
Additions	265	826	38	1,129
Disposals	(33)	0	0	(33)
Transfers	(530)	530	0	0
As at 31 March 2011	9,191	2,440	38	11,669
Amortisation				
As at 1 April 2010	5,226	0	0	5,226
Charge for year	1,563	0	2	1,565
Disposals	(32)	0	0	(32)
As at 31 March 2011	6,757	0	2	6,759
Net Book Value				
As at 1 April 2010	4,272	1,084	0	5,356
As at 31 March 2011	2,434	2,440	36	4,910

2010-11	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
Intangible Asset Financing				
Owned	2,434	2,440	36	4,910
Finance Leased				
Contracts				
Net Book Value As at 31 March 2011	2,434	2,440	36	4,910

Within Intangible assets above, an amount of £45,289 was written off as a fruitless payment (see note 30), this was part of a discontinued software development project.

Description	Asset Cost 31 March 2011 £'000	Net Book Value 31 March 2011 £'000	Amortisation Approx Years Remaining
Cers Project – vessel, movements & cargo records	5,761	2,034	1
AIS Service Provision Server	474	238	1
HR MIS – Staff Records System	1,062	0	Nil
E Forms Project	375	0	Nil
Cers II Project – vessel, movements & cargo records	335	335	Under Development
GSI Connection Project Software	974	974	Under Development
GSI Test Environment Software	119	119	Under Development
Replatforming of ETrack & EFin Systems	163	163	Under Development
Seafarers Record System	119	119	Under Development
ISMS Projects	503	503	Under Development
All Other Intangible Non Current Assets	1,784	425	Nil to 5
	11,669	4,910	

9. Intangible assets as at 31 March 2010

2009-10	Software Licences £'000	Under Development £'000	Total £'000
Cost			
As at 1 April 2009	7,642	1,123	8,765
Additions	733	1,084	1,817
Transfers	1,123	(1,123)	0
As at 31 March 2010	9,498	1,084	10,582
Amortisation			
As at 1 April 2009	3,800	0	3,800
Charge for year	1,426	0	1,426
As at 31 March 2010	5,226	0	5,226
Net Book Value			
As at 1 April 2009	3,842	1,123	4,965
As at 31 March 2010	4,272	1,084	5,356

2009-10	Software Licences £'000	Under Development £'000	Total £'000
Intangible Asset Financing			
Owned	4,272	1,084	5,356
Finance Leased	0	0	0
Contracts	0	0	0
Net Book Value As at 31 March 2010	4,272	1,084	5,356

Description	Asset Cost 31 March 10 £'000	Net Book Value 31 March 10 £'000	Amortisation Approx Years Remaining
Cers Project – vessel, movements & cargo records	5,444	2,954	2
HR MIS – Staff records system	1,062	0	Nil
Shared Services Connection Project	778	778	4
Data warehousing	753	159	1
Automatic Identification System Service provision server	475	338	3
E forms project	375	0	Nil
All Other Intangible Non Current Assets	1,695	1,127	Nil to 4
	10,582	5,356	

10. Property, plant and equipment as at 31 March 2011

2010-11	Land	Buildings	Vehicles and Boats *	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£'000		£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2010	5,646	54,159	11,152	23,410	9,102	3,969	7,913	115,351
Prior year adjustment*	0	0	132	0	0	0	0	132
Reclassifications	0	0	0	0	9	0	0	9
Additions	0	88	90	26	294	27	2,745	3,270
Donations								
Assets classified as held for sale	(11)	(29)	(34)	0	0	0	0	(74)
Disposals	(5)	(37)	(245)	(321)	(510)	(424)	0	(1,542)
Impairments								
Transfers	0	443	0	(51)	(223)	475	(644)	0
Revaluations	(180)	(1,552)	333	159	(1,057)	45	0	(2,252)
As at 31 March 2011	5,450	53,072	11,428	23,223	7,615	4,092	10,014	114,894
Depreciation								
As at 1 April 2010	0	18,829	7,335	18,496	5,856	2,400	0	52,916
Prior year adjustment*	0	0	132	0	0	0	0	132
Reclassifications	0	0	0	0	0	0	0	0
Charge in year	0	1,660	915	1,680	1,302	356	0	5,913
Assets classified as held for sale	0	(10)	(35)	0	0	0	0	(45)
Disposals	0	(12)	(217)	(319)	(511)	(415)	0	(1,474)
Impairments								
Revaluations	0	(506)	218	46	(504)	23	0	(723)
As at 31 March 2011	0	19,961	8,348	19,903	6,143	2,364	0	56,719
Net Book Value								
As at 31 March 2010	5,646	35,330	3,817	4,914	3,246	1,569	7,913	62,435
As at 31 March 2011	5,450	33,111	3,080	3,320	1,472	1,728	10,014	58,175

Property, plant and equipment financing

2010-11	Land	Buildings	Vehicles and Boats *	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£'000		£'000	£'000	£'000	£'000	£'000	£'000
Asset Financing								
Owned	5,450	31,096	3,080	3,320	1,472	1,728	10,014	56,160
Finance Leased	0	2,015	0	0	0	0	0	2,015
Contracts	0	0	0	0	0	0	0	0
Net Book Value								
As at 31 March 2011	5,450	33,111	3,080	3,320	1,472	1,728	10,014	58,175

* Includes recognition of eight vehicles in use, previously written off as operational expenditure. PPE items have been valued in accordance with the MCA accounting policy as set out in these accounts.

Donated Assets

During 2009-10 a launch named Hunter was received from HMRC and accounted within the classification of Vehicles and Boats as a Donated Asset, there were no additional Donated Assets during 2010-11. Movements during 2010-11 are below:

2010-11	Vehicles and Boats	Total
	£'000	£'000
Cost or Valuation		
As at 1 April 2010	138	138
Donations		
Revaluations	1	1
As at 31 March 2011	139	139
Depreciation		
As at 1 April 2010	10	10
Charge in year	15	15
Revaluations		
As at 31 March 2011	25	25
Net Book Value		
As at 31 March 2010	128	128
As at 31 March 2011	114	114

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

There are 38 locations classed as Grade I and II listed buildings, scheduled monuments, conservation areas, etc, functioning typically as a Maritime Rescue Coordination Centre, Sector Base, Radio Site or Coastal Rescue Station. These are included within Non Current Assets, property, plant and equipment and are capitalised with a carrying value of £7,467,188 or are leased within an annual total of £73,204 per annum. These locations have been utilised by the MCA from various dates from 1963 onwards, there was one disposal and four additional locations in 2010-11. These are valued in the same way as other land and buildings.

The amount under finance leases above relates to a 40-year lease on the MCA's Aberdeen office. This has a revalued total capital value of £8,612,601 (2009-10: £8,897,315), less revalued depreciation of £5,769,665 (2009-10: £5,792,312) and cumulative depreciation charges of £827,236 (2009-10: £800,236) totalling £6,596,901, to form the net book value of £2,015,700 (2009-10: £2,304,767) under the Buildings asset category. Values in respect of the short and long term obligations under the Finance lease are set out in Note 24.

Analysis of Land and Buildings by tenure:

	Land	Buildings	Land	Buildings
	31 March 2011 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2010 £'000
Freehold	5,428	19,983	5,623	21,178
Long leasehold (lease has 50 or more years to run from balance sheet date)	0	5,575	0	5,908
Short leasehold (lease has less than 50 years to run from balance sheet date)	22	7,553	23	8,244
Total	5,450	33,111	5,646	35,330

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

The intervening year 2009-10 and the current year 2010-11 Land & Buildings are revalued using indices supplied by the DfT.

11. Property, plant and equipment as at 31 March 2010

2009-10	Land £'000	Buildings * £'000	Vehicles and Boats £'000	Communication Equipment £'000	IT and Office Equipment £'000	Other Plant £'000	Assets in the Course of Construction £'000	Total £'000
Cost or Valuation								
As at 1 April 2009	5,322	49,001	11,719	21,375	8,181	3,728	2,926	102,252
Prior year adjustment*	0	1,883						1,883
Additions	0	782	369	(1,211)	(663)	430	7,913	7,620
Donations	0		135					135
Assets classified as held for sale	(5)	(23)	(463)					(491)
Disposals	0	(265)	(695)	(95)	(820)	(198)	0	(2,073)
Impairments	0							
Transfers	5	357	0	1,750	728	86	(2,926)	0
Revaluations *	324	2,424	87	1,591	1,676	(77)		6,025
As at 31 March 2010	5,646	54,159	11,152	23,410	9,102	3,969	7,913	115,351
Depreciation								
As at 1 April 2009	0	14,697	7,343	15,530	4,445	2,280	0	44,295
Prior year adjustment*	0	1,883						1,883
Charge in year	0	1,667	1,035	2,129	1,478	329	0	6,638
Assets classified as held for sale	0	(9)	(391)	0	0	0	0	(400)
Disposals	0	(156)	(649)	(110)	(685)	(169)	0	(1,769)
Impairments	0							
Revaluations *	0	747	(3)	947	618	(40)	0	2,269
As at 31 March 2010	0	18,829	7,335	18,496	5,856	2,400	0	52,916
Net Book Value								
As at 31 March 2009	5,322	34,304	4,376	5,845	3,736	1,448	2,926	57,957
As at 31 March 2010	5,646	35,330	3,817	4,914	3,246	1,569	7,913	62,435

* Buildings include £1.9 Million offsetting adjustments to opening PPE Cost & Depreciation balances as at 1 April 2009.

Property, plant and equipment financing

2009-10	Land £'000	Buildings £'000	Vehicles and Boats £'000	Communication Equipment £'000	IT and Office Equipment £'000	Other Plant £'000	Assets in the Course of Construction £'000	Total £'000
Asset Financing								
Owned	5,646	33,032	3,817	4,914	3,246	1,569	7,913	60,137
Finance Leased		2,298						2,298
Contracts								
Net Book Value								
As at 31 March 2010	5,646	35,330	3,817	4,914	3,246	1,569	7,913	62,435

Donated Assets

There were no donated assets as at 31 March 2009 but during 2009-10 a launch named Hunter was received from HMRC and accounted within the classification of Vehicles and Boats as a Donated Asset.

2009-10	Vehicles and Boats £'000	Total £'000
Cost or Valuation		
As at 1 April 2009		
Donations	135	135
Revaluations	3	3
As at 31 March 2010	138	138
Depreciation		
As at 1 April 2009	0	0
Charge in year	10	10
Revaluations		
As at 31 March 2010	10	10
Net Book Value		
As at 31 March 2009	-	-
As at 31 March 2010	128	128

12. Stockpile Goods

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Dispersant stocks	2,906	2,568	2,235
Total	2,906	2,568	2,235

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

Amounts falling due after more than 1 year	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Staff relocation housing loans	38	66	97
Other receivables	43	54	60
Total	81	120	157

In addition to the non-current staff relocation housing loans shown above, an element of these loans is repayable within one year and is included in other current assets (see note 16). The number of staff members who have housing loans is 27.

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

Current Assets

14. Non Current Assets Held For Sale

	31 March 2011 £'000	31 March 2010 £'000
Property, plant and equipment:		
Porlock – Note A):		
Net book value		6
Anticipated selling costs		(1)
Value of asset held for sale		5
Eday – Note B):		
Net book value		8
Anticipated selling costs		(1)
Value of asset held for sale		7
Value of Land and Buildings awaiting sale		12
Boat – Merlin – Note C):		
Net book value	16	16
Anticipated selling costs	(2)	(2)
Value of asset held for sale	14	14
Boat – Kestrel – Note D):		
Net book value		33
Anticipated selling costs		(2)
Value of asset held for sale		31
Value of Boats awaiting sale	14	45
15 Vehicles sent for auction – Note E):		
Net book value		7
Anticipated selling costs		(2)
Value of asset held for sale		5
Vehicles awaiting sale		5
Total Land , Buildings, Boats and Vehicles awaiting sale at both 31 March 2010 and carried forward at 31 March 2011	14	62
Property, plant and equipment:		
Net book value	31	
Anticipated selling costs	(1)	
Value of asset held for sale	30	
Value of Land and Buildings awaiting sale	30	
3 Boats – held for sale – Note G):		
Net book value	0	
Anticipated selling costs	(1)	
Value of asset held for sale	(1)	
Value of Boats awaiting sale	(1)	
Total Land , Buildings, Boats and Vehicles awaiting sale	43	62

Balance at 1 April 2009 was £35,000. Values of assets held for sale were: £4,000 for Kinlochbervie CRS and £31,000 for Tobermory CRS, both classed as PPE).

A) As at 31 March 2010 the property had been actively marketed for disposal by way of agents. No offer had been made. The anticipated selling costs related to agents and legal fees. The sale of this property is now finalised.

B) As at 31 March 2010 the property had been actively marketed for disposal by way of advertisement. No offer had been made. The anticipated selling costs related to advertisement and legal fees. The sale of this property is now finalised.

C) As at 31 March 2010 the boat was awaiting transport before being actively marketed for disposal by way of a broker. No offer had been made. The anticipated selling costs are related to brokers' fees. As at 31 March 2011 the boat is still awaiting sale, is with the selling agents and is still being actively marketed.

D) As at 31 March 2010 the boat was being actively marketed for disposal by way of a broker. An offer has been made and accepted 23 April 2010. Anticipated selling costs are related to brokers' fees. The sale of this boat is now complete.

E) As at 31 March 2010 a total of 15 vehicles had been sent for decommissioning and transit to auction, pending placing in various auctions on various sale dates. Some offers have been made on certain vehicles and the related money received in April 2010. The anticipated selling costs relate to decommissioning, collection and transit to auction and auction fees. The sale of the vehicles is now complete.

F) As at 31 March 2011 the property is expected to be auctioned in the summer of 2011 as it is deemed surplus to requirements by Management.

G) As at 31 March 2011 two of the three inflatable boats are being actively marketed for disposal. One is in the process of completing its sale.

15. Inventories

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Communications equipment	556	592	266
Total	556	592	266

Inventories relate to spares held for communication equipment/facilities. Amounts expensed are reported under Telecommunications in note 4. These consist mainly of small value items.

16. Trade and other receivables

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Trade receivables	313	306	1,900
VAT receivables	567	618	480
Staff relocation housing loans (see also note 13)	24	23	31
Prepayments and accrued income	4,389	3,619	3,825
Other receivables	65	83	94
Total	5,358	4,649	6,330

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Amounts Falling due within One Year			
Balances with other Central Government bodies	223	78	2,158
Balances with local authorities	322	68	406
Balances with NHS trusts	41	61	70
Balances with public corporations and trading funds	17	21	0
Balances with bodies external to Government	4,755	4,421	3,696
Total	5,358	4,649	6,330

17. Cash and cash equivalents

The movement in cash balances in the years to 31 March 2011 was:

	2010-11 £'000	2009-10 £'000
Balance at 1 April 2010 & 2009	890	1,091
Net change in cash balances	(274)	(201)
Balance at 31 March 2011 & 2010	616	890

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

The following balances were held at 31 March 2011 at:

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Office of HM Paymaster General / RBS / Citi (GBS)	474	748	715
Commercial banks and cash in hand	142	142	376
Total bank balances	616	890	1,091

Current liabilities

18. Trade payables and other current liabilities

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Trade payables	0	0	0
Finance lease payables	121	115	174
Staff payroll	1,441	1,330	0
Other taxation & social security	6	6	6
Accruals	8,176	10,477	11,023
Deferred income	3,218	3,367	3,588
Other payables	1	1	43
	12,963	15,296	14,834
Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:			
Consolidated fund overfunding	420	421	622
Consolidated fund extra receipts*	5	29	157
	425	450	779
Total	13,388	15,746	15,613

* Amounts reported as Consolidated Fund Extra Receipts have been excluded from the Statement of Comprehensive Net Expenditure - see note 29.

Intra-Government current liabilities

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Balances with other Central Government bodies	672	1,039	1,429
Balances with local authorities	40	59	52
Balances with NHS trusts	2	0	0
Balances with public corporations and trading funds	0	20	2
Balances with bodies external to Government	12,674	14,628	14,130
Total	13,388	15,746	15,613

19. Provisions for liabilities and charges – current and non - current

2010-11	Other Payments £'000	Dilapidation Costs Buildings Related £'000	Dilapidation Costs Towing Vessels £'000	Early Departure Costs £'000	Total £'000
As at 1 April 2010	400	1,677	1,223	1,196	4,496
Provided in the year	630	289	201	0	1,120
Not required written back	(16)	(190)	(49)	0	(255)
Utilised during year	(364)	(43)	(13)	(273)	(693)
Unwinding of discount	0	26	27	5	58
Balance as at 31 March 2011	650	1,759	1,389	928	4,726
Analysis of expected timing of discounted flows (years from the reporting period date):					
Within 1 year	650	587	1,389	232	2,858
2-5 years	0	295	0	544	839
6-10 years	0	799	0	148	947
Over 10 years	0	78	0	4	82
Balance as at 31 March 2011	650	1,759	1,,389	928	4,726
Included in the amounts not expected to be called until 10 years over the reporting period date	0	55	0	4	59
Over 50 years	0	16	0	0	16
Over 75 years	0	7	0	0	7
Total over 10 years from the reporting period date	0	78	0	4	82
Classified as:					
Current liability	650	587	1,389	232	2,858
Non-current liability	0	1,172	0	696	1,868
Balance as at 31 March 2011	650	1,759	1,389	928	4,726

Future estimated costs have been discounted, where the effect of discounting is significant, at 2.2% for Dilapidations and 2.9% for Early Departure Costs.

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

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

The provision for early departure costs represents the balance of future pension payments for MCA staff, over the age of 50, who have left under voluntary early retirement schemes since 1999. The MCA is responsible for meeting the pension costs of former staff until they reach the age of 60. Such liabilities may continue to be paid by the Agency until 2020.

As at 01 April 2010 Provisions for liabilities and charges – current and non – current are as follows:

2009-10	Other Payments £'000	Dilapidation Costs Buildings Related £'000	Dilapidation Costs Towing Vessels £'000	Early Departure Costs £'000	Total £'000
As at 1 April 2009	329	1,171	0	1,413	2,913
Provided in the year	127	934	1,223	77	2,361
Not required written back	(23)	(426)	0	0	(449)
Utilised during year	(33)	(13)	0	(314)	(360)
Unwinding of discount	0	11	0	20	31
Balance as at 31 March 2010	400	1,677	1,223	1196	4,496
Analysis of expected timing of discounted flows (years from the reporting period date):					
Within 1 year	400	435	0	275	1,110
2-5 years	0	469	1,223	705	2,397
6-10 years	0	688	0	191	879
Over 10 years	0	85	0	25	110
Balance as at 31 March 2010	400	1,677	1,223	1,196	4,496
Included in the amounts not expected to be called until 10 years over the reporting period date	0	62	0	25	87
Over 50 years	0	15	0	0	15
Over 75 years	0	8	0	0	8
Total over 10 years from the reporting period date	0	85	0	25	110
Classified as:					
Current liability	400	435	0	275	1,110
Non-current liability	0	1,242	1,223	921	3,386
Balance as at 31 March 2010	400	1,677	1,223	1,196	4,496

Future estimated costs have been discounted, where the effect of discounting is significant, at 2.2% for both Dilapidation and Early Departure Costs.

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

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

The provision for early departure costs represents the balance of future pension payments for MCA staff, over the age of 50, who have left under voluntary early retirement schemes since 1999. The MCA is responsible for meeting the pension costs of former staff until they reach the age of 60. Such liabilities may continue to be paid by the Agency until 2020.

Non-current liabilities

20. Finance lease payable

Amounts falling due after more than 1 year	31 March 2011	31 March 2010	01 April 2009
	£'000	£'000	£'000
Finance lease payable	1,187	1,308	1,421

Finance charges reported under this lease and included in the Statement of Comprehensive Net Expenditure are £58,812 (2009-10: £64,846).

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

Taxpayers' equity

21. General Fund

		31 March 2011
	£'000	£'000
Balance as at 1 April 2010		35,243
Net operating cost for the year	(127,428)	
Financing from the Consolidated Fund	127,000	
Notional costs	170	
Transfer from Revaluation Reserve (revaluation surpluses on assets disposed and realised elements of depreciation)	1,321	
Other general fund movement	(13)	
Non current assets held for sale impacted in taxpayers' equity	0	
	128,478	
Increase in General Fund		1,050
Balance as at 31 March 2011		36,293

		31 March 2010
	£'000	£'000
Balance as at 1 April 2009		36,567
Net operating cost for the year	(133,297)	
Financing from the Consolidated Fund	131,301	
Notional costs	178	
Transfer from Revaluation Reserve (revaluation surpluses on assets disposed of and realised elements of depreciation)	571	
Non current assets held for sale impacted in taxpayers' equity	8	
Restatement of Early Retirement Provision	(85)	
	131,973	
Decrease in General Fund		(1,324)
As at 31 March 2010		35,243

22. Revaluation Reserves

Property, plant and equipment

2010-11	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2010	3,895	12,966	447	1,093	1,261	79	19,741
Revaluation surpluses*			114	112		22	248
Revaluation deficits*	(180)	(1,046)			(552)		(1,778)
Taken to Statement of Comprehensive Net Expenditure*		22					22
Taken to General Fund	(10)	(772)	(19)	(264)	(206)	(50)	(1,321)
As at 31 March 2011	3,705	11,170	542	941	503	51	16,912

Total Revaluation Reserves

2010-11	Total Reserve
	£'000
PPE reserves	16,912
Intangible reserves	0
Total Revaluation Reserves as at 31 March 2011	16,912

Donated Asset Reserve

2010-11	Vehicles and Boats	Total
	£'000	£'000
Cost or Valuation		
As at 1 April 2010	138	138
Donations	0	0
Revaluations*	1	1
As at 31 March 2011	139	139
As at 31 March 2010	138	138

The total of items marked * pass through the Statement of Other Comprehensive Expenditure on page 35.

Opening Revaluation Reserve balances 2009-10:

Property, plant and equipment

2009-10	Land and Buildings £'000	Vehicles and Boats £'000	Communication Equipment £'000	IT and Office Equipment £'000	Other Plant £'000	Total £'000
As at 1 April 2009	15,373	406	438	201	104	16,522
Revaluation surpluses*	2,005	1	787	1,019	12	3,824
Revaluation deficits*	0	0	0	0	0	0
Taken to Statement of Comprehensive Net Expenditure*	2	85	(132)	46	(35)	(34)
Taken to General Fund (revaluation surpluses on assets disposed of)	(519)	(45)	0	(5)	(2)	(571)
As at 31 March 2010	16,861	447	1,093	1,261	79	19,741

Total Revaluation Reserves

2009-10	Total Reserve £'000
PPE reserves	19,741
Intangible reserves	0
Total Revaluation Reserves as at 31 March 2010	19,741

Donated Asset Reserve

2009-10	Vehicles and Boats £'000	Total £'000
Cost or Valuation		
As at 1 April 2009	0	0
Donations - Hunter	135	135
Revaluations*	3	3
Balances as at 31 March 2010	138	138

The total of items marked * pass through the Statement of Other Comprehensive Expenditure on page 35.

Other Financial Commitments

23. Capital Commitments

There were commitments outstanding of £2,586,000 for capital expenditure contracts as at 31 March 2011 (31 March 2010: £2,401,000).

	31 March 2011 £'000
Security Accreditation – HMG Security Policy compliance	1,288
Dunstunburgh Coastguard Rescue Service - New Build	342
Consolidated European Reporting System (Shipping)	342
Radio Equipment replacement	330
Consolidated European Reporting System II (Shipping)	226
Vehicles – Fit Outs	36
Daedulus Services – connection of utilities	15
Compressor Set – Counter Pollution Equipment	7
Total	2,586

24. Commitments under leases

Operating leases

As at 31 March 2011 the Agency was committed to making the following total future minimum payments for land and buildings held under non-cancellable operating leases:

	31 March 2011 Amounts payable under operating leases £'000	31 March 2010 Amounts payable under operating leases £'000	1 April 2009 Amounts payable under operating leases £'000
Land			
Payable within one year	646	670	634
Payable later than one year and not later than five years	2,128	2,070	1,925
Payable later than five years	2,440	2,639	2,717
Total Land	5,214	5,379	5,276
Buildings			
Payable within one year	2,198	2,152	2,162
Payable later than one year and not later than five years	6,481	6,300	6,349
Payable later than five years	4,582	5,360	6,590
Total Buildings	13,261	13,812	15,101
Total Land and Buildings	18,475	19,191	20,377
Payable within one year	2,844	2,822	2,796
Payable later than one year and not later than five years	8,609	8,370	8,274
Payable later than five years	7,022	7,999	9,307
Total Land and Buildings	18,475	19,191	20,377

All operating leases were for land and buildings. Elements of these properties have been sub-let by the Agency under non-cancellable operating leases and total future minimum rental receipts of £25,000 were anticipated as at balance sheet date (2009-10: £44,000).

The total of property operating lease rentals charged to the Statement of Comprehensive Net Expenditure during the year was £3,600,000 (2009-10: £3,541,000). Income of £19,000 (2009-10:

£20,000) was credited to the operating costs statement during the year in respect of properties held on operating leases which were sub-leased by the Agency.

Cancellable operating arrangements relating to helicopters charged to the Statement of Comprehensive Net Expenditure during the year are £8,261,000 (2009-10: £8,261,000 re-stated).

Finance lease
At 31 March 2011 the Agency was committed to making the following total future minimum payments under a finance lease for office accommodation in Aberdeen (see note 10).

Elements of this office accommodation have been sub-let by the Agency under non-cancellable operating leases and total future minimum rental receipts of £241,000 (2009-10: £305,000) were anticipated as at balance sheet date.

Minimum lease payment at initial lease rate:

Obligations under finance leases payable	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Payable within one year	174	174	174
Payable later than one year and not later than five years	696	696	696
Payable later than five years	696	870	1,107
Total	1,566	1,740	1,977
Less future interest payments	(258)	(317)	(382)
Present value of lease obligations	1,308	1,423	1,595

Present value of lease payments	31 March 2011 £'000	31 March 2010 £'000	1April 2009 £'000
Payable within one year	121	115	174
Payable later than one year and not later than five years	545	521	497
Payable later than five years	642	787	924
Present value of minimum lease payments	1,308	1,423	1,595

25. Impairments

	2010-11 £'000	2009-10 £'000
Impairment costs charged to operating cost – non current assets - property held for sale	5	7
Impairment costs charged to operating cost – non current assets - boats held for sale	0	20
Impairment costs charged to operating cost – non current assets - vehicles held for sale	0	3
Impairment costs charged to reserves	0	0
Total impairment costs	5	30

26. Movements in Operational Working Capital

	2010-11 £'000	2009-10 £'000
Increase/(Decrease) in inventories	(36)	326
Increase/(Decrease) in operational receivables	709	(1,680)
Decrease/(Increase) in operational payables	2,432	(349)
Increase/(Decrease) in operational working capital	3,105	(1,703)

27. Reconciliation of Movement in Government Funds

	Note	2010-11 £'000	2009-10 £'000
As at 1 April 2010		55,122	53,089
Decrease in General Fund	[21]	1,050	(1,324)
Decrease in revaluation reserve	[22]	(2,829)	3,219
Increase in donated asset reserve	[22]	1	138
As at 31 March 2011		53,344	55,122

28. Statement of Cash Flow Information

A. Reconciliation of net operating cost to operating cash flows

	Note	2010-11 £'000	2009-10 Restated £'000
Net operating cost		(127,428)	(133,297)
Non-cash items	[3]	7,627	8,468
IAS 19 - Employee benefits – staff holiday accrual		0	(39)
Decrease/(Increase) in stockpile goods	[12]	(338)	(333)
Decrease/(Increase) in operational working capital other than cash	[26]	(3,105)	1,703
(Decrease)/Increase in provisions for liabilities and charges	[19]	230	1,583
Net cash outflow from operating activities		(123,014)	(121,915)

B. Servicing of finance

	Note	2010-11 £'000	2009-10 £'000
Lease repayments in respect of finance lease	[24]	(27)	(27)

C. Analysis of capital expenditure

	Note	2010-11 £'000	2009-10 £'000
Purchase of Non-current assets:			
Property, plant and equipment	[10 & 11]	(3,270)	(7,620)
Intangible assets	[8 & 9]	(1,129)	(1,817)
Cash outflow	[8] -[11]	(4,399)	(9,437)
Property, plant and equipment proceeds		152	169
Repayment of loans and other non-current receivables		39	37
Net capital expenditure		(4,208)	(9,231)

D. Reconciliation of financing from the Consolidated Fund

	Note	2010-11 £'000	2009-10 £'000
Financing per the General Fund	[21]	127,000	131,301
Consolidated Fund financing opening (payable)/receivable	[18]	(421)	(622)
Consolidated Fund financing closing payable	[18]	420	421
Financing from the Consolidated Fund		126,999	131,100

29. Revenue collected on behalf of the Consolidated Fund

	2010-11 £'000	2009-10 £'000
Amounts due to the Consolidated Fund	29	157
Revenue received on behalf of the Consolidated Fund	739	1,008
Payments made to the Consolidated Fund	(763)	(1,136)
Amounts due to the Consolidated Fund	5	29

The agency receives amounts on behalf of the Consolidated Fund for fees paid towards the registration of ships (CFERS). Payments of these amounts are made over to the Consolidated Fund regularly through the course of the year.

Due to their immateriality, the MCA has decided under section 13.4.8 of the FReM to exclude CFERS from its Statement of Comprehensive Net Expenditure, amounts collected or surrendered on behalf of the Consolidated Fund & prior years have been re-stated accordingly within the Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers Equity'. Amounts receivable or payable at the year end are within the Statement of Financial Position.

30. Losses

There were two fruitless payments in the year totalling £45,396, there were no losses over £250,000 that require reporting in detail.

31. Special Payments

During the year two payments over £250,000 were made under the Coastguard Rescue Officers' Injury Compensation Scheme, totalling £700,628 (2009-10: nil).

32. Contingent Assets

The Agency seeks to recover costs in relation to counter pollution and civil contingency incidents to which it renders assistance. In some cases, it may take a number of years before cost recovery claims are settled and the Agency holds a contingent asset pertaining to the future value of such claims. Due to the nature of the claims it is not practical to be able to estimate the future financial effect of the claims as the timing and value are unknown and there is no guarantee of the claims being successful. The contingent assets relate to the MSC Napoli, Yeoman Bontrup, Jack Abry II, Athena and Pretty Time incidents. In 2010-11 counter pollution claims totalling £83,000 relating to Ice Prince were received by the MCA (2009-10: £4,200).

33. Contingent Liabilities

The Agency faces a potential compensation claim and information required by IAS 37 is not disclosed on the grounds that it might seriously prejudice the outcome of the case involved.

34. Events After The Reporting Period

There have been no significant events between the reporting period close and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. IAS10 requires the MCA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by MCA's management to the Secretary of State for Transport. The authorised date for issue is 30 June 2011.

35. Related Party Transactions

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

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

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

36. Financial Instruments

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

Payments in foreign currency amounted to £216,739 in 2010-11 (2009-10: £394,317) being both sterling paid in foreign currency equivalents as well as settlement of foreign currency payables.

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

Trade accounts receivable are recovered in the normal course of business and experience of bad debts charged to operating costs is £75,631 in 2010-11 (2009-10: £4,653), with many of the services the MCA provides requiring a deposit or full payment, often covering the full cost prior to commencement of the service provision. The bad debt reserve stands at £156,799 in 2010-11 (2009-10: £86,554). Service provision costs are monitored by MCA staff and where appropriate a deposit increase is requested.

As a Government Agency there are no sales of accounts receivable debt nor planned future sales of accounts receivable debt, neither does the MCA enter into financial guarantee contracts nor insure receivable debt in any form.

37. Charges to the operating cost & future commitments - PFI Contracts

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

ANNEX A

Maritime and Coastguard Agency
Sustainable Development Report 2010-11

Background

Sustainability is integrally linked not only to our business activities, but also to the management of our estates, procurement processes and people. There is a symbiotic relationship that exists between sustainability and these four priority areas, whereby each is dependent on the success of the other. For example, as part of our business activities, we have a strong and influential relationship with:

- the environment: being actively involved with the development, implementation and enforcement of maritime environmental policy, and preventing coastal pollution;
- society: producing regulation and standards to protect the wellbeing of seafarers, and assisting all users of the maritime environment by providing safety information or an emergency response if required; and
- the economy: procuring sustainably, supporting the shipping industry (over 95% of the UK's visible trade is delivered by sea), and providing services that encourage tourism and recreational activities.

This report summarises our progress so far at all office locations as well as operational properties and conforms to Public Sector Requirements which are set out at http://sd.defra.gov.uk/gov/green-government/commitments/

We have developed a robust structure against which annual performance has been clearly presented, and which will be used year on year to demonstrate continuous improvement.

Each annual report will be published on our website and made publicly available. The current report covering this reporting period can be found on our website at http://www.dft.gov.uk/mca/mcga-aboutus-transparency.htm

We aim at all times to meet and where possible exceed Government targets on sustainability.

GHG Emissions

HQ

The report focuses on our HQ Building in Southampton as this is the only non-operational site we occupy. During 2010-11 many initiatives have been put in place including boiler optimization, LED lighting in conferencing areas and lifts and restricted operating hours. Overall our electricity consumption has reduced by 26.85% and our gas consumption by 15.50% based on the previous years figures.

Operational Estate.

Automated Meter Reading Equipment has now been fitted across the UK Estate which accurately records our gas and electricity usage.

We are also currently undertaking a full water audit aimed at identifying any issues in terms of consumption and cost. Where issues are identified these are being rectified on a shared saving basis. Typically this has included the installation of water meters and changes in tariffs.

Full performance information and results are shown below.

Carbon emissions 2010-11			
OFFICE			
Fuel	***Measurement***	***Total units***	***kg CO2***
Electric	kwh	1,679,236.00	901,749.73
Gas	kwh	1,087,190.00	201,130.15
			1,102,879.88
NON-OFFICE			
Electric	kwh	4,023,131.00	2,160,421.35
Gas	kwh	2,395,434.00	443,155.29
Oil	kwh	16,309.00	4,370.81
LPG	kwh	6,902.00	1,477.03
			2,609,424.48
MOTOR VEHICLES			
Petrol	Miles	166,612.00	55,515.12
Diesel	Miles	370,091.00	117,873.98
			173,389.10

TOTAL	**3,885,693.46**	kg
	3,885.69	tonnes

Waste

We are currently putting in place a waste strategy aiming to bring together both operational data as well as data for our offices. At present data is only reported for our HQ Building as operational waste is managed regionally. In 2010-11 we have seen an increase in recycling from 30% to 75%.

We have a network of some 253 unmanned Coastguard Rescue Station (CRS) buildings which are utilized for training, equipment storage and incidents only. The waste generated at these sites is less than national domestic levels and therefore licensing has been put in place allowing for the transport of non-hazardous waste to larger buildings for onward recycling and disposal. The benefit of this system is that we have reduced local collections significantly and increased recycling.

Use of Finite Resources

We have a Sustainable Development Action Plan in force and have met the 10% carbon reduction target set by the Prime Minister in May 2010. This has been achieved through new policy and restrictions limiting the use of energy wherever possible. We have appointed Sustainable Development Champions to ensure that the policy is carried out and embedded in a consistent way across the UK wide estate.

We have consistently reduced our energy consumption since 2007 in line with Sustainable Operations on the Government Estate (SOGE) targets and have undertaken to move all supplies to central government contracts offering greater flexibility, better value and greater control over the sources of energy.

Boiler optimization has been introduced at our HQ building and is currently being investigated for other major properties. Sensor and LED lighting has also been installed at major properties and opening hours have been restricted at both our HQ and Cardiff Offices.

Biodiversity Action Plans

We have no sites of Special Scientific Interest (SSI) but do have sites that border these. We work closely with the relevant authorities at these sites to ensure minimum environmental impact.

Sustainable Procurement
We spend approximately £75m per year on the purchase of goods, works and services. We are committed to ensuring that our contracts and suppliers support our sustainable development goals.

We use the Sustainable Procurement Task Force's definition of 'sustainable procurement': procurement which, while ensuring value for money and delivering the required goods, works or services, also:

- promotes economic growth and prosperity;
- protects or enhances the local or wider environment; and/or
- reduces poverty and social exclusion.

Sustainable Procurement Targets
In the past financial year we have been working toward the Sustainable Procurement Task Force's Flexible Framework. A copy of the Framework can be found at: http://www.s-p-i-n.co.uk/TFActionPlan.asp?ID=6. We were externally assessed for progress at the end of 2009 and our progress over the previous three years is shown in the table below. A copy of the full report is available on request. No assessment was undertaken in 2010, but achievements since 2009 are included under 'Improving Performance' below.

SPTF Flexible Framework Headings and Levels						
	MCA	1	2	3	4	5
2009	People					
	Policy, Strategy & Comms					
	Procurement Process					
	Engaging Suppliers					
	Measurement & Results					
	OVERALL					
2008	People					
	Policy, Strategy & Comms					
	Procurement Process					
	Engaging Suppliers					
	Measurement & Results					
	OVERALL					
2007	People					
	Policy, Strategy & Comms					
	Procurement Process					
	Engaging Suppliers					
	Measurement & Results					
	OVERALL					

Key: Level achieved — Some elements of level achieved — No elements of level achieved

We also produce a Sustainable Development Action Plan, as part of which more specific sustainable procurement targets are set and monitored. The latest Action Plan can be found on our website at http://www.dft.gov.uk/mca/mca_sdap_progress_report.doc.

Improving Performance
We have four main mechanisms for improving sustainable procurement performance. These are set out below, with achievements made in each area during the last financial year.
Policy and Guidance

- The Sustainable Procurement Guide has been updated to incorporate adaptation to climate change;
- The sustainable procurement section of the Agency's Environmental Management System has been updated to incorporate the latest policy and guidance.

Staff Training and Development

- Key staff attended training in carbon accounting;
- Promotion of sustainable procurement is now a key objective for all procurement staff.

New Contract Procurement Processes

- Government Buying Standards included for the first time in specifications for cleaning materials;
- Targets for reporting and reducing the carbon footprint of business travel included in the collaborative specification for vehicle hire;
- Government Buying Standards included in the collaborative specification for stationery.

Contract Management

- MCA suppliers participated in the Carbon Disclosure Project in 2010, in greater numbers than the 2009 scheme.

Forward Plan

Our overall sustainable procurement targets for the upcoming year can be found in our Sustainable Development Action Plan at http://www.dft.gov.uk/mca/mca_sdap_progress_report.doc. Two specific contracts that we intend to focus on in the coming year are office supplies and business travel, with the intention of:

- Baselining CO_2 emissions from rail travel and hotel accommodation use;
- Baselining and benchmarking the following:
    - Environmentally friendly stationery purchased by value and volume;
    - Packaging waste generated through delivery of stationery; and
    - CO_2 emissions from delivery of stationery.

Adaptation Plan

We have agreed to report voluntarily on our work to adapt for forthcoming predicted climate change. Our first voluntary report will be submitted to the Department for Food, the Environment and Rural Affairs in July 2011. Our estate plans take account of the implications of climate change.

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