

Maritime and Coastguard Agency

Annual Report and Accounts 2011-12

Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 27 June 2012

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This publication is also available for download at www.official-documents.gov.uk and is also available from our website at www.dft.gov.uk/mca

ISBN: 978-0-10-297812-4

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2492088 06/12

Printed on paper containing 75% post consumer waste.

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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


I am very pleased to present our Annual Report and Accounts for 2011-2012. This is the first Annual Report in which we set out our achievements against the four-year Business Plan we published in the Summer of 2011, covering the period of the Government's Comprehensive Spending Review of October 2010. That Business Plan sets us challenging but achievable goals to 2015 and we have just refreshed it to look a little further out to 2016.

What we do is vital to maritime safety. We pride ourselves on being a model regulator that works with our industry to develop, implement and enforce appropriate safety levels. We have been enthusiastic about the Government's Red Tape Challenge initiative because we believe that we have a good track record of using Codes of Practice and practical guidance to encourage compliance with safety standards. We will not hesitate, however, to take action against those who flout safety requirements.

We continue to provide a first class emergency response service, coordinating maritime search and rescues and tackling pollution from shipping. Our seafarer documentation and ship registration services continue to provide high levels of customer satisfaction, but we are not complacent and we will continue to seek opportunities to improve our customer experience still further.

We are making significant progress with our major change programmes which are captured within our transformational objectives. On 22 November 2011 Ministers announced final decisions about a blueprint for modernising Her Majesty's Coastguard. A huge amount of work has started on developing new roles and responsibilities, and I have been both impressed and encouraged by the level of coastguard officer involvement and engagement with that work. Similarly, our marine surveyors and those with experience of working in our network of marine offices have shown an impressive enthusiasm for helping us shape a revised ship survey and inspection service. I have re-balanced the responsibilities of my Executive Directors to support the delivery of these and other change programmes.

Our people remain our greatest asset and I am proud of the level of dedication and commitment that I see on a daily basis from my colleagues in the MCA. They have themselves developed our shared values of "safety, professionalism, trust and respect" including definitions of what those values look like in practice. We also achieved the demanding "silver" award as an Investor in People and saw improvements in important areas of our staff engagement scores as measured by the Civil Service People Survey.

A handwritten signature in black ink that reads "Alan Massey". The signature is written in a cursive style with a long horizontal line extending from the end.

Sir Alan Massey
Chief Executive

Directors' Report

Who We Are

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

We are committed to maritime safety 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*. That clear vision is underpinned by our shared values of safety, professionalism, trust and respect.

Agency Management

The Executive Board is the highest decision-making body in the MCA. We set out its role and relationship with other management groups within the Governance Statement (see page 29). The Executive Board is made up of:-

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

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

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

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

Non-Executive Directors were Julian Lee and Nigel Palmer until 31 December 2011, Keith Greenfield and David Snelson from 1 January 2012, and Bob Banham for the full year.

Performance Summary

2011-2012 was the first year in which we have monitored our progress against our new set of Operational Priorities (OPs) and Transformational Objectives (TOs). These high-level aims and objectives are more strategic in their construction than the old MCA Targets they replaced. They took time to develop and agree and our first Business Plan with the new OPs and TOs was formally published by means of a Written Ministerial Statement on 12 September 2011, five months into the financial and operational year. Each OP describes what we want to achieve in terms of our core functions over the full period of our published Business Plan, and our TOs describe our major business change programmes.

Our Operational Priorities (OPs)

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

Our Transformational Objectives (TOs)

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

Arrangements for monitoring our success were published alongside our Business Plan 2011-2015 in our Performance Indicators document, also formally published on 12 September 2011. The detailed

development of a set of underlying measures has evolved through the year to allow us to take a holistic view of our performance. We have clear and detailed evidence to support a range of judgements, although it has not been possible to measure success against individual milestones in every case. We will be able to monitor and report against the collection of measures and indicators in 2012-2013 in light of our experience of their practical use.

In this first year, however, we can report progress against the OPs and TOs in the following way. Particular achievements include:-

- We completed two rounds of extensive public consultation about the modernisation of HM Coastguard leading to an announcement of final decisions on 22 November 2011.
- We have embarked on a systematic review of our Ship Survey and Inspection Service.
- We are continuing to reduce our administrative costs against our 2010-2011 baseline.
- We have continued to see the UK Ship Register increase in terms of its gross tonnage and progress is being made on reducing the average age of ships on the Register.
- We have worked in partnership with our marine surveyors to develop arrangements for an out-of-hours ship inspection regime, which has improved our capacity to meet our Port State Control inspection obligations.
- We have played a full part in the Government's Red Tape Challenge initiative by looking closely and critically at almost 200 maritime regulations to check their relevance and to explore the scope for removal and consolidation. This has been joint work with our Department for Transport colleagues.
- We have made good progress with the introduction of our new Operational Management System to update and replace the old CG3 documentation. The first phase of implementation is complete and we are now evaluating its success and learning any lessons before the next phase of work.
- We implemented our Customised Award Scheme for the professional development of our marine surveyors.
- We successfully transposed the EU Directive on Recognised Organisations, along with the EU Directives covering Port State Control arrangements, Vessel Traffic Monitoring and our Flag State obligations.
- We have continued to support the development of the Water Incident Database (WAID) that captures all water related incidents and guides our recreational safety efforts.
- We have made good progress with our agreed programme of priority new and routine seabed surveys under the Civil Hydrography Programme.
- In line with the Comprehensive Spending Review decisions announced in October 2010 we have put in place commercial arrangements to replace the Maritime Incident Response Group (MIRG), and we have alternative procedures established to cater for the withdrawal of Emergency Towing Vessels in the South West approaches and the Dover Strait

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

- It has not been possible to introduce our planned Operational Standards and Training Audits into our network of Maritime Rescue Coordination Centres due to continuing industrial action short of a strike by members of the PCS Union. This has also impacted on our ability to measure accurately whether decisions on how to respond to emergencies have been made within 5 minutes, although there is no evidence that there has been a problem with outcomes.
- We need to establish a clearer, coordinated framework of local and national search and rescue exercises to underpin our business continuity arrangements.
- We were not able to meet our EU-imposed targets for Port State Control inspections of ships visiting UK ports, and in some cases that was because of their time of arrival and the availability of our marine surveyor workforce. As noted under our achievements, we have now agreed a new arrangement with our marine surveyors that will allow more "out of hours" inspections.
- We need to do more to assess the occupational health and safety standards onboard fishing vessels, and the promotion more generally of safety in the fishing industry remains a priority activity for us.

- We could not finalise a revised Memorandum of Understanding with the UK Hydrographic Office because of other demands on their time.
- The review of the National Contingency Plan for dealing with pollution incidents in the marine environment was deferred and will be taken forward in 2012-2013.
- Although we have achieved most of our service standards, some related to seafarer documentation were not met and applications were prioritised to help meet the needs of our customers.

Management Commentary

Effective management plays an important part in delivering our services to our customers. Our Governance Statement on page 29 describes how we do this.

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

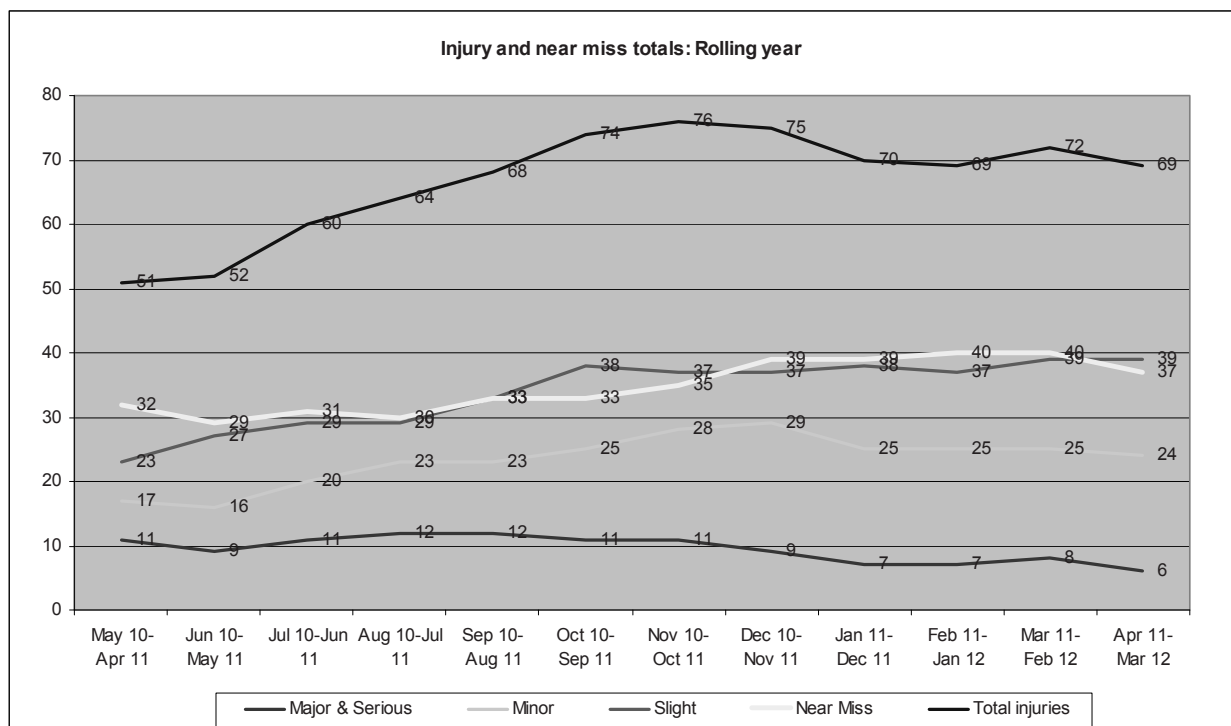
Health and Safety

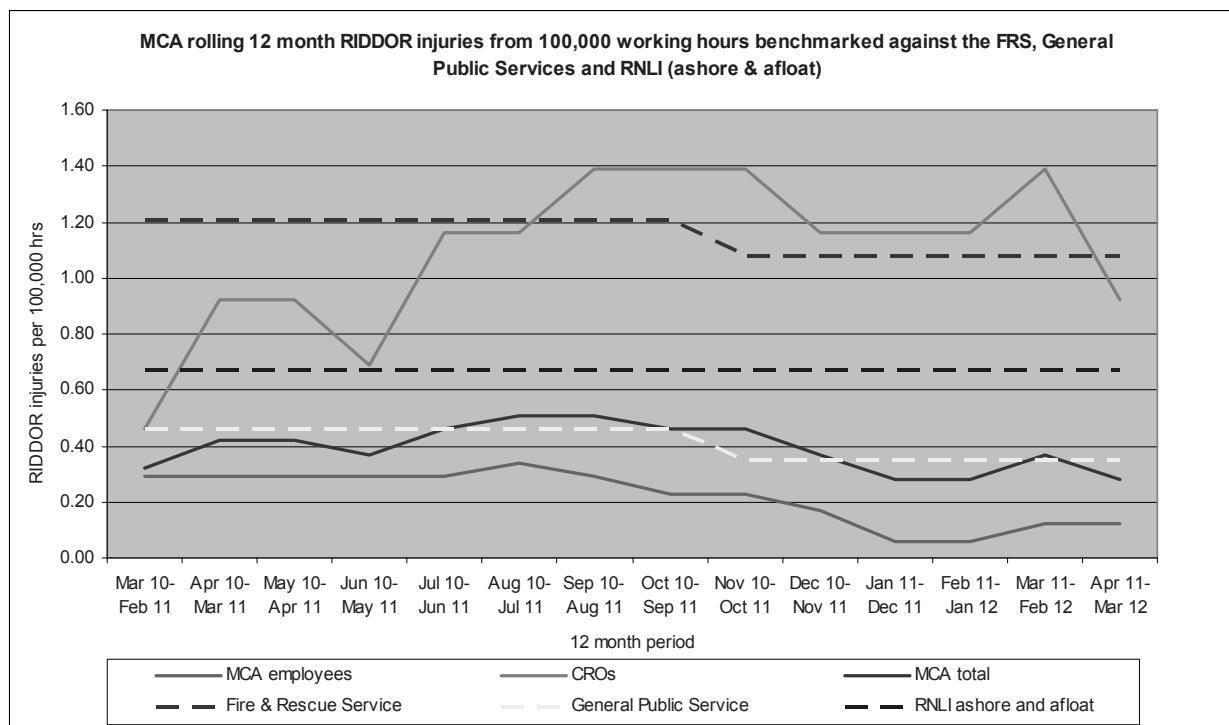
The Agency has a long and proud history of working to protect people, as well as the economic benefits of our coastline and shipping. We believe that good health and safety management of our own people is essential to achieve our vision. To demonstrate our commitment “Health and Safety” has become the first agenda item for discussion at senior management and similar meetings.

We have a three-year Health and Safety Strategy, which has been endorsed by all our management teams. We are committed to achieving the highest standards by continuous, proactive actions to reduce the number of people injured whilst undertaking Agency activities. We are developing a risk control management system to mitigate risks and strive for continuous improvement.

Monthly reports are prepared for the Agency’s management groups highlighting key health and safety issues, accidents and near misses, along with progress on initiatives including training and incident rates (see charts below for figures within this reporting period). We have promoted a culture of reporting both accidents and near misses so that lessons can be learned and improvements made. The general upward trend shown in the first chart reflects that increased reporting, which we are actively encouraging at all levels of management throughout the Agency.

The National and Regional Health and Safety Committees are responsible for ensuring that adequate health and safety arrangements are established and maintained throughout the Agency. They meet on a quarterly basis.





Service Improvement

In January 2012 internal Directorates were re-organised to maximise efficiency and effectiveness and to help streamline processes.

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

- Seafarer Training & Certification;
- Survey & Inspection;
- UK Ship Register; and
- Registry of Shipping and Seamen (to be launched in 2012-13).

Sustainable Development

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

We are fully committed to achieving the targets set within the Greening for Government Agenda and activity during 2011-12 included:

- replacing our ageing network of printers, photocopiers and scanners with new, efficient multi-function devices (MFDs);
- improved energy management and building efficiency across the estate; and
- raising staff awareness and encouraging behavioural change.

There are more details in our Sustainability Report (Annex A) on page 73 of this report.

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

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

- support the Agency's business needs;
- 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.

We achieved 'Runner Up' in the Public Sector Sustainability Awards this year in recognition of the work we have undertaken so far.

Our People

Our people remain our greatest asset and we continue to develop our services and practices to enable them to deliver a professional and expert service to our stakeholders. The way the Agency has improved how it leads, manages and looks after its people was recognised when we were awarded Silver liP status in November 2011, putting us in the top 2% of all liP accredited organisations in the UK. The 2011 annual Agency People Survey, which is a component of the wider Civil Service Employee Engagement Programme, showed improvements in various areas in a challenging period for both the Agency and the wider Department and Civil Service. We have put in place plans to improve engagement of our people. In particular our focus is on the engagement drivers of Leadership and Managing Change; and My Work. The MCA has made significant progress against these when compared with previous years and against the wider Civil Service. There is still considerable scope for improvement and we remain committed to further progress.

This year saw the launch of our new values of Safety, Professionalism, Trust and Respect. These values form the foundation of the Agency, driving attitudes and behaviours to make us the best maritime safety organisation in the world.

We continue to celebrate the excellent work that our staff do through features in our in-house communication "Coast to Coast", with certificates to mark long service, with appropriate Special Performance Bonuses, and with the annual Chief Executive's Awards to recognise outstanding contributions. We also use the State Honours process to nominate appropriate staff and volunteers for national awards such as OBEs and MBEs.

The Agency has three diversity champions who uphold our commitment to promote good practice on diversity in employment and service delivery. We are committed to equality of opportunity in recruitment, development and promotion. We treat all staff fairly, with dignity and respect.

We 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.

We train and develop our staff. Learning and development activity during 2011-12 included:

- restructuring the Maritime Search and Rescue Foundation and Intermediate (MSAR(F) and MSAR(I)) programmes into a modular format, in direct response to the needs of the business;
- facilitating our Scottish Qualifications Authority (SQA) accredited senior operational surveyors' Customised Award Scheme, to over 100 of our surveyors and Port State Control officers, to help achieve and maintain technical competencies to international standards and requirements;
- progressing the plans and specifications of similar technical awards for the junior operational surveyors as well as Survey and Inspection staff in policy areas;
- successful completion of two ILM (Institution of Leadership and Management) Certificate in Management Courses;
- supporting two advanced apprenticeships; and
- launching Civil Service Learning (CSL), which offers a blend of learning opportunities from work-based, face to face or online learning, and is available to all staff.

The Agency believes that it is to the mutual benefit of the MCA and our staff that employees are represented by Trade Unions. We recognise Prospect and the Public and Commercial Services Union (PCS) under collective bargaining procedures. Trade Union representatives are afforded appropriate facility time to carry out their duties, and consultation over changes to working practice or procedures is encouraged. The Agency has established good working relationships with both organisations.

During 2011, we marked the European Year of Volunteering by recognising the work of our own network of some 3,500 volunteer Coastguard Rescue Officers (CROs), together with other staff who serve as school governors, trustees of charitable bodies, youth helpers, RNLI volunteers, or members

of the reserve forces. We also participated in the Civil Service wide 'Get Britain Working' programme, by hosting 56 Work Placements over a duration of two weeks per placement. The fundamental aim of the Work Placement offer was to improve employability for individuals, by providing real and worthwhile exposure to the workplace.

MCA staff in post

	Total Permanent & Contract Staff
Staff in post at 1 April 2011	1,077.27
Staff in post at 31 March 2012	1,053.44

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	65
Resignation	51
Retirement (age)	25
End of Fixed Term Contract	6
Dismissal	3
Transfer to Other Government Department (OGD)	4
Retirement (ill health)	2
Voluntary Early Retirement (VER)/Voluntary Early Severance (VES)	0
End of loan	1
Total leavers	92

These figures reflect actual headcount.

During 2011-12, 7,101.00 (2010-11: 7,556.46) working days were taken as sickness absence. This equates to 6.65 (2010-11: 6.91) days lost per employee (full time equivalent).

External Relations

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

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

Safer Lives – Preventing loss of life

Each year 25% of the adult population take part in a total of over 100 million leisure activities on the sea or at the coast¹. Our prevention work aims to minimise incidents, although effective resources are in place for our emergency response role should something go wrong.

Prevention

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

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

The MCA ensures 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.

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

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

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

For several years we have been working in partnership with the RNLI and RYA to 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 five years' worth of data which tells us that 100 maritime deaths between 2007 and 2011 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. In May 2011 we coordinated the UK's first Ready, Set, Inflate day that promoted the wearing of lifejackets in the leisure sector.

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. Further information and reports can be found here: www.nationalwatersafety.org.uk.

Our coastguard rescue teams and helicopters have again featured in several reality/documentary TV series, including Real Rescues, Highland Emergency, and a new 10-part series for CBBC called Hero Squad; and continue to feature on several reruns, including Seaside Rescue. These programmes support our safety messages and highlight the dangers of the sea.

We continued our participation in the EC-funded HORIZON project on watchkeeper fatigue which was completed successfully in 2012, and continued to disseminate advice and best practice through our

¹ Arkenford, Watersports Participation Survey, 2011.

Human Element Advisory Group programme in conjunction with industry. We also continued to promulgate our publication "The Human Element: a guide to human behaviour in the shipping industry" which underpins our strategy to improve safety and performance through non-regulatory practices. The guide has proved extremely popular with the shipping industry and over 140,000 copies have been purchased or downloaded to date.

We have continued our theme to tackle seafarer fatigue through:

- seeking international recognition about the problem of fatigue;
- enforcement of the Hours of Work Regulations; and
- promoting a cultural shift across the industry.

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

We maintained our network of MCA approved doctors who conducted nearly 52,000 medical examinations to check seafarers were fit to work at sea, and we revised our guidance to doctors on assessing the fitness of seafarers who use Warfarin or have been diagnosed with asthma.

Fishing is judged to be the UK's most dangerous occupation². As part of our effort to improve small fishing vessel safety we are working with industry and Seafish (the authority for the seafood industry) to find ways of reducing the number of deaths and accidents that occur. We have in particular been working with manufacturers on the development of new style personal floatation devices (PFDs) that are better suited for the commercial fishing industry, and alongside our partners in the Fishing Industry Safety Group we are actively encouraging the wearing of those PFDs. We know that this will improve the safety of fishing.

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.

Our Coastguard Rescue Service comprises some 3,500 volunteers in over 350 teams around the UK coast. They give their time to respond to emergencies and spread safety messages in their local communities. They are trained in the specialist skills of search, mud and cliff rescue and this year were called out over 15,000 times.

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

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

In accordance with the Agency's Comprehensive Spending Review settlement, the funding of the Maritime Incident Response Group (MIRG) ceased in December 2011. Alternative commercial arrangements have been introduced for assessing how best to deal with a fire on a ship.

A key activity for us this year has been to manage two public consultation exercises and formulate revised plans for the modernisation of Her Majesty's Coastguard. The second of these consultations ran from 14 July to 6 October 2011, and on 22 November 2011 the Shipping Minister, Mike Penning

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

MP, announced final decisions with a blueprint for the future organisation of HM Coastguard in the UK.

The resulting Future Coastguard Programme (FCG) will deliver a resilient and nationally-networked system of coastguard coordination centres with a Maritime Operations Centre (MOC) at its heart, based near Fareham in Hampshire. Under these new arrangements, coastguards coordinating incidents will have an enhanced role with more responsibility and better pay. Additional resources will also be put in place to enhance the leadership and support of the Coastguard Rescue Service.

We are managing the modernisation of HM Coastguard through a groundbreaking programme which applies an 'Agile' approach with the flexible use of resources, skills and talents from across the Agency.

Safer Ships – Improving maritime safety

Shipping is vital to the UK, delivering over 95%³ of our visible trade and contributing well in excess of £1M an hour to our economy⁴. 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).

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

- Large Yachts;
- Small Commercial Vessels; and
- Rescue Boats.

The following Regulations have been introduced:-

- SI 2011/3056 Merchant Shipping (Ship Inspection and Survey Organisations) (Revocation) Regulations 2011
- SI 2011/2601 Merchant Shipping (Port State Control) Regulations 2011
- SI 2011/2667 Merchant Shipping (Flag State Directive) Regulations 2011
- SI 2011/2978 Merchant Shipping (Safety of Navigation) (Amendment) Regulations 2011
- SI 2011/2616 Merchant Shipping (Vessel Traffic Monitoring and Reporting Requirements) (Amendment) Regulations 2011

We played a full part in the Government's Red Tape Challenge, to examine all our existing legislation and regulation in consultation with industry, and identify areas for improvement. In March we attended a Ministerial Star Chamber where Ministers commented, it was "good to find a sector that is regulating properly".

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 4,165 in-depth surveys of UK registered ships, and 4,315 inspections during 2011-12. We also carried out 1,459 Port State Control (PSC) inspections of foreign ships in the 2011 calendar year 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 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 14 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 monitor audits of other organisations, including Seafish and the Helideck Certification Agency (HCA).

³ 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

⁴ Chamber of Shipping report 'British shipping & maritime services - world leaders' 2011

During inspections we found deficiencies on 1,656 ships and detained 40 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 124 new cases, and conducted 14 prosecutions.. Further details are available at: www.mcga.gov.uk/c4mca/mcga prosecutions.

Survey and Inspection Review – The way in which we organise and carry out our survey and inspection services has altered little in the past decade and we have started a review of what we do and why we do it, to help us deliver a better service in the future. A request for ideas has raised a great deal of interest and plans are being created to deliver improvements.

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 2011-12 there were 92 new ship registrations (1.39m Gross Tonnage) and at the end of March the UK Ship Register stood at 17.76m GT and 1,461 vessels.

The UK remains highly placed on the Paris Memorandum of Understanding (MOU) White List of Quality Flag States, in line with our objectives on the quality of the UK Ship Register. We also feature 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, which, together with the UK Ship Register, have a combined size of 50.1m GT. We ensure that the REG Registers maintain the highest international maritime standards in accordance with UK policy by undertaking regular monitoring visits. In 2011-12 we audited the Bermuda, Isle of Man and Guernsey.

The 2011 REG Conference was hosted by Jersey and discussed issues of maritime policy and strategy, including:

- quality objectives for the Category 1 members;
- series crime on ships; and
- the risk of piracy.

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

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.

50,000 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). In 2011-12 we issued over 5,400 Notices of Eligibility (NOEs) and 16,300 new CoCs and CECs, twice as many as the previous year. We also issue around 800 Boat Master's Licences annually for commercial operations on inland waterways.

We also managed the Support for Maritime Training (SMarT) Scheme. In 2011-12 SMarT provided funding for a total of 1,903 officer trainees, including: 903 new officer trainees who started their training; and 629 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 26 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 and wave and tidal arrays.

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

Cleaner Seas – Protecting the environment

The 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 reduce the risk of pollution without unduly restricting legitimate activity we brought into force an amendment to the UK Ship-to-Ship Transfers regime intended carefully to balance economic, environmental and social concerns.

We have also undertaken international negotiations resulting in significant changes to the regime for garbage intended to deliver increased protection of the marine environment from ship-generated waste. Finally we were closely involved in the delivery of the mandatory energy efficiency measures adopted by IMO which will have a key role in reducing emissions from the sector.

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
- spraying aircraft.

In accordance with the Comprehensive Spending Review, the Emergency Towing Vessel contract concluded on 30 September 2011. Following an approach from the Scotland Office, the Agency led the short term procurement of vessels to provide cover to the Northern and Western Isles, whilst the Scotland Office investigated alternative funding opportunities.

In May 2011 we participated in Exercise Sula, a major multi-organisation exercise to test the National Contingency Plan for Marine Pollution from Shipping and Offshore Installations. In August we were then called on to put these plans into practice to respond to the oil leak from the Gannett pipeline.

The Receiver of Wreck is responsible for the administration of merchant shipping legislation relating to wreck and salvage. During 2011-12, 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.

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 2011-12 financial year the Agency's net operating cost was £138,646,000 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 £6,920,000 during the financial year. The investment spending relates to key strategic projects including security accreditation and associated test environment, renewal of communications equipment, Consolidated European Reporting System (CERS) and additions to the MCA Vehicle Fleet.

There have been no significant events after the reporting period.

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

- The Net Operating cost of the MCA has increased by £11.2m compared with 2010-11; this is mainly a result of a voluntary early retirement or voluntary early settlement provision for the Future Coastguard Modernisation Programme, and the Support for Maritime Training (SMarT) grant scheme transferring into the Agency from DfT. These additional costs are partly offset by increased income as a result of counter pollution receipts, as detailed in the contingent asset note 31 and the discontinuation of some services outlined below.
- The Statement of Financial Position has decreased compared with the previous year by £9.1m. This is mainly due to revaluation downwards of properties included in the Future Coastguard Modernisation Programme, a provision for impact on staff costs in this programme, the decision on basing options for the future SAR helicopter operation and an increase in accruals relating to the above SMarT grant scheme that was not part of the Agency's operation last year. The Future Coastguard Modernisation Programme commenced following the Ministerial announcement on 22 November 2011. In the future, the Coastguard will operate as a national network with a Maritime Operations Centre (MOC) and ten Coastguard centres. A provision for staff costs is outlined in note 19 to the Report and Accounts and impairments to properties involved are outlined in note 10.
- The Agency has a low level of bad debt as we require a deposit or full payment prior to any commencement of service provision. Full details of the bad debt provision can be found in note 35.
- During the year, the MCA was the target of fraudulent activity, and a small cash loss was incurred. Fraud detection processes have been enhanced and additional management controls put in place. The incident is under investigation by the Metropolitan Police.
- The contract for the provision of Emergency Towing Vessel (ETV) cover around the UK concluded on 30 September 2011. At the request of the Scotland Office, the Agency led the short term procurement for provision of two ETVs to provide cover for the Northern and Western Isles of Scotland, whilst the Scotland Office investigates alternative funding opportunities.
- The provision of the Maritime Incident Response Group (MIRG) discontinued with effect from 14 December 2011. A review of the MIRG was carried out following the CSR announcement and an informal consultation was undertaken with operators and owners of large cruise and

passenger vessels, the UK Chamber of Shipping, maritime salvors and the Chairs of the associated Fire and Rescue Services. The review indicated that there was no strongly expressed need for the maintenance of at sea fire fighting capability by shore-based firefighters.

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

The statutory audit of our Financial Statements is undertaken by the Comptroller and Auditor General under the provisions of the Government Resources and Accounts Act 2000. The cost of the audit services for the financial year ending 31 March 2012 was £75,000. No other fee was received in respect of non statutory work.

We place contracts in line with Government Policy, EU Procurement Regulations and UK Public Contracts Regulations. We aim to pay all bills by contractual deadlines, or within 30 days of receiving a valid invoice. We met this target in 99.92% of cases. In line with a government wide initiative to pay bills within five days, our performance was 94.50%.

At the year end, trade creditors were £24,000, as a result creditor days were 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.

A handwritten signature in black ink that reads "Alan Massey" followed by three dots.

Sir Alan Massey
Chief Executive
13 June 2012

Remuneration Report

Remuneration Policy

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

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

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

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

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

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

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

Remuneration (salary, bonuses and payments in kind) (Audited)

Officials	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Sir Alan Massey <i>Chief Executive</i> (from 20 July 2010) ⁵	115-120	5-10	0	55-60 (115-120 full year equivalent)	-	0
Peter Cardy <i>Chief Executive</i> (until 30 April 2010)	Not Applicable	Not Applicable	Not Applicable	10-15 (120-125 full year equivalent)	5-10	0
Richard Parkes <i>Acting Chief Executive</i> (from 1 May 2010 to 19 July 2010)	Not Applicable	Not Applicable	Not Applicable	15-20 (90-95 full year equivalent)	-	0
Richard Parkes <i>Director</i> (excluding the period from 1 May 2010 to 19 July 2010)	80-85	5-10	0	60-65 (80-85 full year equivalent)	5-10	0
Philip Naylor <i>Director</i>	105-110	-	0	105-110	-	0
Sue Ketteridge <i>Director</i>	75-80	-	0	75-80	5-10	0
Chris Thomas <i>Acting Director</i> (from 1 May 2010 to 25 July 2010)	Not Applicable	Not Applicable	Not Applicable	15-20 (70-75 full year equivalent)	-	0
Bob Banham <i>Non-Executive Director</i>	30-35	-	0	10-15	-	0
Julian Lee <i>Non-Executive Director</i> (until 31 December 2011)	5-10 (10-15 full year equivalent)	-	0	10-15	-	0

⁵ 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.

Officials	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Nigel Palmer <i>Non-Executive Director</i> (until 31 December 2011)	5-10 (10-15 full year equivalent)	-	0	10-15	-	0
Keith Greenfield <i>Non-Executive Director</i> (from 1 January 2012)	0-5 (10-15 full year equivalent)	-	0	Not Applicable	Not Applicable	Not Applicable
David Snelson <i>Non-Executive Director</i> (from 1 January 2012)	0-5 (10-15 full year equivalent)	-	0	Not Applicable	Not Applicable	Not Applicable

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 Department and thus recorded in these accounts.

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. 2011-12 bonuses relate to 2010-11 performance and 2010-11 bonuses relate to 2009-10 performance.

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.

Civil Service Pensions

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

For 2011-12, employers' contributions of £6,026,218 were payable to the PCSPS (2010-11: £6,231,627) 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 2012-13, 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 2011-12 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 £26,684 (2010-11: £32,804) 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 £1,747 (2010-11: £2,056), 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 £5,441. 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**. Increases to employee contributions will apply from 1 April 2012. 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/pensions>

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 31/3/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/12	CETV at 31/3/11 ⁶	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sir Alan Massey <i>Chief Executive</i>	0 - 5	2.5 - 5	50	15	30
Richard Parkes <i>Director</i>	15 - 20	0 - 2.5	287	263	0
Philip Naylor <i>Director</i>	5 - 10	2.5 - 5	85	50	21
Sue Ketteridge <i>Director</i>	25 - 30 plus lump sum of 85 - 90	-2.5 - 0	448	421	-8

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

⁶ The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

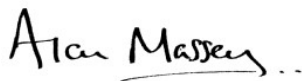
Ratio of Executive Remuneration to Workforce Remuneration (Audited)

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

The banded remuneration of the highest-paid director in the Maritime and Coastguard Agency in the financial year 2011/12 was £120k - £125k (2010/11: £115k - £120k full year equivalent). This was 4.76 times (2010/11: 4.60 times) the median remuneration of the workforce, which was £25,755 (2010/11: £25,552).

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

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



Sir Alan Massey
Chief Executive
13 June 2012

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/expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

Governance Statement

Introduction

The Agency was established on 1 April 1998 and is an Executive Agency of the Department for Transport (DfT). We work closely with the Security and Maritime Directorate and the International Strategy and Environment (ISE) Group of the DfT, who assist me in discharging my accountability for the Agency. I am responsible to the Secretary of State as detailed in the Agency's Framework Document <http://www.dft.gov.uk/mca/mcga07-home/newsandpublications/mcga-publications/mcga-corppubs.htm>].

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, committed to Safer Lives, Safer Ships, Cleaner Seas. I am supported in my role by three management fora, the Executive Board (EB), Senior Executive Group (SEG) and Senior Management Team (SMT).

This Governance Statement details the arrangements in place within the Agency for the financial year 1 April 2011 to 31 March 2012.

Agency Management

The Agency is 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 and resources. Advisory Board members in 2011-12 were as follows:

- Richard Hatfield (Director General, International Strategy and Environment (ISE) Group, DfT, Chair);
- Ian Woodman (Director for Maritime, DfT);
- Valerie Richardson (Head of Maritime Administration Secretariat, DfT);
- Alan Massey (Chief Executive, MCA);
- Sue Ketteridge (Director of Strategy and Finance, MCA);
- Bob Banham (External Member);
- Julian Lee (External Member, until 31 December 2011); and
- Keith Greenfield (External Member, from 1 January 2012).

Executive Board

The Executive Board (EB) is the highest decision-making corporate management group in the Agency and meets monthly (except during August). It is responsible for establishing and implementing the Agency's strategic direction as detailed in the Terms of Reference which were reviewed in December 2011. Members of the EB are Directors and Non-Executive Directors (NEDs). A representative of the Agency's sponsoring Directorate in the DfT also attends meetings in an advisory capacity. The Agency welcomed two new NEDs in 2012. This affected the completion of the evaluation of its performance and the Board now plans to undertake a review during the 2012-2013 financial year.

Attendance at EB meetings in 2011-12 was as follows:

Alan Massey (Chief Executive Officer, Chair)	11 of 11
Sue Ketteridge (Director of Strategy and Finance)	11 of 11
Philip Naylor (Director of Maritime Safety and Standards)	10 of 11
Richard Parkes (Director of Maritime Operations)	11 of 11
Bob Banham (Lead Non Executive Director)	11 of 11
Julian Lee (Non Executive Director – until 31 December 2011)	5 of 8
Nigel Palmer (Non Executive Director – until 31 December 2011)	8 of 8
David Snelson (Non Executive Director – from 1 January 2012)	3 of 3
Keith Greenfield (Non Executive Director – from 1 January 2012)	2 of 3

We maintain a register of Directors' and NEDs' interests. Conflict of interests is a standard agenda item at each EB meeting, and during 2011-12 two potential conflicts were declared and recorded in the minutes.

Activities of the Executive Board

We are committed to our Operational Priorities and Transformational Objectives as agreed with Ministers and set out in our Business Plan, which was first published through a written Ministerial Statement on 12 September 2011. Because this was some five months into the financial and operating year, our performance monitoring arrangements have been in a development phase and have evolved as part of our work to introduce a new Balanced Scorecard methodology. The EB has nevertheless regularly reviewed progress against operational priorities on the basis of information available and a more comprehensive monitoring system will be in place for 2012-2013 in line with our refreshed Business Plan for 2012-2016.

In response to Ministerial decisions about the final blueprint for the national network for Coastguard coordination, the Board decided to establish a Future Coastguard Programme and agreed its governance structures and reporting arrangements. Similarly the Board decided to establish a change programme around reviewing the ship survey and inspection service.

From 2011-12, the Agency was subject to an administration costs regime covering the support and policy functions. The Agency made 10% cost savings during 2011-12, and we will meet our 33% savings target by 2014-15.

Senior Executive Group and Senior Management Team

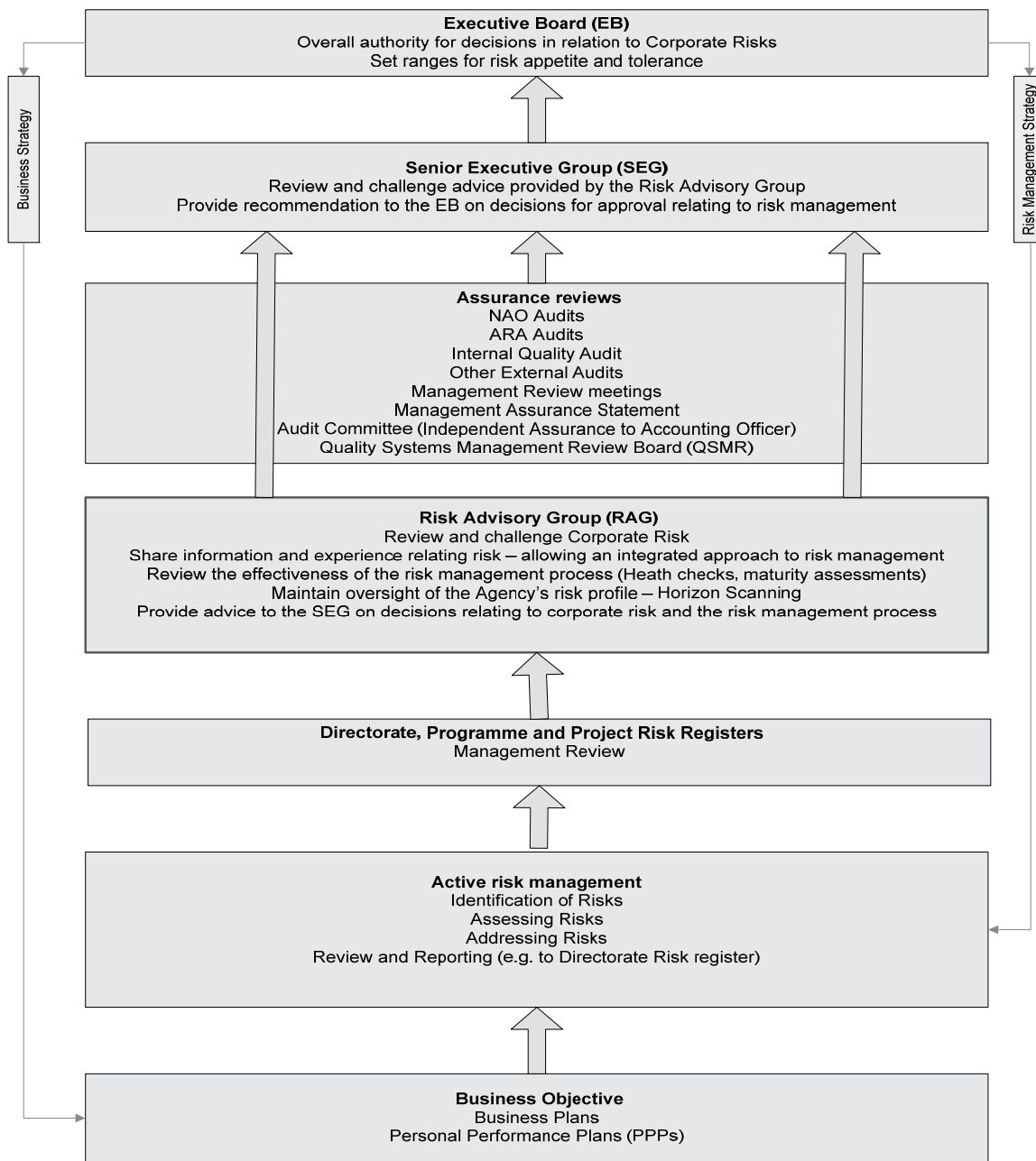
The Senior Executive Group (SEG) monitors all Agency activities and submits recommendations to the EB for change, whilst reinforcing best practice. The SEG is chaired by the Director of Strategy and Finance and members are the Assistant Directors with responsibility for Coastal Safety, Ship Standards, Asset Management, Human Resources and Finance. The SEG meets monthly prior to EB meetings. The Senior Management Team (SMT) comprises thirteen senior managers from across the Agency and meets quarterly. The SMT supports the EB and SEG by conducting research, developing policy, managing projects and coordinating major pieces of work.

Risk Management and Governance

I am responsible for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book) and the DfT Departmental Risk Policy and Guidance. The EB supports me in this role and is responsible for agreeing and approving the Agency's approach to risk management including managing the Agency's principal risks detailed in the Corporate Risk Register. The Director of Strategy and Finance is the Agency's Risk Champion and is responsible for the Risk Management Policy. This has been reviewed in year to include a focus on rewarding staff and volunteers through recognition, where risks have been managed well. The Agency's Risk Appetite levels are also undergoing review to ensure these reflect necessary changes.

The policy and associated risk procedure communicate the Agency's commitment to managing risks in a 'no surprises, no blame' culture, and awareness sessions continue to be provided to improve skills and competence of those who manage risks. The Agency's risk management approach is detailed in the following table.

Risk Management within the MCA



A key feature of risk management within the Agency is regular review and challenge by risk owners at Directorate management meetings, and at the SEG and EB. The Agency's Risk Advisory Group (RAG) is a subgroup of the SEG. The RAG plays a pivotal role in overall risk management, the review and challenge of risks managed in Corporate and Directorate risk registers, and those for change programmes and projects. The RAG is attended by the chair of the Audit Committee, a selection of senior managers, and is supported by the Agency's risk professional who represents the Agency at DfT's Risk Manager meetings. The RAG's Terms of Reference were revised in year to better define its role, responsibilities and priorities.

A Risk Network was established in January 2012 to further promote a cohesive approach to risk management and provide responsible individuals with a dedicated forum to share good practice and lessons learned. This forum also has a key role to improve communications and the embedding of good risk management practice.

Principal Risks in 2011-12

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

Category	Risk Overview	Commentary
Legal/Regulatory	Risk of infractions for the late implementation of EU Directives	The Agency has worked closely with DfT Legal throughout the year to establish legal priorities as part of the mitigation strategy. Risk of infraction has been mitigated as far as possible with legislation now in place. Going forward, the intent is to secure a dedicated in-house legal resource to assist in preventing the late transposition of Directives, and the risk of infractions arising in the future.
Change Programmes	Delivery of the Future Coastguard concept	Risks are being managed in a dedicated register. This monitors delivery to time, cost and quality. In addition, a risk is being managed in the Corporate Risk Register which focuses on the governance and overall progression of the Programme. Mitigation strategies address benefits realisation, dependency management and ensuring contingency plans are established.
Operational	Search and rescue operational delivery	The Agency has set out a compelling vision about future work, discussing the future coastal organisation and consulting on future proposals with staff and Ministers. Operational contingency plans have been tested and remain in place to ensure delivery of service can be maintained should strike action take place. Additional resilience measures are also being introduced as part of the coastguard modernisation process.

The Agency has clearly defined assessment criteria and escalation processes for ensuring risks are managed at the appropriate level, including escalation to DfT in accordance with its Group Risk Management Framework. An example of escalation was the risk related to the potential effect of Government legislation on the attractiveness of the UK Register, because it was recognised that the driver for this was outside the MCA's control. This risk is being shared with the Maritime Administration Board, to enable the mitigation strategy to focus on tackling the risk cause.

During 2011-12 the Agency faced a number of risks in relation to potential infraction due to the late transposition of legislation into UK law. The delays in transposing legislation were largely attributed to a number of drivers which fell outside the MCA, for example competing priorities for scarce legal resources. These risks were therefore escalated to DfT for support and intervention. A 'lessons learned' approach has been adopted to reduce the likelihood of similar risks arising in the future (as noted in the table above).

Internal Control and Assurance

In accordance with the HM Treasury's Corporate Governance Code for Central Government Departments, we have carried out a review of the Agency's corporate governance against the new Code issued in July 2011. This confirmed that Agency practices and arrangements were compliant and a report was provided to the Audit Committee in September 2011. The review identified that recommended good practice was already in place within the Agency's governance, control and management boards, and had been strengthened by recent changes to the SEG and SMT reporting and control arrangements. The annual DfT Internal Audit of the Agency's Risk Management, Corporate Governance and Assurance arrangements provided an overall 'substantial' audit opinion.

Audit Committee

I seek independent advice and assurance on the processes for risk management, governance, assurance and internal control including reliability and integrity, through the Agency's Audit Committee. The Audit Committee meets quarterly and members are the Agency's non-Executive Directors who support the EB and Accounting Officer by reviewing the comprehensiveness of assurances.

During the year, the committee reviewed its membership, organisation and Terms of Reference to strengthen its perceived independence and work processes. Discussions on Fraud, Whistleblowing and the Hospitality Register precede each committee meeting and the committee has also worked with line management to improve the quality of solutions and timely closure of identified internal control weaknesses. Regular reports are also received on progress to obtain full data security assurance, as well as on the information management improvement process. An ad-hoc meeting also took place in June 2011 to review and approve the Annual Report and Accounts. The Audit Committee chair has also led two independent reviews of the Agency's public consultations on the Coastguard Modernisation Programme including reporting to Ministers.

I attend Audit Committee meetings and other attendees include Executive Directors and other senior managers, the National Audit Office (NAO) Director with responsibility for the MCA, and the DfT Group and MCA Heads of Internal Audit. Attendance by Audit Committee members in 2011-12 was as follows:

Bob Banham (Chair of the Audit Committee)	5 / 5
Julian Lee (to 31 December 2011)	4 / 4
Nigel Palmer (to 31 December 2011)	1 / 4
David Snelson (from 1 January 2012)	1 / 1
Keith Greenfield (from 1 January 2012)	0 / 1

The Audit Committee's biennial review of its work was reported in its annual report and presented to the committee meeting in March 2012. This concluded that the processes and activities monitored through the committee provide acceptable assurance to the Accounting Officer and the EB with respect to risk management, governance and internal control for the year 2011-12.

Agency Certification to the ISO 9001 Quality Standard

To assist the Agency in achieving its vision and the continual improvement of the efficiency and effectiveness of activities, we have a Quality Management System which is externally certified to the international ISO 9001:2008 Standard. The requirements of the Standard are applied to all business processes and activities. The Quality System Management Review Board (QSMR) is responsible for establishing and implementing the strategic direction of the Agency's management system, reviewing its effectiveness, implementation and continuing development in order to support continuing certification and the Agency's service delivery. I Chair the QSMR Board, which is held in July each year.

Internal and External Audit

DfT Audit and Risk Assurance (ARA) operates to standards defined in the Government's Internal Audit Standards and their annual programme of work is based upon the analysis of risks to which the Agency is exposed and by what the Audit Committee and EB identify as the key MCA risks. The outcome for the 2011-12 programme was that the audit of risk management governance and assurance resulted in an overall 'substantial' rating, and 80% of audits received an overall 'reasonable' opinion or above.

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

The Agency's annual Internal Quality Audit (IQA) Programme supports its continuing certification to the ISO 9001 standard and focuses on key process and activities. The 2011-12 programme included audits of priority processes based upon the analysis of risks and other factors identified by Directors. The programme was approved by the QSMR Board, and included the Agency's first business improvement review which examined governance arrangements for programme and project management. During the year the benefits of co-operation and collaboration in delivering the ARA and IQA audit effort continued to be realised.

The Quality Manager's opinion based on the results of audits was that the Agency's processes, service delivery and management system arrangements were effective for 2011-12.

The Agency is proactive in capturing and addressing the outcomes of audits carried out by external bodies. Audits carried out in year included the DfT Group audit by the Civil Service Commission of activities to promote and uphold the values of the Civil Service Code. The European Maritime Safety Agency also carried out audits of the Agency's implementation of agreed Directives for: Vessel Traffic Monitoring and Maritime Education, Training and Certification. An inspection by the European Union was also carried out in relation to the Maritime Security Regulations.

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

Fraud, Bribery and Whistleblowing

The Agency remains committed to reducing incidents of fraud and when identified appropriate investigations are carried out, with the implementation of any lessons learnt in order to strengthen the control environment and reduce the likelihood of recurrence. Non Executive Directors, the Director of Strategy & Finance and Head of Internal Audit discuss fraud and whistleblowing casework on a regular basis to ensure suspected cases are thoroughly investigated.

Within this financial year the Agency reported its first bribery incident under the Bribery Act 2010; as a result reporting guidance has been developed and issued to all Agency staff and our Coastguard Rescue Officer Volunteers. Following fraudulent activity against the Agency, thorough reviews of system controls and processes were carried out. Additional management controls have been established to provide enhanced assurance to the Accounting Officer.

Health & Safety

The Agency is now in the third year of its Health and Safety (H&S) Strategy, the ultimate aim being to reduce accidents and near misses and improve the welfare of staff and volunteers. Within this financial year the Agency has implemented a new approach using the balanced scorecard to measure performance against the whole of safety management. In addition there has been a reduction in Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (RIDDOR).

Information Assurance & Data Handling

Asset and Risk Registers are reviewed on an individual basis with quarterly Risk Registers being submitted for review by Information Assurance Branch. A concatenated version is forwarded to DfT for overall consideration. The Information Asset Register and a central return are submitted to DfT on an annual basis.

We continue work to improve the physical, procedural and technical security of our staff, our sites and the information we hold. During 2011-12 we:

- completed implementation of a Government Secure Intranet (GSI) connected network at our Headquarters;
- continued to develop documentation and implementation of ISO 27001 based Information Security Management System (ISMS);
- continue to assess the efficacy of physical security of all our manned sites and implement improvements as required; and
- delivered information protection training for all our staff.

During 2011-12 the Agency had no known personal data incidents.

External Partners

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

Management Assurance

Two evidence-based management assurance exercises, at the mid year and at year end, have been completed within the Agency in accordance with the DfT Group's requirements. These reviewed the effectiveness of internal control across the Agency. Returns were subject to challenge by Directors, the SEG, EB and the Audit Committee and ensured overall levels of assurance reported were soundly based.

As part of its work on the control environment across the DfT, the NAO examined mid-year Management Assurance returns completed by a sample of Agencies to test whether the Returns process was well established to support the DfT's and individual Governance Statements. As a key component entity within the Group, the Agency was selected for inclusion in the sample. The NAO's overall findings were that the process of challenge and review was comprehensive and those for compiling the statement were robust.

The Agency's system of internal control is monitored and reviewed in accordance with DfT guidance and regular reports are made to the SEG and EB and to the Audit Committee. Where necessary, action plans to improve the control mechanism have been established. This overall assurance process enables me to draw confidence and provide a 'reasonable' assurance on the effectiveness of risk management, governance and control processes throughout 2011-12.



Sir Alan Massey
Chief Executive
13 June 2012

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

I certify that I have audited the financial statements of the Maritime and Coastguard Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Maritime and Coastguard Agency's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 18 June 2012

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

Annual Accounts of the
Maritime and Coastguard Agency
for the year ended 31 March 2012

Statement of Comprehensive Net Expenditure
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Statement of Cash Flows
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Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	Staff Costs £'000	Other Costs £'000	2011-12 Income £'000	2010-11 £'000
Administration Costs					
Staff Costs	[2]	(6,270)			
Establishment, Accommodation and Other Administrative Costs	[3]		(2,956)		
Income					
		(6,270)	(2,956)		
Programme Costs					
Staff Costs	[2]	(39,711)			(44,206)
Establishment, Accommodation and Other Administrative Costs	[3]		(26,934)		(28,128)
Programme Costs	[4]		(78,256)		(68,832)
Income	[5]			15,481	13,738
Totals		(45,981)	(108,146)	15,481	(127,428)
Net Operating Cost				(138,646)	(127,428)

Other Comprehensive Expenditure

Net gain / (loss) on:

Revaluation of Property Plant and Equipment	[22]		(3,661)	(1,507)
Revaluation of Intangibles	[22]		43	0
Total Comprehensive Expenditure for the year ended 31 March 2012			(142,264)	(128,935)

Accounting policies and notes forming part of these accounts are on pages 43 to 72.

Statement of Financial Position

as at 31 March 2012

	Note	31 March 2012		31 March 2011 Restated		1 April 2010 Re-stated	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets:							
Property, plant and equipment	[10 & 11]	51,967		58,175		62,435	
Intangible assets	[8 & 9]	6,317		4,910		5,356	
Stockpile goods	[12]	2,882		2,906		2,568	
Financial assets (receivables)	[13]	62		81		120	
Total non-current assets			61,228		66,072		70,479
Current assets							
Assets classified as held for sale	[14]	0		43		62	
Inventories	[15]	0		556		592	
Trade and other receivables	[16]	6,732		5,358		4,649	
Cash and cash equivalents	[17]	443		616		890	
Total current assets			7,175		6,573		6,193
Total assets			<u>68,403</u>		<u>72,645</u>		<u>76,672</u>
Current liabilities							
Trade and other payables	[18]	(16,617)		(13,388)		(15,746)	
Other liabilities	[19]	(1,717)		(2,858)		(1,110)	
Total current liabilities			(18,334)		(16,246)		(16,856)
Non-current assets plus / (less) net current assets / liabilities			50,069		56,399		59,816
Non-current liabilities							
Finance Lease Payable	[20]	(1,097)		(1,187)		(1,308)	
Provisions	[19]	(4,734)		(1,868)		(3,386)	
Total non-current liabilities			(5,831)		(3,055)		(4,694)
Assets less Liabilities			<u>44,238</u>		<u>53,344</u>		<u>55,122</u>
Taxpayers' Equity							
General Fund	[21]	33,939		36,428		35,378	
Revaluation reserve	[22]	10,299		16,916		19,744	
Total taxpayers' equity			<u>44,238</u>		<u>53,344</u>		<u>55,122</u>

Notes on pages 43 to 72 form part of these accounts.

Alan Massey

Sir Alan Massey
Chief Executive
13 June 2012

Statement of Cash Flows
for the year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000
Cash flows from operating activities			
Net operating cost		(138,646)	(127,428)
Adjustments for non-cash transactions	[3]	8,340	7,627
(Increase) Decrease in trade & other receivables	[16]	(1,374)	(709)
(Increase) Decrease in stockpile goods	[12]	24	(338)
(Increase) Decrease in inventories	[15]	556	36
Increase (Decrease) in trade payables	[18 & 20]	3,102	(2,457)
(Increase) Decrease in consolidated fund overfunding payable	[27]	0	1
(Increase) Decrease in consolidated fund extra receipts payable	[28]	5	24
		5	25
Increase (Decrease) in provisions for liabilities and charges	[19]	1,725	230
Net cash outflow from operating activities		(126,268)	(123,014)
Cash flows from investing activities			
Purchase of property, plant and equipment	[10 & 11]	(6,222)	(3,270)
Purchase of intangible assets	[8 & 9]	(698)	(1,129)
Proceeds of disposal of property, plant and equipment		28	152
(Increase) Decrease in non current financial assets – receivables		19	39
Net cash outflow from investing activities		(6,873)	(4,208)
Cash flows from financing activities			
Financing for year from the consolidated fund as per Statement of Changes in Taxpayers' Equity	[27]	133,000	127,000
Increase (Decrease) in consolidated fund overfunding payable	[27]	0	(1)
Cash inflows from consolidated fund		133,000	126,999
Increase (Decrease) in consolidated fund extra receipts payable	[28]	(5)	(24)
Finance lease repayments		(27)	(27)
Net cash inflow from financing activities		132,968	126,948
Net increase (decrease) in cash and cash equivalents in period		(173)	(274)
Cash and cash equivalents at the beginning of the period		616	890
Cash and cash equivalents at the end of the period		443	616

Notes on pages 43 to 72 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

		General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
	Note	£'000	£'000	£'000	£'000
Balance at 31 March 2010, as originally reported		35,243	19,741	138	55,122
Changes in accounting policy – donated assets*		135	3	(138)	
Balance at 1 April 2010, as restated		35,378	19,744	-	55,122
Changes in taxpayers' equity for 2010-11					
Movements in reserves					
Recognised in Statement of Comprehensive Expenditure	[22]		(1,507)		(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)
Total recognised income and expenses		(125,950)	(2,828)		(128,778)
Drawdown from the consolidated fund for the year		127,000			127,000
Balance at 31 March 2011		36,428	16,916		53,344
Changes in taxpayers' equity for 2011-12					
Movements in reserves					
Recognised in Statement of Comprehensive Expenditure	[22]		(3,618)		(3,618)
Transfers between reserves		1,532	(1,532)		
Other general reserve movement		1,467	(1,467)		
Non – cash charges – audit fees		75			75
Non – cash charges – DfT services		83			83
Comprehensive Expenditure for the year		(138,646)			(138,646)
Total recognised income and expenses		(135,489)	(6,617)		(142,106)
Drawdown from the consolidated fund for the year		133,000			133,000
Balance at 31 March 2012		33,939	10,299		44,238

*Prior year General Fund and Revaluation Reserve has been restated to reflect changes in accounting policy for Donated Asset Reserves per HM Treasury's Financial Reporting Manual (FReM) paragraph 6.2.18.

Notes on pages 43 to 72 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 2011-12 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 2012, 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 and may have some relevance to the MCA:

IAS 1 – Presentation of financial statements -Other Comprehensive Income (OCI)

The standard requires items of OCI to be grouped on the basis of whether they might at some point be reclassified ('recycled') from OCI to profit (e.g. cash flow hedges) or where they will not (e.g. gains on property revaluation). This will make it clearer to users what their potential effect on profit or loss will be in future periods, notably in light of improved disclosure of financial instruments and pensions, and where there will be no impact.

Effective for periods starting on or after 1 June 2012 (not EU adopted yet). This is expected to have a limited impact on the MCA accounts.

IAS 19 – Post-employment benefits (pensions)

The amended IAS 19 introduces a number of changes including:

Recognition – the elimination of the option to defer the recognition of gains and losses resulting from defined benefit plans (the 'corridor approach');

Presentation – the elimination of options for the presentation of gains and losses relating to those plans; and

Disclosures – the improvement of disclosure requirements that will better show the characteristics of defined benefit plans and the risks arising from those plans.

It also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment, and affects the recognition and measurement of termination benefits. Effective for periods starting on or after 1 January 2013 (not yet EU adopted). This is expected to have a limited impact on the MCA accounts.

IFRS 7 - Financial Instruments: Disclosures (annual improvements). Increased disclosure requirements for transfers of financial assets. Where entities have transferred financial assets outside of the legal body, disclosures are required to reflect the impact of this, particularly where the entity retains some form of interest in those assets. Effective for periods starting on or after 1 July 2011. This is expected to have a limited impact on the MCA accounts.

IFRS 9 – Financial Instruments

This 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. This is expected to have a limited impact on the MCA accounts.

IFRS 13 – Fair Value Measurement

This has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise): The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements.

The standard requires fair value be measured using the most reliable data and inputs available to determine the **exit price for an asset / liability**. This exit price is taken to be the price that two market participants (a buyer and seller) would settle on.

To ensure transparency over the differing quality of inputs used to determine fair value, the standard has established a **hierarchy for input quality**.

- **Level 1 inputs** (highest quality) are published prices available in an active market;
- **Level 2 inputs** are observable data available in a non-active market; and
- **Level 3 inputs** (lowest quality) are all other inputs, which are mostly unobservable.

Entities are required to use the most appropriate inputs available to them in determining fair value. The inference is that the higher the quality, the more appropriate the input.

IFRS 13 requires additional disclosures where level 3 inputs are used to assess fair value, to give readers an understanding of how the valuation has been calculated. Effective for periods starting on or after 1 January 2013 (not yet EU adopted). This is expected to have a limited impact on the MCA accounts.

1.02.3 FReM

The Government Financial and Reporting Manual (FReM) includes the following accounting changes that have been issued and are effective in 2011-12:

A) Upward revaluations of non-current assets had previously been taken to the revaluation reserve regardless of whether there had been past losses charged to the Statement of Comprehensive Net Expenditure under the 2010-11 FReM paragraph 6.2.7(c) resulting in unrealisable surpluses in the revaluation reserve. This paragraph has now been deleted so prior losses can be offset against upward revaluations. The current year's financial statements reflect this treatment and the prior year effect between the revaluation and general reserve is reflected in the Statement of Changes in Taxpayers' Equity.

B) The funding of Donated Assets is now to be recognised as income rather than being credited to a Donated Asset Reserve under the new FReM paragraph 6.2.18 . The opening equity in the Statement of Changes in Taxpayers Equity has been re-stated to reflect this.

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

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

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

1.04 Non-current assets: property, plant and equipment

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

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out on a five yearly basis, the latest being undertaken as at 31 March 2009. The five yearly valuation is supplemented by annual indexation for intervening years in line with Government Accounting direction in the FReM. Revaluation indices used for these 2011-12 accounts are supplied by external property consultants.
- Other plant and equipment are valued on a net current replacement cost basis. Assets are revalued using appropriate price indices published by the Office for National Statistics.
- Revaluation surpluses on property, plant and equipment are taken to the revaluation reserve. Revaluation deficits are written off against any revaluation surplus for the asset concerned and otherwise to the Statement of Comprehensive Net Expenditure.
- Depreciation is charged on a straight line basis on each main class of tangible non current property, plant & equipment asset as follows:
 - Freehold land and assets in the course of construction are not depreciated.
 - Freehold buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the Agency's external property management advisors, or adjusted by indices published by the Office for National Statistics, up to a maximum of 50 years.
 - Leasehold buildings are depreciated over the primary term of the lease or the estimated remaining life of the asset, whichever is the lower.
 - Leasehold building improvements are depreciated over the estimated remaining life of the asset, to a maximum of ten years.
 - Equipment is depreciated on current cost over the estimated remaining life of the asset using the following standard lives:

▪ Vehicles, boats and other plant	3-10 years
▪ Communications equipment	5-10 years
▪ IT and office equipment	3-10 years
 - Donated assets are revalued & depreciated in the same manner as other like assets.
 - Property, plant and equipment are stated at their valuation less accumulated depreciation. Depreciation is charged in the month of acquisition, and none in the month of disposal.

1.05 Non-current assets held for sale

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

1.06 Inventories

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

1.07 Stockpile Goods

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

1.08 Financial Instruments

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

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

1.09 Provisions for Liabilities and Charges

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

1.10 Pensions

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

The Scheme is actuarially valued periodically and as at 31 March 2012 no additional accounting entries were required other than those shown in these accounts. If the MCA is required to meet obligations in the future these will be accounted in accordance with IAS 19.

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

1.11 Early Departure Costs

Additional pension costs arising from early departures are not funded by the Principal Civil Service Pension Scheme except where departure is due to ill-health. For early departures not funded by the scheme the full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure in that year, regardless of the method of payment. The provision for early departures covers all future commitments to employees who have retired from the Agency and its forebears which will not be met from the Principal Civil Service Pension Scheme. The early departures provision also includes an estimate of the staff cost for the Future Coastguard Modernisation Programme announced in November 2011 which is being implemented over the next three years. Many details have yet to be agreed and this is an early estimate of the impact. Provisions are disclosed at Note 19.

1.12 Value Added Tax

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

1.13 Operating Income

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

1.14 Prior Year Adjustments

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

1.15 Administration and Programme Expenditure

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

1.16 Foreign Exchange

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

1.17 Financing from the Consolidated Fund

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

1.18 Contingent liabilities

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

1.19 Finance leases

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

1.20 Third Party Assets

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

1.21 PFI

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

2. Staff Numbers and Related Costs

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

	2011-12	2010-11
Board members	4	4
Frontline service deliverers and direct support staff	898	948
Corporate support staff	163	174
Temporary Agency Staff	9	17
Total	1,074	1,143

The average employment status was:-

	2011-12	2010-11
Permanent Staff	1,023	1,085
Fixed Term Contract Staff	42	41
Temporary Agency Staff	9	17
Total	1,074	1,143

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

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

	2011-12	2010-11
	£'000	£'000
Wages and salaries	34,297	34,978
Movement in staff holiday & TOIL accrual	(88)	163
Social security costs	2,637	2,631
Other pension costs	6,047	6,242
Early departure costs	3,181	257
Agency staff	308	461
Sub Total	46,382	44,732
Less costs of staff engaged on capital projects	(401)	(526)
Less recoveries in respect of outward secondments	0	0
Total net costs	45,981	44,206

For 2011-12 the total is split £6,270,000 Administration and £39,711,000 Programme. For 2010-11 expenditure is classed as all Programme.

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

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

	2011-12	2010-11
Average staff numbers engaged on capital projects	10.6	14.1
	2011-12	2010-11
	£'000	£'000
Wages and salaries	320	419
Social security costs	25	31
Other pension costs	56	76
	401	526

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

	2011-12	2010-11
Average staff numbers on outward secondment	0	1.8

	2011-12 £'000	2010-11 £'000
Wages and salaries	0	71
Social security costs	0	6
Other pension costs	0	15
	0	92
Less recoveries	0	0
	0	92

During 2011-12 two employees retired early on ill health grounds (2010-11: three employees); the total accrued pension liabilities in the year amounted to £3,274 (2010-11: £3,308).

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

2011-12 (2010-11)

Exit package cost band	Number of compulsory redundancies	Number of other packages agreed	Total number of exit packages by cost band
<£10,000	0 (0)	2 (4)	2 (4)
£10,000 – £25,000	0 (0)	0 (1)	0 (1)
£25,000 - £50,000	0 (0)	0 (1)	0 (1)
£50,000 - £100,000	0 (0)	0 (1)	0 (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 (0)	2 (7)	2 (7)
Total resource cost/£	0 (0)	£6,800 (£162,421)	£6,800 (£162,421)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the 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. There is an additional provision for the Future Coastguard Modernisation staff costs, this is explained in note 19.

3. Establishment, Accommodation and Other Administrative Costs

	2011-12		2010-11	
	£'000	£'000	£'000	£'000
Establishment costs		5,082		5,473
Coastguard costs		2,624		2,394
Transport, travel and subsistence		3,277		3,105
Premises including leases		10,567		9,529
Non-Cash Items:				
Amortisation of intangible non current assets	1,932		1,565	
Depreciation of other tangible non current property plant & equipment assets	5,426		5,913	
Non cash adjustment to correct overcharged prior year depreciation on donated asset	0		(13)	
Impairment of assets held for sale	(2)		5	
Revaluation losses written off	758		24	
Revaluation losses written back	0		(2)	
Loss/(profit) on disposal of non current assets	68		(35)	
Notional costs*:				
DfT support services	83		95	
Audit fee (statutory audit)	75		75	
		8,340		7,627
		<u>29,890</u>		<u>28,128</u>

For 2011-12 the total is split £2,956,000 Administration and £26,934,000 Programme. For 2010-11 expenditure is classed as all Programme.

* Notional costs are included as follows:

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

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

4. Programme Costs

	2011-12		2010-11	
	£'000	£'000	£'000	£'000
SAR helicopters		28,565		28,199
Emergency towing vessels		8,037		11,621
Telecommunications		8,870		7,733
Aerial spraying and surveillance		2,365		2,322
Marketing, public relations and printing		289		316
Membership subscriptions to international bodies		1,726		1,654
Counter pollution		395		3
Vehicle and boat fleet		779		723
Storage of equipment stockpiles		508		523
Coast rescue equipment		361		492
Uniforms		471		382
Radio surveys, inspections and advisory work		154		142
Research and technical advice projects		225		230
INIS Hydro project		927		0
Channel navigation		6		19
Satellite communications		255		201
Maritime Incident Response Group equipment		274		300
Ex-gratia payments		200		1,019
Other		360		385
Current Grants:				
Assistance for Merchant Navy training	12,300		0	
Crew Relief Compensation Scheme	(13)		1,257	
		12,287		1,257
Disbursements:				
Civil hydrography	5,706		5,970	
Weather bulletins and navigational warnings	5,064		5,273	
Other services to industry	432		68	
		11,202		11,311
		<u>78,256</u>		<u>68,832</u>

Current Grants: The Agency disbursed grants of £12,286,676 net of administration costs, to the shipping industry in 2011-12 (2010-11: £1,257,174). Primarily this is a maritime safety scheme administered by the Agency this year which was previously run by DfT.

Disbursements: The Agency provided services to the shipping industry at a cost of £11,202,239 in 2011-12 (2010-11: £11,310,901), 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:

	2011-12 Appropriated in Aid £'000	2010-11 Appropriated in Aid £'000
Statutory services	9,533	8,727
Operational services	586	725
Other services	1,169	1,303
Other income	4,193	2,983
Total	<u>15,481</u>	<u>13,738</u>

All income is derived from the delivery of frontline services by the Agency in 2011-12, with the exception of £124,329 (2010-11: £124,950) 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 was paid to the Consolidated Fund as Extra Receipts was disclosed in Note 28 following a change in accounting treatment last year due to its immateriality. HM Treasury have agreed, from this year this income stream can now be retained by MCA.

European Income

	2011-12 £'000	2010-11 £'000
INIS Hydro – Research	966	13
Horizon - Research	8	0
Floodstand - Research	5	0
Fireproof - Research	2	0
Goalds - Research	5	0
Total European Income	<u>986</u>	<u>13</u>

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

6. Operating Segments

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

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	(5,447)	(18,457)	(50,031)	(73,935)	1,703	(72,232)
Maritime Services	(37,402)	(10,644)	(27,958)	(76,004)	13,643	(62,361)
Finance and Governance	(1,289)	(160)	(72)	(1,521)	9	(1,512)
Chief Executive's Office	(1,356)	(628)	(195)	(2,179)	126	(2,053)
Shared Services Centre	(487)	(1)	0	(488)	0	(488)
Total costs	(45,981)	(29,890)	(78,256)	(154,127)	15,481	(138,646)

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).

	Income £'000	2011-12 Expenditure £'000	Net £'000	Income £'000	2010-11 Expenditure £'000	Net £'000
Statutory Services						
Marine surveys	5,260	4,923	337	5,537	5,182	355
Registration of ships	1,218	1,457	(239)	352	602	(250)
Seafarers' examinations and certification	2,837	2,594	243	2,634	2,725	(91)
Other statutory services	218	95	123	204	248	(44)
Subtotal	9,533	9,069	464	8,727	8,757	(30)
Operational Services						
Emergency helicopter flights	133	467	(334)	232	735	(503)
Navigational warning broadcasts	453	646	(193)	493	675	(182)
Subtotal	586	1,113	(527)	725	1,410	(685)
Other Services						
Meteorological Office observations	0	0	0	0	0	0
Wider market initiatives	1,141	836	305	1,254	1,073	181
Non-statutory services and training	28	85	(57)	49	50	(1)
Subtotal	1,169	921	248	1,303	1,123	180
Total	11,288	11,103	185	10,755	11,290	(535)
Income not included in the analysis of services for which a fee is charged (see note below)						
Offshore pollution receipts	1,573	253	1,320	83	140	(57)
EU projects funding	986	986	0	13	13	0
Other income	121	121	0	103	103	0
Proportion of ETV costs recovered from The Minister of Defence of the French Republic	738	738	0	1,387	1,387	0
Civil hydrography receipts	0	0	0	494	494	0
Dept of Energy & Climate Change	332	332	0	392	392	0
Shared Service Project recharge	124	124	0	125	125	0
Accommodation receipts	286	286	0	308	308	0
Wreck salvage	23	57	(34)	24	42	(18)
Surveillance flight	10	10	0	54	54	0
Subtotal	4,193	2,907	1,286	2,983	3,058	(75)
Total operating income	15,481	14,010	1,471	13,738	14,348	(610)

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

Non – Current Assets

8. Intangible assets as at 31 March 2012

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

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

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

9. Intangible assets as at 31 March 2011

2010-11	Software Licences £'000	Under Development £'000	Software £'000	Total £'000
<i>Cost</i>				
As at 1 April 2010	9,498	1,084	0	10,582
Reclassifications from property, plant and equipment	(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
<i>Amortisation</i>				
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
<i>Intangible Asset Financing</i>				
Owned	2,434	2,440	36	4,910
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; 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
Information Security Management System (ISMS) projects	503	503	Under Development
All Other Intangible Non Current Assets	1,784	425	Nil to 5
	11,669	4,910	

10. Property, plant and equipment as at 31 March 2012

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

Property, plant and equipment financing

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

- Reclassifications to intangible assets includes items in the Radio Equipment Refresh Project that were identified on componentisation as the project is rolled out across the MCA.
- Two Coastguard properties held within Land and Buildings that will close as part of the announced Future Coastguard Modernisation Programme have been revalued downwards by £2.3m to reflect a recent valuation. These properties will close over the next 3 years but are not being actively marketed yet.

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

Donated Assets

During 2010-11 a launch named Hunter was received from HMRC and accounted within the classification of Vehicles and Boats as a Donated Asset, there were no additional Donated Assets during 2011-12.

2011-12	Vehicles and Boats	Total	2010-11	Vehicles and Boats	Total
	£'000	£'000		£'000	£'000
<i>Cost or Valuation</i>			<i>Cost or Valuation</i>		
As at 1 April 2011	139	139	As at 1 April 2010		
Donations			Donations	138	138
Revaluations	(1)	(1)	Revaluations	1	1
As at 31 March 2012	138	138	As at 31 March 2011	139	139
<i>Depreciation</i>			<i>Depreciation</i>		
As at 1 April 2011	25	25	As at 1 April 2010	10	10
Charge in year	13	13	Charge in year	15	15
Revaluations			Revaluations		
As at 31 March 2012	38	38	As at 31 March 2011	25	25
<i>Net Book Value</i>			<i>Net Book Value</i>		
As at 1 April 2011	114	114	As at 1 April 2010	128	128
As at 31 March 2012	100	100	As at 31 March 2011	114	114

Assets with Heritage Characteristics

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

There are 32 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 £6,315,165 or are leased within an annual total of £65,763 per annum. These are valued in the same way as other land and buildings. These locations have been utilised by the MCA from various dates from 1963 onwards and there were six disposals in 2011-12.

Finance Lease

The amount under finance leases above relates to a 40-year lease on the MCA's Aberdeen office. This has a revalued total capital value of £8,173,358 (2010-11: £8,612,601), less revalued depreciation of £5,608,841 (2010-11: £5,769,665) and cumulative depreciation charges of £854,236 (2010-11: £827,236) totalling £6,463,077, to form the net book value of £1,710,281 (2010-11: £2,015,700) 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 2012	31 March 2012	31 March 2011	31 March 2011
	£'000	£'000	£'000	£'000
Freehold	4,603	17,181	5,428	19,983
Long leasehold (lease has 50 or more years to run from balance sheet date)	0	4,782	0	5,575
Short leasehold (lease has less than 50 years to run from balance sheet date)	21	6,627	22	7,553
Total	4,624	28,590	5,450	33,111

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 years 2009-10 and 2010-11 Land & Buildings are revalued using indices supplied by DfT. This year indices were supplied by Colliers International.

11. 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	£'000
Cost or Valuation								
As at 1 April 2010	5,646	54,159	11,284	23,410	9,102	3,969	7,913	115,483
Reclassifications to intangible assets	0	0	0	0	9	0	0	9
Additions	0	88	90	26	294	27	2,745	3,270
Assets classified as held for sale	(11)	(29)	(34)	0	0	0	0	(74)
Disposals	(5)	(37)	(245)	(321)	(510)	(424)	0	(1,542)
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	7,467	18,496	5,856	2,400	0	53,048
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)
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	£'000
<i>Asset Financing</i>								
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
<i>Net Book Value</i>								
As at 31 March 2011	5,450	33,111	3,080	3,320	1,472	1,728	10,014	58,175

12. Stockpile Goods

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Dispersant stocks	2,882	2,906	2,568
Total	2,882	2,906	2,568

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

Amounts falling due after more than 1 year	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Staff relocation housing loans	18	38	66
Other receivables	44	43	54
Total	62	81	120

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 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Land and Buildings:			
Porlock Coastguard Rescue Station			
Net book value	-	-	6
Anticipated selling costs	-	-	(1)
Value of asset held for sale	-	-	5
Eday Coastguard Rescue Station			
Net book value	-	-	8
Anticipated selling costs	-	-	(1)
Value of asset held for sale	-	-	7
Shingle Street Coastguard Rescue Station			
Net book value	-	31	-
Anticipated selling costs	-	(1)	-
Value of asset held for sale	-	30	-
Value of Land and Buildings awaiting sale	0	30	12
Vehicles and Boats:			
Vehicles sent for auction			
Net book value	-	-	7
Anticipated selling costs	-	-	(2)
Value of asset held for sale	-	-	5
Boat – Merlin			
Net book value	-	16	16
Anticipated selling costs	-	(2)	(2)
Value of asset held for sale	-	14	14
Boat – Kestrel			
Net book value	-	-	33
Anticipated selling costs	-	-	(2)
Value of asset held for sale	-	-	31
3 Boats – held for sale			
Net book value	-	-	-
Anticipated selling costs	-	(1)	-
Value of asset held for sale	-	(1)	-
Vehicles and Boats awaiting sale	0	13	50
Total Land , Buildings, Vehicles and Boats awaiting sale	0	43	62

15. Inventories

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Communications equipment	0	556	592
Total	0	556	592

Inventories related to spares held for communication equipment/facilities. Amounts expensed are reported under Telecommunications in note 4. These consist mainly of small value items which are not managed in an inventory system. Therefore the decision was taken that such items should be expensed as purchased due to their low materiality.

16. Trade and other receivables

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Trade receivables	374	313	306
VAT receivables	848	567	618
Staff relocation housing loans (see also note 13)	15	24	23
Prepayments and accrued income	5,125	4,389	3,619
Other receivables	370	65	83
Total	6,732	5,358	4,649

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Amounts Falling due within One Year			
Balances with other Central Government bodies	156	223	78
Balances with local authorities	98	322	68
Balances with NHS trusts	39	41	61
Balances with public corporations and trading funds	25	17	21
Balances with bodies external to Government	6,414	4,755	4,421
Total	6,732	5,358	4,649

17. Cash and cash equivalents

The movement in cash balances in the years to 31 March 2012 was:

	2011-12	2010-11
	£'000	£'000
Balance at 1 April 2011 & 2010	616	890
Net change in cash balances	(173)	(274)
Balance at 31 March 2012 & 31 March 2011	443	616

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 2012 at:

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Office of HM Paymaster General / RBS / Citi (GBS)	383	474	748
Commercial banks and cash in hand	60	142	142
Total bank balances	443	616	890

Current liabilities

18. Trade payables and other current liabilities

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Trade payables	24	0	0
Finance lease payables	126	121	115
Staff payroll	1,444	1,441	1,330
Other taxation & social security	4	6	6
Accruals	11,506	8,176	10,477
Deferred income	3,093	3,218	3,367
Other payables	0	1	1
	<u>16,197</u>	<u>12,963</u>	<u>15,296</u>
Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:			
Consolidated fund overfunding	420	420	421
Consolidated fund extra receipts*	0	5	29
	<u>420</u>	<u>425</u>	<u>450</u>
Total	<u>16,617</u>	<u>13,388</u>	<u>15,746</u>

* In 2010-11 and 2009-10 amounts reported as Consolidated Fund Extra Receipts have been excluded from the Statement of Comprehensive Net Expenditure - see note 28.

Intra-Government current liabilities

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Balances with other Central Government bodies	717	672	1,039
Balances with local authorities	143	40	59
Balances with NHS trusts	8	2	0
Balances with public corporations and trading funds	10	0	20
Balances with bodies external to Government	<u>15,739</u>	<u>12,674</u>	<u>14,628</u>
Total	<u>16,617</u>	<u>13,388</u>	<u>15,746</u>

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

2011-12	Other Payments	Dilapidation Costs Buildings Related	Dilapidation Costs Towing Vessels	Early Departure Costs	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2011	650	1,759	1,389	928	4,726
Provided in the year	228	544	0	3,095	3,867
Not required written back	(147)	(294)	(673)	(63)	(1,177)
Utilised during year	(6)	(38)	(716)	(248)	(1,008)
Unwinding of discount	0	23	0	20	43
Balance as at 31 March 2012	725	1,994	0	3,732	6,451

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

Within 1 year	725	422	0	570	1,717
2-5 years	0	262	0	3,127	3,389
6-10 years	0	1,213	0	35	1,248
Over 10 years	0	97	0	0	97
Balance as at 31 March 2012	725	1,994	0	3,732	6,451

Included in the amounts not expected to be called until 10 years over the reporting period date	0	69	0	0	69
Over 50 years	0	18	0	0	18
Over 75 years	0	10	0	0	10
Total over 10 years from the reporting period date	0	97	0	0	97

Classified as:

Current liability	725	422	0	570	1,717
Non-current liability	0	1,572	0	3,162	4,734
Balance as at 31 March 2012	725	1,994	0	3,732	6,451

Future estimated costs have been discounted, where the effect of discounting is significant, at 2.2% for Dilapidations and 2.8% for Early Departure Costs where applicable (2.9% 2010-11).

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. Additionally, a provision for Future Coastguard Modernisation staff costs was made for £3,036,000 under Early Departure Costs. This reflects an early estimate of the impact but many details have yet to be agreed.

As at 1 April 2011 Provisions for liabilities and charges – current and non – current are as follows:

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.

Non-current liabilities

20. Finance lease payable

Amounts falling due after more than 1 year	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Finance lease payable	1,097	1,187	1,308

Finance charges reported under this lease and included in the Statement of Comprehensive Net Expenditure are £59,475 (2010-11: £58,812).

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

Taxpayers' equity

21. General Fund

	31 March 2012 £'000
Balance as at 1 April 2011	36,428
Net operating cost for the year	(138,646)
Financing from the Consolidated Fund	133,000
Notional costs	158
Transfer from Revaluation Reserve (revaluation surpluses on assets disposed and realised elements of depreciation)	1,532
Other general fund movement	1,467
Balance as at 31 March 2012	33,939

	31 March 2011 £'000
Balance as at 1 April 2010	35,378
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 of and realised elements of depreciation)	1,321
Other general fund movement	(13)
As at 31 March 2011	36,428

22. Revaluation Reserves

Property, plant and equipment and Intangibles

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

Total Revaluation Reserves

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

The opening balance has been restated to include the revaluation reserve for the Donated Asset due to a change in accounting policy and details are outlined at the foot of page 42.

Opening Revaluation Reserve balances 2010-11:

Property, plant and equipment

2010-11	Land	Buildings	Vehicles and Boats	Comms Equip	IT and Office Equip	Other Plant	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2010	3,895	12,966	450	1,093	1,261	79	19,744
Revaluation surpluses			115	112		22	249
Revaluation deficits	(180)	(1,046)			(552)		(1,778)
Taken to Statement of Comprehensive Net Expenditure		22					22
Sub-total of movements above as shown in the Statement of Other Comprehensive Expenditure	(180)	(1,024)	115	112	(552)	22	(1,507)
Taken to General Fund	(10)	(772)	(19)	(264)	(206)	(50)	(1,321)
As at 31 March 2011	3,705	11,170	546	941	503	51	16,916

Total Revaluation Reserves

2010-11	Total Reserve £'000
PPE reserves	16,916
Intangible reserves	0
Total Revaluation Reserves as at 31 March 2011	16,916

The opening balance has been restated to include the revaluation reserve for the Donated Asset due to a change in accounting policy and details are outlined at the foot of page 42.

Donated Asset Reserve

The funding of Donated Assets is now to be recognised as income rather than being credited to a Donated Asset Reserve under the new FReM paragraph 6.2.18 . The opening equity in the Statement of Changes in Taxpayers Equity has been re-stated to reflect this.

Other Financial Commitments

23. Capital Commitments

There were commitments outstanding of £3,799,000 for capital expenditure contracts as at 31 March 2012 (31 March 2011: £2,586,000).

	31 March 2012 £'000
Automatic Identification System – Shipping (AIS)	1,578
VHF Basestations	1,096
North Norfolk Sector Base	355
Vehicles – Fit Outs	249
Consolidated European Reporting System II –Shipping (CERS)	217
Radio Equipment replacement	113
St Ives Coastguard Rescue Station – Fit Out	72
Falmouth MRCC – Fit Out	64
Humber MRCC – Fit Out	55
Total	3,799

24. Commitments under leases

Operating leases

As at 31 March 2012 the Agency was committed to making the following total future minimum payments for land and buildings held under non-cancellable operating leases:

	31 March 2012 Amounts payable under operating leases £'000	31 March 2011 Amounts payable under operating leases £'000	1 April 2010 Amounts payable under operating leases £'000
Land			
Payable within one year	600	646	670
Payable later than one year and not later than five years	1,857	2,128	2,070
Payable later than five years	2,064	2,440	2,639
Total Land	4,521	5,214	5,379
Buildings			
Payable within one year	2,144	2,198	2,152
Payable later than one year and not later than five years	6,597	6,481	6,300
Payable later than five years	3,560	4,582	5,360
Total Buildings	12,301	13,261	13,812
Total Land and Buildings	16,822	18,475	19,191
Payable within one year	2,744	2,844	2,822
Payable later than one year and not later than five years	8,454	8,609	8,370
Payable later than five years	5,624	7,022	7,999
Total Land and Buildings	16,822	18,475	19,191

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 (2010-11: £25,000).

The total of property operating lease rentals charged to the Statement of Comprehensive Net Expenditure during the year was £3,665,000 (2010-11: £3,600,000). Income of £24,000 (2010-11:

£23,000 re-stated) 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 (2010-11: £8,261,000).

Finance lease

At 31 March 2012 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 £225,000 (2010-11: £241,000) were anticipated as at balance sheet date.

Minimum lease payment at initial lease rate:

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Obligations under finance leases payable			
Payable within one year	182	174	174
Payable later than one year and not later than five years	730	696	696
Payable later than five years	592	696	870
Total	1,504	1,566	1,740
Less future interest payments	(281)	(258)	(317)
Present value of lease obligations	1,223	1,308	1,423

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Present value of lease payments			
Payable within one year	126	121	115
Payable later than one year and not later than five years	566	545	521
Payable later than five years	531	642	787
Present value of minimum lease payments	1,223	1,308	1,423

25. Impairments

	2011-12 £'000	2010-11 £'000
Impairment costs charged to operating cost – non current assets - property held for sale	(1)	5
Impairment costs charged to operating cost – non current assets - boats held for sale	(1)	0
Total impairment costs	(2)	5

26. Reconciliation of Movement in Government Funds

	Note	2011-12 £'000	2010-11 £'000
As at 1 April		53,344	55,122
Decrease in General Fund	[21]	(2,489)	1,050
Decrease in revaluation reserve	[22]	(6,617)	(2,828)
As at 31 March		44,238	53,344

27. Reconciliation of financing from the Consolidated Fund

	Note	2011-12 £'000	2010-11 £'000
Financing per the General Fund	[21]	133,000	127,000
Consolidated Fund financing opening (payable)/receivable	[18]	(420)	(421)
Consolidated Fund financing closing payable	[18]	420	420
Financing from the Consolidated Fund		133,000	126,999

28. Revenue collected on behalf of the Consolidated Fund

	2011-12 £'000	2010-11 £'000
Amounts due to the Consolidated Fund	5	29
Revenue received on behalf of the Consolidated Fund	0	739
Payments made to the Consolidated Fund	(5)	(763)
Amounts due to the Consolidated Fund	0	5

This relates to the 2010-11 final balance outstanding when income from the registration of ships was classified as income from the Consolidated Fund but was excluded from the Statement of Comprehensive Net Expenditure and Statement of Changes in Taxpayers Equity due to its immateriality under section 13.4.8 of the FReM. This year, after agreement from HM Treasury, the same stream is now treated as general MCA income.

29. Losses

There was one fraud in the year which resulted in a small cash loss to the Agency, this was due primarily to an existing process not being followed. The fraud is being investigated by the Metropolitan Police and internal procedures and controls have been enhanced.

During the year the Agency surveyed the new Royal Barge that will be presented to Her Majesty the Queen for the Diamond Jubilee Pageant and was granted approval by HM Treasury to perform this work on a pro bono basis. The amount the Agency would have otherwise have charged for this work is in the region of £25,000.

30. Special Payments

There were no Special Payments in the year (2010-11:£700,628).

31. Contingent Assets

The Agency seeks to recover costs in relation to counter pollution and civil contingency incidents to which it renders assistance. In some cases, it may take a number of years before cost recovery claims are settled and the Agency holds a contingent asset pertaining to the future value of such claims. Due to the nature of the claims it is not practical to be able to estimate the future financial effect of the claims as the timing and value are unknown and there is no guarantee of the claims being successful. The contingent assets relate to a number of incidents. In 2011-12 counter pollution claims totalling £1,572,989 (MSC Napoli £1,411,011; Yeoman Bontrup £85,879 and MV Athena £76,099) were received by the MCA (2010-11: £83,000 relating to Ice Prince).

32. Contingent Liabilities

There are no contingent liabilities at the balance sheet date.

33. 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 18 June 2012.

34. 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.

35. Financial Instruments

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

Payments in foreign currency amounted to £319,452 in 2011-12 (2010-11: £216,739) 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 a reduction in the experience of bad debts credited operating costs by £12,465 in 2011-12 (2010-11: £75,631), 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 £144,334 in 2011-12 (2010-11: £156,799). Service provision costs are monitored by MCA staff and where appropriate a deposit increase is requested.

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

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

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

Maritime and Coastguard Agency Sustainable Development Report 2011-2012

Highlights in terms of progress against our Sustainable Development Plan were:

Activities - Sustainable Development has been embedded as far as possible within all operations through the application of best practice and better informed procurement processes.

- **ICT** - The roll out of a new network of Multi Functional Device (MFD) printers is helping to reduce paper consumption limit waste and improve energy efficiency.
- **Estates Management** - Energy Management has been improved through the installation of Automated Meter Reading (AMR) equipment allowing a targeted approach to improving energy efficiency across the UK Estate.
- **Procurement** - Basic sustainability criteria (including where relevant the Government Buying Standards) are included in all procurement processes conducted by the MCA,
- **People** - The MCA as a responsible employer supports its employees by offering development to all staff as well as access to many support programmes. The MCA also participates in the Investors in People Programme and contributes to local and wider communities by supporting and valuing its Coastguard Rescue Officers across the UK who are the volunteers that represent the public face of the Agency.

2011-12 Maritime and Coastguard Agency Sustainability Report				
GREENHOUSE GAS (GHG) EMISSIONS		2009-10	2010-11	2011-12
Gross Emissions (tonnes CO ₂ e)	Scope 1: Direct	740.48	777.14	571.68
	Scope 2: Indirect emissions	4150.77	3712.43	3618.64
	Scope 3 item: Business Travel	154.55	91.84	171.77
	Total	5045.80	4581.41	4362.09
Related Consumption Data				
	Electricity kWh Per head	6,841	6,569	6,533
	Estates Electricity (kWh)	7,911,963	7,076,425	6,897,640
	Private Car Usage (Measured by vehicle mileage) km's	73,202	166,613	182,212
	Hire Car Usage (Measured by vehicle mileage- km's	829,956	370,091	924,214
Financial Indicators	Total Energy Expenditure	1.112,673	919,696	993,602
	CRC Related Expenditure (allowance purchases, registration fees etc)	N/A	N/A	57,000
	Expenditure on Business Travel(£)	2,092,682	1,842,525	2,029,328
PERFORMANCE COMMENTARY AND TARGETS				
<p>The Agency has successfully reduced energy consumption over this period in line with Greening Government Commitments. The Agency is currently undergoing a significant period of organisational change and of course this will be reflected in our reported figures. Whilst this change takes place there may be periods of increased demand for energy but it is envisaged that this will reduce significantly once all organisational changes have taken place successfully. The Agency made a significant contribution to the Departments achievement of the 10% Carbon Reduction Target set by the Prime Minister in May 2010. Potential reductions have been identified and actioned through the installation of Automated Meter Reading (AMR) devices across the estate which has allowed for greater awareness amongst our staff and contractors through the publication of consumption data and a targeted approach to improving building efficiency. It should be noted that the above KWH per head calculations do not account for the 3500 Coastguard Volunteers who regularly use the network of Coastguard Rescue Centres for both training and Incident working. Therefore the figures are based on Agency FTE figures and whilst these are above average they do show a reduction in line with our commitments.</p>				
DIRECT IMPACTS				
<p>Scope 1 - This includes direct consumption of Natural Gas, Oil and LPG to our buildings.</p> <p>Scope 2 -This covers electricity supplies to our buildings.</p> <p>Scope 3 Business Travel - This includes Car Hire Mileage and Grey Fleet Mileage</p>				

2011-12 Maritime and Coastguard Agency Sustainability Report				
WASTE		2009-10	2010-11	2011-12
Non - Financial Indicators	Total Admin Waste (tonnes)	115.8	115.8	115.8
	Recycled Waste (tonnes)	34.6	48	64.6
	Kg per head	2.7	2.7	2.7
	Percentage recycled	30	41	56
PERFORMANCE COMMENTARY AND TARGETS				
MCA HQ waste streams have remained fairly static since the introduction of waste segregation in the HQ site in 2007. MCA continues to investigate the methods that could be employed in order to establish waste figures for the entire estate including an overall waste strategy. Regional Colleagues have been engaged to ensure a consistent approach to recycling at all major properties is put in place. We are endeavouring to reduce our paper consumption by targeting specific areas. New multifunctional printing devices are also being installed throughout our estate which will have a significant impact on helping us to reduce paper consumption, improve our energy efficiency, and reduce costs. The Agency continues to engage with all major suppliers and contractors in relation to reducing waste arisings where possible. Total expenditure for MCA HQ waste was as follows (£) Incineration 792 Recycling 6,019				
WATER		2009-10	2010-11	2011-12
Non - Financial Indicators	Estates Water m ³	13,344	11,176	8512
	m ³ per head	10.9	9.8	8.1
	Emissions from Water Consumption (tonnes CO ₂ e)	4536.96	3799.84	2894.08
PERFORMANCE COMMENTARY AND TARGETS				
MCA is fully committed to meeting the water consumption best practice targets set out under the Greening Government Agenda. The Agency is currently engaged in an Estate wide Water Saving Audit through our Energy Auditing Agents all major sites are fully surveyed and potential savings and low cost measures identified and undertaken. The MCA has undertaken several water saving campaigns as part of wider awareness raising campaigns. As with other utilities the key to our success in this area has been the installation of water meters where possible allowing us to identify, measure and manage water consumption across the Estate. Total MCA expenditure on water supplies and associated services for 2011/12 was (£) 81,383				

Sustainable Procurement

The main focus this year has been migrating to Government Procurement Service centrally let contracts for common goods and services. We are now using centralised agreements for stationery, computer consumables, print management, design, temp staff, vehicle purchase/leasing and vehicle hire, and will shortly be joining a centrally tendered contract for business travel.

Where no pan-Government arrangement exist we actively seek out collaborative opportunities within the Department for Transport and Other Government Departments. Having migrated some services to OGD collaborative arrangements we are in the process of migrating to collaborative arrangements for the procurement of uniforms and facilities management services.

The review of current contracts is ongoing, and identified opportunities for reductions in scope or efficiency savings have been implemented.

2011-12 Maritime and Coastguard Agency Sustainability Report				
SUSTAINABLE PROCUREMENT		2009-10	2010-11	2011-12
Sustainable Supply Chains	Percentage of the MCA's contracts directly awarded to Small and Medium Sized Enterprises (SMEs)	14.38	18.18	9.95
	Percentage of the MCA's printing contracts awarded to an SME sub-contractor	Data Unavailable	Data Unavailable	100%
	Government Buying Standards Compliance	0	0	0
Internal Flights	Number of domestic business flights undertaken by the MCA	2000	1423	1667
PERFORMANCE COMMENTARY AND TARGETS				

The Maritime and Coastguard Agency recognises the significant impact that our procurement decisions have on sustainability outcomes and we are committed to ensuring that our supply chain is reflective of the overall supply market and supports our sustainable development goals. The MCA has four main mechanisms for improving its sustainable procurement performance

Policy and Guidance

Sustainable procurement is included in the MCA's procurement guidance to staff (which also makes reference to the Sustainable Procurement Policy), and we have produced a more detailed stand alone guide on the incorporation of sustainability into procurement and contract management processes. The content of both guides is reviewed at least annually. Sustainable procurement is incorporated into the MCA's wider sustainable development programme through its inclusion in the Agency's Environmental Management System.

Staff Training and Development

All staff within the Procurement Team have the promotion of sustainable procurement as a key objective. Staff have received basic training in how to conduct a sustainable procurement and contract management process, which is refreshed as required.

Procurement Processes

Basic sustainability criteria are included in all procurement processes conducted by the MCA, and where contracts are high value or have a high sustainability risk the inclusion of more advanced criteria specific to the agreement is encouraged. These criteria are seen as essential to the achievement of best value and are used in the assessment of supplier proposals.

Contract Management

The MCA actively engages with its suppliers and internal order placers to promote continuous improvement of their sustainability performance throughout the contract term. Depending on the sustainability risk or the potential for improvement, this could include the analysis of data on scope 3 greenhouse gas emissions, the increased purchase of environmentally preferable or socially ethical products, or the promotion of smaller businesses and supply chain diversity.

Notes to the Performance Metrics

1. Government Buying Standards Compliance – this is the percentage of the MCA's contracts awarded in each year to which the Government Buying Standards are applicable, that have the achievement of those Standards as a requirement of the contract.

2. Percentage of Printing Sub-Contracts Awarded to an SME - this data is for February and March 2012 only. Prior to joining the pan-Government printing contract in February 2012 we were not able to measure this figure.

3. Internal Flights – the MCA is working toward the Government's target to reduce the number of its domestic business flights (business flights that start and finish in the UK) by 20% during the life of this

Parliament. The figures shown are the number of domestic business flights taken by MCA staff in the last three financial years.

Commentary on the Performance Metrics

Government Buying Standards Compliance - it is unclear at present whether the issue here is a lack of compliance to the Buying Standards or a failure to note such compliance in the MCA's records. This will be investigated as a matter of urgency in the coming financial year.

Internal Flights - After an initial reduction there has been a rise in the number of internal flights taken by the MCA in the 2011-12 financial year because the Agency is undertaking some major change programmes throughout its nationwide network of offices. It is anticipated that the number of flights will reduce again in future as the change programmes become embedded.

Performance Targets

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

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

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

DIRECT IMPACTS

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

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

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

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