



Marine Management Organisation

Annual Report and Accounts
2014/15

Enabling
sustainable
growth in our
marine area



Marine Management Organisation
Annual Report and Accounts
for the financial year ended
31 March 2015

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

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Contents

Foreword	2
Strategic Report	
About the Marine Management Organisation	4
MMO performance	8
Financial Review	20
Sustainability Report	22
Directors Report	
Responsibility for the direction of the MMO	28
Statement of Accounting Officer's responsibilities	30
Our people	31
Other information	32
Remuneration Report	34
Governance Statement	40
Annual Accounts	47

Foreword

In our Annual Report for 2014/15 we set out our track record in our fifth year of operation. At the heart of what we do is delivering the Government's sustainable growth agenda around England's coasts and in our territorial waters. This involves hard choices and difficult decisions as we take economic, social and environmental factors into account.

Some of these decisions are controversial and a few unpopular in some quarters, but we believe our decisions are trusted and respected for three reasons. First, we rely on a strong evidence base and we are grateful to our statutory advisors and all those from academia, consultants and industry who have helped our work.

Secondly, we rely on the skills and dedication of our staff. In our annual customer and stakeholder survey, our people achieved an overall satisfaction rating of 80 per cent for the attitude, politeness and customer service skills that they display in their dealings with the people and bodies we serve. We are confident that their knowledge, experience and continued enthusiastic commitment will make sure we have the tools we need to deliver the critical objectives set out in our Corporate Plan. Our staff have once again proved themselves to be our most valuable, resourceful and tenacious asset. We recognise that there are increasing pressures on our staff against the background of a budget reduction of over £10 million in the last five years and we thank them for all their work.

The third key factor is that we have continued to seek the views of our customers and stakeholders. As an enabling regulator we work hard to reduce the regulatory burdens placed on marine users. In marine licensing we continue to strive to improve the services offered to customers including training all of our marine licensing staff in the principles of the Coastal Concordat to improve co-ordination of the consenting process for coastal development in England. We also audited our work against the standards of the Regulators' Code and identified many areas of our business which are already code compliant, together with a series of actions we can take to support further business growth in a

transparent and effective way. Collectively, marine licensing enhancements have allowed us to deliver 85 per cent of marine licensing decisions within our published service standard of 13 weeks and work continues to make our service delivery consistent for all types of licence.

In our fisheries operations, we continued the approach of encouraging the fishing industry to be compliant with domestic and European regulations. We only take enforcement action when absolutely necessary in line with our risk-based approach. We worked with the fishing industry to understand their position and views, using these insights to inform our decision making and improve our services for the future so that fisheries decisions are taken with input from fishing businesses. MMO quota managers took part in a range of events around the coast during the year, meeting nearly 400 fishermen. In addition, from February 2015, we introduced a revised monthly consultation process on the setting of monthly catch limits with a view to widening the opportunity for fishermen to contribute towards our decisions, with this continuing into 2015/16. We also held the first meeting of our Fisheries Panel made up of key industry representatives which is an area of work we are striving to expand. We will be engaging with the panel to inform and assist our fisheries management decisions.

This engagement with the fishing industry will be vital given the considerable change in fishing regulations through the reform of the Common Fisheries Policy (CFP). As we completed our fourth year of running catch quota trials, we are pleased that we have been able to demonstrate that discards for species such as cod and haddock can be virtually eliminated by the vessels involved in the trials. We have also worked closely with Defra on their consultations for the pelagic and demersal landing obligations. Information from these consultations, combined with the wealth of fisheries data we have from reporting via Vessel Monitoring Systems, e-logs and manual methods, provide the information on which CFP reform

implementation decisions can be made by the appropriate administrations. We are now working in collaboration with the industry to ensure the impacts of changing regulations are communicated in a clear and timely way.

During 2014/15, we continued to implement our first tranche of marine plans for the East Inshore and Offshore areas. This has included substantial work with other decision makers led by staff based in the East at the MMO's coastal offices. In addition, the Marine Information System has been upgraded to more clearly communicate marine plans on different platforms and include information from other parts of the organisation. Our work on the South Inshore and Offshore areas engaging with coastal communities, local authorities and other interested parties ensures we are on track for South marine plans to be adopted by the Secretary of State. We consider marine planning to be fundamental to the integrated management of our seas. We are therefore delighted to have undertaken seven public workshops and engaged with over 200 stakeholders in support of South plans development stages this year. Alongside this, in both the East, the South and in other plan areas, we have taken part in over 200 individual meetings to ensure that customer and stakeholder views are fully considered in preparing and implementing all marine plans.

Further change took place in respect of Marine Conservation Zones (MCZs) which are set by Defra. This year we have continued our important work in this area by providing technical information and assessments on the impact of fishing activity, working with delivery partners to review risks posed by recreational activity and playing an active role in determining how best to facilitate coordination and reporting of Marine Protected Areas (MPAs) management in England.

In advance of the implementation of the new European Maritime and Fisheries Fund (EMFF), we have utilised our wealth of customer and stakeholder insight to create a communication and engagement strategy which balances regulatory

requirements with customer needs. This strategy ensures readiness for the launch of the EMFF scheme later in 2015/16. In the meantime, we have continued to deliver the European Fisheries Fund (EFF) scheme in England committing £34.4 million of EFF funds to the English fisheries sector, whilst also planning and preparing for the closure of the scheme and its replacement with EMFF.

In January 2015, we welcomed our new Chief Executive and put in place a number of changes at Director level to ensure that the expertise within our organisation is best placed where it is of most direct benefit to the public we serve and that we deliver value for money in all of our activities. We will continue to review and enhance every aspect of our operations to ensure that these are constantly fit for purpose. For the MMO, continuous improvement is business as usual.

We have continued to deliver our vast and diverse remit over the course of the Spending Review, maintaining our commitment to deliver the Governments Agenda to reduce public expenditure. This has seen a reduction in our budget of over £10 million in the last five years. Our net expenditure for 2014/15 was £22.0 million, which is within 1.5 per cent of our budget. We have done this by effectively managing risks and taking timely, mitigating action where appropriate.

In March 2015, the Triennial Review of the MMO (with the purpose of examining our functions, governance arrangements and deciding if other delivery models would be more appropriate) was published. We welcomed the conclusion that the functions of the MMO are necessary and that we remain the right body to deliver them. We also appreciated the recognition that we are a body delivering a wide ranging service at a national and local level with reducing resource.

As we enter 2015/16, we are aware of the financial challenges that we collectively face and know that we can continue to deliver when we work with our Board, our staff, our customers and stakeholders.



Sir Bill Callaghan
Chair

A handwritten signature in black ink that reads "Bill Callaghan".



John Tuckett
Chief Executive Officer

A handwritten signature in black ink that reads "J. F. Tuckett".

Strategic Report

About the Marine Management Organisation

We are a public body that regulates activities in the seas around England. Our mission is to enable sustainable growth in our marine area and the transformation of coastal communities while protecting and enhancing our marine environment.

Who we are

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

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

What we do

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

- Marine planning
- Licensing activities in the marine area

- Regulation of major industry
- Fisheries management and enforcement
- Protecting and enhancing the natural environment
- Providing UK statistical information to support data analysis
- Making European funding available to the fishing industry in the UK and England

Marine planning is a key delivery area. The marine economy is currently worth more than £38.5 billion annually to the UK and has the potential to increase significantly. Marine plans will inform and guide marine users and regulators across England, who manage the sustainable development of marine industries such as wind farms, fishing, oil and gas exploration, shipping and dredging, alongside the need to conserve and protect marine species and habitats.

Since vesting we have continued to develop the licensing process, resulting in improved processing times for applicants. This began with the introduction of a new streamlined licensing system in April 2011 which removed the need to apply for multiple permissions from different public bodies.

We administer a range of statutory controls that apply to marine works including construction, coastal defences, dredging and the disposal of waste materials at sea. This work is undertaken on behalf of the Secretary of State for Environment, Food and Rural Affairs, wherever the Secretary of State has powers within UK and international waters.

We play a role in managing sustainable fisheries and have the task of ensuring that stocks are managed throughout the year to maximise fishing opportunities for the UK industry, while at the same time ensuring that stocks are not overfished. We continue to work closely with the fishing industry and Government on finding a workable alternative to the current quota rules in order to reduce fish discards and maintain and increase the number of sustainable fisheries.

We have a diverse range of functions and responsibilities for marine nature conservation, including ensuring that conservation and wildlife legislation is complied with and management measures such as byelaws are created, where appropriate, and enforced. We provide advice on appropriate responses to

marine pollution incidents and license the use of products for the treatment of oil spills.

We administer the European Fisheries Fund (EFF) in England on behalf of the Department for Environment, Food and Rural Affairs (Defra) and have allocated significant funds to the fishing industry and to help local fishing communities. Funding has delivered benefits such as technological innovation, more sustainable fishing practices, as well as harbour and quay regeneration. All funding follows the general principle of supporting industry to become more sustainable while remaining profitable. We have worked with Defra to develop the new funding scheme, the European Maritime and Fisheries Fund (EMFF), which is expected to be launched in 2015/16.

MMO locations and three marine areas



Our operations

Our operational activities were carried out at our headquarters site in Newcastle (Lancaster House, Hampshire Court, Newcastle upon Tyne, NE4 7YH) as well as in London and 14 locations around the coast.

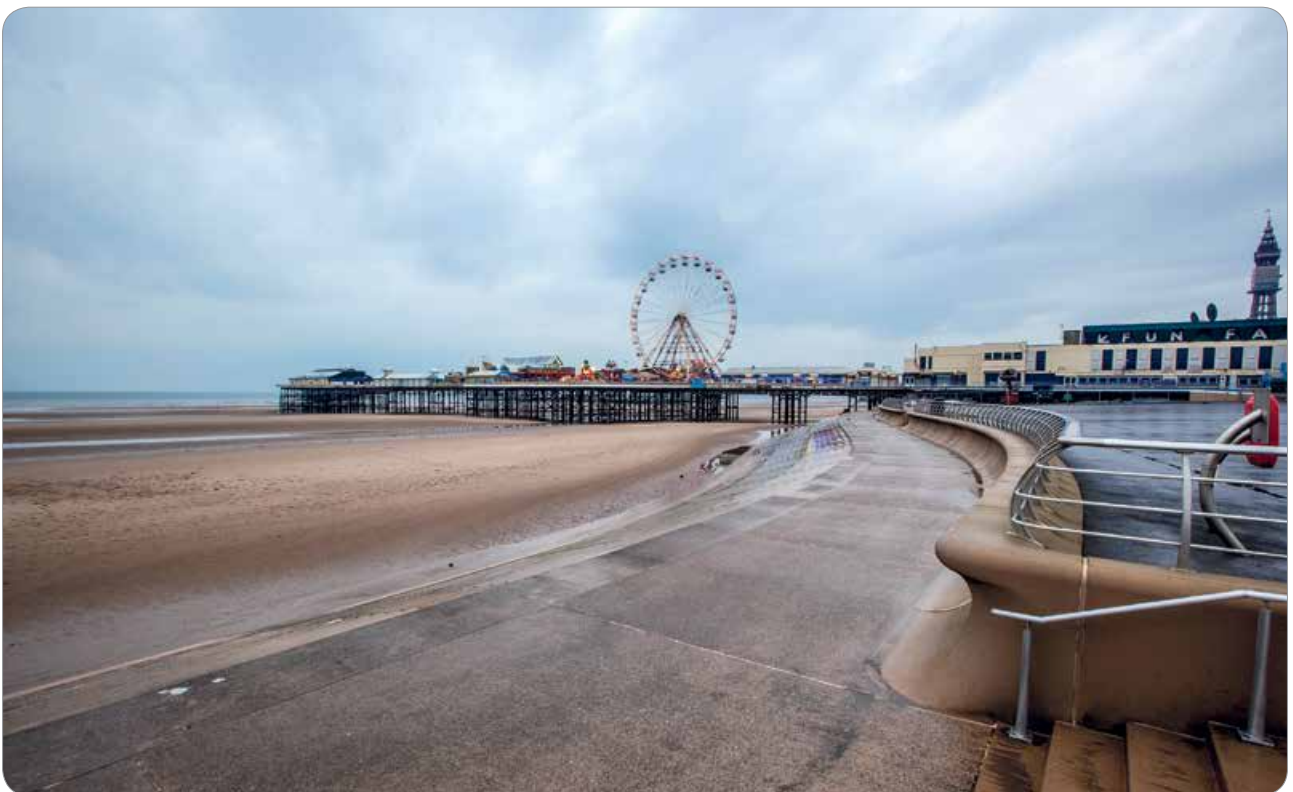
Our people

At the end of March 2015, we employed 265 (full time equivalent) people (2013/14, 289) primarily delivering the front line operations of implementing plan led marine management, licensing marine works, administering the European Fisheries Fund, fisheries enforcement and managing UK fishing fleet capacity and quotas.

Our customers

We serve a wide range of customers from a variety of sectors including the fishing industry, licence applicants, those seeking funding from the European Fisheries Fund and coastal communities, amongst others.

We are committed to being a transparent and accountable organisation and are dedicated to providing a high level of customer satisfaction, as well as using customer feedback to improve our services.



How we fulfil our role

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

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

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

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

Our governance

We are governed by a Board comprising the Chair and Non-Executive Board members who are responsible for developing the overall vision, strategy and policy, as well as the governance of the organisation.

Supporting the Board is a Senior Leadership Team, led by a Chief Executive Officer responsible for directing the activities to deliver our Corporate Plan, which sets out our Board vision and strategy.

Board committees

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

MMO performance

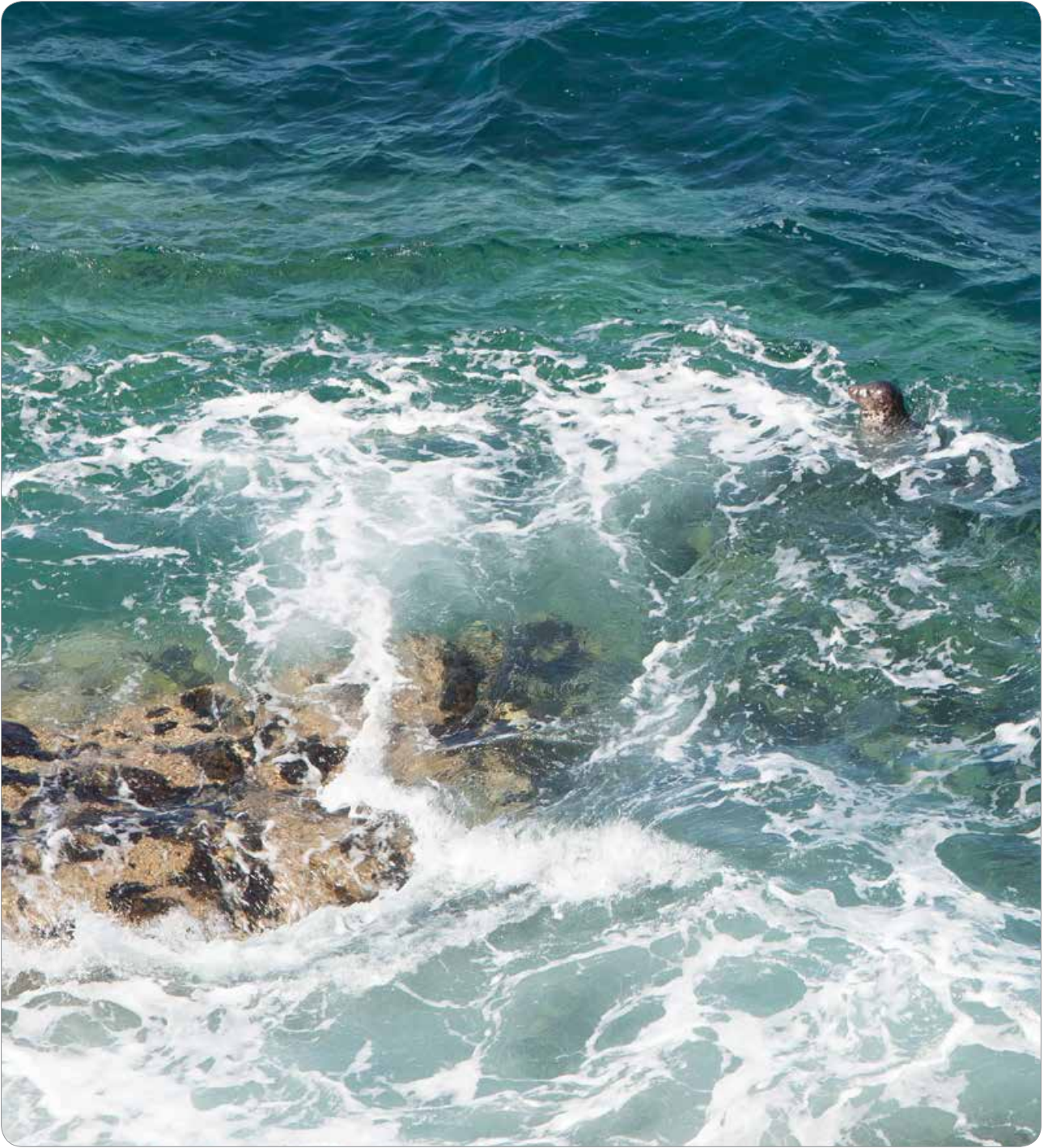
Our contribution to the Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas is set out in the Corporate Plan (2014-17). Our Strategic Outcomes continue to focus on the Economic, Environmental and Social pillars of sustainability (Strategic Outcomes one to three), the need for decisions to be made on the best available evidence (Strategic Outcome four) and the drive to be a highly effective public body (Strategic Outcome five) and reflects the cross cutting nature of our work. Our performance for 2014/15 has been assessed against these Strategic Outcomes and is modelled in figure one below: The Management Commentary that follows

provides an overview of performance by Strategic Outcome. The detailed analysis of MMO performance in 2014/15 is provided on the MMO website <https://www.gov.uk/government/organisations/marine-management-organisation>

Our budget for 2014/15 totalled £22.3 million, all of which related to Departmental Expenditure Limit (DEL)¹ and £22.1 million of DEL net expenditure was recognised in delivering the five Strategic Outcomes in 2014/15. The allocation of net expenditure to each Strategic Outcome is detailed in the Financial Review on page 20.



Figure one – Strategic Outcome Model



¹ Departmental Expenditure Limit (DEL) budget is a set budget allocated as part of the Comprehensive Spending Review

One Marine businesses are supporting sustainable growth in the UK economy

- East Inshore and Offshore marine plans adopted by the Secretary of State in April 2014, with South plans development underway
- New marine licensing fees structure introduced in April 2014 supporting the reduction of regulatory burdens
- 85 per cent of licences determined within 13 weeks

Establishing a system of plan-led marine management is crucial in helping to ensure economic gain from the marine area and the Secretary of State has delegated to the MMO various marine plan functions in England, including preparing marine plans. The start of the year saw the adoption by the Secretary of State of the first marine plans for England for the East Inshore and East Offshore areas. To support delivery of the plans, the MMO published an 'Implementation and Monitoring Plan' and has continued to work with other decision making public authorities, such as Local Planning Authorities (LPAs), in understanding their role in implementation. We have also been engaging with coastal communities and other stakeholders to agree how we will monitor the use of the East Plans and we have provided supporting information through the online Marine Information System.

Our work to prepare plans for the South Inshore and South Offshore marine plan areas (the second tranche of plans to be announced) remains on track in accordance with the revised Statement of Public Participation. Over the last year, much progress was made through revision of the South Plans Analytical Report (summarising the evidence and issues for the plan areas), development of a draft vision and accompanying objectives, consideration of preferred options for achieving plan objectives and early drafting of plan policies. Many of these activities and the resulting reports were

subject to consultation and engagement with a range of stakeholders.

The number of projects licensed this year has increased by 9 per cent on 2013/14. We determined 85 per cent of licences within 13 weeks, a marginal decrease when compared to 88 per cent in 2013/14. In response to customer feedback, we introduced a revised fees structure for marine licence applications that allows us to assess licence applications based upon the complexity of the project and to reduce burden on applicants for those less complex projects.

A significant number of applications relating to offshore energy were received in 2014/15, representing a part of the Government's overall energy mix for the future. This has increased the proportion of more complex ('Band 3') applications received with 30 per cent of all applications being allocated to this band (23 per cent in 2013/14). The MMO was a key consultee to the Planning Inspectorate and the Department of Energy and Climate Change in their determining offshore windfarm applications under the Planning Act 2008 during 2014/15. Working closely with developers, our primary advisers and decision-makers, we contributed our marine expertise to the consenting of six offshore windfarms. These projects will, when operational, contribute up to 6GW, more than double the UK's current offshore

windfarm energy output, and help meet the UK's 2020 carbon emissions target. Over the last 12 months, the number of Nationally Significant Infrastructure Projects (NSIPs) that are determined through Planning Act procedure has increased. This has resulted in an increased resource demand of around 15 per cent on our Licensing Team, meaning that around 33 per cent of our time is spent supporting this statutory duty. Demand is anticipated to increase in 2015/16, as the number of NSIPs increases and the MMO cannot recharge for the majority of the costs associated with our advisory role on NSIPs.

The MMO worked with the BSI (British Standards Institution) and Innovate UK, along with other marine regulators, project developers, renewable energy trade organisations and nature conservation bodies, to develop best practice guidance for undertaking Environmental Impact Assessment (EIA) for offshore renewable energy installations in the UK. It is anticipated that the offshore renewable energy sector could deliver in the region of £7bn Gross Value Added (GVA) to the UK economy (excluding exports) and support over 30,000 full time UK jobs. Published in report format, the guide allows for easy access to all existing guidance, highlights best practice and makes key recommendations to provide clarity to project developers, regulators and nature conservation bodies alike.

In support of our ongoing commitment to strengthen our regulatory decision-making, we give appropriate consideration to challenge and this is a feature of our work. Following a legal challenge to our licence determination for disposal of dredged material at Rame Head, the MMO applied to the High Court to have the licence quashed due to minor procedural errors in the process. In light of this,

we undertook a process compliance audit for our marine licensing decisions, to assure and strengthen the control mechanisms in place for this key aspect of our delivery.

As part of our commitment to further reducing regulatory burdens and to support compliant business growth in a transparent and effective way, we published our response to the newly introduced Regulator's Code. This provided us with the opportunity to identify and build upon those functions that are already compliant with the code and to define a series of actions to ensure full compliance across all MMO areas of work. We have strengthened our working arrangements with other regulators to ensure that, between us, we are speaking with 'one voice', giving a clear and consistent message that facilitates economic growth, particularly in relation to the work of the Local Enterprise Partnerships.

We continued to support the principles and approach that underpin the Coastal Concordat for England to reduce unnecessary regulatory burdens for applicants, regulators and advisors. All of our licensing staff are trained in the principles of the concordat and continue to encourage LPAs to adopt these on a case-by-case basis, supporting Defra's efforts to promote LPA adoption of the concordat. In addition to the 13 coastal LPAs that have formally adopted the concordat, a further 12 are now working to its principles in specific cases and we are currently considering around 20 cases in which the concordat principles are being followed by regulators. An evaluation to fully assess the effectiveness of the concordat is planned for 2015.

Figure one sets out our licence determination performance and a full breakdown of licensing performance is available at www.gov.uk/mmo

Figure one
Licence decision making analysis for all bands

	2013/14		2014/15		% within 13 weeks	
	Within 13 weeks	Total licensed	Within 13 weeks	Total licensed	2013/14	2014/15
Band 1	166	170	122	123	98%	99%
Band 2	118	130	158	180	91%	88%
Band 3	60	92	81	123	65%	66%
TOTAL	344	392	361	426	88%	85%

Two The marine environment is protected for current and future generations

- Transition to Sectoral Compliance Plans to maximise resource and improve compliance across all sectors we regulate
- Continued management in Marine Protected Areas including national coordination role
- Worked with IFCA in the creation of three IFCA byelaws to protect European Marine Sites

Supporting and educating the industry to meet the challenges of complying with overarching regulations has remained a priority. Over the course of the year, we have proactively engaged with senior EC officials and Defra to ensure greater mutual understanding of all issues across the complex regulatory landscape to better inform compliance-based enforcement. In addition, this has the purpose of influencing future regulatory and policy development.

During 2014/15, our work has evolved to developing Sectoral Compliance Plans, within the constraints of resource and regulatory priorities. We have successfully engaged with industry in the implementation of electronic monitoring equipment on vessels to meet statutory requirements and delivered a further Catch Quota Trial. This collaborative approach underpins our way of working and this will continue into 2015/16, with initiatives such as a Fisheries Panel as a means of proactive engagement and consultation on key issues from the industry.

This year, we have maintained our efforts to deter potential illegal activity through a range of surveillance and inspection activities which are intelligence led and risk based. At sea, 567 (2013/14: 587) Royal Navy inspections of

fishing vessels took place with 99 (2013/14: 142) infringements identified, most of which required only oral advice to achieve compliance. The reducing number may be reflective of our support and education working effectively.

When appropriate, enforcement continues to be a necessary tool in securing compliance and ensuring consistency. We have deployed the majority of our enforcement activity across high risk fishing, EC grant fraud and licensing activities and we continue to respond with proportionate enforcement action comprising education to promote future compliance, financial penalties, warnings and prosecutions. We have also maintained a presence across low risk activities to ensure we remain visible in the regulated community to deter future non-compliance and also to verify the low risk status. Criminal prosecution is reserved for serious or persistent breaches of regulations and during the year only 11 prosecutions were commenced. Our focus is increasingly moving towards creating a range of regulatory interventions that are tailored towards promoting compliance, including joint working with other regulatory and law enforcement agencies.

Where enforcement action requires further investigation, we have faced challenges in

concluding activity in a timely fashion due to both complexities of the cases involved and the internal processes governing our approach. During the year, we have reviewed and re-defined internal responsibilities for the conduct of investigations and produced clear operational guidance to embed a structured approach to enforcement decision making. We have identified both good practice and areas for improvement and implemented revised policies and procedures. This has led to efficiencies in handling and enforcement decisions are made in a more consistent and auditable way, particularly where the breach is considered to be minor. In addition, lessons learned have been incorporated into investigative training courses to ensure that the most efficient and effective approaches are used. Further work is now planned for 2015/16 to ensure that, for example, the MMO can present cases electronically in line with the government priority to create a more efficient fully digital criminal justice system.

We are responsible for managing certain activities to further the conservation objectives of Marine Protected Areas (MPAs). We do this primarily through ensuring due consideration is given to the safeguarding of MPAs through

marine licensing, and we also have the powers to make byelaws to control activities which do not require a marine licence in English inshore waters. MPAs include Marine Conservation Zones (MCZs) designated to preserve nationally important habitats and species, and European Marine Sites (EMSs), designated to preserve habitats and species of European importance. During 2014/15, we have progressed with a programme of work to meet Defra's target of implementing appropriate management of commercial fisheries in MPAs by 2016. This programme of work is a contribution to the Government's aim of having a well-managed network of MPAs. Management measures will be identified on the basis of any risk to features, and will be implemented where appropriate to prevent deterioration or to ensure that the integrity of the MPA is maintained or restored. We have worked with a range of partners, such as the Inshore Fisheries and Conservation Authorities (IFCAs), Statutory Nature Conservation Bodies (SNCBs), industry and non-government organisations (NGOs) to support effective marine management decision making. We have supported IFCAs to make three IFCA byelaws to protect EMSs in the IFCA Districts, providing a cohesive and consistent approach to regulation across England.

Three The continuous development of coastal communities is encouraged

- £34.4 million of European Fisheries Funding committed to projects in England
- Fish landings achieved a value of £244 million in 2014
- Through Catch Quota Trials, influenced policy to support Common Fisheries Policy Reform

We are responsible for the coordination and delivery of the European Fisheries Fund (EFF) for the UK, with the aim of helping the fishing industry to become more sustainable and to remain profitable. Our work includes delivering the scheme in England and working collaboratively with Devolved Administrations to ensure suitable governance of the scheme in the UK. During the year, the UK has committed a further £11.5 million to projects, of which a further £4.1 million was committed in England. Over the course of the EFF programme, a total of £102.7 million has been committed in the UK, with England meeting commitments of £34.4 million; this is 97 per cent of the total funds available.

The UK Operational Programme includes a range of measures to support the understanding of the economic benefits that EFF has contributed across the UK, since its implementation in 2007/08. This is exemplified through the achievement of the following outcomes:

- The turnover of the UK fishing sector has increased to £766 million
- The processing sector has achieved a six per cent increase in turnover at £2,985 million
- The UK fleet capacity has reduced by seven per cent to 197,283 tonnes in line with target of 195,000 tonnes

- Gross Value Added, which is a key indicator assessing the development of fish capture, fish processing and aquaculture industries, has increased by 45 per cent

Other key achievements have included maintaining an increase in employment and the establishment of Fisheries Local Action Groups to better reflect local community contribution.

Managing the programme has not been without its challenges but more positively, improved scheme management and more collaborative working with Devolved Administrations has meant that EFF decommitment currently stands at only 7 per cent compared to 36 per cent within the previous EC funding programme FIGG (Financial Instrument for Fisheries Guidance).

In preparation for the implementation of the European Maritime and Fisheries Fund (EMFF), we have continued to support Defra in the development of the Operational Programme. We are responsible for enabling implementation across the UK through lessons learned in EFF and working more closely with industry stakeholders. We are developing supporting systems and scheme guidance to facilitate a smooth transition to the new scheme.

During 2014/15, our quota and effort management has looked to maximise the opportunities for the fishing industry whilst

ensuring England remains compliant with EC regulations. We have encountered challenging circumstances with reductions in quota availability and high levels of activity making it necessary to close several fisheries before the end of 2014. We continue to learn through broader engagement with industry to improve communications, share data and mitigate impact. Under the concordat between the fisheries ministers at Defra and the three Devolved Administrations, the MMO's management remit relates specifically to the English registered fishing fleet and performance information has been revised accordingly. During the 2014 calendar year, total landings by the English fleet were valued at £244 million (2013: £222 million), an increase of 10 per cent. Within that, the fleets the MMO manages (English non-sector and 10 metre and under vessels) made total landings valued at £84 million in 2014 (2013: £76 million), an increase of 16 per cent, achieving an uptake of over 95 per cent for 15 of the 18 key stocks fished.

We have continued to support Defra's implementation of the Common Fisheries Policy (CFP) Reform. For example, for the fourth year running our Catch Quota Trials have demonstrated that discards of key species such as cod and haddock (where fish are thrown away at sea) had been virtually eliminated for those vessels involved in the trial. The trials carried out in 2014 continued to build on those undertaken in 2011-2013 and focused upon key haddock and cod fisheries in the North Sea and South West as well as technical trials on the use of electronic monitoring on a large pelagic vessel.

The MMO has been working closely with Defra on its consultations on the pelagic and demersal landing obligations. Work has also progressed within EU control expert groups for the North

Sea and North Western Waters which report to the high level Directors groups on the most suitable methods of monitoring the landing obligation. Detailed guidance has also been drawn up on the new regulatory requirements of the pelagic landing obligation. Industry meetings have been arranged with MMO and Defra to discuss the phasing in of the key demersal fisheries from 2016.

We have continued to implement electronic recording and Vessel Monitoring Systems (VMS) as part of the ongoing support of fisheries reforms to support fisheries management. Following implementation across the over 15 metre and over 24 metre fleets we have now completed the roll out across the 12 to 15 metre fleet. Significant progress has been made in overcoming the user and technical challenges associated with the roll out in advance of paper logbooks no longer being accepted from April 2015, including user group meetings and giving MMO Marine Officers specialist training in the operation of the e-log systems to help strengthen support for industry.

We are committed to responding to all forms of feedback, including insight gained from our customer insight groups and our Stakeholder Focus Group, industry meetings and our customer satisfaction survey where we scored 64 per cent (2013/14: 65 per cent) overall satisfaction and 80 per cent for the attitude, politeness and customer service skills of staff. Further, as a response to feedback received, we held the first meeting of our Fisheries Panel (a panel of industry representatives to provide us with the industry view and advice on our fisheries management decisions) to ensure better engagement of the fishing industry across management decisions.

Four Our decisions are trusted

- In accordance with our Strategic Evidence Plan, we published 14 evidence reports to increase common understanding
- Implemented an accredited MMO Integrated Management System
- Our transparency activities assessment identified a number of good practices

Throughout 2014/15, we have continued to work to demonstrate that our decisions are trusted by continuing to gather a wide range of evidence across marine activities, so that our decision-making is informed by the most current and robust data. We have worked with government departments, other public bodies, and independent marine scientists and researchers across the UK to deliver our Strategic Evidence Plan (SEP). As part of our ongoing commitment to ensuring a strategic view of evidence within the MMO, efficient prioritisation of requirements and better collaborative working, our SEP will undergo review in 2015. We have published a register of our evidence projects, updated as each new project is commissioned. During 2014/15, we published 14 evidence reports on our website, reflective of our commitment to make all commissioned research widely available to increase our common understanding and the use of best available evidence.

We continue to demonstrate that we are open in our decision-making by sharing the data and information we use, as well as publishing the evidence behind our decisions on our public register. During 2014/15, we completed a transparency assessment to evaluate whether our decision making processes give timely, transparent and realistic accounts of our business and decisions. The results of this assessment, which identifies good practices

and process improvements to enhance our transparency activities, will underpin a range of activities for 2015/16 and will be published on our website.

We recognise that a robust and strong evidence base is essential to the development of a system of plan-led marine management. We continue to utilise our Marine Planning Portal tool to detail information such as wind farm developments and conservation areas, allowing users to appraise the evidence we are using to develop marine plans and submit their views. Recognising its importance, we have invested in the development of a Marine Information System that supplements the Marine Planning Portal and offers enhanced accessibility to information supporting marine planning. We use our Strategic Scoping Report to identify the natural resources in England's 11 marine plan areas, together with industrial and recreational activities. This ensures that our local approach to marine planning is informed by a national strategic picture of how activities, resources and ecosystems vary.

Making environmental information available remains central to informing decisions, influencing actions and helping to deliver sustained environmental improvements. During 2014/15, we continued to make our key spatial

data assets publically available and accessible, publishing 33 new geographic information system datasets and updating two of the 40 existing datasets published in 2013/14 through the Geostore website and data.gov.uk, which should lead to reducing requests made through information rights legislation.

During 2014/15, we administered the phased implementation of an MMO Integrated Management System (IMS), achieving accreditation in Spring 2015. Implementation of IMS enables us to deliver a high quality of service and assurance to our customers

and stakeholders in an environmentally sustainable and efficient manner by adopting internationally recognised best practice based approaches to business processes, leadership and management. We also continued in our efforts to fulfil the mandatory requirements of the Security Policy Framework, undertaking a comprehensive risk assessment of information security and business continuity arrangements to support the development of a fully documented and accredited Risk Management and Accreditation process and Business Continuity Plans bespoke to the MMO.



Five We are recognised to be a highly effective public body

- Delivered within allocated budget of £22.3 million, achieving 31 March 2015 financial position of £22.0 million (within 1.5 per cent of forecast outturn)
- Improved governance and management of financial risk through the implementation of refreshed Scheme of Delegations and increased commercial capability
- Embedded a refreshed performance and development programme to strengthen capabilities of our people, focussing on Leadership, Engagement, Equality and Learning

We have delivered our strategic objectives within our allocated budget, achieving net expenditure of £22.0 million, which is within 1.5 per cent of our budget. During 2014/15, our approach to financial management and planning has been driven by our obligation to identify the savings required over the coming financial period, in which our funding envelope continues to reduce. Effective management of risks and opportunities has allowed us to both deliver the savings required as part of the Comprehensive Spending Review (CSR) period and maximise opportunities to bring forward expenditure that otherwise would have been incurred in future years. We continued to increase our commercial capability to ensure that the services we procure deliver effective, efficient and timely benefits and we were able to release £1.6 million from contracts to support front-line services.

As part of our commitment to developing and supporting our staff as high performing people, we have responded to the results of the 2014 staff survey, undertaking a comprehensive programme of development to strengthen capability under four key themes: Leadership; Engagement; Equality; and Learning. During 2014/15, we implemented a new performance management system to better support 'what'

we deliver, with added focus on 'how' we deliver it, supported by changes to our Pay Remit to reward 'good' performance. Together with continued access to a wealth of e-learning, coaching and mentoring through Civil Service Learning and strategic partners, staff are encouraged to identify development needs and undertake bespoke learning opportunities.

The health, safety and wellbeing of our people are core to our values. We have refreshed our approach to health and safety through the introduction of a Health and Safety Programme Board, who provide direction on the development of health and safety policies, procedures and practices as well as providing oversight and assurance on health, safety and wellbeing issues throughout the organisation. Our commitment to the continued wellbeing of our people is maintained through initiatives such as Mental Health First Aiders, Health at Work Advocates and an Employee Assistance provider.

During 2014/15, we undertook a fundamental review of our governance and long term vision for managing our data processes and supporting systems, which highlighted key risks and helped us fully understand the adequacy of our fisheries data systems and our

customers' experience. We have put in place a clear governance framework to guide and support the ongoing development of our ICT and a refresh of our fisheries data systems, so that they are fully aligned with our operational delivery remit.

The MMO Board has delivered its collective responsibility for determining the organisations strategic direction and ensuring that we discharge our statutory duties. During 2014/15, it was informed by activities including a 'Strategic Review' and 'Have Your Say' sessions attended by all MMO staff. Further, the Board has been supported by an Audit and Risk Assurance Committee (ARAC), providing advice to the Board on matters of financial accountability, risk, control and governance, and a Remuneration Committee, recommending policies for the remuneration and performance management of all employees. The effectiveness of the MMO Board and its sub-committees has been reviewed in year, concluding effectiveness with a small number of actions captured in action plans.

We have contributed to the broader Defra agenda of 'One Business' to align corporate services to deliver greater business efficiency and savings for Government. This enabled some of our corporate services to transition to Defra Network Corporate Services (NCS) on

1 October 2014. The transition of services to NCS requires a different model of commissioning services, particularly for ICT. Consequently, we have taken a decision to delay any revision to our ICT Strategy until 2015/16, allowing time for the changes to fully embed.

In March 2015, the outcome of the Triennial Review of the MMO was published. The purpose of the Triennial Review is to provide a robust challenge to the continuing need for the Non-Departmental Public Body (NDPB), its functions and form; where it is agreed that the body will remain as an NDPB, the review assesses the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance. The review concluded that the functions of the MMO are necessary, that they should continue to be delivered by an NDPB and that the MMO remains the right body to deliver them. The Review also concluded that the MMO has improved the delivery of its functions since its creation, currently delivering a wide-ranging service at a national and local level, all with reducing resources. We are now developing next steps and will establish an action plan in Summer 2015 to take forward those recommendations in the review which we have not yet acted upon.

Financial review

We are funded by Defra through Grant In Aid, the overall financial position is shown in the Taxpayers Equity section of the Statement of Financial Position by means of the General Reserve.

Over the five years since vesting, our annual budget allocation has reduced from £32.0 million (2010/11) to £22.3 million (2014/15) with an obligation to achieve further savings in future years.

The challenge to the MMO in delivering its remit with a reduced funding envelope is a direct response to wider government reductions in public expenditure. To date this has been addressed through a number of planned actions to enable us to deliver the scale of savings required, such as organisational change, reviewing key contracts and improving efficiencies for proportionate cost recovery.

During 2014/15, the need to achieve resource restrictions has remained a feature of not only our financial management and planning process, but also of how we prioritise delivery. Over the course of the year we have fundamentally reviewed our business to identify where more focus is required to meet the ongoing obligation to reduce public expenditure and regulatory burdens.

Our approach has enabled us to not only realise the benefits and savings set out below, but to also innovatively develop collaboration and alternative approaches to discharging our duties.

- As part of our ongoing review of key contracts we have achieved annual savings of £1.6 million.
- Advancing the refresh of our systems infrastructure and processes that manage

fisheries data has been prioritised, supported with EC investment to reduce costs, reduce burdens on stakeholders and improve quality and accuracy.

- We have reviewed our funding streams to better support innovation and collaborative working across science and evidence EC funding schemes for data collection and infrastructure for regulatory compliance and establishing procurement frameworks to support flexible surveillance and enforcement.
- We have worked with Defra 'One Business' to transfer ICT, procurement and estates functions under Defra Network Corporate Services, to achieve combined efficiencies for business support.
- The revision to Marine Licensing Fees and Charges Statutory Instrument came into effect on 6 April 2014, reducing regulatory burdens with an increasing number of licences being either fast tracked or exempt.
- We have progressed the development of an approach to delegate marine licence duties, as provided within the Marine and Coastal Access Act, with the Port of London which will be the first real step in testing our ability to work differently and in the spirit of the legislative framework.
- We have commenced a review of the Service Level Agreement in place between MMO and Defra to ensure priorities and risks are clear which has been complemented by the initiation of an MMO review of its strategic objectives.
- We have put a focus on improved governance, procurement and compliance reviews for all budget holders which will enable all staff to support and deliver the corporate objectives.

Robust financial management, regular reporting and the continuous review of risks and opportunities faced have enabled the business to make these informed decisions and provide a sustainable approach to the challenges ahead. Throughout 2014/15 we have worked closely with our Defra Sponsorship Team to ensure both financial and operational information and risks are understood and support key decision making.

In delivering our Corporate Plan priorities for 2014/15, we have spent a total of £22.0 million (£28.0 million in 2013/14) against our Departmental Expenditure Limit (DEL).

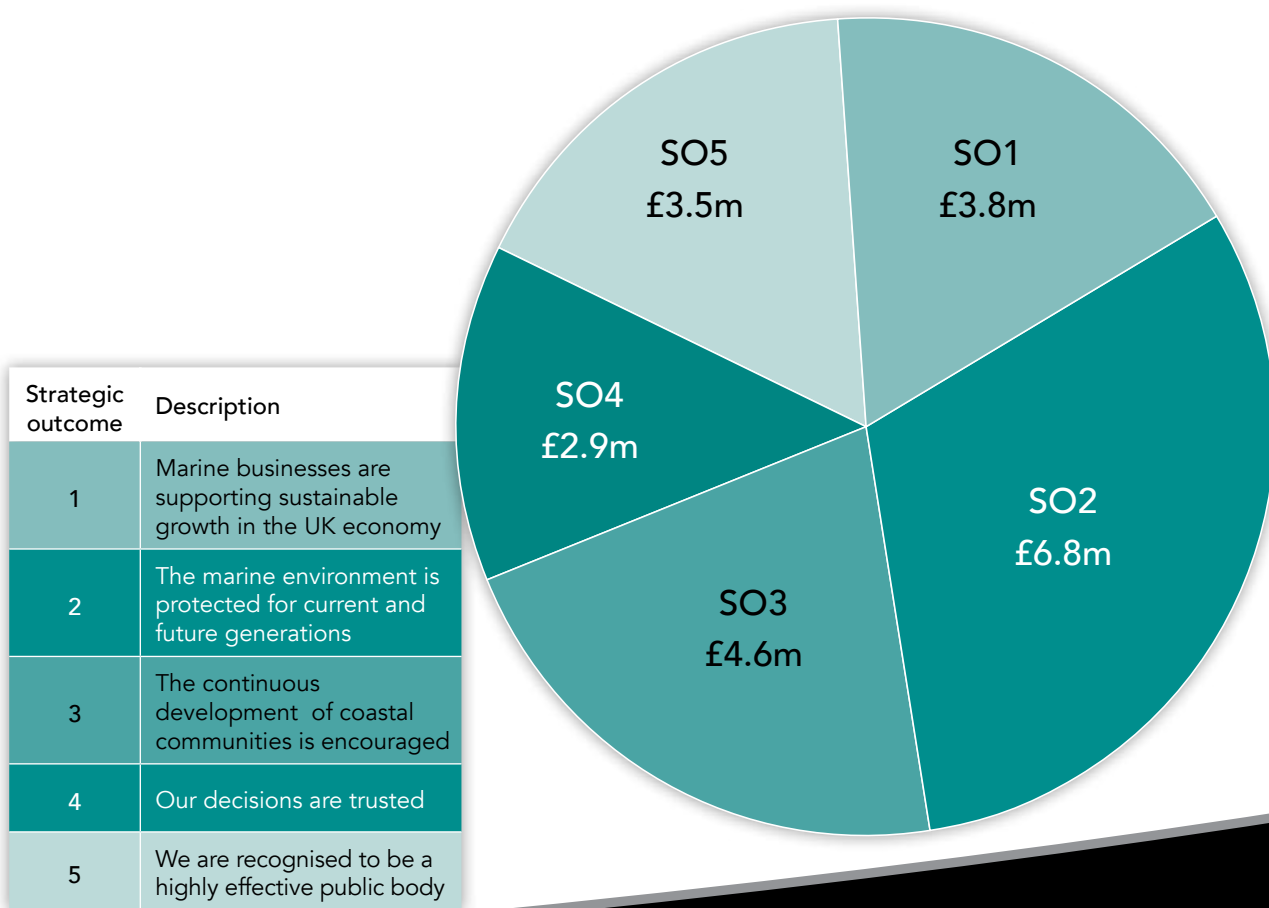
How we have allocated our spend by Strategic Outcome

The allocation of expenditure in 2014/15 across all Strategic Outcomes is shown in the diagram below.*

Relations with suppliers

The standard terms of payment for suppliers is in line with all government departments, and we are required to pay supplier invoices within five days of satisfactory receipt of goods and services and agreement of a valid invoice.

During 2014/15, 99.3 per cent of invoices were paid within five days (94.8 per cent of suppliers were paid within five days in 2013/14). Creditor days, calculated on an average basis for the year, were 21 days for 2014/15 (21 days for 2013/14).



*allocation of total expenditure to strategic outcome includes both Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).

Sustainability Report

We aim to be an exemplar in our behaviours and the way in which we work in order to make a fitting contribution to the broader sustainable use of resources. Our environmental performance is assessed by measuring our contribution to the targets set out in the Greening Government Commitments (GGC), which include:

- Reduce greenhouse gas emissions by 25 per cent from a 2009/10 baseline from the whole estate and business-related transport by 2015
- Reduce the number of domestic flights by 20 per cent by 2015
- Reduce the amount of waste we generate by 25 per cent from a 2009/10 baseline by 2015
- Reduce water consumption from a 2009/10 baseline, and report on office water use against best practice benchmarks by 2015

Performance against the original GGC targets has been disclosed within this report, however, these targets have since been extended beyond 2015.

Carbon emissions are categorised within three scopes as follows:

Scope one: Direct impacts – For the MMO this relates to the emissions from consumption of fuel from vehicles on official travel which are controlled by the MMO and relates to our lease car fleet.

Scope two: Indirect impacts – This relates to the emissions from the consumption of gas and electricity through our estates.

Scope three: This relates to the emissions from business travel undertaken by MMO staff.

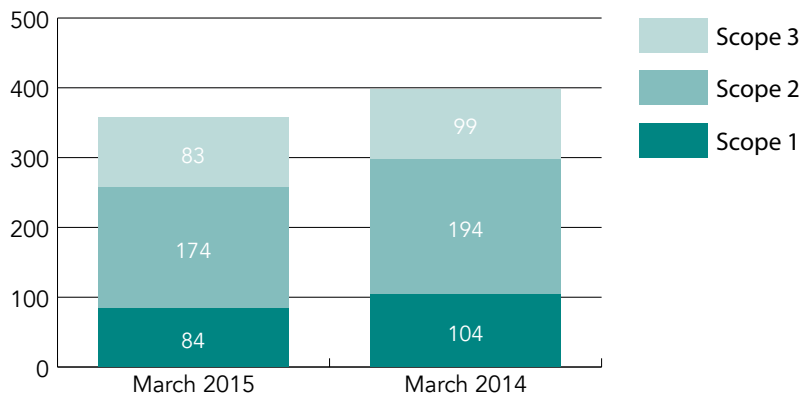
The table below shows a summary of our performance in 2014/15 compared to 2013/14:

MMO Greenhouse Gas Emissions		2014/15	2013/14 (Restated)
Non financial indicators (tCO2e)	Total Gross Emissions for Scope 1,2 & 3	341	397
	Total Net Emissions for Scope 1,2 & 3 (ie less reductions eg green tariffs)	341	397
	Gross emissions from scope 1 (direct impacts)	84	104
	Gross emissions from scope 2 (indirect impacts)	174	194
	Gross emissions from scope 3 (business travel)	83	99
Related energy consumption (thousand KWh)	Electricity	250	300
	Gas	216	265
Financial indicators (£000)	Expenditure on energy	64	89
	CRC licence expenditure (2011 onwards)	0	2
	CRC income from recycling payments	0	0
	Expenditure on accredited offsets - Woodland Trust Enterprise	1	1
	Expenditure on official business travel	362	488

At the time of preparing the final report for 2013/14 an estimate of consumption was used for the last quarter of the year due to lags in receiving actual information. Actual data is now available and 2013/14 figures have been restated resulting in a decrease of 6 tCO₂, 14 tCO₂ and 7 tCO₂ for Scope 1, Scope 2 and Scope 3 emissions respectively.

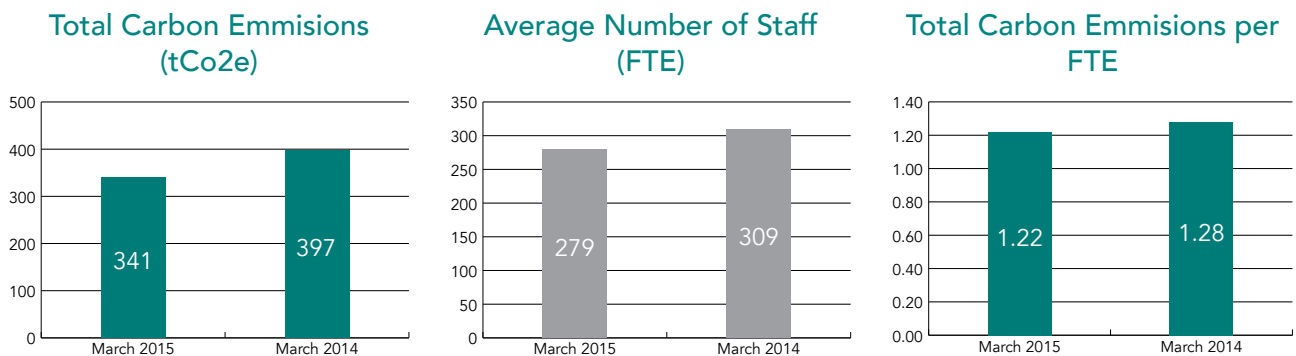
Total carbon emissions have decreased by 56 tCO₂e compared to 2013/14 with reductions in emissions relating to all three scopes. The breakdown of emissions by scope is shown in Figure one below:

Figure one - Total Carbon Emissions by Scope (tCO₂e)



The reduction in scope 2 emissions recognises ongoing progress in implementation of the Defra network estates strategy and wider alignment of the government property portfolio, which the MMO contributes to and continues to support. Sustainability issues continue to be addressed across the business to improve internal behaviours in reducing emissions. The geographical spread of the business and our obligations to ensure our stakeholders are engaged in the matters which affect them continues to create pressure on emissions from our business travel shown in scope 3 and in our direct travel shown in scope 1. The change in staff numbers is shown against the change in emissions in figure two below, and a decrease in average FTE of 9.7 per cent has corresponded with a reduction in total emissions of 13.6 per cent.

Figure two

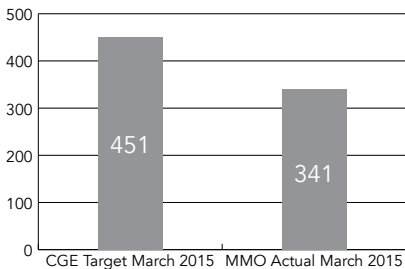


Performance against GGC Targets

Reduce Greenhouse gas emissions by 25 per cent Achieved

The Greening Government Commitments (GGC) requires a 25 per cent reduction in carbon emissions by 2014/15. The GGC target for March 2015 of 451 tCO₂e has been bettered and actual reported emissions are 341 tCO₂e. This is shown in Figure three below.

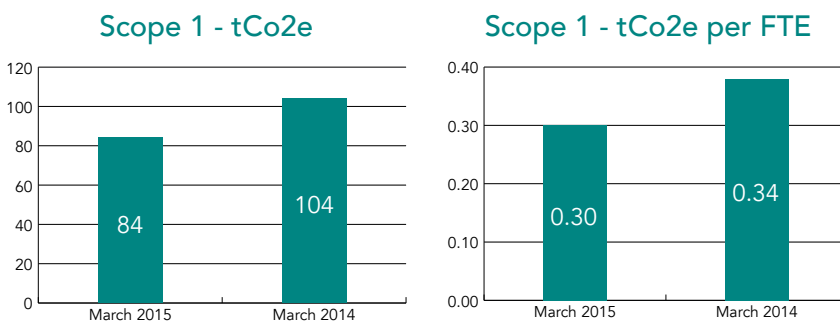
Figure three - Performance against GGC target - Total Carbon Emmissions (tCo2e)



Analysis by Scope

Scope 1: Direct Impacts

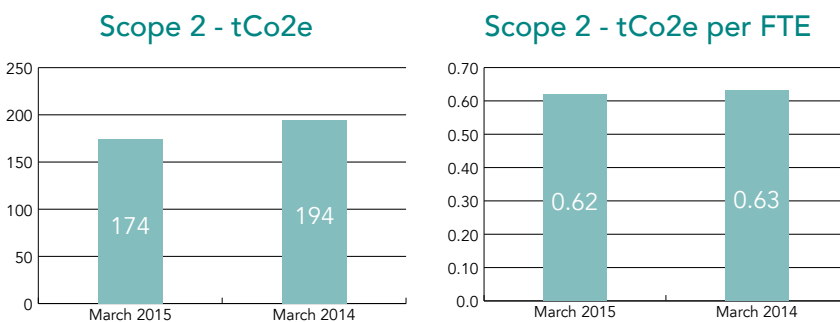
Figure four



- This relates to direct travel and includes mileage travelled by coastal staff to deliver frontline duties.
- Emissions have reduced by 19 per cent and is due to the realisation of efficiencies from switching to a lower emission fleet and a reduction in the number of MMO fleet miles recorded from 241k in 2013/14 to 232k in 2014/15.

Scope 2: Indirect Impacts

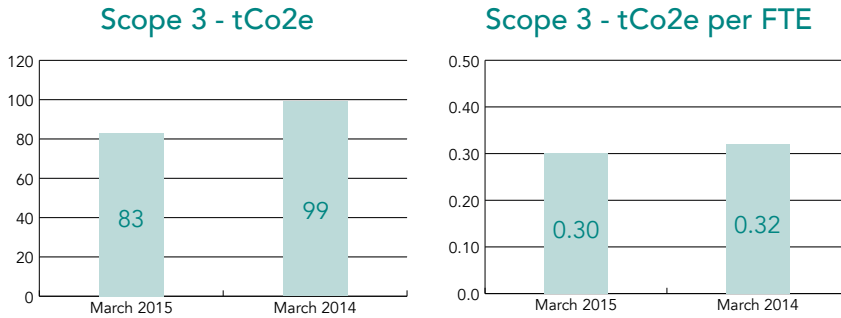
Figure five



- This relates to gas and electricity consumption across MMO sites and total reduction is reflective of benefits arising from MMO estates rationalisation strategy.
- The reduction in emissions of 10 per cent is proportionate to the 10 per cent reduction in average headcount and as a result emissions per FTE have reduced only marginally.

Scope 3: Business Travel

Figure six



- This relates to indirect travel carried out by the business, not only for business meetings but key stakeholder events such as marine planning workshops.
- Although it is not possible to directly link this reduction to any one initiative, a number of factors can be identified including revisions to the MMO travel and subsistence policy, the introduction of compliance checks on expense claims and greater awareness of sustainability issues in the way we work.

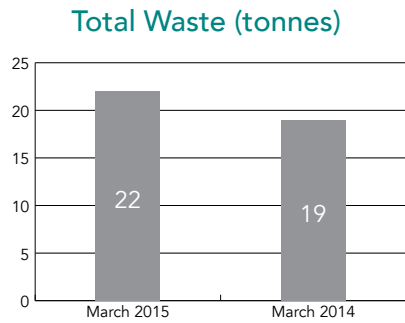
Reduce the number of domestic flights by 20 per cent Not Achieved

The 2009/10 baseline figure was a total of 212 domestic flights and resulted in a target total of 170 domestic flights by 31 March 2015 once the 20 per cent reduction had been applied. The total number of domestic flights recorded in 2014/15 was 187, which represents a 12 per cent reduction on the 2009/10 baseline. The challenge of operating across a wide geographical area, often in locations with poor mainland transport links, is evident in these results and represents the challenge in balancing business need with travel impact. Greater use of technology and more coordinated meeting/travel arrangements have helped reduce reliance on domestic flights, however, due to the geographical spread of MMO activities this will continue to present a challenge.

Reduce waste generated by 25 per cent Achieved

The 2009/10 MMO baseline figure for waste totalled 62 tonnes and resulted in a target total of 46.5 tonnes by 31 March 2015 once the 25 per cent reduction had been applied. Total waste recorded in 2014/15 was 22 tonnes, and whilst a small increase compared to total waste recorded in 2013/14, this figure has achieved the target. The increase in waste is attributable to small increases across a number of properties in the MMO estate and further analysis of this information will be used to help understand and control the drivers causing this increase. This is shown in Figure seven below:

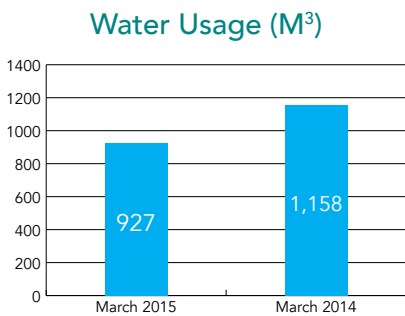
Figure seven



Reduce water consumption from a 2009/10 baseline Achieved

The 2009/10 MMO baseline figure for water was 1,873M³ and total water usage recorded in 2014/15 was 927M³. This is shown in Figure eight below:

Figure eight



Report on office water use against best practice benchmarks by 2015 Achieved

MMO water usage against best practice benchmarks is shown in the table below and although the overall target for water usage has been achieved there are still a number of sites that do not meet the best practice benchmark of 'best' or 'good'.

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

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

Waste for Head Office		2014/15	2013/14 (Re-stated)
Non financial indicators (t)	Total Waste	22	19
	Non-hazardous landfill	5	5
	Non-hazardous reused/recycled	14	14
	Non-hazardous incinerated	3	0
Finite Resource Consumption - Water		2014/15	2013/14 (Re-stated)
Non financial indicators (M ³)	Water Consumption	927	1,158
Financial indicators (£)	Water Supply Costs	7	8

Sustainable Procurement

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

Environmental Management System

The MMO has started a phased implementation of the Integrated Management System with the view to gain ISO9001 and ISO14001 certificates from UKAS (United Kingdom Accreditation Service) for the organisational quality and environmental management processes. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, and implementing sound environmental practice. This has been implemented at the MMO headquarters site in Newcastle-Upon-Tyne which is most significant in terms of environmental impact and will be rolled out across other MMO sites over the next two years.

John Tuckett
 Chief Executive Officer and Accounting Officer
 7 July 2015

J. F. Tuckett

Directors Report

Responsibility for the direction of the MMO

Non-Executive Board members

Each member of the Board of the MMO is appointed by the Secretary of State for Environment, Food and Rural Affairs, for a term of three or four years. Members may be considered for re-appointment in accordance with guidance from the Office of the Commissioner for Public Appointments.

At 31 March 2015 there were nine Non-Executive Board members in post in line with that reported at 1 April 2014. The composition of the Board for 2014/15 was as follows:

Non-Executive Board Member	Role	Appointment date	End date
Sir William Callaghan	Chair	01/05/2011	30/04/2017
Robert James	Non-Executive Member	01/02/2010	31/01/2017
Derek Langslow	Non-Executive Member	01/02/2010	31/01/2017
Jeremy Loyd	Non-Executive Member	01/02/2010	31/01/2016
Nigel Reader	Non-Executive Member	01/02/2010	31/01/2017
Jane Ryder	Non-Executive Member	01/02/2010	31/01/2016
Jayne Scott	Non-Executive Member	01/12/2010	31/01/2017
Lord Teverson	Non-Executive Member	18/02/2013	31/01/2016
Andrew Wells	Non-Executive Member	18/02/2013	31/01/2016

The Audit and Risk Assurance Committee (ARAC) members are Nigel Reader (Chair), Derek Langslow and Jane Ryder.

The Remuneration Committee members are Jayne Scott (Chair), Jeremy Loyd and Andrew Wells.

Sam Burgess was appointed as the Chief Scientific Advisor (CSA) to the MMO on 13 January 2014 for an initial period of one year. This appointment ended on 9 January 2015.

Senior Management Team

The Chief Executive Officer and Directors have authority and responsibility for directing the activities of the MMO and the composition from 1 April 2014 was as follows:

Executive Team Member	Role	Appointment date	End date
John Tuckett	Chief Executive Officer	19/01/2015	19/01/2018
James Cross	Chief Executive Officer	14/12/2011	29/08/2014
Andy Beattie	Chief Operating Officer	19/01/2015	-
	Acting Chief Executive Officer	01/09/2014	18/01/2015
	Director of Operations	18/02/2013	31/08/2014
Steve Brooker*	Director of Marine Development	05/03/2013	-
Michelle Willis	Chief Finance Officer	18/02/2013	-
Dickon Howell	Acting Chief Scientific Advisor and Director of Information	19/01/2015	-
	Acting Director of Marine Development	01/09/2014	-
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	09/04/2015

* During 2014/15 Steve Brooker was appointed Acting Director of Operations from 01/09/2014 until 19/01/2015 when he returned to the substantive position of Director of Marine Development.

Directors' interests

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

Statement of Accounting Officer's responsibilities

Under the Marine and Coastal Access Act 2009, the Secretary of State has directed the Marine Management Organisation to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Marine Management Organisation and of its net expenditure outturn, expenditure applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

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

The Accounting Officer of Defra has appointed the Chief Executive Officer as Accounting Officer of the Marine Management Organisation. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Marine Management Organisation's assets, are set out in Managing Public Money issued by HM Treasury.

Our people

Our most important asset is our people and we owe our successes to them. Our people are committed experts in their area of work who show great dedication and expertise. We have cultivated an organisation that is underpinned by strong, shared values and where people are treated equally and with respect. We are committed to developing our staff so that they can realise their potential.

At 31 March 2015, we employed 273 people (265 full time equivalent) primarily delivering the front line activities of our coastal operations, marine planning, licensing marine works and managing the UK fishing fleet capacity and fishing quotas.

All staff are committed to achieving our mission of enabling sustainable growth in our marine area and we deliver this mission according to a set of values we have identified as those we care about, which are:

- We work as one organisation
- We are committed to doing our best
- We promote and support the wellbeing of our people
- We value integrity by being open, honest and fair
- We focus on the needs of both our internal and external customers
- We value highly effective and quality leadership
- We use all of our talent to achieve success

We are committed to the principle of equality and will not tolerate discrimination on grounds of a protected characteristic such as age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. We value the diversity amongst our workforce and are committed to providing a fair and equal working environment for all MMO employees. The MMO aims to ensure that any employee with a disability is provided with an equal, safe, harassment and discrimination free working environment.

As an organisation that cares about its people we ensure that our staff have a voice within our organisation. The Board and other meetings are open to MMO staff to observe so that they can see how decisions are made. Our Directors and management team regularly deliver messages to staff, either in person or through regular intranet communications, complemented by an 'Ask the Executive' and Staff suggestion scheme which allows staff to ask questions, share views and generally express opinions directly to senior levels within our organisation.

This communication process is further aided by monthly one to ones between staff and managers complemented by half yearly and end of year reviews.

In addition we assess the level of communication with our staff through our internal people survey and our communication survey on an annual basis. These surveys help us to understand what we do well, what we can do better and ensure that our organisation continues to cultivate a strong and supportive culture.

We work closely with our trade unions (including Public and Commercial Services Union (PCS), Prospect, and First Division Association (FDA)) and facilitate employee relations through regular Partnership Forums consultation where appropriate.

Training and development is very important to us and many staff have undertaken professional development this year leading to industry accredited qualifications. We recognise that constantly enhancing the knowledge and skills of our staff is fundamental to the continued success of our organisation.

During the 12 month rolling period to 31 March 2015 the average number of days sickness for our staff was 5.2 days (2013/14 5.6 days), with the wider civil service average being eight days. A breakdown of the number of people by gender employed by the MMO at the end of the reporting period is shown in the table below:

Analysis of gender split at 31 March 2015	Male	Female	Total
Directors (SCS level or equivalent)	4	2	6
Other Staff	146	121	267
Total	150	123	273

Other Information

Likely future events affecting the MMO

The Common Fisheries Policy (CFP) is the European Commission's (EC) regulation for the management of fisheries and aquaculture and associated negotiations on reform of the current policy concluded in December 2013. We are committed in our statutory obligations to preserving fishing opportunities for this generation and the next through reform of the CFP and the protection of fish stocks in our seas.

The EC published their proposals for the European Maritime and Fisheries Fund (EMFF) that will replace the European Fisheries Fund (EFF) from 1 January 2014 until 31 December 2020. We will work with the relevant bodies in the transition to the new fund by 2015/16.

Research and development

The costs arising from development of intangible assets (both internal and external) are capitalised only if the criteria as outlined in International Accounting Standard 38 (IAS 38) is met. During 2014/15, internally developed intangible assets totalled £0.4 million and are recorded as assets under construction (2013/14: £0.5 million). Further details are provided in Note 6 of the Annual Accounts.

Pensions

Details of the pension schemes used by our staff and the MMO's pension costs are set out in the Annual Accounts, Staff Costs Note 3.

Accounts Direction

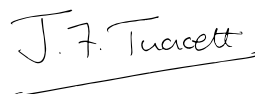
The Annual Accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for the Environment, Food and Rural Affairs with the approval of HM Treasury in accordance with Schedule 1 of the Marine and Coastal Access Act 2009.

Auditor

Under Schedule 1, Section 27(4) of the Marine and Coastal Access Act 2009, the Comptroller and Auditor General shall examine and report on the statements of account. The costs of work performed by the auditor for statutory work in respect of the financial year 2014/15 is £52,500 for the Annual Accounts audit (2013/14 £55,000). No fees were paid to the Comptroller and Auditor General for non-statutory work in 2014/15 (2013/14: nil).

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

John Tuckett
Chief Executive Officer and Accounting Officer
7 July 2015



Remuneration Report

Remuneration Committee terms of reference

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

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

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

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. Bonus payments, benefits in kind and pension benefits are to be reported separately under Government Financial Reporting Manual 2014/15 guidance.

Pension benefits

Cash equivalent transfer values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued

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

The real increase in the value of the CETV

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

Taxable expenses classified as benefits in kind

Taxable expenses classified as benefits in kind cover any business expenses incurred by the MMO to the extent that they are subject to UK taxation together with the associated tax. For the 2014/15 financial year this consists of costs of accommodation, travel and subsistence incurred by Non-Executive Board members and Directors where the place of work in their contract is their home. MMO pay the benefit in kind for Non-Executive Board Members to HMRC as part of a PAYE settlement agreement.

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

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

Non-Executive Board members' remuneration is determined by Defra; however, their fees and expenses are paid by the MMO. Appointments to the Board are on either three or four year terms, in line with the code of practice from the Office of the Commissioner for Public

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

Non-Executive Board Member	Role	Appointment date	End date	2014/15 fee £'000	2013/14 fee £'000	Taxable expenses classified as benefits in kind 2014/15 to nearest £100	Taxable expenses classified as benefits in kind 2013/14 to nearest £100
Sir William Callaghan	Chair	01/05/2011	30/04/2017	40-45	40-45	1,300	1,200
Robert James	Non-Executive Member	01/02/2010	31/01/2017	10-15	10-15	3,600	3,500
Derek Langslow	Non-Executive Member	01/02/2010	31/01/2017	10-15	10-15	1,800	2,200
Jeremy Loyd	Non-Executive Member	01/02/2010	31/01/2016	10-15	10-15	500	500
Nigel Reader	Non-Executive Member	01/02/2010	31/01/2017	10-15	10-15	2,000	2,300
Jane Ryder	Non-Executive Member	01/02/2010	31/01/2016	10-15	10-15	2,300	1,700
Jayne Scott	Non-Executive Member	01/12/2010	31/01/2017	10-15	10-15	3,800	1,200
Lord Teverson	Non-Executive Member	18/02/2013	31/01/2016	10-15	10-15	1,600	1,900
Andrew Wells	Non-Executive Member	18/02/2013	31/01/2016	10-15	10-15	1,800	2,400

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

Notes

- A.** Remuneration Committee members are Jayne Scott (Chair), Jeremy Loyd and Andrew Wells.
- B.** ARAC members are Nigel Reader (Chair), Derek Langslow and Jane Ryder.
- C.** No additional paid work was carried out on behalf of the MMO by any Non-Executive Board member.

Dr Samantha Burgess was appointed to the role of Chief Scientific Advisor and Director of Evidence on 13 January 2014. This appointment is to ensure that all scientific evidence and analysis used by the MMO can be robustly defended if subject to external scrutiny. Her actual salary earned in 2014/15 was within the range £45,000 - £50,000 (FYE £55,000 - £60,000)

Dr Samantha Burgess left the MMO on 9 January 2015. Dr Dickon Howell was appointed as Acting Chief Scientific Advisor on 19 January 2015, his actual salary earned in 2014/15 was within the range £10,000 - £15,000 (FYE £65,000 - £70,000).

Directors' remuneration - (subject to audit)

The MMO Directors have the authority and responsibility for directing and controlling the major activities during the reporting period of 2014/15 and have influence over the entity as a whole. The salaries reported are actual expenditure incurred in the year; where a Director has been in post less than a year, the full year equivalent (FYE) is given beneath the actual amount.

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

Director	Role	Appointment date	End date	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
				2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
John Tuckett	Chief Executive Officer	19/01/2015	19/01/2018	20 - 25 (FYE 115 - 120)	-	-	-	-	-	9	-	30-35	-
James Cross	Chief Executive Officer	14/12/2011	29/08/2014	55 - 60 (FYE 110 - 115)	110 - 115	5 - 10	-	-	-	19	26	80-85	135 - 140
Andy Beattie	Acting Chief Executive Officer / Chief Operating Officer	01/09/2014	-	50 - 55 (FYE 90 - 95)	-	-	0 - 5	-	-	33	31	115-120	110 - 115
	Director of Operations	18/02/2013	31/08/2014	30 - 35 (FYE 75 - 80)	75 - 80	-	-	-	-	-	-	-	-
Steve Brooker	Director of Marine Development (Director of Operations from 1/09/2014 - 19/01/2015)	05/03/2013	31/08/2014	70 - 75	65 - 70	-	-	-	-	33	25	105-110	70 - 75
Michelle Willis	Chief Finance Officer	18/02/2013	-	70 - 75	60 - 65	5 - 10	0 - 5	-	-	50	45	130-135	105 - 110
Dickon Howell	Acting Director of Marine Development	22/09/2014	18/01/2015	20 - 25 (FYE 65 - 70)	-	-	-	-	-	11	-	30-35	-
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	09/04/2015	20 - 25 (FYE 65 - 70)	60 - 65	-	-	-	-	12	(6)	40-45	55 - 60
Liz Humphreys	Director of Corporate Services	08/11/2010	31/12/2013	-	50 - 55 (FYE 65 - 70)	-	-	700	-	-	3	-	70 - 75
Band of highest paid executive disclosed in remuneration report (£'000)				115 - 120	110 - 115								
Median total remuneration (£)				27,284	25,845								
Ratio				4.3	4.4								

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

The remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and cash equivalent transfer of pensions. The banded remuneration of the highest-paid Director in the MMO in financial year 2014/15 was £115,000 to £120,000 (2013/14: £110,000 to £115,000). This was 4.3 times the median remuneration of the workforce, which was £27,284 (2013/14: 4.4 times median of £25,845). The median salary used in the fair pay disclosure has been calculated using salaries for all MMO staff, including those funded by EFF technical assistance, as detailed in Note 3 of the Annual Accounts.

Overall performance has been assessed against work objectives, the MMO core competence framework and role profiles. Bonus payments for each of the performance years have been made as a non-consolidated pay award where an individual has been awarded an exceeded mark. Bonus payments have been subject to moderation and the award made to James Cross and Michelle Willis was within the parameters set out in the MMO Pay Remit approved by the DEFRA Secretary of State and the MMO Remuneration Committee.

Notes

- A.** James Cross, Chief Executive Officer, left the MMO on 29 August 2014
- B.** Andy Beattie was appointed to the role of Acting Chief Executive Officer on 1 September 2014 and was appointed to the role of Chief Operating Officer on 19 January 2015.
- C.** John Tuckett was appointed to the role of Chief Executive Officer on 19 January 2015.
- D.** Steve Brooker was appointed to the role of Director of Operations on 1 September 2014 and then to the role of Director of Marine Development on 19 January 2015.
- E.** Dickon Howell was appointed to the role of Acting Director of Marine Development on 22 September 2014 and then to the role of Acting Chief Scientific Advisor and Director of Information on 19 January 2015.
- F.** Bonuses awarded in the 2014/15 year are in respect of performance in the 2013/14 year and bonuses awarded in the 2013/14 year are in respect of performance in the 2012/13 year.
- G.** During 2014/15 Carolyn Cadman and Liz Humphreys took early release through the MMO Voluntary Early Release scheme and left the MMO on 9 April 2015 and 21 April 2015 respectively. Please see page 39 of the Remuneration Report for further details.

Retirement and pensions

(further details can be found in note 3 to the accounts)

Pensions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). No Directors retired in 2014/15, however, two Directors left through the MMO Voluntary Exit Scheme (see below).

Early departure costs

In 2013/14 the MMO undertook an Organisational Development Programme on 1 September 2013, which included a provision for Voluntary Early Release which expired on 31 March 2015. During 2014/15 Carolyn Cadman and Liz Humphreys took early release through the scheme, leaving the MMO on 9 April 2015 and 21 April 2015 respectively. Liz Humphreys had been on a period of outward secondment since 31 December 2013, however, this ended in March 2015. Their departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 2010 and details of the amounts paid are as follows:

Liz Humphreys: £121,392

Carolyn Cadman: £82,237

These costs have been recognised within Note 3 of the Annual Accounts, however, payment will be made in May 2015.

The MMO is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early

Off-payroll engagements

There have been no off-payroll engagements during 2014/15.

John Tuckett
Chief Executive Officer and Accounting Officer
7 July 2015

J. F. Tuckett

Pension benefits - (subject to audit)

Senior Leadership Team	Real increase in pension (£'000)	Real increase in lump sum (£'000)	Value of pension at 31/03/2015 (£'000)	Value of lump sum at 31/03/2015 (£'000)	CETV at 01/04/2014 (£'000)	CETV at 31/03/2015 (£'000)	Real increase in CETV (£'000)
John Tuckett	0.0 - 2.5	-	0.0 - 2.5	-	-	9	7
James Cross	0.0 - 2.5	-	20 - 25	-	246	262	11
Andy Beattie	0.0 - 2.5	-	5 - 10	-	63	86	12
Steve Brooker	0.0 - 2.5	-	5 - 10	-	69	103	15
Michelle Willis	2.5 - 5.0	-	15 - 20	-	154	196	29
Dickon Howell	0.0 - 2.5	-	5 - 10	-	56	64	2
Carolyn Cadman	0.0 - 2.5	0.0 - 2.5	10 - 15	40 - 45	160	175	6

Governance Statement

Introduction

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

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

Oversight by the Department for Environment, Food and Rural Affairs

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

Governance within the Marine Management Organisation

The MMO Board is responsible for setting the overall strategic direction of the MMO and evaluating its performance. Sir William Callaghan is Chair of the Board and has responsibility for ensuring that MMO policies and activities support the wider policies of the Secretary of State (SoS) and its decisions comply with statute and any direction given by the SoS.

The Board comprises nine Non-Executive Board members. A full list of Non-Executive Board members is included at page 35.

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

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

The MMO has in place financial and non-financial Schemes of Delegation; guidance on regularity and propriety; anti-fraud policy and procedure together with a whistle blowing procedure to comply with the Public Interest Disclosure Act 1998. This has been reviewed during 2014/15 to ensure that it continues to meet all statutory requirements.

The Board delegates certain responsibilities to its principal committees: the Audit and

Risk Assurance Committee (ARAC) and the Remuneration Committee. The Terms of Reference for these committees are reviewed regularly by the Board and they are each chaired by a Board member. In addition to these committees, the MMO is supported by the role of Chief Scientific Advisor on matters of science and evidence.

Board and Committee Activity and Performance

Board

The MMO Board considers standard agenda items which include the approval of previous Board minutes, a Chief Executive Officer's report, a Health, Safety and Wellbeing report, corporate performance against the Strategic Outcomes as set out within the Corporate Plan, financial reporting and risk management and reports from its committees and reviews of their Terms of Reference. Attendance at Board meetings in 2014/15 was good.

During 2014/15, the Board considered the following which were identified as principal areas of progress or to be significant issues:

- Organisational and strategic review
- Financial strategy
- Marine planning pathway to 2021
- Corporate Plan
- Corporate and key operational risks
- Fisheries management, including data processes and practices
- European Fisheries Fund / European Maritime and Fisheries Fund
- Scheme of Delegations
- One Business (Strategic Alignment) Programme
- Staff Survey Results
- ICT
- Succession Planning
- Choice of marine laboratories for MMO customers
- Regulation of Investigatory Powers Act 2000 (RIPA)
- Management and enforcement of marine protected areas

This approach has ensured that appropriate direction and escalation has been provided following substantive challenge and debate; all of which are formally documented. Board members also supported three internal working groups formed by Directors to consider resources; outcome-focussed compliance and ways of working.

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

The Board held a facilitated workshop in November 2014 to review its effectiveness informed by the results of questionnaires completed by Board members and the Senior Management Team. The review of effectiveness drew upon best practice from HM Treasury's Corporate Governance Code principles:

- Objectives, strategy and remit
- Performance measurement
- Relationships with key stakeholders
- Risk management
- ARAC, internal audit, propriety and corporate reporting
- The Boardroom

During the workshop, members and attendees discussed the points flagged by participants as either needing discussion or where the Board was considered to be not currently demonstrating best practice. Key areas discussed included working groups; strategy (including the ICT); (relationships with) other government departments; views of major stakeholders; measures of success; statutory requirements; strategic choices and potential for self-regulation. The Board also concluded that issues raised in the previous review had been addressed.

Overall, the Board was felt to be performing effectively with eleven actions identified to further enhance performance. A paper, summarising the discussion and actions agreed, arranged around the key principles of HM Treasury's Corporate Governance Code, was agreed by the Board in February 2015.

As part of its commitment to openness and transparency, the MMO Board convened an open Board meeting in June 2014 in which members of the public were welcome to attend and observe and it also provided the opportunity for members of the public to ask questions of the MMO Board or Senior Management Team in attendance.

The MMO Chair has completed performance reviews of all Non-Executive Board members in the reporting period, taking account of performance during 2014/15 and reflecting on individual portfolios of responsibility and discussing priorities for the future.

I can confirm that no Ministerial Directions have been received this year in the MMO.

Audit & Risk Assurance Committee (ARAC)

The ARAC currently comprises three Non-Executive Board members. The Board receives ARAC minutes and reports from the ARAC Chair concerning the work of the Committee.

An Annual Report on the key business conducted through the year is produced in support of this Governance Statement. The principal focus for activities is documented in the ARAC Terms of Reference. Attendance at ARAC meetings in 2014/15 was good.

The ARAC provides an independent view on the appropriateness and adequacy of MMO governance, risk management and assurance processes. It provides constructive challenge and advice, taking account of risks, on the effectiveness of the MMO's control environment.

The ARAC conducted its annual review of its effectiveness in March 2015, building upon a previous exercise which explored the views of constituent ARAC members and attendees on the good practice principles established within HM Treasury's Audit and Risk Assurance Committee Handbook. During the review, members and attendees discussed the points flagged by participants as either needing discussion or where the Committee was considered to be not currently demonstrating best practice. The overall conclusion was that the ARAC is highly effective but with a small number of actions identified. The output from the review will inform any revisions to the ARAC Terms of Reference.

During the year, the ARAC considered a variety of items which included:

- Corporate and Strategic Risks
- Annual Report and Accounts (interim/final)
- Assurance mapping
- ICT
- Fisheries data processes and practices
- Internal Audit Programme
- External Audit
- Drill downs including SSCL transformation, Scheme of Delegations, overtime, anti-fraud and bribery, performance reporting to the Board, licensing income and income generation.

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

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

Remuneration Committee

The Remuneration Committee currently comprises three Non-Executive Board members. The Remuneration Committee met four times during 2014/15. The objective of the Committee is to provide assurance to the Board on the governance of remuneration and other staffing systems and processes, with the principal focus of activities disclosed within the Committee's Terms of Reference. In accordance with best practice, it is a standard part of the Committee's dealings to report to the Board after every meeting and to produce a formal report on key business conducted at the end of each year. Attendance at Remuneration Committee meetings in 2014/15 was good.

Data Quality to support the Board's needs

The MMO Board agrees the form and content for all reports to be considered at Board meetings, which are minuted and coordinated by the Board Secretariat. All papers brought to the Board for discussion are validated and approved by each Director for their area of responsibility; this ensures completeness, accuracy and quality so that the content of all papers is of a standard expected for Board consideration.

The Board has not raised any specific concerns with the quality of the information provided.

Compliance with the Corporate Governance Code

The MMO is required to comply with the provisions in the Corporate Governance Code or explain where it has not done so. The only provision of the code that the Board has not complied with is the requirement for a Nominations and Governance Committee.

The code indicates that the role of a Nominations and Governance Committee is to:

- Ensure that there are satisfactory systems for identifying leadership and high potential;
- Scrutinise the incentive structure and succession planning for the Board and senior leadership;
- Scrutinise governance arrangements.

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

Risk, controls and compliance

The MMO operates a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. The risk management strategy includes the articulation of MMO risk appetite and the defining of the four layers of stratified risk, i.e. strategic, corporate, key operational and business as usual.

The Performance and Risk Management Board, chaired by the Accounting Officer, scrutinises organisational progress on performance, risk management and financial management on a monthly basis. This ensures risk is managed in a way that coordinates effort, minimises duplication, sets direction, creates an audit trail and enables timely decision making around risk management.

During the year, the following key risks were recorded on and mitigated through the MMO's corporate risk register as having the potential to affect our business success, credibility and relationships with partners:

Risk: Inability to enforce European Union fisheries regulation and demonstrate compliance leads to a risk of infraction, penalties and seriously affecting MMO reputation

This risk was mitigated in year by the Senior Management Team by prioritising recruitment of critical vacancies; performing root and branch review of fisheries Information and Communications Technology, to develop and implement improvements; preparing action plans to address weaknesses identified in EC audits; increased dialogue with EC leadership and accessing

available European Funding to increase investment in fisheries operations.

Risk: Limited ability to prepare for Common Fisheries Policy Reform implementation due to a lack of organisation resilience in that area of the business

This risk was mitigated by focusing recruitment on priority areas of the business to ensure statutory delivery is maintained in line with risk appetite; building capacity within the workforce through the utilisation of existing skills and knowledge sharing.

Risk: In light of budget restrictions in 2014/15 and 2015/16, we fail to deliver our statutory duties and / or our reputation is significantly damaged

This risk was mitigated in year by the Senior Management Team through a robust monthly cycle of review including budget meetings and financial toolkits; scrutiny by the Performance and Risk Management Board to ensure that resources are allocated to priority areas and any opportunities are released for investment elsewhere; savings in key contracts including a review of the MMO's contract with Cefas and other contracts.

The letters of assurance completed by members of the Senior Management Team and Heads of Function at the end of the financial year included all risks which continue to be managed and confirmed that the MMO risk process has been followed.

During the year, MMO has continued with a fundamental review of a range of HR and other policies and procedures, including strategic HR approach, Scheme of Delegations and assurance mapping. When complete, this will result in a range of actions which will be addressed in the 2015/16 audit assurance programme.

Information risk management

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

The MMO has undertaken a comprehensive risk assessment and treatment of Information Assets and in 2014/15 received full IT risk management accreditation from the UK competent authority. The risk treatment work has also been supplemented by development of ISO 22301 standard compliant business continuity planning framework for the organisation.

The MMO has started phased implementation of the Integrated Management System with the view to gain ISO9001 and ISO14001 certificates from UKAS (United Kingdom Accreditation Service) for the organisational quality and environmental management processes and to demonstrate a commitment to customer focus, quality, continuous improvement and operating in an environmentally sustainable manner.

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

The MMO has fully participated in the Macpherson review of quality assurance of government models. The MMO does not own

any business critical models but has in place appropriate quality assurance arrangements that could be (i) used in future if any models were to fall within scope, and (ii) are currently used to assure the quality of information contributed to other models.

Findings from Internal Audit, External Audit and other reviews

Internal Audit

The Head of Internal Audit's (HIA's) Annual Report has provided an opinion of 'moderate assurance', which means that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Their opinion has been formed based on:

- an assessment of the design and operation of the risk management framework; and
- an assessment of the range of individual assurances arising from their risk-based internal audit assignments that have been reported throughout the period.

Their plan of work was based on the risks identified by the Senior Management Team of the MMO and specific areas of focus were decided following discussion with Non-Executive Board members, including the Audit and Risk Assurance Committee (ARAC).

The Senior Management Team has identified four internal control issues which are: Data Entry and Accuracy; Electronic Recording System; Decision making in Licensing and the downwards revaluation (impairment) of Pan-UK projects, which remain on the agenda for ARAC and continue to be reflected in the 2015/16 Internal Audit Plan.

External Audit

There are no outstanding management issue(s) from the 2013/14 audit and all management actions were reviewed as part of the 2014/15 Interim Audit.

Conclusion

Overall, there are no significant control weaknesses to report and the effectiveness of the overall governance and risk frameworks has continued to be demonstrated. A comprehensive process of risk management was in place throughout the year and the three key risks identified in this Governance Statement have been effectively monitored and managed through the control frameworks.

I was appointed Accounting Officer on 19 January 2015 replacing James Cross. In order to provide this opinion for the period 1 April 2014 to 31 March 2015, I have received advice and assurances from various sources including: James Cross as outgoing Accounting Officer; the Non-Executive Board; the Audit and Risk Assurance Committee; Internal Audit; External Audit and the Directors. As Accounting Officer, I have received all relevant material and assurance to form my overall opinion.

John Tuckett
Chief Executive Officer and Accounting Officer
7 July 2015

J. F. Tuckett

Marine Management Organisation

Annual accounts

For the year ended 31 March 2015

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

I certify that I have audited the financial statements of the Marine Management Organisation for the year ended 31 March 2015 under the Marine and Coastal Access Act 2009. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Marine Management Organisation's affairs as at 31 March 2015 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Marine and Coastal Access Act 2009 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Marine and Coastal Access Act 2009; and
- the information given in the Strategic Report and Directors' 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.

Sir Amyas C E Morse

13 July 2015

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2015**

	Note	2014/15 £'000	2013/14 £'000
Expenditure			
Staff Costs	3	10,671	13,022
Other Expenditure	4	13,397	17,625
Total Expenditure		24,068	30,647
Income			
Total Income	5	(2,485)	(2,842)
Net Expenditure		21,583	27,805
Net (Gain) / Loss on revaluation of Property, Plant and Equipment		0	1
Net (Gain) / Loss on revaluation of Intangibles	6	(11)	128
Total Comprehensive Expenditure for the year ended 31 March 2015		21,572	27,934

The notes on pages 54 to 74 form part of these accounts.

Statement of Financial Position as at 31 March 2015

	Note	31 March 2015		31 March 2014	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment		105		151	
Intangible assets	6	1,031		1,504	
Total non-current assets			1,136		1,655
Current assets:					
Trade and other receivables	9	2,118		1,376	
Cash and cash equivalents	10	0		5,069	
Total current assets			2,118		6,445
Total assets			3,254		8,100
Current liabilities:					
Trade and other payables	11	(6,904)		(11,059)	
Cash and cash equivalents	10	(1,125)		0	
Provisions		(389)		(489)	
Total current liabilities			(8,418)		(11,548)
Total assets less current liabilities			(5,164)		(3,448)
Non-current liabilities:					
Other payables	11	(133)		(160)	
Total non-current liabilities			(133)		(160)
Assets less liabilities			(5,297)		(3,608)
Taxpayers' equity:					
General reserve			(5,368)		(3,682)
Revaluation reserve			71		74
			(5,297)		(3,608)

The Accounting Officer authorised these financial statements for issue on 7 July 2015.

John Tuckett
Chief Executive Officer and Accounting Officer
7 July 2015

J. F. Tuckett

The notes on pages 54 to 74 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2015

	Note	2014/15 £'000	2013/14 £'000
Cash flows from operating activities			
Net Surplus		(21,583)	(27,805)
Adjustments for depreciation and amortisation	4	540	636
Adjustment for net loss on revaluations of PPE and Intangibles	4	0	20
Adjustment for gain on disposal of PPE	4	0	(31)
Adjustments for non-cash transactions	4	(4)	(197)
(Increase)/decrease in trade and other receivables	9	(742)	176
Increase/(decrease) in trade payables and other liabilities	11	(4,182)	(42)
Impairment of intangible construction in progress	4	369	659
Less movements in payables relating to IFRIC 12		61	125
Use of provisions		(99)	124
Net cash outflow from operating activities		(25,640)	(26,335)
Cash flows from investing activities			
Purchase of property, plant and equipment		0	(30)
Purchase of intangible assets	6	(388)	(463)
Proceeds of disposal of property, plant and equipment		0	31
Net cash outflow from investing activities		(388)	(462)
Cash flows from financing activities			
Grant from Defra		19,883	31,707
Capital element of payments in respect of finance leases	11	(49)	(40)
Net financing		19,834	31,667
Net increase in cash and cash equivalents in the period		(6,194)	4,870
Cash and cash equivalents at the beginning of the period		5,069	199
Cash and cash equivalents at the end of the period		(1,125)	5,069

The notes on pages 54 to 74 form part of these accounts.

**Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2015**

	Note	General Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2013		(7,602)	219	(7,383)
Changes in Taxpayers' Equity for 2013/14				
Grants from parent department - revenue		31,214	0	31,214
Grants from parent department - capital		493	0	493
Net gain/(loss) on revaluation of property, plant and equipment		0	1	1
Net gain/(loss) on revaluation of intangible assets		0	(128)	(128)
Transfers between reserves		18	(18)	0
Recognised in Statement of Comprehensive Net Expenditure		(27,805)	0	(27,805)
Balance at 31 March 2014		(3,682)	74	(3,608)
Changes in Taxpayers' Equity for 2014/15				
Grants from parent department - revenue		19,495	0	19,495
Grants from parent department - capital		388	0	388
Net gain/(loss) on revaluation of intangible assets		0	11	11
Transfers between reserves		14	(14)	0
Recognised in Statement of Comprehensive Net Expenditure		(21,583)	0	(21,583)
Balance at 31 March 2015		(5,368)	71	(5,297)

The notes on pages 54 to 74 form part of these accounts.

Notes to the Accounts

Note 1 Statement of accounting policies

1.1 Requirement to prepare accounts

These accounts are for the year ended 31 March 2015 and have been prepared in accordance with the Marine and Coastal Access Act (MCAA) 2009 and the Secretary of State direction there under.

The financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marine Management Organisation (MMO) for the purpose of giving a true and fair view, has been selected.

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

1.2 Accounting convention

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

1.3 Going concern

The accounts have been prepared on a going concern basis. In common with other Non Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of grant-in-aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2015/16 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the Governments' commitment to increase transparency and accountability of public services, Defra completed a review of its arm's length bodies in October 2010, and confirmed that the MMO will be retained as an executive NDPB, on the grounds of performing a technical function which should remain independent.

1.4 Non-current assets

1.4.1 Property, plant and equipment: recognition and measurement

Property, plant and equipment are capitalised by the MMO where the purchase cost is £2k or more and where there is an expected useful economic life of more than one year. On initial recognition they are measured at cost, including any additional expenditure such as installation directly attributable to bringing them into working condition.

During 2014/15, the MMO held no freehold property in its own control, but occupied 21 properties where the freehold was held by Defra or private landlords. Where these constitute non-current assets, they are reported in the accounts of Defra. MMO's occupation of these properties is accounted for on an operating lease basis.

The MMO has no heritage or infrastructure assets.

1.4.2 Intangible non-current assets: recognition and measurement

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

1.5 Revaluation

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

1.6 Depreciation and amortisation

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

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

1.7 Impairment

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

1.8 Service concession arrangements

Defra has entered into a contract with IBM for the supply of IT services for which the MMO receives benefits. The contract is for a term of eight years commencing February 2010. The contract falls within the scope of IFRIC 12 and the MMO's share is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM for MMO to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the MMO will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight

line basis consistent with the Department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

1.9 Employee benefits

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

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

1.10 Grants and subsidies

The MMO has a role designated by the Secretary of State as the UK European Fisheries Fund (EFF) Managing Authority and the Intermediate Body for England, carrying out duties in the capacity as Agent for Defra, as the Principal. The transactions of grant expenditure and the funding amounts reclaimed from the European Commission (EC) feature in Defra's Resource Accounts and not the MMO's Accounts. The Defra Resource Accounts include only those transactions which are in relation to the activities of the England Intermediate Body only.

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

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

1.11 Income

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

1. From 6 April 2011, fees and charges were issued under the regulations made under powers in the MCAA 2009. This statutory instrument allows charging for marine licensing activities on a tier basis, depending on the criteria of an application.

The income recognition point for MCAA 2009 Tier 1 and 2 fixed fees is based on issuing the licence and fees are designed to recover the upfront administration costs of issuing.

The deferred income accounting policy for the MCAA 2009 marine licences is based on the MMO having 13 weeks to issue a new licence (previously 10 weeks to either issue or provide an application status update) and an estimate is made to measure the amount of work completed on licence applications progress. The most appropriate means of recognising deferred income is by reference to the 13 week period. With effect from 6 April 2014, a revision to the licensing Statutory Instrument came into effect and any licence application in progress at the time of implementation would be charged the lower of the two fee structures on licence determination. In preparation of this, upfront payments relating to Tier 2 licence applications received after 1 February 2014 were not requested to reduce the risk of overcharging customers and issuing refunds.

The income recognition point for MCAA Tier 3 licences is at the point of invoice, until such time activity is recorded, accrued and invoiced monthly in arrears. The requirement for the upfront payment of a deposit on Tier 3 applications ceased on 2 September 2013. This was changed to remove the need for refunds to be made on applications where the size and scope of the activity undertaken was below the level estimated.

From 6 April 2014, fees and charges issued as part of the Marine Licensing (Application Fees) Regulations 2014, supported by powers on the MCAA 2009. This revised statutory instrument allows charging for marine licence activity on a band basis, depending on the criteria of an application, as follows:

- i. Band 1, Band 2a and Band 2b are capped fees payable in full in advance, and are recognised at the point of receipt.
 - ii. Band 2c, 2d and 2e are hourly fees charged up to a capped limit, invoiced in arrears, and are recognised on an accruals basis.
 - iii. Band 3 are uncapped hourly fees, invoiced in arrears and are recognised on an accruals basis.
2. The Public Bodies Act 2011 allows the Secretary of State to change the funding arrangements of certain bodies such as the MMO by means of an order. From 1 October 2014, changes to MMO's charging powers were made in an Order under section 4 of the Act allowing the MMO to recover costs incurred in monitoring sites where licensable activity is taking place, reviewing monitoring reports required from licensing holders, and in varying existing licences. Revisions to the statutory instrument made provision for changes to the Act, where such income is recognised on an accruals basis.
3. Fees for dredging licences issued under the Food and Environment Protection Act 1985 (FEPA) in respect of dredging, construction and disposals of waste material in the marine environment. The income recognition for FEPA licences is based on the arrangements made with the applicant for an annual charge which is invoiced monthly in arrears.
4. Fees for dredging licences are issued under the Marine Works Regulations (as amended in April 2011) and inshore and offshore Habitats Regulations. Fees for Environmental Impact Assessment (EIA) decisions relating to marine works are charged under the Marine Works Regulations (as amended in April 2011). New and outstanding applications for extraction of minerals by marine dredging have transitioned into marine licence applications.

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

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

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

1.12 Provisions

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

1.13 Value Added Tax (VAT)

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

1.14 Contingent liabilities and remote liabilities

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

1.15 Financial instruments

1.15.1 Financial assets

The MMO holds trade receivables in this category. These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value

or recoverable amount. Provision is made when there is objective evidence that the asset is impaired. Balances are written off to net expenditure when the probability of recovery is assessed as being remote, or is uneconomic to do so.

1.15.2 Financial liabilities

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

1.15.3 Derivative financial instruments and hedging

The MMO is required to disclose the role that financial instruments had at 31 March 2015 in creating or changing the risks faced by the MMO in undertaking its activities.

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

Note 1.16 Impending application of newly issued accounting standards not yet effective

All International Financial Reporting Standards (IFRS), Interpretations and Amendments to Published Standards, effective at 31 March 2015, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

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

Note 2 Analysis of net expenditure by segment

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

Strategic Outcome	Description	2014/15			2013/14		
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
1	Marine businesses are supporting sustainable growth in the UK economy	5,857	(2,073)	3,784	8,388	(2,081)	6,307
2	The marine environment is protected for current and future generations	6,933	(158)	6,775	9,506	(500)	9,006
3	The continuous development of coastal communities is encouraged	4,618	(15)	4,603	6,258	(199)	6,059
4	Our decisions are trusted	3,170	(239)	2,931	3,248	(49)	3,199
5	We are recognised to be a highly effective public body	3,490	0	3,490	3,247	(13)	3,234
Total		24,068	(2,485)	21,583	30,647	(2,842)	27,805

Note 3 Staff numbers and related costs

	2014/15 Permanently employed £'000	2014/15 Others £'000	2014/15 Total £'000	2013/14 Total £'000
Wages and salaries	7,948	360	8,308	9,871
Pension costs	1,460	0	1,460	1,834
Social security costs	658	0	658	786
Voluntary Early Release	245	0	245	531
Total Staff Costs	10,311	360	10,671	13,022

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments and temporary agency staff.

Total staff costs exclude £494k relating to 13 staff on the European Funding Teams, who are funded by European Fisheries Fund (EFF) technical assistance. As these staff remain employed by MMO, they have been included in the staff numbers disclosures.

Information relating to senior MMO staff salaries and other benefits in kind is disclosed within the Remuneration Report on page 34 of the Annual Report.

Average Number of Full Time Equivalent Staff	2014/15 Number of people	2013/14 Number of people
Directly Employed	271	307
Inward Secondments	3	2
Temporary Agency Staff	5	0
Total	279	309

Pensions

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

From 1 April 2014 to 31 March 2015, employers' contributions of £1,460k were payable to the PCSPS (2013/14: £1,822k) at one of four rates in the range of 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the period under review, to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1k were paid to one or more of the panel of three appointed stakeholder pension providers (2013/14: £11k). Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £5k, under one per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No employees have retired early on ill health grounds (2013/14: none). Ill health retirements are met by the pension scheme and are not included in the table above.

Reporting of Civil Service exit packages

During 2014/15 MMO had an ongoing Voluntary Exit Scheme, covering the period from September 2013 to 31 March 2015. Four employees took voluntary early release through this scheme. Their departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 2010.

Exit package cost band	2014/15		2013/14	
	Total number of exit packages by cost band	Total resource cost £'000	Total number of exit packages by cost band	Total resource cost £'000
£10,000 - £25,000	2	43	7	116
£25,000 - £50,000	0	0	3	136
£50,000 - £100,000	1	82	4	279
£100,000 - £150,000	1	120	0	0
Total number of exit packages	4	245	14	531

Note 4 Other expenditure

	Note	2014/15 £'000	2013/14 £'000
CEFAS Scientific Support for Marine Environment Work		2,606	3,720
Aerial, Surface and Satellite Surveillance		2,075	3,633
IBM Service Concession Arrangement		1,665	1,899
Estate Management		1,082	953
Other ICT		884	828
Travel, Subsistence and Hospitality		705	905
Shared Services (SSCL)		559	211
Rentals payable under operating leases		500	559
Data and Evidence		481	1,278
Prosecutions and Legal Services		410	444
Consultancy Charges		332	152
Other Programme Costs		289	209
Defra Support Charges		250	446
Data Collection Framework		247	189
Training		220	286
EU Aid		118	347
Audit Fees - Internal Audit		115	122
Audit Fees - External Audit (National Audit Office)		53	55
Grant Expenditure		0	178
Profit on disposal		0	(31)
Non-cash			
Amortisation	6	503	598
Impairment of intangible construction in progress	8	369	659
Provisions provided for in period		355	387
Depreciation		37	38
Loss on revaluation		0	20
IBM Service Concession Arrangement		(4)	(197)
Utilisation of provision		(153)	(58)
Provisions not required and written back		(301)	(205)
Total		13,397	17,625

Note 5 Income

	2014/15 £'000	2013/14 £'000
Marine Licences (Marine and Coastal Access Act 2009)	2,028	1,746
Food and Environment Protection Act licence fees	0	272
Proceeds of Crime Act	0	179
Welsh Government Aerial Surveillance contribution	0	42
EU Data Collection	105	40
EU Aid for Fisheries Enforcement	109	526
Oil Spill Products	30	0
Professional Training	27	22
Other Income	186	15
Total Programme Income	2,485	2,842

Fees and charges (recovered costs)

Financial objective 2014/15	Income £'000	Full Cost £'000	(Deficit) £'000
Marine Licences (Marine and Coastal Access Act 2009)	2,028	2,191	163
	2,028	2,191	163

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

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

On 6 April 2011, the MMO implemented a new fees and charging instrument, underpinned by the MCAA 2009. Fees are charged for licensing activities on a tier basis using either a fixed fee (Tier 1, Tier 2) or hourly charge (Tier 3) depending on the criteria of the application. Income recognised in 2014/15 relating to the 2011 charging instrument was £76k.

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

On 6 April 2014, the MMO implemented a revision of the fees and charging instrument, underpinned by the MCAA 2009. Fees are charged for licensing activities on a tier basis using either a capped (Band 1, Band 2) or hourly charge (Band 3) depending on the criteria of the application. Of the MCAA 2009 marine licensing income recognised in 2014/15, £1,920k related to the implementation of the 2014 charging instrument, £28k related to navigational dredging and £259k for monitoring and varying marine licences under the new powers of Order to the Public Bodies Act 2011 effective from 1 October 2014.

Cost recovery deficit of £163k relating to MCAA 2009 marine licences has materialised due to limitations within the current statutory instrument which restrict MMO ability to recover all chargeable costs, where appropriate.

Note 6 Intangible assets

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

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Asset Financing			
Owned	674	357	1,031
On-balance sheet (SoFP) other service concession arrangements	0	0	0
Net Book Value at 31 March 2015	674	357	1,031

Internally generated intangible assets classified as construction in progress are development costs for a number of information systems. Development costs this year relate only to the addition of new Marine Case Management System functionality.

The impairment of assets under the course of construction relate to the Electronic Reporting System and the Fisheries Electronic Data Exchange (See note 8).

The last revaluation of intangible assets was carried out on 31 March 2015.

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Cost or valuation			
At 1st April 2013	3,331	903	4,234
Additions	0	463	463
Transfers (Completed/Capitalised CIP)	204	(204)	0
Impairment	0	(659)	(659)
Revaluation	(298)	0	(298)
At 31 March 2014	3,237	503	3,740
Amortisation			
At 1st April 2013	1,788	0	1,788
Charged In period	598	0	598
Revaluation	(150)	0	(150)
At 31 March 2014	2,236	0	2,236
Net Book Value at 31 March 2013	1,543	903	2,446
Net Book Value at 31 March 2014	1,001	503	1,504

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Owned	1,001	503	1,504
On-balance sheet (SoFP) other service concession arrangements	0	0	0
Net Book Value at 31 March 2014	1,001	503	1,504

Note 7 Financial instruments

As the cash requirements of the MMO are met through Grant-in-Aid provided by Defra, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the MMO's expected purchase and usage requirements and the MMO is therefore exposed to little credit, liquidity or market risk.

Note 8 Impairments

	2014/15 £'000	2013/14 £'000
Charged to SoCNE	369	659
Total Impaired	369	659

Impairments during 2014/15 have been recognised in the Statement of Comprehensive Net Expenditure under Other Expenditure, across strategic outcomes three and four with no associated movement between the revaluation reserve and the general reserve.

Impairment of both the Electronic Reporting System and the Fisheries Electronic Data Exchange follows a review of the substance of contracts relating to the ownership of Pan-UK assets supporting operational delivery. The review concluded that the MMO did not have either ownership of the assets or intellectual property rights; as such the fair value of the assets has been impaired.

Note 9 Trade receivables and other current assets

	31 March 2015 £'000	31 March 2014 £'000
Amounts falling due within one year		
Trade Receivables	1,130	667
Impairment of Trade Receivables	(141)	(103)
Deposits and Advances	20	32
Prepayments and Accrued Income	1,109	780
Total	2,118	1,376

There were no receivables falling due after more than one year at 31 March 2015 or 31 March 2014.

Analysis by sector

	31 March 2015 £'000	31 March 2014 £'000
Other central government bodies	165	128
Local authorities	51	0
Bodies external to government	1,902	1,248
Total	2,118	1,376

Note 10 Cash and cash equivalents

	31 March 2015 £'000	31 March 2014 £'000
Balance at 1 April 2014	5,069	199
Net Changes in Cash and Cash Equivalent Balances	(6,194)	4,870
Balance at 31 March 2015	(1,125)	5,069

Cash is held in accounts which are provided by Government Banking Services. The current provider is Citibank.

Note 11 Trade payables and other current liabilities

	31 March 2015 £'000	31 March 2014 £'000
Amounts falling due within one year		
Trade Payables	569	3,782
Other taxation and social security	50	250
Accruals and Deferred Income	2,963	2,911
Other Payables:		
Defra Network	1,514	3,282
IBM Service Concession	75	60
Aerial & Surface Surveillance	1,733	774
Total due within one year	6,904	11,059
Amounts falling due after more than one year		
IBM Service Concession	133	160
Total due after more than one year	133	160
Total	7,037	11,219

Analysis by sector

	31 March 2015 £'000	31 March 2014 £'000
Other central government bodies	3,311	7,895
Local authorities	7	7
Bodies external to government	3,719	3,317
	7,037	11,219

Note 12 Commitments under leases

Operating leases

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

	31 March 2015 £'000	31 March 2014 £'000
Buildings		
Not later than one year	238	368
Later than one year and not later than five years	147	353
Later than five years	15	36
	400	757
Other		
Not later than one year	81	116
Later than one year and not later than five years	149	85
Later than five years	0	0
	230	201

As at 31 March 2015, 29 cars were leased over a period of three to four years which is reflected in the other operating lease commitments above.

Note 13 Commitments under PFI and other service concession arrangements contracts

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

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

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

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

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of contract, although the Department, including MMO, has the option to purchase specified assets at net book value on exiting the contract. This gives the Department, including MMO, control of the assets during the life of the contract.

Total obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	82	65
Later than one year and not later than five years	153	195
Later than five years	0	0
	<hr/> 235	<hr/> 260
Less interest elements	(27)	(39)
Present value of obligations	208	221

Present value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	75	60
Later than one year and not later than five years	133	161
Later than five years	0	0
Total present value of obligations	208	221

Note 14 Other financial commitments

The MMO entered into non-cancellable contracts (which are not leases or PFI contracts) as detailed below. The payments to which the MMO were committed at 31 March 2015, analysed by the period during which the commitment expires, are as follows:

	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	6,080	4,995
Later than one year and not later than five years	8,998	9,441
Later than five years	1,971	1,779
Total present value of obligations	17,049	16,215

Note 15 Contingent liabilities

The MMO has no contingent liabilities at 31 March 2015 and had none at 31 March 2014.

Note 16 Related party transactions

	31 March 2015		31 March 2014	
	Transactions £'000	Outstanding payable £'000	Transactions £'000	Outstanding payable £'000
Defra	3,611	669	4,488	1,316
Cefas	2,750	422	4,502	261
Sea Fish	824	187	594	88
Department of Energy and Climate Change	78	0	165	0
Natural England	15	0	17	0
Total	7,278	1,278	9,766	1,665

The MMO is an Executive NDPB sponsored by Defra. During the period to 31 March 2015, the MMO carried out a number of material transactions with Defra and other agencies and NDPBs of Defra. There were also material transactions with other Government departments. These are regarded as related parties.

Defra provided shared services support for information technology infrastructure, estates and accommodation, procurement, HR and other services.

Cefas, an Executive Agency of Defra, provided scientific research and advisory work to the MMO and hosting of Fisheries ICT systems.

The Sea Fish Industry Authority is a Defra NDPB working across all sectors of the seafood industry. It provides surveys and statistics on UK fish processing and the UK fishing fleet for use in the EU Data Collection Framework.

Department for Energy and Climate Change (DECC) provide hosting services for some of the MMO's IT systems.

Jane Ryder OBE is Non-Executive Board member and also holds the position of Deputy Chair on the Sea Fish Board. There have been financial transactions between MMO and Sea Fish as disclosed above. Jane had no personal involvement in these transactions.

Jayne Scott is Non-Executive Board member and is a partner in the consultancy firm Scott Ross Partnership. During the year, MMO received human resource advice from the Scott Ross Partnership amounting to £5k; Jayne had no personal involvement in these transactions. Jayne also holds a position of Audit Committee Member on DECC. There have been financial transactions between MMO and DECC as disclosed above. Jayne had no personal involvement in these transactions.

Nigel Reader CBE is a Non-Executive Board member and also chairs the MMO Audit and Risk Assurance Committee. Nigel holds a position on the Board of Natural England (NE) and also chairs the Audit and Risk Committee. There have been financial transactions between MMO and NE as disclosed above. Nigel had no personal involvement in these transactions.

Exit packages were agreed for two MMO Directors under the 2013/14 Voluntary Early Release Scheme. Full details of the exit packages can be found in the Remuneration Report on page 34.

The MMO maintains a formal register of interests which is referred to at each of its Board and Committee meetings, providing a mechanism for handling any conflicts of interest.

Note 17 Third-party assets

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

During 2014/15, the MMO received fishing administrative penalties imposed by English or Welsh courts on owners of fishing vessels in accordance with Sea Fishing (Penalty Notices) (England) Order 2011 SI 2011 No 758. MMO acts as custodian, however, it has no direct beneficial interest, therefore these monies are not included in the Accounts and will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

Funds received from Home Office through the Proceeds of Crime Act are a share of penalties imposed by the courts following the successful prosecution of offenders by the MMO during the period. Funds must be utilised within the financial year in which they are earned. At 31 March 2015 unutilised funds are held as a third party asset pending their return to Home Office.

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

The amounts are set out in the table below:

Monetary assets and monies on deposit	31 March 2014 £'000	Gross inflows £'000	Gross outflows £'000	31 March 2015 £'000
Court Costs	31	164	(181)	14
Fishing Admin Penalties	14	27	(1)	40
Proceeds of Crime Act Incentivisation from Home Office	227	5	0	232
Bonds	3	518	(433)	88
Total	275	714	(615)	374

Note 18 Events after the reporting date

There have been no significant events since 31 March 2015 that require disclosures. IAS 10 requires MMO to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

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