



marine
management
organisation

**Marine Management Organisation
Annual Report and Accounts
for the financial year ended
31 March 2012**

Presented to Parliament

Pursuant to Schedule 1, Sections 26, 27 and 28 of the Marine and Coastal Access Act 2009

Ordered by the House of Commons to be printed on 11 July 2012

© Crown copyright 2012

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

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

Any enquiries regarding this publication should be sent to us at The Marine Management Organisation, Lancaster House, Hampshire Court, Newcastle Business Park, Newcastle upon Tyne.

This publication is available for download at www.official-documents.gov.uk.

This document is also available from our website at www.marinemanagement.org.uk

ISBN: 9780102979299

Printed in the UK for The Stationery Office Limited

on behalf of the Controller of Her Majesty's Stationery Office

ID 2497521

07/12

Printed on paper containing 75% recycled fibre content minimum.



Foreword

In the second year of the Marine Management Organisation (MMO) we have continued to build on our knowledge, skills and experience, and delivered substantial successes for the marine area and the users of the sea.

The influence and contribution the marine industry has on the economic, social and environmental legacy of our seas and coasts are undeniable. Our move towards marine plan-led decision making will produce environmentally sustainable economic progress for England. We have managed the sustainable development of industries such as wind farms, fishing and port expansion, alongside the need to conserve and protect marine species and habitats.

Our decisions in the last year have helped to make sure that industries and the environment they operate within are sustainable for future generations. The majority of these decisions are issued quickly, giving clarity to licence applicants at the earliest opportunity and since April 2011, we have consented 296 licence applications of which 87 per cent were consented within 13 weeks. We have also contributed to the green growth agenda through our work in licensing renewable energy installations such as innovative wave technology. We have introduced management measures to marine protected areas that protect the environment and safeguard local community interests. For example in Studland Bay, management measures were introduced to limit boat moorings to prevent any damage to the sea grass habitat which supports the breeding population of seahorses in the area, and we are currently exploring via a pilot project installing eco moorings at Studland Bay to assist local boat owners whilst continuing to protect the environment. In addition, our organisation has helped the fishing industry to become more sustainable by awarding £4.73 million of European funding during the year to benefit fishermen, the fishing industry and coastal communities in England. We continue to put Government policy into practice, supporting fisheries reform and helping to implement innovative solutions to the challenges facing the industry for example through the catch quota trial scheme. Our local offices have strong and trusted relationships with the coastal communities they serve and help us to achieve our objectives at a local level.

We are both very pleased with the progress of our organisation and are proud of the significant challenges we have overcome in the last year. Our stakeholders and customers are very passionate about their local communities, economic growth and precious natural resources and potential conflicts are expected as we seek to balance the competing demands of our busy seas. We have been astute in our work, using robust evidence to inform our regulatory activities and making available our decision making to interested parties. Our challenges will continue as we forge ahead with the next marine plan areas and progress major decisions that help shape local communities and the natural environment. We will continue to provide opportunities for people to both get involved in, and understand, the decisions we make.

Our people are at the very heart of our success and have been key in overcoming the challenges we have faced in the last year. Their enthusiasm and commitment have helped us to achieve all of the objectives set out in our Corporate Plan 2011/15. We thank them for their drive, dedication and professionalism in making it possible to deliver our vision of enabling sustainable development in our seas. The expertise and skills of MMO staff are vital to our continuing success.

We look forward to working with our Board, our staff, our customers and stakeholders to deliver another successful year in 2012/13.



Sir Bill Callaghan
Chair



James Cross
Chief Executive Officer

Executive summary

This Annual Report covers the activity and performance of the Marine Management Organisation (MMO) in 2011/12, and reports on the execution of our responsibilities.

It is now two years since the MMO was established to make a significant contribution to sustainable development in the marine area. In our second year of operation, the MMO has successfully delivered all of the overall Strategic Outcomes set by the MMO Corporate Plan 2011/15.

This has been evidenced through our work in fisheries management, significant developments in marine licensing and the production of new marine plans. As the MMO progresses, our purpose remains to set the standard when integrating the social, environmental and economic considerations in the marine and coastal environment, ensuring we adhere to our legal obligations and remain consistent in our application of Government policy.

Notable achievements include:

- We have helped the fishing industry to become more sustainable by awarding over £20 million (cumulatively) of European funding to help it adapt and develop. This significant figure includes £1 million dedicated to projects which considered innovative approaches to support the wider fisheries sector, for example improving market access with technology.
- We have supported fisheries reform and helped to implement innovative solutions to the challenges facing the fishing industry, for example by working with quota advisory groups to inform fisheries management decisions and by allocating European funding to projects which reduce discards.
- We have pioneered a collaborative approach to the management of fisheries activity in a protected area in the Lyme Bay and Torbay candidate Special Area of Conservation (cSAC). This involved close working with the South West Inshore Fishermen's Association, the Devon and Severn Inshore Fisheries and Conservation Authority (IFCA) and the Southern IFCA, statutory nature conservation bodies and other key stakeholders in the development of a management framework which allowed local fishermen to continue to fish within the protected area, while avoiding specific sensitive reef features. As part of this arrangement, we undertook a trial of a high frequency vessel monitoring system. This approach is enabling the local fishing industry to continue while protecting the site at the same time.
- We ran a series of trials of catch quota management during 2011 as part of key Government aims to reduce wasteful discards of quota species, including undersized fish. In the trials, twelve North Sea fishing vessels and three operating in Western Channel ports were fitted with sophisticated electronic monitoring equipment incorporating Closed Circuit Television cameras to monitor the discard ban. Data was then analysed by our project staff and published in an interim report in November 2011, followed by an insightful final report in April 2012. Further details are available on our website at: www.marinemanagement.org.uk/news/news/120410.htm. The trials have been expanded in 2012 to include analysis on a greater range of fisheries and different gear types. Interim and final reports will be published during the year and data supplied to the Department for Environment, Food and Rural Affairs

(Defra) to support negotiations on the phased ban on discards proposed under the reform of the Common Fisheries Policy (CFP).

- The significant progress towards marine plan-led regulation, building a strategic approach to marine licensing will increase the level of certainty for the marine community.
- We have further developed a culture of transparency and publish many of our decisions and work online to give easy public access. This means that people and organisations have many opportunities to engage with us and understand our decisions. We also sought the views of over 2,500 people in our customer satisfaction survey this year.
- As part of our commitment to transparency we published our Compliance and Enforcement Strategy on our website at: www.marinemangement.org.uk/about/documents/compliance_enforcement.pdf. This ensures the public can see our overall approach to compliance activity.
- Like other public bodies, we operate within expected and necessary financial levels to ensure value for money. Our organisation has worked hard to deliver its existing remit and new licensing duties in 2011/12 within tight budgetary limits.



About the Marine Management Organisation



Who we are

The Marine Management Organisation (MMO) is an executive non-departmental public body established in April 2010 and given powers under the Marine and Coastal Access Act 2009. Our organisation carries out functions informed with technical expertise, impartiality and transparency. We work at arm's length from Government departments but are accountable to Ministers. It is led and directed by a Chair and Board appointed by the Secretary of State for the Environment, Food and Rural Affairs. Our Board is advised by a Chief Scientific Advisor whose role is to ensure that the scientific evidence on which MMO decisions are based is robust.

The MMO's statutory purpose is to manage marine activities with the objective of making 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.

The creation of the MMO brought together a range of existing marine management activities and new duties into a single organisation, marking a fundamental shift in planning, regulating and licensing activity in the marine area.

The MMO's mission is to enable sustainable development in our seas.

The MMO's 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.

What we do

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

The organisation has a wide range of responsibilities, which include implementing a new marine planning system, licensing marine works and managing UK fishing fleet capacity and UK fisheries quotas.

Marine planning is a key delivery area. The marine economy is currently worth more than £47 billion annually to the UK and has the potential to increase significantly. Marine plans will inform and guide marine users and regulators across England, managing the sustainable development of marine industries such as wind farms, fishing and oil and gas exploration, shipping and dredging, alongside the need to conserve and protect marine species and habitats.

The marine licensing system is akin to the planning system used on land and governs how developments should take place in English seas.

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 critical role in managing sustainable fisheries and have the difficult balancing task of ensuring that stocks are managed throughout the year to maximise fishing opportunities for the UK industry, while ensuring that stocks are not overfished.

We are already working closely with the fishing industry and Government on changes to the current quota rules in order to reduce fish discards and maintain sustainable fisheries.

We administer the European Fisheries Fund (EFF) in England and have allocated significant

funds to the fishing industry to help local fishing communities. Funding has delivered benefits such as technological innovation, greener fishing practices, as well as harbour and quay regeneration. All funding follows the general goal of helping industry become more sustainable while remaining profitable.

We have a diverse range of functions and responsibilities for marine nature conservation, including ensuring that nature conservation and wildlife legislation is complied with and management measures such as byelaws are created, where appropriate, and enforced. We also provide advice on appropriate responses to marine pollution incidents and license the use of products for the treatment of oil spills.

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 recently released 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.

Our organisation works in a cooperative, 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 to us on sustainable development.

We deliver a range of functions on behalf of the Department for Environment, Food and Rural Affairs (Defra), Department of Energy and Climate Change (DECC) and Department for Transport (DfT). The Department for Communities and Local Government (DCLG) and the Ministry of Defence (MoD) 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 the MMO's performance.

We work closely with the devolved administrations, Crown dependencies and public bodies which have a role in the marine area. This ensures consistent and transparent decision making which is widely understood and trusted.

Our people

At the end of March 2012, we employed 250 (full time equivalent) people (2010/11, 222) primarily delivering the front line operations of implementing a new marine planning system, licensing marine works and managing UK fishing fleet capacity and UK fisheries 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 we are dedicated to providing a high level of customer satisfaction, as well as using customer feedback to improve our services. We are one of few public bodies to seek the views of all customers in our annual customer satisfaction survey, rather than a specific group or panel.

We invited over 2,500 people from all customer groups to take part in this year's survey, including complainants, to ensure all customer views were represented. Some of the key survey results include a high satisfaction rating of 78 per cent with the attitude, politeness and customer service skills of MMO staff and a positive 73 per cent satisfaction rating with our customers understanding of the MMO responsibilities and its role. The survey also shows us areas where we can continue to improve and our overall customer satisfaction was rated at 64 per cent. The rich and insightful comments provided by customers have informed an action plan to be integrated into all of our processes to continue to progress towards customer service excellence.

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 of our organisation as well as for the governance of the organisation. Supporting the Board is an Executive Team, led by a Chief Executive Officer that is responsible for directing the activities to deliver our Corporate Plan which sets out our Board vision and strategy.

Board committees

The Board governs the committees that ensure that the MMO runs with propriety, is effective in delivering public service and demonstrates good value for money for the taxpayer. These committees include the MMO's Audit and Risk Committee and the Remuneration Committee.





Responsibility for the direction of the MMO

Non-Executive Board

Each member of the Board of the MMO is appointed by the Secretary of State for Environment, Food and Rural Affairs, typically for a term of three or four years. Members may be considered for reappointment in accordance with guidance from the Office of the Commissioner for Public Appointments. At 31 March 2012, there were eight non-executive Board members and all were in post at 1 April 2011 with the exception of the Chair who was appointed on 1 May 2011 for a term of three years. The composition of the Board for 2011/12 was as follows:

Non-Executive Directors	Appointment date	End date
Sir William Callaghan		
Chair	1 May 2011	30 April 2014
Jayne Scott		
Deputy Chair	1 December 2010	31 January 2014
Non-Executive Member	1 February 2010	30 November 2010
Derek Langslow		
Non-Executive Member	1 May 2011	31 January 2014
Interim Chair and Handover	1 December 2010	30 June 2011
Non-Executive Member	1 February 2010	30 November 2010
Rodney Anderson		
Non-Executive Member	1 February 2010	31 January 2013
Richard Birmingham		
Non-Executive Member	1 February 2010	31 January 2013
Robert James		
Non-Executive Member	1 February 2010	31 January 2014

Jeremy Loyd

Non-Executive Member	1 February 2010	31 January 2013
----------------------	-----------------	-----------------

Nigel Reader

Non-Executive Member	1 February 2010	31 January 2014
----------------------	-----------------	-----------------

Jane Ryder

Non-Executive Member	1 February 2010	31 January 2013
----------------------	-----------------	-----------------

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

The Remuneration Committee members are Jayne Scott (Chair), Rodney Anderson and Jeremy Loyd.

Dr Mel Austen was appointed as the Chief Scientific Advisor (CSA) to the MMO on 6 September 2010.

Executive Management Board

The Management Board have authority and responsibility for directing the activities of the MMO and the composition from 1 April 2011 was as follows:

Executive Directors	Appointment date	End date
James Cross		
Acting Chief Executive Officer until 14 December 2011 and appointed on 15 December 2011 for fixed term with possibility of reappointment	24 September 2010	-

Andy Beattie		
Acting Director of Planning and Regulation until 1 April 2012 and permanently appointed on 2 April 2012	7 June 2011	-
Liz Humphreys		
Acting Director of Operations and Compliance until 1 April 2012 and permanently appointed on 2 April 2012	8 November 2010	-
Alison Thompson		
Director of Corporate Support and Governance	19 July 2010	-
Carolyn Cadman		
Director of Customers and Partnerships	4 May 2010	-
Debbie Moore		
Acting Director of Customers and Partnerships (to cover maternity leave)	23 January 2012	-
Eddie Routledge		
Director of Change	15 November 2010	27 May 2011

Other statutory information

Accounts Direction

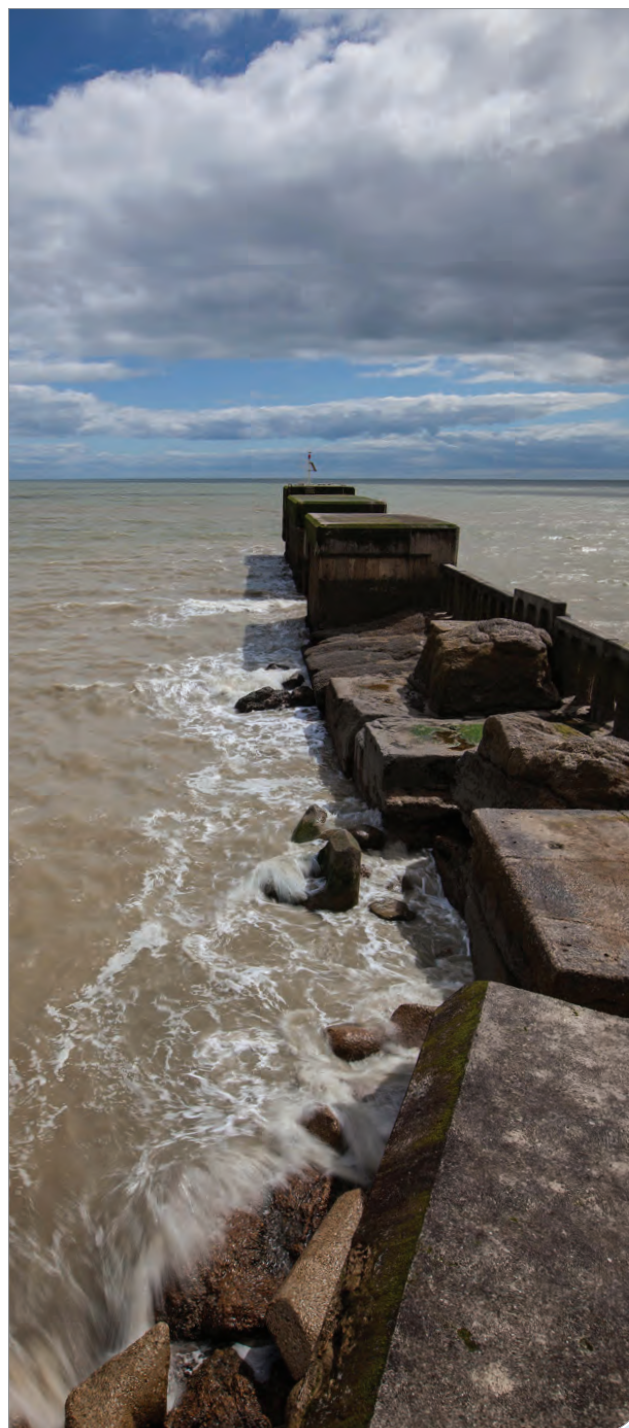
The annual accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Defra with the approval of HM Treasury in accordance with Schedule 1 of the Marine and Coastal Access Act 2009.

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 2011/12 is £65,000 for the Annual Accounts audit (2010/11 £65,000).

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.





Management commentary

The MMO set out ten Strategic Outcomes in its Corporate Plan 2011/15. The aim of the plan was to deliver the UK Government's vision for the marine area – clean, healthy, safe, productive and biologically diverse oceans and seas – through the ten Strategic Outcomes.

1. Marine resources are managed effectively and regulated proportionately.
2. People and customers of our services are engaged and understand decisions which impact on the marine area.
3. Marine biodiversity is protected and maintained.
4. Fish and shellfish stocks are managed sustainably.
5. European funding brings benefits to the fishing industry and coastal communities.
6. Marine emergencies are responded to in a prompt and coordinated way.
7. Decision making is based on the best available evidence.
8. Data and information are well managed and disseminated.
9. Corporate services, governance and control procedures drive efficient use of resources.
10. Staff and Board members are fully equipped to contribute to sustainable development of the marine area.

To measure delivery against these outcomes, a number of key steps and key performance measures were developed and published in the MMO Corporate Plan 2011/15. Throughout the reporting year the monitoring and review of performance of the MMO against Strategic Outcomes has been scrutinised by the

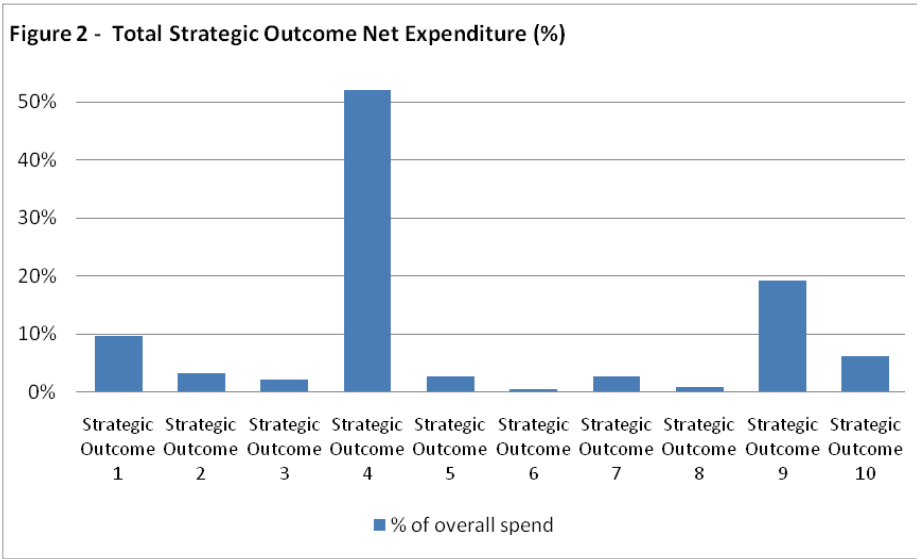
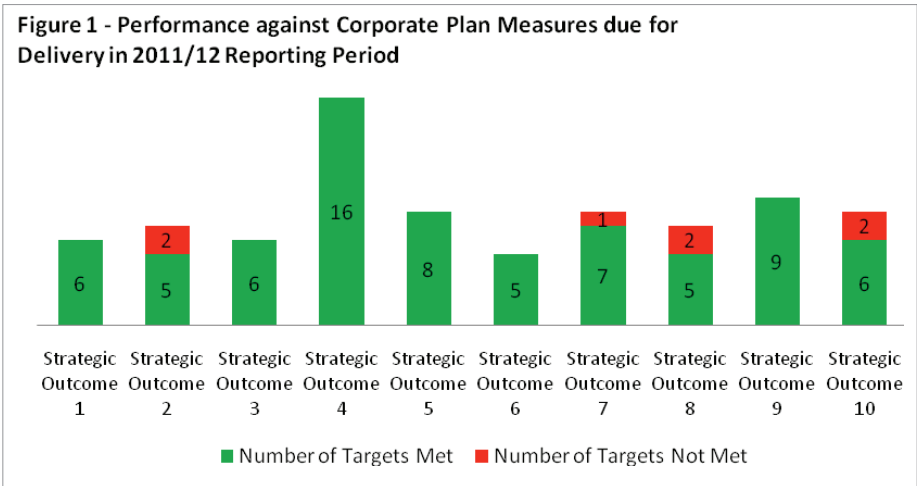
Executive Team through the Performance and Risk Management Board (PRMB), on a monthly basis. Of all the measures developed, a total of 80 key targets were expected to be achieved by 31 March 2012, comprising 46 key steps and 34 key performance measures. A full description of all these key steps and key performance measures are available in Annex 1, including a status report on whether the target was met.

Summary of performance in the year

A summary of the number of targets met and not met within each Strategic Outcome is shown in Figure 1 and the percentage of total net expenditure as at 31 March 2012 (£30.680 million) spent on each Strategic Outcome is shown in Figure 2. Highlights for the year include:

- 91 per cent of all targets due in the reporting year were achieved.
- Delivery of all 10 Strategic Outcomes.
- Suite of additional management information developed.

Of the seven targets not met, no more than two were missed from any one Strategic Outcome and we consider performance against all Strategic Outcomes to have been met. Action plans have been drawn up for each of the seven missed targets and progress against each of these targets are monitored by the Executive Team through the PRMB to ensure delivery.





Strategic Outcome 1

Marine resources are managed effectively and regulated proportionately

We have achieved this by:

- Realising the benefits of a new marine planning system for England through the production of high quality marine plans.
- Making continuous improvements to deliver licensing and planning more efficiently.
- Regulating development in the marine area, informed by marine plans and best available evidence.

The realisation of a new marine planning system through the progression of the East Inshore and East Offshore marine plans, coupled with the introduction of a new streamlined marine licensing system, will provide the infrastructure required to support and promote safe, profitable and efficient marine businesses, whilst enabling the conservation and protection of marine habitats and species.

In April 2011, we introduced our new marine licensing system which provides assistance and guidance to our customers who carry out activities in the marine area. This system was shaped by feedback and recommendations from developers, industry and representative bodies and the results from our 2011 licensing customer satisfaction survey show that this streamlined application process for developers has been well received.

As marine plans progress they will help to inform our marine licensing decisions and will assist to provide more certainty to developers as to where they might best invest in new activities in the marine environment, whilst giving as much social benefit and environmental protection as possible. The integration of our activities will help to promote growth that is inclusive and does not compromise the ecological infrastructure for current or future generations.

We made major decisions using robust evidence last year which managed the sustainable development of marine industries, such as

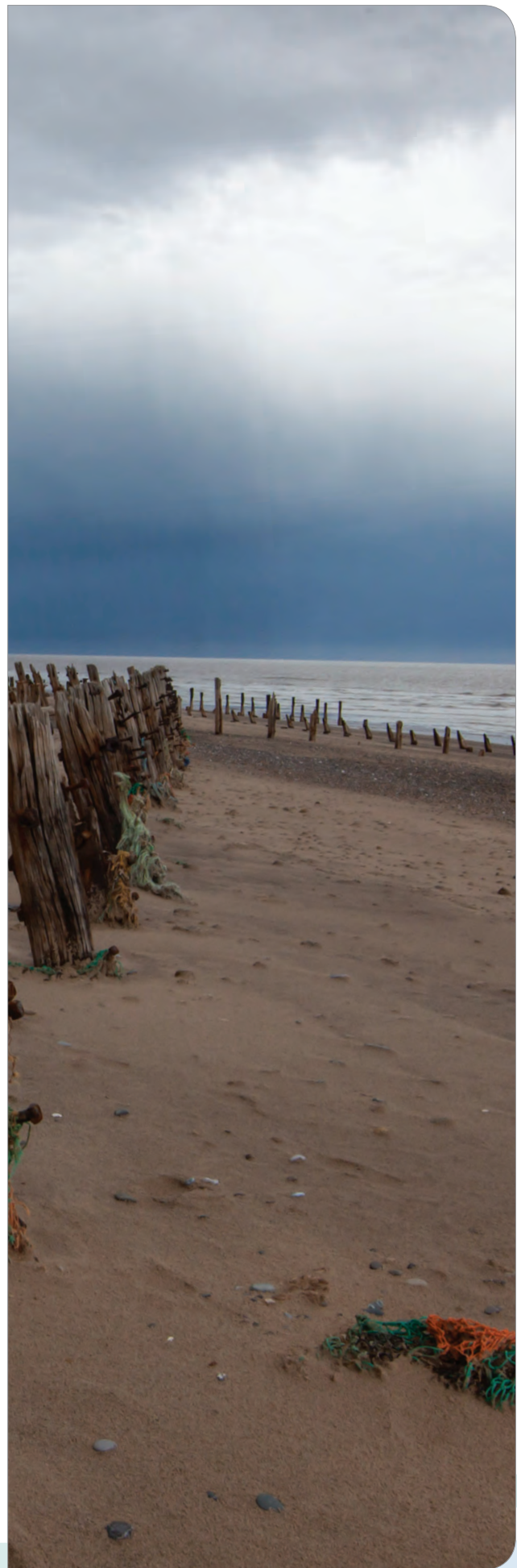
wind farms, fishing and port expansion, taking into account the need to conserve and protect marine species and habitats.

Throughout the course of the year we have engaged with a broad range of national, as well as international and local stakeholders, including the devolved administrations, neighbouring countries, the energy, aggregates, telecommunications, ports and shipping sectors as well as other Government bodies. The people, industries and communities that we serve have demonstrated very significant interest in our work and have joined us for rich and insightful discussions about the marine area.

Notable achievements:

- Since April 2011 we have determined 279 marine licences, 87 per cent of which were consented within our 13 week target. In our 2011 marine licensing survey, 80 per cent of respondents were satisfied with our online services and 88 per cent were satisfied with the online support we offer.
- The first two marine plans will be submitted as draft plans to the Secretary of State by the end of September 2012. Please note September reflects a revised timetable extension of nine months so that we can overlap plan production and still complete all ten marine plans by our target date of 2021 at the latest.

- As well as engaging with stakeholders in the East of England, we have expanded this to a broader range of stakeholders in the areas adjacent to, and affected by, the first two marine plans, as well as those international stakeholders controlling the sea areas adjacent to our East coast offshore area.
- We have published information about how our decisions take into account the needs of coastal communities and the environment, including our compliance and enforcement strategy, as part of our commitment to being a transparent and accountable organisation. This strategy sets out how we will fulfil our regulatory responsibilities by operating in a balanced and proportionate manner, in keeping with the better regulation principles, to ensure that we protect the interests of legitimate industry operators and the marine environment.





Strategic Outcome 2

People and customers of our services are engaged and understand decisions which impact on the marine area

We have achieved this by:

- Providing opportunities for people and customers of our services to inform and understand our decisions.
- Being open and transparent and sharing the evidence base informing our decision making.
- Seeking customer views and using them to shape the customer service we provide and overall customer satisfaction with our organisation.

We recognise that openness, transparency, consultation, engagement and a genuine accountability to the customers we serve are important contributory factors to ensuring we are fit for purpose as a public service organisation, a regulator and a custodian of the marine environment.

We provide a range of opportunities for people and customers of our services to inform and understand our decisions. We consult with the fishing industry and fisheries organisations on a regular basis to inform our management decisions and understand the views of the fishing communities we serve. In addition, we regularly consult with local authorities, Inshore Fisheries and Conservation Authorities (IFCAs), marine industries and environmental organisations and groups to inform our marine decisions. We also promote the European Fisheries Fund (EFF) scheme to the fishing industry and associated businesses advising them on funding available and helping them toward sustainable fishing practices and support the Common Fisheries Policy (CFP).

Our collaborative work is well demonstrated in the area of aggregates where we have made significant efforts to understand the industry including monthly meetings with the main trade body the British Marine Aggregate Producers Association (BMAPA), meetings every two months with The Crown Estates, The Centre for Environment, Fisheries and Aquaculture Science (Cefas) and BMAPA to discuss emerging issues in the industry and meetings every four to six

months with individual aggregates operators to discuss any concerns they may have and to generally maintain open engagement with the industry.

We view collaboration and cooperation as a business as usual activity and we regularly share knowledge and expertise with other organisations to benefit the marine area as a whole. For instance, when marine planning formally began in April 2011 we published the Statement of Public Participation which outlined how and when people can get involved with plan making, including a timetable for the two-year process of marine planning for the East of England.

We recognise that, as a public service organisation, the standard of service we provide to our customers is paramount and we strive to provide an exemplary level of customer service, adopting a continuous improvement approach which actively seeks customer feedback and acts upon it. We operate within a customer service framework and charter which clearly shows the standards our customers can expect and the turnaround times we will adhere to when dealing with their requests. In 2011/12 we were able to action 95 per cent of customer requests within our published service standards. Having received 134 complaints in 2011/12, none of these were escalated to the Parliamentary and Health Service Ombudsman for investigation having been resolved within our organisation. We undertake an annual customer satisfaction survey which is open to all of our customers to

take part in and this provides valuable insight into how our organisation is viewed in the eyes of the public we serve.

Notable achievements:

- We asked over 2,500 customers and stakeholders for their opinion of us through a range of quantitative and qualitative surveys during the year. We found that customer satisfaction with the attitude, politeness and customer service skills of our staff was rated at 78 per cent and we feel this recognises the genuine customer focus of MMO staff. We also know that 73 per cent of survey respondents understand our role. Our stakeholder survey showed us that 68 per cent of respondents agree that we make decisions based on a publicly accessible evidence base.
- Our website contains a public register of marine licensing applications pending and granted, details and copies of the evidence we have used in our major licensing decisions and contact details for the public to submit their views. We also publish extensive statistics upon which our fisheries management decisions are taken and again we encourage the public to submit to us any queries they have.
- A web portal was also launched to inform people on marine planning and give them a chance to contribute and this has already received more than 3,000 visitors. We also commissioned the construction of a 3D marine planning model to help people visually understand marine planning. This model was then used at the public drop-in sessions we held in coastal communities to recreate a typical coastal area and illustrate uses of the marine environment, in terms of the social, industrial and environmental aspects.





Strategic Outcome 3

Marine biodiversity is protected and maintained

We have achieved this by:

- Protecting the marine environment and the living resources it supports, including those protected by European and national designations.
- Enabling people and organisations to engage in the development and implementation of MMO management measures.
- Increasing understanding of both the impact of marine activities on the state of the marine environment and the most appropriate MMO management measures.

The protection of the marine environment continues to present many considerations and challenges which we have assessed and had regard for in the delivery of our dual responsibility to manage Marine Protected Areas and ensure protected species legislation is adhered to. As a result over the course of the reporting period we have taken forward a number of actions which both sustain and enhance the rich biodiversity of our marine area.

We have been addressing a wide range of management matters that will protect European Marine Sites and we have used our experience, knowledge and expertise to collaborate with a wide range of stakeholders who have an interest in the management measures we take.

This collaboration has seen us work with the fishing industry, the renewables industry, other Government bodies, non-governmental organisations, individual users of the marine area and those with an interest in environmental protection.

Our biodiversity team works alongside our marine licensing and marine planning functions to ensure we have an understanding of both current marine developments in any geographic area and those which may take place in the future.

By combining the insight gained through our collaborative approach with our licensing and planning functions we are able to ensure that

our management decisions are based on a coherent approach which sustainably develops the marine area whilst balancing the economic considerations of industry.

Wildlife protection also forms a major part of our work and this year we engaged in a number of specific environmental projects to achieve species protection including reinstatement of the marine sub-group of the Partnership Against Wildlife Crime and the protection of sharks, skates and rays, seals and cetaceans (whales, dolphins, porpoises). Examples of the work being done to protect wildlife include a seal management strategy which is currently being developed with key stakeholders and we are in the process of carrying out a trial of pingers (an acoustic device) to protect cetaceans.

Notable achievements:

- Our commitment to the Localism Act 2011 is demonstrated in our work in Studland Bay, an area which provides a habitat for the local seahorse population and is well used for recreational activities, including diving and leisure boating. We helped set up the Studland Bay Conservation and Recreational Activity Working Group which comprises of a range of stakeholders such as the Parish Council, the Residents Association, the National Trust, the Seahorse Trust and the Royal Yachting Association (amongst others) to balance the sometimes conflicting uses of

the area and to find mutually acceptable ways forward which satisfactorily consider the social, environmental and economic aspects from both a local and national perspective.

- We have pioneered a collaborative approach to the management of fisheries activity in a protected area in the Lyme Bay and Torbay candidate Special Area of Conservation (cSAC). This involved close working with the South West Inshore Fishermen's Association, the Devon and Severn IFCA and the Southern IFCA, statutory nature conservation bodies and other key stakeholders in the development of a management framework which allowed local fishermen to continue to fish within the protected area, while avoiding specific sensitive reef features. As part of this arrangement, we undertook a trial of a high frequency vessel monitoring system. This approach has enabled local fishing activity to continue while at the same time ensuring appropriate protection of the site.
- We have also used our knowledge and expertise in the creation of environmental protection byelaws to advise various IFCAs in this area in respect of byelaws they have introduced into the 0 to 6 nautical mile limit for reasons such as the protection of reefs and the protection of particular marine species both permanently or at particular times of year such as during spawning.





Strategic Outcome 4

Fish and shellfish stocks are managed sustainably

We have achieved this by:

- Seeking to ensure a balance between managing and harvesting stocks in ways which maximise the fishing opportunities for UK industry, whilst ensuring stocks are not overfished.
- Demonstrating a risk-based and proportionate approach in collaboration with other enforcement authorities.
- Implementing changes to fisheries management arising from reform of the Common Fisheries Policy and domestic fisheries management reform.
- Enhancing engagement with the fishing industry, for example in our annual survey of quota needs.

We have worked consistently with the fishing industry to improve the understanding of necessary operational constraints and the reasons behind them, we also assist them to act lawfully and enable them to operate sustainably with limited quota stock availability. On some occasions, targeting our interventions closely to the risk to stocks and also the livelihoods of legitimate operators, we have undertaken enforcement work at sea and onshore and this has made an important contribution to the sustainable management of fish and shellfish stocks.

The Illegal, Unreported and Unregulated (IUU) Team has worked closely with their delivery partners at Port Health to keep the import of goods flowing. We have balanced this with the need to investigate, and occasionally seize and ultimately reject non-compliant imports after conducting official verifications with countries such as Thailand, Russia, Morocco and China. During the course of the year as the UK Single Authority we managed the import of approximately 35,000 consignments of raw fish to the value of approximately £2 billion. In addition we have been working with other member states and the European Commission in combating systematic organised quota fraud in Western hake fisheries. We have also worked in the new National Maritime Information Centre (NMIC) alongside other UK agencies involved in UK maritime security, making a significant

contribution to the protection of UK maritime interests wherever they may be.

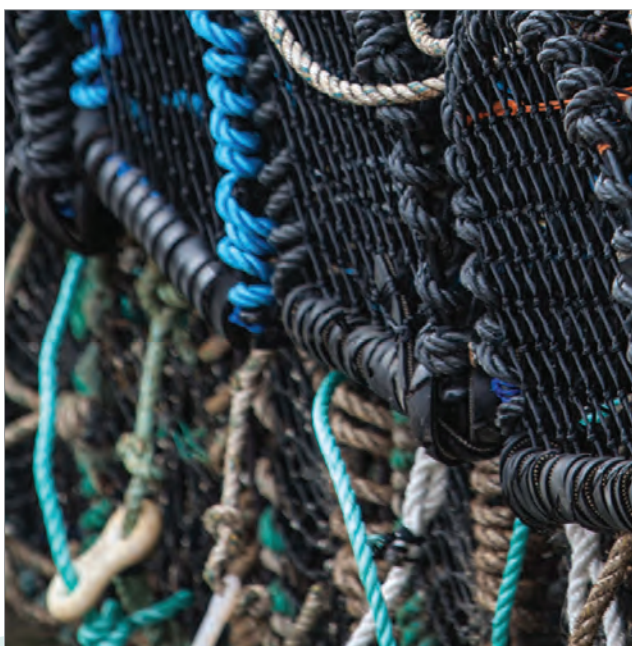
Our delivery teams have been utilising our developing risk based Compliance and Enforcement Model, the purpose of which is to enable us to undertake our compliance activity in a proportionate, accountable, consistent and transparent manner which is risk based and intelligence led. On the quayside, the teams have been focusing their activity on the highest risks and threats for all marine activity that we regulate and, importantly, sought ways to reduce regulatory intervention for the majority.

Notable achievements:

- We have run a very successful series of trials of catch quota management during 2011 as part of key Government aims to reduce wasteful discards of quota species, including undersized fish. Twelve North Sea fishing vessels and three operating in Western Channel ports were fitted with sophisticated electronic monitoring equipment incorporating Closed Circuit Television cameras to monitor compliance with the discard ban. Data was analysed by our project staff and published in an interim report in November 2011, followed by a final report in April 2012. These trials will continue with a focus on the phased

ban on discards proposed under Common Fisheries Policy (CFP) reform.

- We published our Compliance and Enforcement strategy and continued to educate and guide the industry toward compliance. During the reporting period we carried out 2862 vessel inspections. From these inspections, the majority of infringements detected resulted in our organisation offering oral advice to achieve compliance on 396 separate occasions. In addition 83 written warnings were issued, seven financial administrative penalties were levied and 22 cases went to court.
- We have been working closely with other EU member states through a coordinated programme of inspections of fishing vessels, at sea and at the ports in the UK, France, Belgium, Netherlands and Germany. We were the lead coordination centre in charge for 15 weeks directing patrol ships and aircraft from these countries which resulted in 137 infringements being detected at sea and 158 in port being taken forward by the member states.
- In the air, a new aerial surveillance contract has detected over 2,000 sightings of potential illegal activity at sea and provided evidence of serious illegal activity in the Lyme Bay closed conservation area which we have acted upon.





Strategic Outcome 5

European funding brings benefits to the fishing industry and coastal communities

We have achieved this by:

- Effectively fulfilling the role as the EFF UK managing authority on behalf of Defra.
- In England, encouraging more grant applications to maximise funding awarded to the fishing industry and coastal communities to deliver increased benefits.

We administer the European Fisheries Fund (EFF) in England and our organisation is also the managing authority for the EFF across the UK. EFF is designed to support the fisheries sector with a total of €138 million (£118 million based on the exchange rate in March 2012) to invest over a seven-year period to 2013.

We have allocated funds of nearly £20 million (65 per cent of the English proportion of the fund) to the fishing industry, of which £1 million has been provided for innovative projects in the under 10 metre sector which help develop new more sustainable ways of working and encourage interaction through the sharing of experiences in matters such as safety, the reduction of discards and increased catch quality.

We made £7.3 million available to transform local maritime communities where fishing is in decline. This was done through Fisheries Local Action Groups (FLAGs). The FLAGs develop local strategies which directly help communities that have been adversely affected by the European quota limitations, declining economies and offshore developments. The strategies are innovative, long term and focus primarily on business development, heritage and tourism, employment and apprenticeships. This year FLAGs in North and West Cumbria, the East Riding of Yorkshire, North Norfolk, Hastings, Cornwall and North Devon have all received funding from our organisation.

Examples of projects funded through EFF which have successfully delivered their targets

and benefits include:

- A contribution of £607,000 to the Grimsby Fish Market Modernisation project to enhance the existing fish market. The improved facilities cemented the Grimsby Fish Market as an integral part of the seafood supply chain and supported over 70 local businesses.
- A contribution of £32,000 to the Lindisfarne Oyster Company to increase the quality of oysters thereby raising their value and also to improve the working conditions for staff.
- A smallscale coastal fisher of the South East coast received £2,000 to support the purchase of non-mandatory safety equipment which had been recommended for installation by the Maritime and Coastguard Agency (MCA).

Looking forward, we are working with Defra colleagues on the development of the successor scheme to EFF, known as the European Maritime Fisheries Fund (EMFF) which will be launched in January 2014.

Notable achievements:

- We were reimbursed £27.3 million from the Commission for the whole of the UK for expenditure incurred to October 2011. We committed cumulatively £26.2 million to English projects, cumulatively spending £12.2 million of the committed money on English projects.

- We launched six FLAGs across England to help ensure EFF money is invested in local communities in April 2011.
- We have gained Commission approval for the management control system which is the governance framework for the scheme across all devolved administrations. This was essential to allow monies to be paid by the Commission in support of UK projects and in clearing all audit recommendations and developing good working relationships with the Commission, Defra, the UK Audit Authority, the Certifying Authority and the Devolved Administrations.





Strategic Outcome 6

Marine emergencies are responded to in a prompt and coordinated way

We have achieved this by:

- Providing timely and effective advice on the use of oil spill treatment products.
- Encouraging the registration of new and effective products to treat oil spills.
- Facilitating the remediation of environmental damage where it occurs in the marine area.
- Reviewing and testing contingency plans on a regular basis.

The unpredictability of marine emergencies mean it is critical that we are in a constant state of readiness should a marine incident arise. We, therefore, continued to maintain our wide ranging preparations to ensure we can support a fast and efficient marine pollution response at any time.

Our actions include operating in accordance with our marine pollution contingency plan to maintain the list of approved oil treatment products for the UK, as well as approving their use in certain incidents in shallow waters. In the event of a marine emergency time is critical and our plan and details of tested and approved treatment products significantly contributes to minimising the environmental damage an oil spill can cause and the potential impact on marine life.

We also administer the UK approval of oil spill treatment products, and use our expertise to act as a consultee for other contingency plans. For example we have been consulted on the Maritime and Coastguard Agency's National Contingency Plan. In addition we have helped wider industry and the private sector by acting as consultees on both port and harbour contingency plans and offshore installation contingency plans.

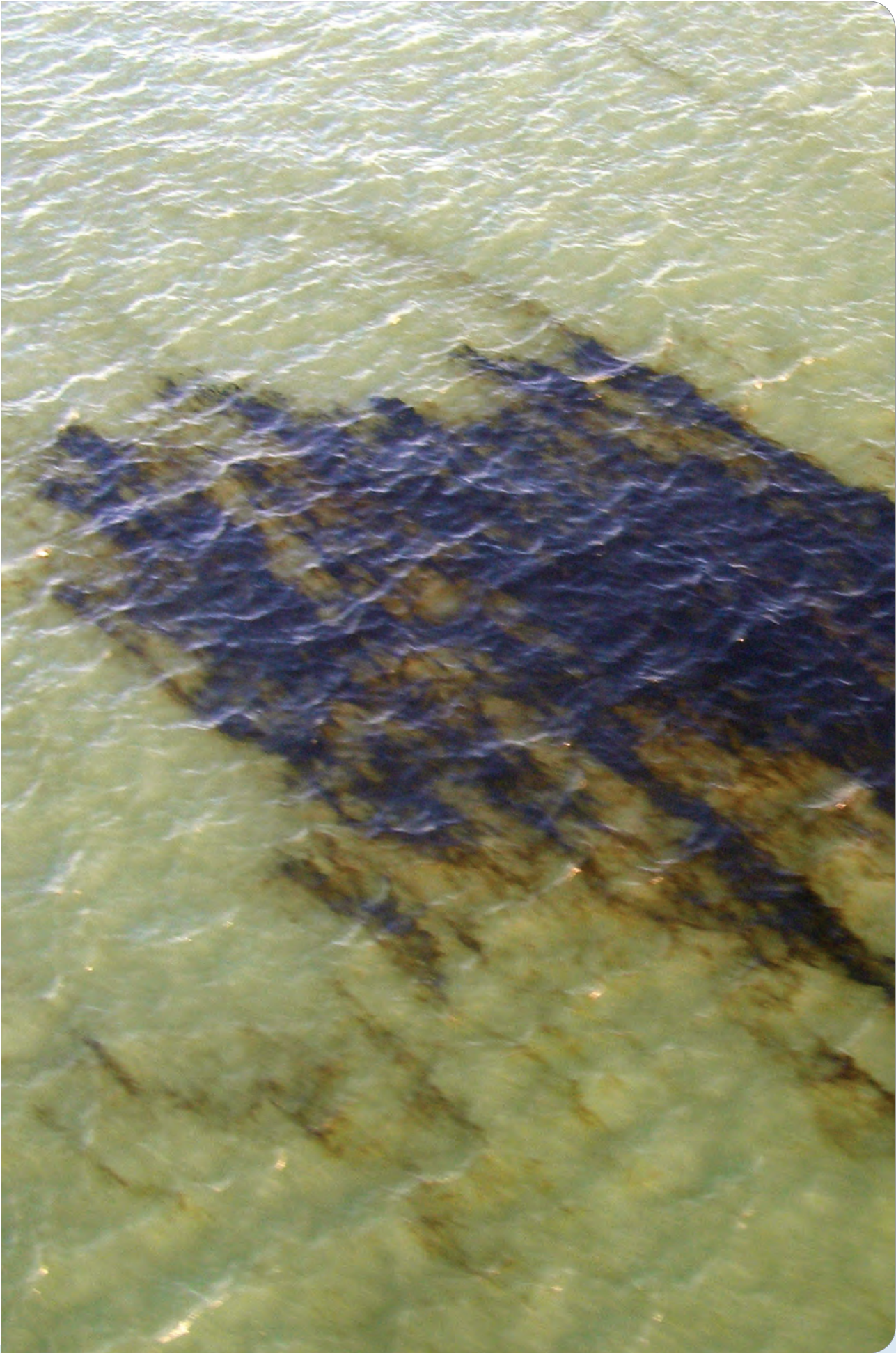
Through our network of coastal offices we ensure a local presence in the event of a marine emergency by being represented on the regional standing environment group which can be activated to assist the response to a marine pollution incident whenever necessary.

Conscious of the need to advise and engage the public in preparation for any emergency and to inform should an emergency arise, we continue to develop the Marine Pollution Incident Information Portal, a live website designed to signpost information on marine pollution incidents and responses.

Fortunately, there were no serious incidents this year. However we closely monitored a number of minor ones to ensure our plans and assistance could be invoked immediately should the situation change.

Notable achievements:

- We took part in a number of marine incident exercises to test our readiness including a major exercise in Liverpool Bay in February which was overseen by the Secretary of State's representative.
- We continued to refine our marine emergency support plan working with the Maritime and Coastguard Agency to prepare a plan of action in case of an incident.
- Work continued with other key statutory and industry stakeholders on the development of the Marine Pollution Incident Information Portal which is website based.





Strategic Outcome 7

Decision making is based on the best available evidence

We have achieved this by:

- Making decisions in accordance with legislation and guidance on both sustainable development and the use of evidence.
- Ensuring that our decisions are underpinned by the best technical expertise available.
- Increasing collaboration and sharing of marine evidence with other bodies and contributing to the marine evidence base.

We published our Strategic Evidence Plan this year which set the focus and direction for our evidence and research programme for the period of 2011 to 2015. This plan is available on our website at www.marinemanagement.org.uk/about/documents/Strategic_evidence_plan.pdf

The Strategic Evidence Plan outlines how we will develop research programmes to deliver our short, medium, and longer term evidence needs.

Having identified historical evidence gaps within the East marine plan areas and other national evidence issues, we commissioned and completed the assessment stage of a number of major projects which included:

- Evaluation of the current state of knowledge on potential cumulative effects from offshore wind farms (OWF) to inform marine planning and marine licensing.
- Evaluation of the potential for co-location of activities and interests in marine plan areas.
- Evaluating the distribution, trends and value of inshore and offshore fisheries in England.
- Compilation of spatial data on marine recreational activities.

We have also commissioned evidence in support of marine licensing, including the preparation of guidance on environmental risk

assessment and dealing with uncertainty. In addition, we are working with other delivery partners, including Natural England, on joint projects, where there is a mutual requirement regarding the management of activities within Marine Protected Areas.

The development of a framework agreement that will allow us to efficiently access research and analytical services to supplement the resources of the in-house MMO operational functions is well underway and due for completion in 2012. The framework agreement will be used to provide an internal scientific and technical expertise service covering a range of issues pertinent to marine environmental management. This includes the provision of evidence-based analysis, specialist expertise and insight to inform our decision making.

We established a Quality Management System (QMS) which introduces streamlined processes and procedures to ensure we all work towards quality objectives which stand up to audit and demonstrate to other bodies our commitment to the delivery of our work.

In particular, we have strengthened the evidence quality assurance processes for marine planning and marine licensing to ensure that all evidence is routed through a formal assessment. The approach that we have taken is available on our website at www.marinemanagement.org.uk/licensing/how/data.htm

Notable achievements:

- All evidence used to support marine planning has been subject to an internal quality assurance assessment. This includes 103 written reports that were referenced in the Marine Planning Evidence and Issues Report for the East of England resulting in a robust evidence base to inform the first marine plans.
- Comprehensive training delivered on quality assurance assessment to the marine planning, licensing, conservation and the Centre for Environment, Fisheries and Aquaculture Science (Cefas) regulatory assessment teams to ensure a quality approach is embedded in the work of our staff and in the culture of the organisation.





Strategic Outcome 8

Data and information are well managed and disseminated

We have achieved this by:

- Ensuring the data we hold, generate or commission is effectively used to support decision making.
- Increasing the use of technology to speed the time between collection of data and its use in informing our decisions.
- Utilising the wealth of existing data which adheres to quality standards.
- Improving modelling to inform fisheries management decisions.

The secure and efficient management of data, evidence and knowledge has been an integral part of our decision making. We have managed our data and evidence base in line with recognised quality standards and collaborated with key organisations to work towards a shared marine evidence base.

We have contributed to the Habitats Regulations Implementation Review and the actions identified will further strengthen access to a shared marine evidence base into the future.

This year we have shared data with organisations such as the Environment Agency, Cefas, Natural England, the Maritime and Coastguard Agency and the Joint Nature Conservation Committee and our organisation has worked with various sections of the industry and their representative bodies to ensure the best marine evidence is available.

Evidence and information sharing in 2011/12 has been particularly focused on fisheries and the generation of offshore renewable energy. Our data was used to prepare and coordinate a number of reports on fishing activity to inform fisheries management decisions, such as quota allocation and we have analysed data for trends and issues which are then shared with organisations such as those above involved in the delivery of the Common Fisheries Policy.

We have developed a series of corporate Geographic Information System (GIS) datasets

relating to vessel monitoring system derived fishing activity. The data has been aggregated and anonymised at several different levels of detail to allow the quick release of data under the Environmental Information Regulations 2004 (EIR) without contravening Data Protection Act legislation. The data is now pre-packaged and available to release. This has significantly streamlined processes and has resulted in a reduced time taken to fulfil information requests.

Notable achievements:

As part of our quality assurance process, we have conducted a 'confidence assessment' on all GIS data used in decision making. To date, this equates to the following:

- 288 GIS datasets with completed confidence assessments and fully populated metadata – compliant with Marine Environmental Data and Information Network (MEDIN) standards.
- 137 of the 288 GIS datasets have been identified as a priority for marine planning. Therefore, 100 per cent of datasets used in marine planning have been quality assured in detail.
- 272 datasets have been made available for desktop GIS users via the MMO Master GIS Database, with three awaiting updates and a further 21 new datasets ready for upload.





Strategic Outcome 9

Corporate services, governance and control procedures drive efficient use of resources

We have achieved this by:

- Delivering our role and duties in compliance with statutory requirements and within budget.
- Managing risks to the effective delivery of MMO functions.

Our Corporate Plan for 2011/15 was published in March 2011 and set out the specific activities, resources and partnerships we were going to pursue to achieve our statutory purpose and play our part towards achieving the vision of the marine area. All 10 Strategic Outcomes were achieved. There were a total of 80 key targets to be achieved by 31 March 2012 comprising a series of key steps (46) and key performance measures (34). At 31 March 2012, 73 (91 per cent) of these targets had been met, while seven (9 per cent) had been missed. Details of these are given in section Annex 1 of this report.

We spent £30.680 million to achieve all of our Strategic Outcomes which was under the budget allocation of £30.8 million. This underspend of 0.4 per cent was well within the target set by our Board of three per cent.

All Cabinet Office spending controls have continued to be adhered to, specifically in terms of recruitment, marketing and consultancy with the necessary approvals in place to support services procured. Additionally, many of the requirements relating to expenditure under the transparency agenda have been implemented including all transactions above £500, as well as our Board and Executive Team expenses as at 31 March 2012.

Governance over the IT systems development has been strengthened with:

- The introduction of a Programme Management Office.
- The launch of the change gateway to enable a mechanism to better manage and make decisions for the

implementation of change within our organisation.

- The launch of an Information and Communication Technology Strategy which outlined the aspirations and changes needed to implement first class IT services to support our business delivery.

We have been fully supportive of the Defra Estates Strategy closing a number of offices and sharing with other Defra organisations, such as Cefas and the Rural Payments Agency, as well as external organisations, such as Her Majesty's Revenue and Customs (HMRC).

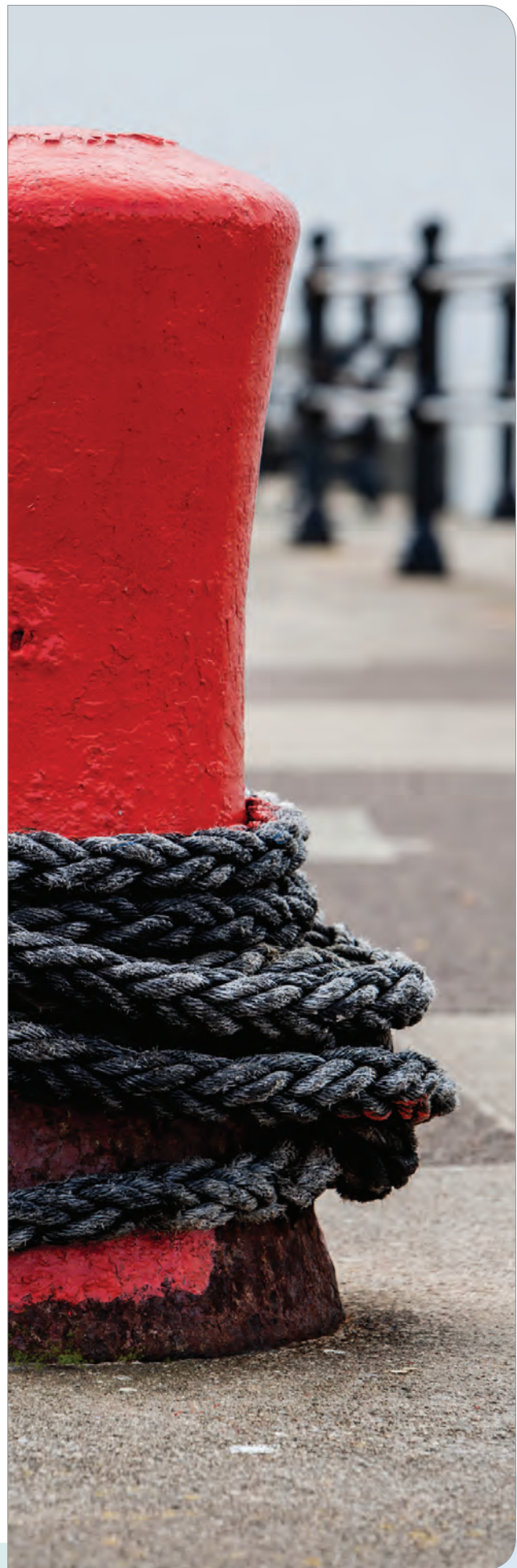
During the year we have carried out a review of all of our business processes to ensure they comply with all relevant legislation and regulation in order to provide additional assurance that we are operating lawfully.

Notable achievements:

- During the year we have strengthened our financial management and this has been recognised by Internal Audit who gave a strong assurance over the key control testing, covering transaction processing through monthly budget meetings up to financial reporting to the Executive Team and the Board.
- Our IT services have delivered the implementation of a streamlined licensing system and maintenance release to further improve delivery. We have also implemented several maintenance releases for our fisheries systems

together with new functionality to support the processing of electronic logbooks. Projects currently supported from initiation to planning and implementation include Electronic Reporting System (ERS) implementation, Information Management System (SharePoint), National Intelligence and Compliance model, EFF Grant System and fisheries data entry workshop improvements amongst others.

- Cost recovery has been implemented for the issuing of licences under the new charging regime. In 2011/12, £2.2 million was recovered from licence applications and this reduced our funding requirement. This regime will be further developed during the course of next year in other aspects of our deliverables in order to maximise the recovery of costs in line with HM Treasury guidelines.





Strategic Outcome 10

Staff and Board members are fully equipped to contribute to sustainable development of the marine area

We have achieved this by:

- Providing our staff and Board members with the training and support they need to undertake their role.
- Undertaking and acting on an annual staff survey to identify training needs and organisational development challenges.
- Being an organisation that people want to work for.

This year has seen a significant investment in our key asset – our people. This was the focus of our staff conference in February and has been a continued theme throughout the year.

The MMO Board

The Board have fulfilled their stewardship function over the MMO led by Sir Bill Callaghan, the new permanent Chair appointed on 1 May 2011. Each Board member has a particular functional area based on their interests and/or experience and they have been working with the MMO Executive and staff in developing these and promoting the areas further to stakeholders. They have used in year members' meetings to visit areas of importance to the MMO to gain a better understanding of particular industries, communities, local groups and national bodies and this has also been a great opportunity for them to meet members of staff across the country.

The MMO Executive

A new Chief Executive Officer was appointed to the MMO when James Cross was confirmed in post on 15 December 2011 after an open and fair recruitment process. Two of the Executive Directors have also been made permanent during the year which provides a stable Executive Team to lead the delivery of the Corporate Plan 2011/15.

Each director has spent time visiting teams across the organisation, meeting staff face to

face and gaining a better understanding of the work they do. This has then enabled them to focus efforts on resolving issues raised and redirecting resources to deliver business priorities.

The MMO staff

We have expanded in numbers slightly this year to ensure we have sufficient resource in place to deliver our diverse work programme. In 2011/12 recruitment enabled 148 positions to be filled including permanent posts, loans and secondments from other Government organisations and short term appointments. Of the 108 permanent positions recruited into the MMO, 37 were filled by internal promotions providing opportunities for staff development.

Notable achievements:

- Our Board undertook a review of effectiveness, highlighting areas delivered well and those areas that could be improved. An action plan has been developed to address these areas for improvement and the Board will repeat this exercise next year to further strengthen their ability to challenge and support the business.
- We have made a significant investment in our managers, and potential managers, by delivering the MMO Leadership Programme. 180 managers, and potential managers, attended six days of leadership training split into three sessions. This was facilitated by the National School

of Government and has received very positive feedback across the organisation with added benefits of bringing together Coastal Officers with people working in our head quarters and allowing time to reflect on the similarities and differences of each others' roles.

- We introduced our People Plan, to further develop our organisation from March 2012 until 2013. The plan focuses on our best asset – our people – and has been shaped by our staff with the aim of helping us to be a focused organisation that individuals want to come and work for, are proud to work for and want to stay committed to.





Financial and governance review

This has been a very challenging year as the MMO aimed to achieve its objectives set in 2011/15 Corporate Plan, whilst at the same time delivering the efficiency savings required for the 2010 Comprehensive Spending Review period.

The MMO has an obligation to manage a 20 per cent funding reduction across the period to 2014/15, of which £1.9 million efficiency savings were required in 2011/12. The MMO met this objective delivering the first year budget of £30.800 million within 0.4 per cent (£30.680 million). This has been achieved through a range of measures which have included:

- Strong controls and challenge within financial management.
- Assessing all bought-in services and significant contracts to ensure value for money and high performance is achieved.
- Reviewing all support functions and restructuring to meet our frontline obligations.
- Contributing to the Defra Estates Strategy to reduce accommodation costs, co-habiting with other Government departments and private sector where appropriate.
- Endeavouring to charge for our services in a manner which will recover those costs incurred; and
- Compliance with all Cabinet Office spending controls in the delivery of our business.

There have been a number of initiatives and projects which have confirmed our approach to achieving the longer term efficiency savings and in some cases these have materialised this year.

Aerial and surface surveillance: We negotiated a new aerial surveillance contract with Marine Scotland reducing costs by £1.4 million (57 per cent reduction) in the reporting period. The surface surveillance contract due to expire in 2013, forms a substantive amount of our bought in-services expenditure and we are exploring different ways of achieving the same outcome for less cost.

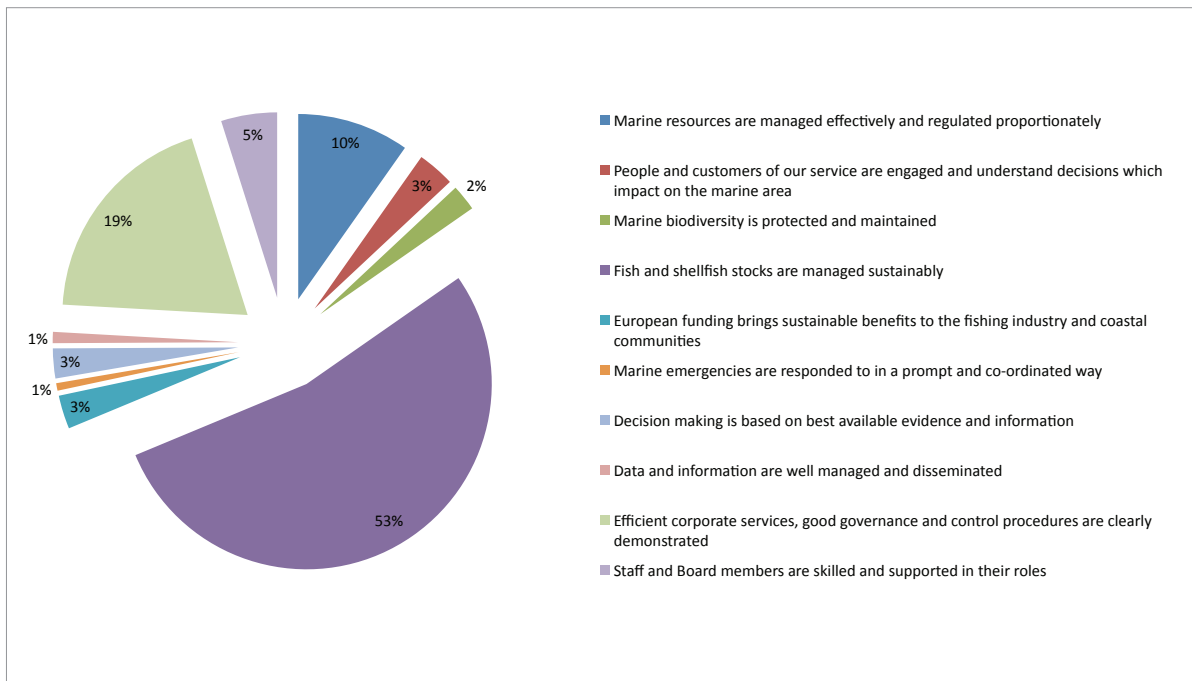
Legal review: we undertook a legal review to improve our processes around compliance and regulation to ensure we operate lawfully.

Income generation: we are reviewing our fee charging processes and activities in line with the fees and charges statutory instrument, to ensure that all costs that can be recovered are recovered appropriately.

The following table provides a breakdown of how the funding was spent in order to deliver all of the 2011/15 Strategic Outcomes.

Strategic Outcome	Description	£ million
1	Marine resources are managed effectively and regulated proportionately	3.0
2	People and customers of our services are engaged and understand decisions which impact on the marine area	1.0
3	Marine biodiversity is protected and maintained	0.7
4	Fish and shellfish stocks are managed sustainably	16.4
5	European funding brings benefits to the fishing industry and coastal communities	0.9
6	Marine emergencies are responded to in a prompt and coordinated way	0.2
7	Decision making is based on the best available evidence	0.8
8	Data and information are well managed and disseminated	0.3
9	Corporate services, governance and control procedures drive efficient use of resources	5.9
10	Staff and Board members are fully equipped to contribute to sustainable development of the marine area	1.5
Total		30.7

How we have allocated our spend by Strategic Outcome



The MMO is funded by Defra through grant in aid and the overall financial position as at 31 March 2012 is shown in the Statement of Financial Position on page 70 of the Annual Accounts and in the Statement of Changes in Equity on page 72 of the Annual Accounts.

Relations with suppliers

The standard terms of payment for suppliers changed in year. At the beginning of the year the MMO, in line with all Government departments, was required to pay supplier invoices within 5 days of satisfactory receipt of goods and services and agreement of a valid invoice.

The MMO paid 99 per cent of invoices within 5 days 2011/12 (100 per cent of suppliers were paid within 10 days in 2010/11). Creditor days, calculated on an average basis for the year, were 15 days for 2011/12 (30 days for 2010/11).

Pensions

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

Directors' interests

The CEO and directors held no interests outside the MMO relating to the MMO's business.

Risks and uncertainties

Throughout the year, the Executive Team have managed key risks facing the business as an integral part of the Performance and Risk Management Board's agenda. Risks are identified from all parts of the business and escalated through a series of risk registers. The key risks and uncertainties as at the 31 March 2012 are reported in the Governance Statement on page 50.

Research and development

The MMO spent £2.6 million (£2.4 million in 2010/11) on marine evidence gathering with the Centre for Fisheries, Aquaculture and Science (Cefas) (see note 4 in the accounts). Expenditure is targeted at those areas that are essential to the delivery of our Strategic Outcomes and significant areas of spend were in Marine Licensing and Marine Planning. Spend on evidence in relation to Marine Licensing totalled £2.3 million (£2.3 million

in 2010/11) and spend in relation to Marine Planning totalled £0.3 million (£0.1 million in 2010/11) in the year.

The costs arising from development of intangible assets (both internal and external) are capitalised if and only if, a number of criteria as outlined in International Accounting Standard 38 (IAS 38) are met. During the year internally developed intangible assets totalling £1.3 million (£1.0 million 2010/11) were capitalised in line with IAS 38 and further details are provided in note 8 of the Annual Accounts.

Likely future events affecting the MMO

The Common Fisheries Policy is the European Union's instrument for the management of fisheries and aquaculture. The current policy is due for reform by the end of 2012. The MMO is resolute in helping to preserve fishing opportunities for this generation and the next through reform of the Common Fisheries Policy and the protection of fish stocks in our seas.

The European Commission 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. The MMO will work with the relevant bodies in the transition to the new fund.

Our people

Our people are our greatest asset. Successes to date have been due to the hard work of our staff, demonstrating their importance to the future of the MMO. We ensure our staff work in an environment where everyone feels valued and everyone is given the opportunity to achieve their potential. All of our employees treat each other with respect and we value diversity in terms of their race, gender, sexuality, disability, age or religious beliefs and equal opportunities for all is a fundamental objective of the MMO.

Our staff share the following values, which are demonstrated through ways of working:

- We treat others with respect and dignity at all times.

- We are committed to being a successful leader of the marine area.
- We deliver value for money in everything we do.
- We have a real desire to learn and develop.
- We are determined to earn the highest degree of public trust.
- We work collaboratively within diverse networks and achieve shared goals with our partners.
- We have the courage to initiate and embrace change with pace.
- We seek feedback from our customers, partners and colleagues and act upon it.
- We conduct ourselves in an ethical and sustainable manner at all times.

We also consider it important that our employees have a voice within the organisation and various methods are used to ensure our staff's views are heard. These include the opportunity for all staff to book a discussion with the Executive Team on a weekly basis, regular team meetings and monthly 'one to ones' with managers. We conduct an annual staff opinion survey and have a staff survey working group to ensure employee opinions are progressed.

For the reporting year 2011/12 the average number of days sickness for our staff was 4.0 days (2010/11 9.5 days), with the wider civil service average being 8 days.

We value the significant contribution made by our staff on a daily basis and recognise that staff training, development and engagement are fundamental to our continued success.

In addition the MMO works closely with the trade unions – the Public and Commercial Services Union (PCS), Prospect, and First Division Association (FDA) to ensure mutually beneficial employee relations. We have also established a number of staff groups to deal with a range of issues from well being to sustainability.





Remuneration Report

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 governance of remuneration, performance management and other staffing systems and processes. Members of the committee are appointed by the Board but must not include the Chair of the MMO 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 remuneration are decided by the MMO Board and decisions on the Executive Directors' remuneration are taken by the Chief Executive Officer under the guidance of 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 are to be reported separately under Government Financial Reporting Manual 2011/12 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 were changed during 2010 due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices 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, 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.

Non-Executive Board members' remuneration

Board members' remuneration is determined and, until 31st March 2012 was, paid by the Defra; however, from April 2012 Board members' fees will be paid by the MMO. Appointments to the MMO Board are on either three or four year terms, in line with the code of practice from 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 director has been in post less than a year the full year equivalent (FYE) is given beneath the actual amount. The MMO did not engage any individual's off-payroll in 2011/12 and all payments were made under normal PAYE rules in accordance with their terms and conditions.

Non-Executive Board Member	Role	Appointment date	End date	2011/12 fee £'000	Taxable expenses classified as benefits in kind 2011/12, to nearest £100	2010/11 fee £'000
Sir William Callaghan	Chair	01/05/2011	30/04/2014	35 - 40 (FYE 40 - 45)	5,100	-
Jayne Scott #	Deputy Chair	01/12/2010	31/01/2014	15 - 20	3,000	5 - 10 (FYE 15 - 20)
	Non-Executive Member	01/02/2010	30/11/2010	-	-	10 - 15 (FYE 10 - 15)
Derek Langslow ##	Non-Executive Member	01/05/2011	31/01/2014	5 - 10 (FYE 10 - 15)	1,900	-
	Interim Chair and Handover	01/12/2010	30/06/2011	5 - 10 (FYE 35 - 40)	1,400	10 - 15 (FYE 35 - 40)
	Non-Executive Member	01/02/2010	30/11/2010	-	-	5 - 10 (FYE 10 - 15)
Rodney Anderson #	Non-Executive Member	01/02/2010	31/01/2013	10 - 15	4,100	10 - 15
Richard Birmingham	Non-Executive Member	01/02/2010	31/01/2013	10 - 15	-	10 - 15
Robert James	Non-Executive Member	01/02/2010	31/01/2014	10 - 15	4,300	10 - 15
Jeremy Loyd #	Non-Executive Member	01/02/2010	31/01/2013	10 - 15	5,400	10 - 15
Nigel Reader ##	Non-Executive Member	01/02/2010	31/01/2014	10 - 15	3,100	15 - 20
Jane Ryder ##	Non-Executive Member	01/02/2010	31/01/2013	10 - 15	2,600	5 - 10 (FYE 10 - 15)
Chris Parry	Chair	06/07/2009	30/11/2010	-	-	30 - 35 (FYE 45 - 50)

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

Member of Remuneration Committee

Member of Audit and Risk Committee

Notes

- A.** Sir William Callaghan was appointed as permanent Chair of the MMO Board on 1 May 2011 for a fixed period of three years.
- B.** Derek Langslow was appointed as Interim Chair of the MMO Board on 1 December 2010 and remained in this role until the appointment of the permanent Chair on 1 May 2011.
- C.** Jayne Scott is Chair of the Remuneration Committee.
- D.** Nigel Reader is Chair of the Audit and Risk Committee.
- E.** No additional paid work was carried out on behalf of the MMO by any Board member.

Dr Mel Austen was appointed as Chief Scientific Advisor (CSA) to the MMO on 6 September 2010. Although technically an employee of the MMO, the CSA is responsible and accountable to the Chair and Board and, as a non-executive, is independent of the CEO and Executive Team. This part time 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 during 2011/12 was within the range £10k to £15k (FYE £60k to £65k).

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 2011/12 financial year this consists of costs of accommodation, travel and subsistence associated with Non-Executive Directors who all have a contractual home arrangement.

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. These are published quarterly reflecting the MMO's commitment to transparency. Expenses may be travel, hotel and other costs, including details of hospitality given and received.

Executive directors' remuneration

The MMO Executive Directors have the authority and responsibility for directing and controlling the major activities during the year and have influence over the entity as a whole. They are all at Senior Public Service rank. 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. The MMO did not engage any individuals off-payroll in 2011/12.

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.



Executive Directors	Role	Appointment date	End date	2011/12 salary £'000	2011/12 bonus £'000	Taxable expenses classified as benefits in kind 2011/12, to nearest £100	2010/11 salary £'000	2010/11 bonus £'000
James Cross	Chief Executive Officer	14/12/2011	13/12/2014	110-115	-	-	50 - 55 (FYE 110 - 115)	5 - 10
	Director of Operations (inc Acting Chief Executive Officer)	06/04/2010	13/12/2011	-	-	-	30 - 35 (FYE 65 - 70)	0 - 5
Andy Beattie	Acting Director of Planning and Regulation	07/06/2011	-	50 - 55 (FYE 60 - 65)	-	-	-	-
Liz Humphreys	Acting Director of Operations and Compliance	08/11/2010	-	65 - 70	-	8,300	20 - 25 (FYE 65 - 70)	-
Alison Thompson	Director of Corporate Support and Governance	19/07/2010	-	65 - 70	-	-	45 - 50 (FYE 65 - 70)	-
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	-	65 - 70	-	-	55 - 60 (FYE 65 - 70)	0 - 5
Debbie Moore	Acting Director of Customers and Partnerships	23/01/2012	-	10 - 15 (FYE 60 - 65)	-	-	-	-
Steven Gant	Chief Executive Officer	01/02/2010	15/10/2010	-	-	-	60 - 65 (FYE 110 - 115)	-
Band of highest paid executive disclosed in remuneration report				110 - 115			115 - 120	
Median total remuneration				25,903			25,903	
Ratio				4.2			4.5	

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

The banded remuneration of the highest-paid director in the MMO in the financial year 2011/12 was £110,000 to £115,000 (2010/11: £115,000 to £120,000). This was 4.2 times the median remuneration of the workforce, which was £25,903 (2010/11: 4.5 times median of £25,903). In 2011/12, no employees received remuneration in excess of the highest-paid director.

Notes

- A. James Cross took up the Acting Chief Executive Officer role on 24 September 2010 and was appointed Chief Executive Officer on 15 December 2011 for a fixed term of three years with the potential for reappointment of a further two years.
- B. Liz Humphreys took up the role of Acting Director of Operations following James Cross' temporary move and was appointed permanent Director of Operations and Compliance on 2 April 2012.
- C. Andy Beattie took up the role of Acting Director of Planning and Regulation on 7 June 2011 and was appointed permanent Director of Planning and Regulation on 2 April 2012.

- D.** Debbie Moore took up the role of Acting Director of Customers and Partnerships on 23 January 2012 to cover period of maternity leave for Carolyn Cadman.

On vesting, two interim Directors were inherited from the Marine Fisheries Agency (MFA) and subsequently replaced by permanent appointments. David Stone acted as the interim Director of Operational Support from 1 April 2010 to 18 July 2010 and Judith Toland as the MMO interim Director of Networks from 1 April 2010 to 23 May 2010. Their services were provided by third parties and the total costs to the MMO including VAT and travel and subsistence were £80-85k (FYE £300-305k) and £45-50k (FYE £270-275k) respectively. Neither individual accrued any pension benefits.

In addition Eddie Routledge was seconded from DEFRA to work as Interim Director of Operations from 1 April 2010 to 30 May 2010 and then as Director of Change from 15 November 2010 to 27 May 2011. Full details of his remuneration are included in the DEFRA remuneration report, the equivalent costs to MMO were £10-15k in 2011-12 and for 2010/11 the equivalent costs for the roles of Director of Change and Interim Director of Operations were £25-30k and £10-15k respectively.

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 2011/12 financial year this consists of costs of accommodation, travel and subsistence associated with directors with a contractual home arrangement.

Other expenses for directors incurred as part of carrying out official duties but which are not subject to UK taxation, are disclosed on the MMO website www.marinemanagement.org.uk.

Pension benefits

Executive Directors	Real increase in pension (£'000)	Real increase in lump sum (£'000)	Value of pension at 01/04/11 (£'000)	Value of lump sum at 31/03/12 (£'000)	CETV at 01/04/11 (£'000)	CETV at 31/03/12 (£'000)	Real increase in CETV (£'000)
James Cross	2.5 - 5	0	15 - 20	0	129	190	47
Andy Beattie	0 - 2.5	0	0 - 5	0	22	24	-1
Liz Humphreys	0 - 2.5	2.5 - 5	15 - 20	55 - 60	249	287	16
Alison Thompson	0 - 2.5	0 - 2.5	10 - 15	40 - 45	194	213	2
Carolyn Cadman	0 - 2.5	0 - 2.5	10 - 15	30 - 35	116	131	4
Debbie Moore	0 - 2.5	0	20 - 25	0	168	174	4

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 the year to 31 March 2012.

Early departure costs

The MMO was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. No directors retired early in the year ended 31 March 2012 (2010/11 no persons).



James Cross
Chief Executive Officer
22 June 2012



MMO Sustainability report

Sustainability

The Marine Management Organisation (MMO) is at the heart of ensuring our seas are used sustainably. Our key role is to make a significant contribution to sustainable development in the marine area and while we are committed to achieving this, we are also committed to developing more sustainable ways of carrying out our business.

This sustainability report is intended to demonstrate our progress in this area taking into account our operating environment and the format of the report conforms with the requirements of the Financial Reporting Manual (FRM).

Impact of the MMO on the environment

As a growing organisation, we are more aware of the impact of our operations on the environment and of our need to minimise this impact particularly when activities and resources are increasing. In our second year of operation, we have continued to measure our impact on the environment.

Sustainability measures we have adopted are based on central operational services and annual reviews of the carbon emissions generated by official travel and accommodation usage have been measured and reported. However, we also know our surveillance and monitoring activities involve significant travel by ship and aircraft which inevitably results in the consumption of fossil fuels and carbon dioxide emissions. Although these impacts are not measured in this report significant work has been completed during the year to trial alternative and more flexible options to current surveillance arrangements in order to reduce costs and our carbon footprint.

Working towards a more sustainable business

During the year we established the Sustainability Group which comprises a range of passionate volunteers from across the business. The Sustainability Group is the co-ordinating point for embedding sustainability across the MMO. By meeting on a regular basis and assessing performance, the group drives sustainable practice across the MMO. The key areas the MMO will focus on in the future are outlined in a draft sustainability plan and include the following:

Reducing emissions from direct travel

Marine officers travel to fish markets, ports, harbours, coastal protected areas and other out of office locations as part of compliance and information gathering work. This work is vital to the operational functions of the MMO, and in most circumstances there is no substitute for an officer on the ground. Direct travel is unavoidable however, we will work to identify ways of lessening our impact on the environment.

Sustainability through estates and facilities management

The way in which all MMO staff use our estates and facilities every day can impact upon the use of energy and water. To ensure that sustainability is built into the way in which our estates and facilities are managed, we engage with the organisations which manage our estates and facilities, such as Interserve, to communicate our commitment to sustainability. This also allows us to deliver a joined up approach to sustainability by understanding respective roles and strategies in relation to delivering sustainability.

Sustainability through procurement

Computers, telephones, stationery, personal protective equipment and other equipment vital to the MMO's delivery, all have embedded energy (the energy used in production and transportation before use) and often use energy during their lifetime. As well as cutting emissions of greenhouse gases, sustainability also means ensuring that the way in which we operate does not perpetuate poverty, child labour, inequitable treatment of people, or the use of environmentally damaging materials or practices. We will work to ensure both sustainable and ethical factors are considered as part of our procurement processes.

Lessening the impact of indirect travel

Our staff may need to travel to meetings, workshops and other events. Some of this travel is unavoidable, such as travel to Brussels for European Fisheries Fund meetings called by the European Commission. Some of this travel can either be avoided altogether, through use of video or teleconferencing, or the impact can be reduced through more sustainable transport choices.

Introduction of team carbon targets

To ensure that sustainability is embedded in planning of transport to and from meetings and events, each team is issued with a carbon budget at the beginning of each year. The emissions from all indirect travel must be accounted for from within this budget, with annual reductions in budgets required. Budgets are agreed taking into account operational needs.

Development of best practice

Across Government and the private and voluntary sector, organisations are integrating sustainability into the work that they do. We will identify and engage with organisations that are at the forefront of sustainability to integrate lessons learned and best practice into our own approach.

Actions to date

- We have introduced a taxi sharing scheme to promote sharing of journeys to the same destination and reduce single person journeys where possible.
- We have developed team carbon reports to provide a baseline for measuring future performance.

- We have used consumption information to identify and address high water consumption areas of the business.
- We have members of staff who took part as volunteers in beach clean schemes.
- We have consistent internal guidance on the use of public transport and the use of video and telephone conferencing wherever possible and appropriate.
- We consider sustainability measures adopted by suppliers when tendering for contracts and are moving towards a greener and ethical procurement process.
- We spent £1000 on accredited carbon offsets through the Woodland Trust.

Summary of performance

We produced our first full sustainability report in 2010/11 with the intention of using the data as a baseline to measure future performance. During the year we were advised that the information provided was significantly affected by the inclusion of carbon dioxide emissions linked to buildings which we did not occupy. As a result the figures for 2010/11 have been restated.

As we have progressed through the year we have identified further measures of our activities for which we can obtain information relating to car hire and private car use previously not reported. This has been identified separately in the reports below to allow meaningful comparisons.

The Government has set out commitments for Greening Government and due to the issues with prior year figures we have adopted these targets as our baseline in our commitment to improve business sustainability. These targets include:

- Cutting greenhouse gas emissions by 25 per cent from the whole estate and UK business related transport from a 2009/10 baseline (459 tonnes of carbon dioxide) over a 5 year period.
- Reducing the amount of waste generated by 25 per cent from a 2009/10 baseline (49 tonnes).
- Reducing water consumption from a 2009/10 baseline (1,547 cubic metres).

The table below shows a summary of our performance in 2011/12 against these targets. Greening Government targets reflect the required reductions as at 31 March 2012:

Sustainability Performance Overview 2011/12	
Greenhouse gas emissions (Tonnes of carbon dioxide equivalent (tCO₂e) - Scopes 1,2&3)	2011/12
Greening Government target	415
Actual	367
Actual**	417
Total waste tonnes	2011/12
Greening Government Target	44
Actual	13
Water usage (cubic metres)	2011/12
Greening Government Target	<1,547
Actual	1,906
Actual** - Measure includes emissions relating to car hire and private car use not previously reported or captured in Greening Government target	

2011/12 Marine Management Organisation Sustainability Report			
		2010/11 restated	2011/12
Gross greenhouse gas (GHG) Emissions (tonnes of carbon dioxide equivalent)	Scope 1: Direct impacts	34	47
	Scope 1: Direct impacts*	-	50
	Scope 2: Indirect impacts	234	241
	Scope 3: Business travel	50	80
	Total	318	417
Related energy consumption (thousand KWh)	Electricity	353	379
	Gas	228	236
Financial indicators (£k)	Expenditure on energy	72	70
	CRC related expenditure	0	0
	Expenditure on official business travel	244	390
	Expenditure on accredited offsets - Woodland Trust	1	1
Waste for head office		2010/11 restated	2011/12
Non financial indicators (tonnes)	Total waste	9	13
	Non-hazardous landfill	2	3
	Non-hazardous reused/ recycled	6	9
	Non-hazardous incinerated	1	0
Finite Resource Consumption - Water		2010/11 restated	2011/12
Non financial indicators (cubic metres)	Water consumption	1377	1906
Financial indicators (£k)	Water supply costs	7	11

Scope 1: Direct impacts - This relates to the emissions from consumption of fuel from MMO vehicles on official travel.

Scope 1: Direct impacts* - This relates to the emissions from the consumption of fuel from hire car and personal car use on official MMO travel not previously reported in 2010/11.

Scope 2: Indirect impacts - This relates to the emissions from the consumption of gas and electricity through our estates.

Scope 3: Business travel - This relates to the emission from business travel undertaken by MMO staff.

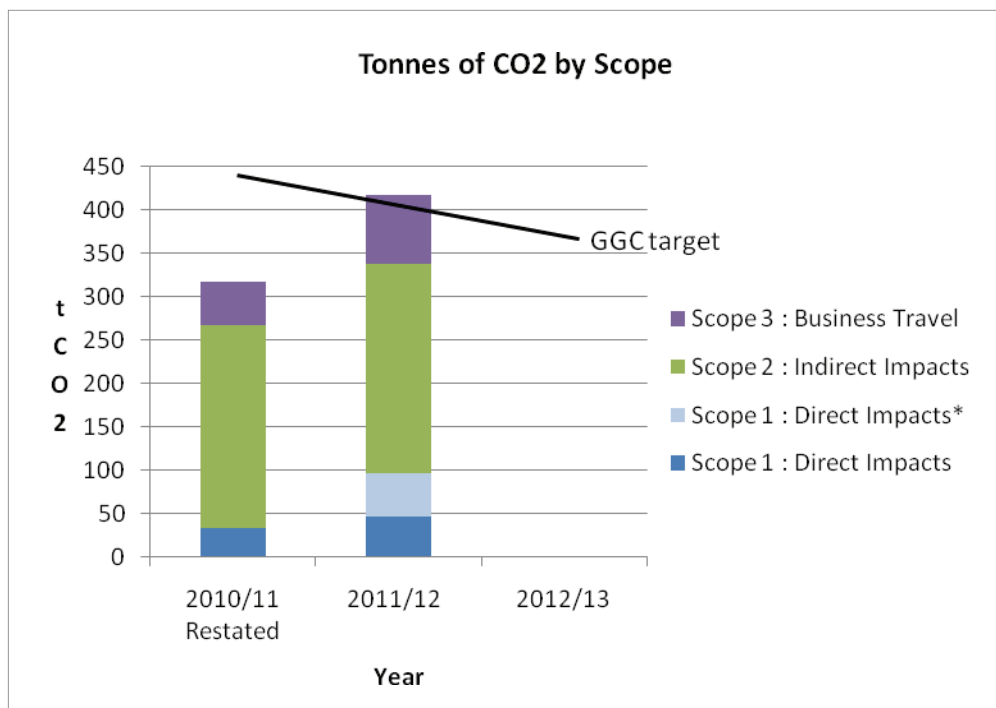
Performance commentary

Emissions

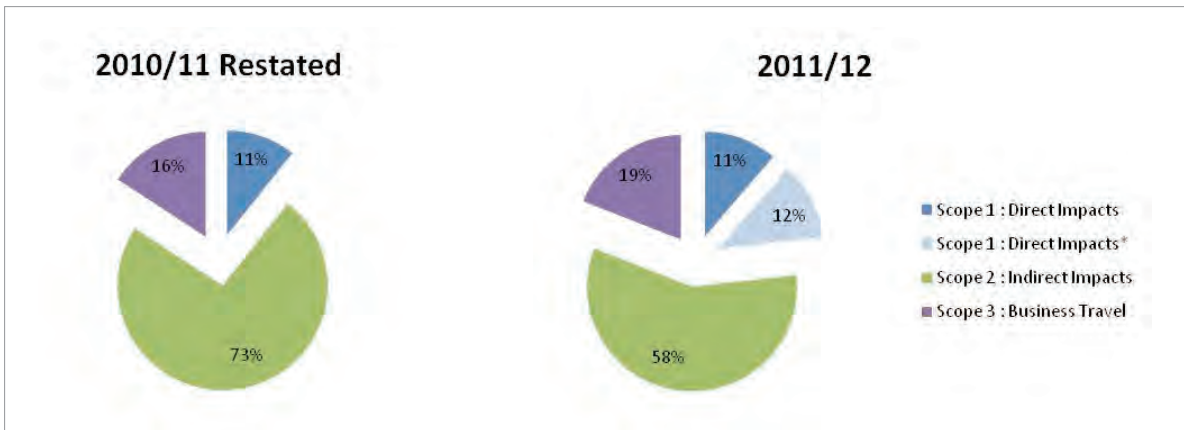
In 2011/12 our gross emissions increased by 31 per cent (15 per cent excluding car hire and personal car use) compared to 2010/11 but have reduced by 9 per cent (20 per cent excluding car hire and personal car use) compared to our Greening Government 2009/10 baseline.

Our emissions from gas and electricity have increased by 3 per cent compared to last year and by 60 per cent when comparing business travel. Although we have progressed our estates rationalisation strategy throughout the year the impact of this may not be felt until after the reporting period. Business travel has increased significantly over the year reflecting the growing activities the business is undertaking in its second year of operation. This is an area which will be targeted through the carbon team targets going forward.

The graph below shows a breakdown of our total carbon emissions of 417 tonnes of carbon dioxide compared to prior year figure of 318 tonnes of carbon dioxide. The Greening Government annual commitment to reducing carbon emissions is represented by the black trend line.

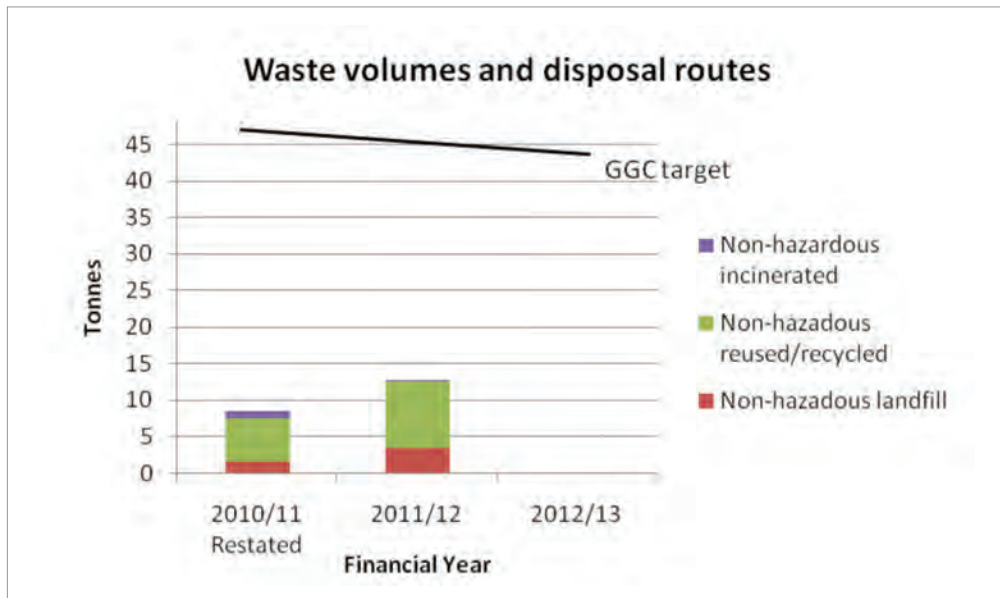


The pie charts below show the relative proportion of each scope to the overall gross emissions total.



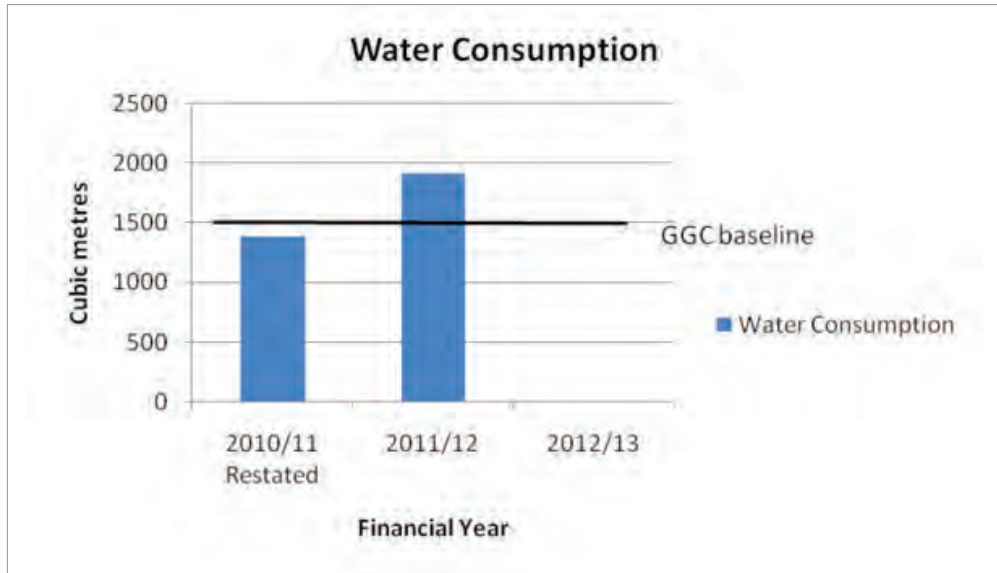
Waste

The data for waste is available for four of the 17 sites occupied during the year, however, this includes head office and accounts for over 65 per cent of our workforce. Although waste volumes are well below the Greening Government baseline set our waste volumes have increased compared to last year, however, this has been through an increase in recycled/ or re-used waste.



Water consumption

Water consumption has been highlighted as an area where improvements need to be made. This has increased compared to last year and we have already reduced water consumption at one of our sites during the year after identifying abnormal water consumption levels in the sustainability data provided.



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 resource outturn, resources 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 and in particular to:

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









Governance Statement

Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of risk, 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 functions and responsibilities are provided under the Marine and Coastal Access Act 2009, and are defined in the MMO Framework Document (Section 7), which sets out the respective responsibilities and delegations of the MMO and Accounting Officer, agreed with the Department for Environment, Food and Rural Affairs (Defra).

A Cross Government Sponsorship Group is in place and comprises of Senior Officials from the Department of Energy and Climate Change (DECC), Department for Environment Food and Rural Affairs (Defra), Department for Transport (DfT), Communities and Local Government (CLG) and Ministry of Defence (MoD) to assist the Secretary of State and Defra's Principal Accounting Officer in discharging their duties over risk management and governance of the MMO. The Defra sponsorship team are the primary contact and I have regular meetings to highlight and discuss the strategic risks, governance and control issues.

The Governance framework

The role of the MMO Board is to set the strategy and approve the policy direction of the organisation. The MMO Framework Document outlines how the Board will discharge its responsibility which includes compliance with corporate governance principles as laid down

by HM Treasury. 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.

Some of these documents have been in place since vesting in 2010 with others being implemented during 2011/12 to bring them into line with guidance provided in Managing Public Money and to reflect the MMO regulatory function and its need to act lawfully.

The MMO operates an accountability framework, supported by a Scheme of Delegation underpinned by its hierarchal structure. The Executive Team comprising of the Chief Executive and Executive Directors are responsible for the strategic direction of the MMO corporate objectives. This is supported by heads of function, whom have delegated responsibility to deliver the operational activities in support the strategic objectives with their teams.

Based on this structure, executive governance required is taken forward through the Executive Team which is led by the Chief Executive Officer; this is supported by the heads of functions who, together with their functional teams, all interact to achieve delivery of the corporate objectives.

The Accounting Officer (Chief Executive) has responsibility for reviewing the effectiveness of internal control. This review is informed by the Executive Directors, heads of function, and team delivery managers/leaders who are responsible for the development and maintenance of the internal control framework. This may include periodic and bespoke management monitoring, monthly financial reporting and budget reviews,

externally/Board commissioned reviews and an independent, risk based Internal Audit Programme. Performance management is exercised through the Executive Team, and the Performance and Risk Management Board (PRMB) with additional governance around change activities being initially considered by a Change Programme Gateway. Risk management practices are embedded as part of the day to day activities, with the PRMB forming the central and primary mechanism for managing risk at a strategic (corporate) level. Risks can be identified by any team in the organisation but when a tolerance is exceeded, these risks are scored and escalated to Executive Team, documented through a series of risk registers.

Accountability for the achievement of Strategic Outcomes outlined in the MMO Corporate Plan is assigned to the Executive Directors, with each Head of Function having responsibility for the delivery of individual team plans and performance measures. Reviews of each team are undertaken monthly by Directors who monitor performance, assess progress against targets, highlight risks to delivery and identify corrective action.

The Chief Executive and Executive Team, meet quarterly with the Sponsorship Team to formally review performance against the Corporate Plan objectives, (which replaced the HMG Service Level Agreement), discuss risks and issues and agree any support the Sponsor Team can provide within the scope of their remit. Each quarter a report of the MMO's performance against its objectives and forward look is presented to the Defra Supervisory Board.

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.

The MMO employs Defra's Internal Audit Division to provide its internal audit function. Internal audit activity is targeted at assessing the adequacy and effectiveness of the systems of internal control and governance in the areas reviewed. The areas for review are determined by reference to the levels of risk determined by the Chief Executive, Executive Team and the Audit & Risk Committee (A&RC), documented in a plan over the reporting period. The Head of Internal Audit gives an opinion on the MMO system on internal control which will support the assurance given to Defra.

Board meetings

Attendance records for Board members during 2011/12 to date are detailed in the table below:

Board Member	Possible Board Meetings	Attended	Possible Audit & Risk Committee meetings	Attended	Possible Remuneration Committee meetings	Attended
Sir Bill Callaghan (Chair)	7	7	n/a	n/a	n/a	n/a
Nigel Reader (Audit & Risk Committee Chair)	7	7	5	5	n/a	n/a
Rodney Anderson	7	7	n/a	n/a	2	2
Richard Birmingham	7	6	n/a	n/a	n/a	n/a
Robert James	7	7	n/a	n/a	n/a	n/a
Derek Langslow	7	6	4	4	n/a	n/a
Jeremy Lloyd	7	7	n/a	n/a	2	2
Jane Ryder	7	6	5	5	n/a	n/a
Jayne Scott (Remuneration Committee Chair)	7	6	n/a	n/a	2	2

The MMO Board and its committees are formally supported by a Board Secretariat, responsible for agreeing a forward agenda with the MMO Chair, dissemination of all Board papers and communications, and administrative support.

The MMO Board considers standard agenda items which include the Chief Executive Officer's report, performance against the Strategic Outcomes as set out within the Corporate Plan, strategic risk register, the financial toolkit, reports from its committees and reviews of their terms of reference. 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 executive 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.

During 2011/12, the MMO Board considered the following which were considered as principal areas of progress or considered to be significant issues:

- Implementation and development of Marine Plans.
- IT governance.
- Risk Strategy.
- European Fisheries Fund.
- Licensing fees and charges.
- Government Red Tape challenge.
- Health and Safety.
- HR Policies.
- 2012-15 Corporate Plan.
- Estates Strategy.
- MMO Development Plan.
- Compliance and enforcement model.
- Inshore Fisheries and Conservation Authorities (IFCA's).

This has ensured that appropriate direction and escalation has been provided following substantive challenge and debate.

Board committees

The Board delegates certain responsibilities to its principal committees: the Audit & Risk Committee (A&RC) and the Remuneration Committee. The terms of reference for these committees are approved annually by the Board and are chaired by a Board member.

In addition to these committees, the MMO is supported by a Chief Scientific Advisor (CSA) on matters on scientific evidence. The CSA has been leading on the development of a Scientific Advisory Community (SAC), to support the Board further on these matters. The SAC is an advisory group to the Board and will have an important role in providing advice, and in challenging and reviewing our science and evidence. This will provide assurance to the CSA and hence the Board of the MMO on the use of evidence and scientific analysis on which the MMO bases its strategy and decisions for specific areas of its business. The Community will meet as required but not less than once per year.

The Audit & Risk Committee (A&RC)

The A&RC currently comprises of three non-executive members from the Board, with the third member joining during 2011/12. The Board receives A&RC minutes and reports from the Chair of the A&RC concerning the work of the committee. An Annual Report on the key business conducted through the year is produced to support this Governance Statement. The committee advises on developments in risk management, considers process around risks and controls, and undertakes more in-depth consultation on emerging issues on an on-going basis.

The objective of the A&RC is, through challenge, scrutiny, monitoring and advice, to assist the Board to fulfil its corporate governance responsibilities to ensure that an appropriate control environment is maintained by the MMO, the principal focus of activities documented within the A&RC terms of reference.

Further to this, the committee will provide support to the Accounting Officer in the form of objective advice on the systems of internal control within the MMO and constructive challenge to the assurances available to the Accounting Officer that financial and risk management controls and systems are adequate and functioning well.

During 2011/12 the A&RC considered the following significant issues:

- MMO's Annual Report and Accounts.

- Revisions in financial management and controls.
- IT governance.
- Risk Strategy.
- European Fisheries Fund.
- Licensing fees and charges.
- HR Policies.
- 2011/12 Interim Accounts.

Further to this, the Chair will refer to the Board all 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.

The Remuneration Committee

The Remuneration Committee currently comprises of three non-executive members from the Board and is chaired by the Deputy Chair of the Board. In accordance with best practice, it is a standard part of the committee's dealings to report to the Board after every meeting and will produce a formal annual report on key business conducted at the end of each financial year. The objective of the committee is to ensure governance and control of the remuneration, performance management and recruitment issues associated with the employees of the MMO, with the principal focus of activities disclosed with the committee terms of reference.

Review of effectiveness and compliance with governance

An assessment of the Board's effectiveness was completed in December 2011, facilitated by an external supplier. Board members and Executive Directors were required to complete a self assessment questionnaire, which was evaluated during a subsequent workshop. The results were positive, concluding that the MMO Board was effective, and whilst no remedial action was required, it allowed the Board to identify three goals which would underpin a supplementary action plan to strengthen and develop current and ongoing activities:

- There is a clear long-term vision for the MMO.

- Stakeholders engage with and trust the MMO as a regulator.
- An appropriate balance of strategic emphasis and operational detail is achieved by the Board.

The Board approved the action plan in January 2012; implementation is undertaken with support from the Executive Team, monitored through monthly Executive Team meetings and Board workshops. Formal assessment of the effectiveness of this plan will be completed by March 2013.

The MMO Chair has completed performance reviews of all Non-Executive Board members in the reporting period, taking account of performance over the 2011/12 year, reflecting on individual portfolios of responsibility and discussing priorities for the future.

The A&RC conducts an annual review of its effectiveness. In 2011/12 this was carried out in November 2011, and was facilitated by the National Audit Office adopting a self assessment questionnaire, and an evaluation carried out at a workshop. The overall conclusion was that the A&RC is effective. However, a number of potential areas for improvement were identified which have been incorporated in an action programme and implemented in 2012/13. The output from the process also informed revisions to the A&RC Terms of Reference. The results and associated amendments to the Terms of Reference were reported and accepted by, the MMO Board in January 2012.

The Chair of the A&RC provides an update to the MMO Board after every A&RC meeting and also provides an annual report on the committee's activities to the September board meeting.

The Chair of the Remuneration Committee provides an update to the MMO Board twice each year following each formal meeting and an Annual Report in September.

During the reporting period the MMO undertook a full governance review which considered the requirements of Cabinet Office 'guidance on reviews of non departmental public bodies'; this document sets out the principles and process by which departments should review their

non-departmental public bodies (NDPBs). This was a significant piece of work through which the MMO is able to demonstrate compliance across a range of standard principles with tangible evidence as set out below:

Accountability: we demonstrated our compliance with applicable statutes and regulations supplemented by detailed reviews focusing on operating lawfully and with better regulation. In addition, we gathered evidence to demonstrate that the Accounting Officer is personally responsible and accountable to Parliament for the use of public money and that Ministerial accountability is in place in respect of the overall performance of the MMO as a public body.

Roles and responsibilities: we gathered evidence that our sponsoring department provides oversight and scrutiny of the MMO and together with a Departmental Board has a collective responsibility for the MMO's overall performance and success. In addition, evidence demonstrated that the role of the Chair provided leadership and that the role of Non-Executive Board Members provided independent and constructive challenges.

Effectiveness of financial management: a range of measures had been implemented in the reporting period, which resulted in the MMO delivering the forecast financial outturn within 0.4 per cent of budget. Our key controls received strong assurance following review by internal audit demonstrating that effective systems of financial management and internal controls are in place.

Communication: evidence gathered from stakeholder and customer service surveys has been used to validate that we communicate in a way which is open, transparent, accountable and responsive.

Conduct and behaviour: through our staff survey, leadership programme and compliance with our Code of Conduct we can demonstrate that staff work to the highest personal and professional standards, promoting the MMO's values and with good governance through conduct and behaviour.

Whilst there were no significant evidence gaps, further work is to be undertaken to strengthen the existing evidence base.

The Head of Internal Audit's (HIA's) Annual report has provided an opinion of 'adequate

assurance, with no limitation of scope' over the adequacy and effectiveness of risk management, internal control and governance of the MMO for 2011/12. This is a significant improvement; in 2010/11 this opinion had a limitation of scope as a result of the control weaknesses identified within the administration of European Fisheries Fund (EFF), which has now been addressed. This opinion is based on an Audit Programme that reflects the areas of importance and highlighted within team risk registers. These activities are prioritised in an audit plan which is agreed ahead of each financial year; and monitored throughout the reporting period.

The conclusions reached by Internal Audit and their view of the MMO's response to recommendations is summarised in the HIA's report, providing the assurance necessary of overall effectiveness.

Additionally, Executive Directors and heads of service provided letters of assurance confirming that they have complied with the MMO risk procedures and controls. Specific concerns raised have been reflected as corporate risks under the risk assessment section of this Statement.

Further assurance has been taken from the work undertaken by the A&RC. The scrutiny exercised by the A&RC over the reporting period and summarised in the committee annual report has informed the findings of both internal and external audit, by the responses provided and the control environment maintained by management has supported the A&RC in drawing the following key conclusions:

- The comprehensiveness, reliability and integrity of the assurances provided are appropriate and adequate for meeting the governance needs of the Board and the Accounting Officer and for the decisions they have taken and their accountability obligations.
- An effective process of risk management is in operation, which supports, and is supported by the assurances outlined above.
- At the Boards request, particular scrutiny has been applied to identify deficiencies in respect of European Fisheries Fund, financial forecasting and control; income

generation and recovery of costs through charges. While significant improvements have been evidenced during the year, these are areas which the A&RC will continue to apply scrutiny to ensure further progress is achieved until the residual risk levels are deemed acceptable.

In the 2010/11 Statement on Internal Control three control weaknesses had been reported, these have been addressed, and are no longer considered to be a risk.

Shortcomings in the Management of the European Fisheries Fund

Significant progress has been made. The Annual Report produced by the UK Audit Authority evidenced that all outstanding control weaknesses had been addressed, which resulted in an improved risk rating; and this has ultimately led to the UK receiving its first reimbursement of grants from the Commission totalling around £28 million from a consolidated Statement of Spend which was submitted for the period 2008 to October 2011.

IT governance structure for project delivery

During the reporting period we have focused on improving the IT governance structures, which includes addressing an area of risk highlighted in 2010/11 regarding the governance of the Fisheries Information System Strategy (FISS). A Programme Management Office has been set up since August 2011 to cover all business projects including the FISS. Additionally, the MMO Information and Communication Technology Strategy for 2011-15 was published this year and provides a framework for the delivery of core corporate and customer services and provides a framework for delivery of routine administrative activities, in direct support of the MMO's strategic outcomes.

Financial forecasting, management and controls

During the period we have looked to strengthen our financial forecasting and management, with a focus on identifying and resolving the legacy of untested budget assumptions inherited from the vesting of MMO. We introduced a financial toolkit to provide transparency in understanding costs at all levels of granularity, supplemented

by supporting information from heads of service, which are considered monthly by the Executive Team and feature as a regular item on the MMO Board Agenda. The MMO achieved a financial outturn of £30.680 million against a budget of £30.8 million (0.4 per cent), reflective of the improvements that have been made.

Risk assessment

During 2011/12 the MMO revised its risk strategy to incorporate the best practices outlined in the HM Treasury Orange Handbook and this was approved by the Board in September 2011. The Performance and Risk Management Board (PRMB) is the primary mechanism for managing risk at a strategic (corporate) level, and is chaired by the Chief Executive. The Board has delegated the review and challenge of risk to the A&RC, from which it receives assurance routinely throughout the year, with an end year summary in the A&RC Annual Report.

The integrated performance and risk framework drives accountability and sound governance through an end to end process starting with teams, and extending through the organisation to the Chief Executive. The PRMB 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.

Risks are categorised in terms of delivery, governance (including financial management and information assurance), reputation and people, and culture. Risk is considered against two scales of probability and impact, which assists in prioritising management effort and matching appropriate resource. Further to that the MMO operates a range of tools within its framework to manage risk against each category. As at 31 March 2012, the following risks were included on the MMO Strategic Risk Register as having the potential to affect our business success, credibility and relationships with partners:

Funding gap from the inability to charge for licensing services when providing statutory

advice given as part of consultation under section 42 of the Planning Act 2008 (category: delivery/reputation and people). The number of licensing projects routed through the Integrated Planning Committee (IPC) that requires statutory advice will increase and we will be unable to recover costs, which will result in a funding gap exceeding £1 million. This risk has been escalated to Defra, whilst options for meeting these costs are investigated.

Statutory Nature Conservation Bodies (SNCBs) will not have sufficient capacity to provide the MMO with timely advice, due to capacity issues, for pre-applications and applications relating to renewable projects and aggregate extraction licences (category: delivery/reputation and people). The licensing consent process for renewable developments is protracted, which impacts target delivery for UK Government, as it is dependent on resourcing of all providers of statutory advice. The risk is currently being managed by working with industry to identify barriers to consenting, solutions for delivery and industry expertise. This risk has been escalated to a Cross-Government Sponsorship Group and the Chief Executive is liaising with Defra, the Joint Nature Conservation Committee and Cefas to assess the capacity of those involved in meeting the end to end delivery requirements.

Due to the conflicting social, environmental and economical considerations of MMO's objectives and activities a lack of evidence and/or complex legislative framework coupled with differing stakeholder views could lead to our decisions being challenged (Category: governance/ reputation and people). The reduced confidence and clarity of the MMO decision making could lead to Judicial Reviews and public challenge in the media; however, this is being mitigated by publicising all decisions and associated evidence on the MMO website. Progress continues to be made in ensuring that decisions made are fully open and transparent, supported by the full evidence base which is published on the MMO website and regular dialogue with our stakeholders to ensure understanding of our role, remit and resourcing.

A managed risk which forms part of business as usual activities relates to the business continuity and disaster recovery of all operational IT

systems. The increased dependency on third party suppliers is recognised, as such requires closer focus and engagement.

The current emphasis for high risks are attributed to those which have a reputational impact, as reputation is the primary currency of any regulator, which is of particular importance to MMO as a new organisation and NDPB. Risk workshops have been held over the reporting period to determine the MMO appetite for risk; as a consequence the strategic risk register will be considered in the first quarter of 2012/13 to apply the most appropriate measure of MMO risk appetite.

Information risk management

The MMO is not a major holder of protected personal or otherwise sensitive information; however, we recognise the risks to information assets and security is of a high importance. Our information risk governance structures have an executive director, as Senior Information Risk Owner (SIRO) with responsibility for managing information risk which is carried out through an Information Management Group with support from the Chief Information Officer and the Head of Evidence and Data and Knowledge Management. At the next level Information Asset Owners (IAO) are responsible for the confidentiality, integrity and availability of key information assets.

Additionally, all IT projects are considered by the appointed Security Officer for appropriate accreditation and compliance. We work closely with others in the Defra network allowing common issues to be addressed in a consistent manner and best practice and experience to be shared.

There has been one reportable incident of personal information data loss over the reporting period which was not deemed significant following a full assessment and has not been reported to the Information Commissioners Officer. An annual assessment of information risk has been completed with no significant issues being highlighted.

Significant governance issues

There are no significant control weaknesses to report, the effectiveness of the overall

governance and risk frameworks is demonstrated in that the MMO has three key risks across a varied and complex remit of responsibilities, which are being effectively monitored and managed through the existing frameworks.



James Cross
Accounting Officer
22 June 2012







Annex 1 - Status report

Strategic Outcome 1 - Marine resources are managed effectively and regulated proportionately (SO – Strategic Outcome, KPM – Key Performance Measure, KS – Key Step)	End of year status
SO1/KPM1	
The number of marine licence applications determined in accordance with published standards. (Target - Increase performance to 95 per cent)	Met
SO1/KPM2	
The number of enforcement investigations carried out in accordance with published standards. (Target - Increase performance to 95 per cent)	Met
SO1/KS3	
Publish the overall delivery timetable for all marine plans around England by March 2012	Met
SO1/KS9	
Initiate a streamlined marine licensing system from April 2011	Met
SO1/KS10	
Develop a comprehensive set of performance indicators to monitor marine licences by October 2011	Met
SO1/KS11	
Develop a comprehensive set of performance indicators for marine enforcement activity by October 2011	Met

Strategic Outcome 2 - People and customers of our services are engaged and understand decisions which impact on the marine area	End of year status
SO2/KPM1	
The number of people engaging with us agree that we have taken all reasonable steps to enable 'interested persons' to engage in the planning and decision making process effectively. (Target - 80 per cent of surveyed parties agree)	Met
SO2/KPM2	
The number of our partners that are satisfied with the quality of the working relationship they have with us. (Target - 80 per cent of surveyed parties are satisfied)	Met
SO2/KPM3	
The number of requests for information, enquiries and complaints that we respond to in accordance with published standards. (Target - Increase performance to 95 per cent)	Met
SO2/KPM4	
The number of main customer groups that are satisfied with our services. (Target - 75 per cent of surveyed parties are satisfied)	Achieved score of 64 per cent
SO2/KPM5	
The MMO recruit and appoint members to IFCA's in accordance with Defra guidance. (Target - 100 per cent recruited within three months of notification of vacancy)	4 members not appointed within timescale
SO2/KS1	
Review effectiveness of Memoranda of Understanding and annexes to support relationships with delivery partners by March 2012 and establish annual review processes thereafter	Met
SO2/KS2	
Conduct and publish results of customer and stakeholder satisfaction surveys annually, including bespoke surveys such as the marine licensing survey	Met

Strategic Outcome 3 - Marine biodiversity is protected and maintained	End of year status
SO3/KPM1	
The number of wildlife licence applications determined in accordance with published standards. (Target - Increase performance to 95 per cent)	Met
SO3/KPM2	
The number of responses to allegations relating to wildlife and marine nature conservation offences in accordance with published standards. (Target - Increase performance to 95 per cent)	Met
SO3/KPM3	
The number of MPAs enforced effectively. (MPA's will be managed through risk-based enforcement. Performance will be measured by inspections and infringements)	Met
SO3/KS1	
Work with MCZ project groups to inform options for management measures to be enforced by the MMO.	Met
SO3/KS3	
Develop baselines and targets for a comprehensive set of performance indicators to measure the effectiveness of marine nature conservation enforcement outcomes by October 2011	Met
SO3/KS4	
Quality assurance of IFCA byelaws within 28 days of receipt	Met

Strategic Outcome 4 - Fish and shellfish stocks are managed sustainably	End of year status
SO4/KPM1	
The number of quota species managed within annual allocations. (Target - Number of overfishes limited to no more than 2 per cent)	Met
SO4/KPM2	
The number of swaps and transfers undertaken within agreed time frames in consultation with Defra.	Met
SO4/KPM3	
Effectiveness of the management system in place that minimises the risk of non-compliance by the fishing industry. (Decreasing infringements and positive evidence from EU mission reports. 100 per cent of fishing vessel licences and variances issued in accordance with agreed deadlines)	Met
SO4/KPM4	
The amount of timely and quality assured advice on fisheries policies policy issues provided to Defra. (Target - 100 per cent requests for advice responded to within deadlines and responses quality assured)	Met
SO4/KPM5	
Appropriate and effective advice to industry. (Amount of clear and appropriate written guidance available to industry in advance of policy changes)	Met
SO4/KPM6	
Effectiveness of fishing activity data processing. 100 per cent of fishing activity data fully processed and cross-checked within agreed deadlines. (Target - 100 per cent of fishing activity data fully processed and cross-checked within agreed deadlines)	Met
SO4/KS1	
Improve our marine and fisheries enforcement processes by implementing a national risk-based operating model from October 2011	Met
SO4/KS2	
Publish quota management rules by December each year	Met
SO4/KS3	
Effectiveness of the management system in place that minimises the risk of non compliance	Met
SO4/KS4	
Begin to implement changes arising from reform of the Common Fisheries Policy	Met
SO4/KS5	
Implement and manage the 2011 Catch Quota scheme and provide analysis of the practicality of expanding the system into 2012	Met
SO4/KS6	
Implement domestic fisheries management reform from January 2012	Met
SO4/KS7	
Undertake an annual baseline survey of inshore fishermen's quota requests to inform quota management	Met
SO4/KS8	
Develop baselines and targets for a comprehensive set of performance indicators to measure achievement of sustainable management of fisheries by October 2011	Met
SO4/KS9	
Ensure appropriate IT systems in place to manage data	Met
SO4/KS10	
Effective representation of an agreed UK position at European meetings	Met

Strategic Outcome 5 - European funding brings benefits to the fishing industry and coastal communities	End of year status
SO5/KPM2	
Amount of funds allocated to England that are committed for expenditure (Target - Increase to at least 65 per cent committed in 2011/12)	Met
SO5/KPM3	
The number of impact assessments of UK of EFF funding and appropriate recommendations made as a result. (Target - 100 per cent of EFF projects evaluated before approval and impact assessed after completion with recommendations made)	Met
SO5/KPM4	
Level of compliance with project and financial controls. (Target - 100 per cent compliance with published guidelines as UK Managing Authority)	Met
SO5/KPM5	
The number of EFF functions managed and delivered in accordance with the requirements of the schemes' European Commission and European Council regulations and the UK operational programme	Met
SO5/KS2	
Carry out an annual review of service level agreements with intermediary bodies	Met
SO5/KS4	
MMO is recognised by the European Commission as an improved and effective managing authority	Met
SO5/KS5	
Deliver the interim evaluation to the EC by 30 June 2011	Met
SO5/KS6	
Management control system is approved by the European Commission in April 2011	Met

Strategic Outcome 6 - Marine emergencies are responded to in a prompt and coordinated way	End of year status
SO6/KPM1	
The number of emergencies responded to in accordance with procedures as set out in the MMO Marine Pollution Contingency Plan. (Target - 100 per cent of emergencies)	Met
SO6/KPM2	
Response time for oil spill treatment product applications. (Target - 100 per cent responded to within eight weeks)	Met
SO6/KS1	
Review MMO Marine Pollution Contingency Plan by March 2012.	Met
SO6/KS2	
Launch pollution incident web portal by March 2012	Met
SO6/KS3	
Develop baselines and targets for performance indicators to measure delivery achievement of marine emergency obligations by October 2011	Met

Strategic Outcome 7 - Decision making is based on the best available evidence	End of year status
SO7/KPM1	
Accessibility of evidence to people with an interest in the decisions we take (excluding commercially sensitive data). (Target - 85 per cent of people surveyed agree that evidence is accessible)	Achieved score of 62 per cent
SO7/KPM2	
The number of decisions taken in accordance with adopted operational guidance. (Target - 100 per cent of decisions taken in accordance with guidance)	Met
SO7/KS1	
Implement procedures to ensure we take all our decisions in accordance with principles of sustainable development and operational guidance by July 2011	Met
SO7/KS2	
Implement a corporate quality assurance process to ensure the robustness of evidence used by all MMO teams in their decision-making by July 2011	Met
SO7/KS3	
Publish report highlighting future pressures on the marine area by August 2011.	Met
SO7/KS4	
Increase marine evidence base year on year	Met
SO7/KS5	
Publish a report highlighting future long term scenarios for the marine area by September 2011	Met
SO7/KS6	
Continually update, use and maintain a comprehensive evidence base for decision making and ensure transparency and access	Met

Strategic Outcome 8 - Data and information are well managed and disseminated	End of year status
SO8/KPM1	
The number of statutory and non-statutory reports and returns that are submitted within agreed timescales. (Target - Statutory : 100 per cent. Non - Statutory : Increase to 90 per cent)	Met
SO8/KPM2	
The amount of EU funding received under the Data Collection Framework that is transferred to partner organisations. (Target - 100 per cent transferred within two weeks of receipt)	Distributed within 10 weeks
SO8/KPM3	
The number of MMO's reports and returns subject to a quality assurance review. (Target - 20 per cent reviewed)	Met
SO8/KPM4	
The number of issues identified through quality assurance reviews rectified. (Target - 100 per cent rectified within three months of notification)	Met
SO8/KS1	
Publish annual statistics report by September each year	Met
SO8/KS2	
Publish MMO data onto Direct.Gov website by March 2012	Data available to date is subject to legal restrictions preventing publication
SO8/KS3	
Continue to improve information security through establishing an information security management group by March 2012	Met

Strategic Outcome 9 - Corporate services governance and control procedures drive efficient use of resources	End of year status
SO9/KPM1	
The number of audit recommendations implemented. (Target - 100 per cent within agreed timescales)	Met
SO9/KPM2	
The amount of agreed efficiency savings delivered. (Target - Deliver £1.9m of the £7.6m of agreed efficiency savings)	Met
SO9/KPM3	
The costs of our estates each year. (Target - Reduce the cost each year within an objective of 20 per cent reduction by 2015 from a baseline of £1.2m of estates costs for 2010/11)	Met
SO9/KPM4	
Carbon dioxide emissions from our operations each year. (Target - 20 per cent reduction in current baseline by 2015)	Met
SO9/KS1	
Publish Financial Accounts and Annual Report each year	Met
SO9/KS2	
Adopt IT Systems and infrastructure strategy by March 2012	Met
SO9/KS3	
Develop estates strategy and implement the estates change programme by March 2012	Met
SO9/KS4	
Publish and implement a sustainability plan and reporting framework by March 2012	Met
SO9/KS5	
Carry out an annual review of fees and charges	Met

Strategic Outcome 10 - staff and Board members are fully equipped to contribute to sustainable development of the marine area	End of year status
SO10/KPM1	
The number of staff who understand their role and how it contributes to the delivery of the corporate plan. (Target - 100 per cent staff surveyed answer yes)	100 per cent not achieved
SO10/KPM2	
The number of staff who have identified learning and development requirements and have plans to address them. (Target - 100 per cent answer yes - survey)	Met
SO10/KPM3	
The number of health and safety incidents that are investigated (Target - 100 per cent investigated and action taken as appropriate)	Met
SO10/KPM4	
The proportion of staff that are proud to work for the MMO. (No more than 20 per cent disagree with this statement)	Met
SO10/KS1	
Review baselines and targets for a comprehensive set of performance indicators to measure corporate health by October 2011	Met
SO10/KS2	
Develop and implement a revised competency framework for all staff by March 2012	Decision taken to delay implementation to allow input from MMO staff
SO10/KS3	
Produce and implement a workforce plan by March 2012	Met
SO10/KS6	
Carry out annual staff survey and implement action plan	Met



Annual Accounts

Marine Management Organisation
Annual accounts
For the year ended 31 March 2012

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Marine Management Organisation for the year ended 31 March 2012 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Chief Executive are 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. 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 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Marine and Coastal Access Act 2009 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the 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 sections entitled Chairman and Chief Executive Officer Foreword, Management Commentary, Staffing, Financial Review and Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
15-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date: 28 June 2012.

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

	Note	2011/12 £'000	2010/11 Restated £'000
Expenditure			
Staff costs	3	10,386	10,596
Depreciation and amortisation	7, 8	683	381
Other expenditure	4	22,087	20,340
Total Expenditure		33,156	31,317
Income			
Income from activities	5	(2,476)	(2,253)
Total income		(2,476)	(2,253)
Net Expenditure		30,680	29,064
Net Loss on revaluation of property, plant and equipment		0	1
Net gain on revaluation of intangibles	8	(6)	1
Total Comprehensive Expenditure for the year ended 31 March 2012		30,674	29,066

In 2010/11 a net loss on revaluation of intangible assets (£116k) had to be charged to the Statement of Comprehensive Net Expenditure as there were insufficient amounts held in reserves, the Statement of Comprehensive Net Expenditure has been restated to reflect this.

The notes on pages 73 to 97 form part of these accounts.

**Statement of Financial Position
as at 31 March 2012**

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	7	344		956	
Intangible assets	8	2,380		2,460	
Total non-current assets			2,724		3,416
Current assets:					
Trade and other receivables	10	1,382		358	
Cash and cash equivalents	11	912		1,044	
Total current assets			2,294		1,402
Total assets			5,018		4,818
Current liabilities:					
Trade and other payables	12	(13,164)		(8,986)	
Provisions	13	(729)		(681)	
Total current liabilities			(13,893)		(9,667)
Total assets less current liabilities			(8,875)		(4,849)
Non-current liabilities:					
Other payables	12	(324)		(759)	
Total non-current liabilities			(324)		(759)
Total assets less liabilities			(9,199)		(5,608)
Taxpayers' equity:					
General reserve			(9,214)		(5,617)
Revaluation reserve			15		9
			(9,199)		(5,608)

The financial statements on pages 69 to 97 were approved by the Board on 14 June 2012 and were signed on its behalf by:

James Cross
Acting Chief Executive Officer
22 June 2012

The notes on pages 73 to 97 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2012

	Note	2011/12 £'000	2010/11 Restated £'000
Cash flows from operating activities			
Net Surplus		(30,680)	(29,064)
Adjustments for depreciation and amortisation		683	381
Adjustment for net loss on revaluations of Property, Plant and Equipment and Intangibles	7, 8	0	116
Adjustment for gain on disposal of Property, Plant and Equipment	7	(21)	(2)
Adjustments for non-cash transactions	4	(48)	(154)
Increase in trade and other receivables	10	(1,024)	1,098
Increase in trade payables and other liabilities	12	3,743	(2,790)
Impairment of intangible construction in progress		0	349
Less movements in payables relating to IFRIC 12		577	787
Use of provisions	13	48	(251)
Net cash outflow from operating activities		(26,722)	(29,530)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	0	0
Purchase of intangible assets	8	(456)	(1,604)
Proceeds of disposal of property, plant and equipment		28	2
Net cash outflow from investing activities		(428)	(1,602)
Cash flows from financing activities			
Grant from Defra		27,081	32,301
Capital element of payments in respect of finance leases		(63)	(132)
Net financing		27,018	32,169
Net increase in cash and cash equivalents in the period		(132)	1,037
Cash and cash equivalents at the beginning of the period		1,044	7
Cash and cash equivalents at the end of the period		912	1,044

The notes on pages 73 to 97 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Note	General Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2010		(8,979)	12	(8,967)
Changes in Taxpayers' Equity for 2010/11				
Grants from parent department revenue		30,697	0	30,697
Grants from parent department capital		1,604	0	1,604
Net loss on revaluation of property, plant and equipment		0	(1)	(1)
Net loss on revaluation of intangible assets		0	(1)	(1)
Transfers between reserves		1	(1)	0
Non cash Transfer of PUS Fixed Assets from Defra		124	0	124
Recognised in Statement of Comprehensive Net Expenditure		(29,064)	0	(29,064)
Balance at 31 March 2011		(5,617)	9	(5,608)
Changes in Taxpayers' Equity for 2011/12				
Grants from parent department - revenue		26,625	0	26,625
Grants from parent department - capital		456	0	456
Net gain on revaluation of property, plant and equipment		0	2	2
Net gain on revaluation of intangible assets		0	6	6
Transfers between reserves		2	(2)	0
Recognised in Statement of Comprehensive Net Expenditure		(30,680)	0	(30,680)
Balance at 31 March 2012		(9,214)	15	(9,199)

General reserves

The general reserve represents the total assets less liabilities of the MMO, to the extent that the total is not represented by other reserves. Grant-in-aid funding is credited to the general reserve.

Revaluation reserve

The revaluation reserve reflects the unrealised balance of the cumulative indexation and revaluation adjustments to assets not taken through the statement of net expenditure.

Taxpayers' equity

Taxpayers' equity is the investment made by the government in the MMO which serves to underwrite the organisation as a going concern. The statement of changes in taxpayers' equity shows the movement in this, from opening to closing balance, for the last two financial years.

The notes on pages 73 to 97 form part of these accounts.

Notes to the Accounts

Note 1. Statement of accounting policies

Requirement to prepare accounts

These accounts are for the year ended 31 March 2012 and have been prepared in accordance with the Marine and Coastal Access Act 2009 and the Secretary of State direction there under.

The financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marine Management Organisation (MMO) for the purpose of giving a fair presentation, 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.

Accounting convention

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

Going Concern

The accounts have been prepared on a going concern basis. In common with other Non Departmental Public Bodies 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. Such approval for amounts required for 2012/13 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the Government's commitment to increase transparency and accountability of public services, Defra completed a review of its arms 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.

Non-current assets

Tangible non-current assets: Property, plant and equipment

During 2011/12, the MMO held no freehold property in its own control, but occupied 25 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.

All tangible non-current assets other than freehold and leasehold property are revalued annually using indices provided by the Office for National Statistics, 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.

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.

On 1 April 2010, 24 Private User Scheme (PUS) cars were added to MMO's fixed asset register following a transfer from Defra at the net book value existing on that date. The useful life of these cars was in line with the MMO policy and has been depreciated accordingly since the date of transfer.

The MMO has no heritage or infrastructure assets.

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

Freehold or leasehold property:	10 - 50 years
Plant and office equipment:	3 - 10 years
IT hardware:	3 - 10 years
Vehicles:	4 years

Intangible non-current assets

The MMO holds a number of software licences, and title to a suite of bespoke software applications. The cost of these assets is amortised over their useful life. Internally generated intangible assets were recognised as Construction in Progress (CIP) and are amortised from the month after they are brought into beneficial use. Treatment of the development costs complied with the criteria noted in IAS38 (Intangible Assets). During 2011/2012, the following internally generated intangible assets were brought into beneficial use and began amortising: DECC Licensing System, Spirit GIS Tool, Share Point, GIS Work Stream, Bill Quick and the Legal Case Management System.

All intangible non-current assets are revalued annually using indices provided by the Office for National Statistics, and their value less disposal costs is amortised over the periods in which they contribute net benefits to the business on a straight line basis. The useful lives of the intangible assets are normally between 2 and 12 years.

Impairment

The carrying amounts of the MMO's tangible and finite life intangible assets are reviewed at each balance sheet 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.

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 8 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.

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. The MMO has made an accrual to recognise the constructive obligation to make performance related bonus payments in 2011/12.

Grants and subsidies

The MMO has a role designated by the Secretary of State as the UK European Fisheries Fund 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 Commission feature in Defra’s Statutory Accounts, as the Principal and not the MMO’s Accounts, as the Agent. The Principal Accounts include only those transactions which are in relation to the activities of the England Intermediate Body only. This was a change in accounts presentation in 2010/11 and figures are comparable for the year to 31 March 2012.

The MMO allocates funding for Fisheries Challenge Fund grants, to improve fisheries management and to enable fishermen and other interested parties to get involved in fisheries research. These grants show through the MMO Statement of Net Expenditure on an accruals basis, and further details can be found in Note 4.

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

Inventories

The MMO has neither trading stocks nor work-in-progress.

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 are issued under the regulations made under powers in the Marine and Coastal Access Act 2009 (MCAA). This new statutory instrument allows charging for marine licensing activities on a tier basis, depending on the criteria of an application. 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 the full costs of providing the service. Income note 5 demonstrates the cost under recovery to 31 March 2012.

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 MCAA 2009 marine licences is based on the MMO having 10 weeks to issue a new licence 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 10 week period.

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. To recognise the commitment to proceed with a Tier 3 application and mitigate the risk of bad or doubtful debt, all Tier 3 applications require a deposit, payable upfront, which is in line with the size and scope of the foreseen activity. Deposits are held in the MMO bank account and recognised as a third party asset (see Note 20).

Income note 5 demonstrates the cost under recovery for the year to 31 March 2012.

2. 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 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 the full costs of providing the service.

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.

Income note 5 demonstrates the cost under recovery to 31 March 2012.

3. Fees for dredging licences 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 full consultation and advisory review has been completed by the MMO and the Centre for Environment, Fisheries and Aquaculture Science (Cefas). The yearly interpretation income and assessment of monitoring results income is recognised over the time period of the reviews.

4. The MMO recognises income earned from the European Union 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).
5. A contribution from the Welsh Government towards the cost of aerial surveillance of fishing activity in English and Welsh waters; and
6. All other programme income is recognised when the outcome is delivered to the customer.

Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the date of Statement of Financial Position are converted at the exchange rate applicable at that date.

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.

Value Added Tax (VAT)

As an executive NDPB the MMO is unable to recover VAT on any non statutory services received, with the exception of the input tax recovered on the aerial surveillance taxable outputs charged to the Welsh Government. Because 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.

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.

At 31 March 2012 (31 March 2011: £ nil) the MMO had no contingent liabilities.

Financial instruments

Financial assets

The MMO holds loans and 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 the net expenditure when the probability of recovery is assessed as being remote, or is uneconomic to do so.

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.

Derivative financial instruments and hedging

The MMO is required to disclose the role that financial instruments had during the year 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 1.1 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 2012, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

IAS 7 Statement of Cash Flows (effective for periods beginning on or after 1 January 2010) – this requires that only expenditure which results in a recognised asset in the Statement of Financial Position can be classified within investing activities. The MMO is compliant with IAS 7 in that the only recognised investing activities are the purchase of property, plant and equipment and intangible assets within the Statement of Financial Position.

The MMO has reviewed the IFRS's in issue but not yet effective, to determine if it needs to make any disclosures, in line with IAS 8.30. None are thought applicable to the MMO.

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 Chief Executive Officer and Executive Team evaluate performance regularly by Strategic Outcome to decide how to allocate resources and assess performance, and these figures are regularly presented to the MMO Board.

Strategic Outcome	Description	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
1	Marine Resources are managed effectively and regulated proportionately	4,403	(1,405)	2,998
2	People and customers of our services are engaged and understand decisions which impact on the marine areas	1,147	(132)	1,015
3	Marine biodiversity is protected and maintained	1,365	(658)	707
4	Fish and shellfish stocks are managed sustainably	16,544	(205)	16,339
5	European funding brings benefits to the fishing industry and coastal communities	864	0	864
6	Marine emergencies are responded to in a prompt and coordinated way	182	0	182
7	Decision-making is based on the best available evidence	894	(38)	856
8	Data and information are well managed and disseminated	301	(38)	263
9	Corporate services, governance and control procedures drive efficient use of resources	5,905	0	5,905
10	Staff and Board members are fully equipped to contribute to sustainable development of the marine area	1,551	0	1,551
Total		33,156	(2,476)	30,680

The MMO's statutory purpose, taken from the Marine and Coastal Access Act 2009, is to manage marine activities with the objective of making 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. The 2011/12 Corporate Plan set out these measurable outcomes in order to achieve our strategic aims.

Note 3. Staff numbers and related costs

	2011/12 Permanently employed £'000	2011/12 Others £'000	2011/12 Total £'000	2010/11 Total £'000
Wages and salaries	7,429	1,044	8,473	8,608
Pension costs	1,327	0	1,327	1,148
Social security costs	586	0	586	490
Voluntary Early Release	0	0	0	350
Total Staff Costs	9,342	1,044	10,386	10,596

The majority of the MMO's staff are permanently employed public servants. Previously (2010/11), there were some permanent senior roles filled by externally sourced managers and specialist contractors, until permanent recruitment was completed in 2011/12. The inward seconded staff appear within 'Others' and their staff numbers have been identified separately.

In accordance with IAS 19 Employee Benefits, £412k (2010/2011: £335k) has been included in staff salaries for annual leave accrued but not taken at 31 March 2012. This accrual includes an amount for employer's pension contributions.

Information relating to senior MMO staff salaries and other benefits in kind is disclosed within the Remuneration Report on page 36 of the Annual Report.

Average Number of Full Time Equivalent Staff	2011/12 Number of people	2010/11 Number of people
Directly Employed	227	213
Inward Secondments	26	25
Interim Managers/Specialist Contractors	0	6
Temporary Agency Staff	0	6
Total	253	250

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 2007. 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 2011 to 31 March 2012, employers' contributions of £1,295k were payable to the PCSPS (31 March 2011: £1,116k) 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 2011/12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £10k were paid to one or more of the panel of three appointed stakeholder pension providers (31 March 2011: £9k). Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £0.6k, 0.8 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 (2010/11: one person). Ill health retirements are met by the pension scheme and are not included in the table above.

3.1 Reporting of Civil Service Exit Package

Exit package cost band	Number of voluntary early release departures 2010/11	Total resource cost 2010/11 £'000
<£10,000	3	20
£10,000 - £25,000	7	109
£25,000 - £50,000	4	167
£50,000 - £100,000	1	54
Total number of exit packages	15	350

During 2011/12 there have been no Voluntary Early Release Schemes however, the MMO ran a Voluntary Early Release Scheme for its employees in 2010/11. The business case was approved by the Cabinet Office on 13 January 2011. The Scheme was then launched and a panel considered all applications and approved 15 members of staff who were accepted for Voluntary Early Release at a total cost of £350k. These departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 2010, during 2010/11.

Note 4. Other Expenditure

Frontline Services - Programme costs:	Note	2011/12 £'000	2010/11 (Restated) £'000
Aerial, Surface and Satellite Surveillance		9,684	10,101
CEFAS Scientific Support for Marine Environment Work		4,294	3,550
Defra Support Charges		2,203	1,683
Travel, Subsistence and Hospitality		1,012	809
Prosecutions and Legal Services		851	910
Business Process Review		741	0
Estate Management		628	876
Training		336	263
Grant Expenditure	4	271	318
Rentals payable under operating leases (Estates)		374	338
Rentals payable under operating leases (Office Equipment)		18	24
Rentals payable under operating leases (Lease Cars)		17	0
Audit Fees - External Audit (National Audit Office)		65	65
Audit Fees - Internal Audit (Defra)		98	78
Profit on disposal	7	(21)	(2)
Impairment of intangible construction in progress		0	349
Net loss on revaluation of intangibles		0	116
Provisions provided for in period	13	279	400
Provisions not required and written back	13	(195)	(238)
Consultancy Charges		45	0
Other Programme Costs		1,387	700
Total		22,087	20,340

Information Technology costs within Defra Support Charges include payments of £1,718k (2010/2011 : £1,199k) that have been incurred in relation to the use of IT infrastructure assets supplied under contract with IBM, of which finance charges of the contract are £55k. Of the £1,718k, £124k relates to expenditure incurred in 2010/11 financial year but charged to 2011/12 due to retrospective review of prior year costings performed by Defra. The balance of Defra support charges in 2011/12 includes amounts for the Shared Service Department for financial transactional processing, payroll and procurement services.

A number of Business Process Reviews were undertaken during the year to map operational processes and to confirm the MMO was operating lawfully. This review had not previously been undertaken so there are no prior year comparatives.

Expenditure incurred against Prosecutions and Legal Services and Training was previously included within Other Programme Costs, these costs have now been reported.

Non cash adjustments through other expenditure to reflect the change for the year in the IBM service concession asset and liability are £48k (2010/11: £154k).

2010/11 costs have been restated in line with the Statement of Comprehensive Net Expenditure and now include the net loss on revaluation of intangible assets which was previously shown in Total Comprehensive Expenditure.

Expenditure on EU policy

During the year the MMO spent £237k (2010/11 : £173k) on the Data Collection Framework which establishes a European Community framework for the collection, management and use of data in the fisheries sector and provides support for scientific advice regarding the Common Fisheries Policy (CFP). These amounts are included within other programme costs.

Expenditure on EU Aid

During the year the MMO spent £194k (2010/11: £51k) on EU Aid which is a programme which allows bodies enforcing CFP to claim for eligible expenditure. These amounts are included within other programme costs.

Analysis of Grant Expenditure

Grant Expenditure	2011/12 £'000	2010/11 £'000
Fisheries Challenge Fund	271	292
Fishing for Litter	0	26
	271	318

Fisheries Challenge Fund grants are made available to improve fisheries management and to enable fishermen and other interested parties to get involved in fisheries research. Projects must be consistent with the MMO's and the CFP objective of sustainable fisheries and address a fisheries management issue that is relevant to part of the UK fishing industry.

The Fishing for Litter project ended in the financial year to 31 March 2011. The project operated in the South West of England. Fishermen were encouraged to bring litter ashore that had been caught in their nets, using hard wearing durable bags taken to sea. Any rubbish collected was either recycled or disposed of responsibly.

Analysis of Grant expenditure by recipient	2011/12 £'000	2010/11 £'000
Private Sector	271	281
Public Sector	0	37
	271	318

Note 5. Income

Programme Income	2011/12 £'000	2010/11 £'000
Marine Licences (Marine and Coastal Access Act 2009)	1,006	0
Food and Environment Protection Act licence fees	1,166	1,849
Marine Works Regulations licence fees	0	150
Welsh Government Aerial Surveillance contribution	49	126
EU Data Collection	109	98
EU Aid for Fisheries Enforcement	124	1
Oil Spill Products	1	15
Other Income	21	14
Total Programme Income	2,476	2,253

Fees and charges (recovered costs)

Financial objective 2011/12	Income £'000	Full Cost £'000	(Deficit) £'000
Marine Licences (Marine and Coastal Access Act 2009)	1,006	1,540	(534)
Food and Environment Protection Act licence fees	1,166	1,786	(620)
	2,172	3,326	(1,154)

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 Marine and Coastal Access Act (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.

The MMO continued to receive annual instalments relating to Food and Environment Protection Act (FEPA) licence fees during 2011/12, and will do so until such arrangements mature.

Cost recovery deficit of £534k relating to MCAA 2009 marine licences has materialised as a result of a legislative gap between the MCAA 2009 and the Planning Act 2008, which currently prevents MMO from charging for pre-application advice and statutory consultation under section 42 of the Planning Act 2008.

Cost recovery deficit of £620k relating to FEPA reflect that the legacy statutory instrument in its design was not able to recover full costs.

During the period there were increased activity volumes of e-log book applications, as a result EU Aid for Fisheries Enforcement income has increased accordingly.

Note 6. Analysis of Net Expenditure by Programme and Administration Budget

	2011/12			2010/11		
	Prog £'000	Admin £'000	Total £'000	Prog £'000	Admin £'000	Total £'000
Expenditure						
Staff costs	7,627	2,759	10,386	8,496	2,100	10,596
Running Costs	4,422	1,497	5,919	3,250	1,718	4,968
Aerial, Surface and Satellite Surveillance	9,684	0	9,684	10,101	0	10,101
CEFAS Scientific Support for Marine Environment Work	4,294	0	4,294	3,550	0	3,550
Rentals under operating leases	300	109	409	279	83	362
Interest Charges	0	0	0	0	0	0
PFI / service concession arrangements service charges	1,260	458	1,718	784	415	1,199
Research and Development expenditure	0	0	0	0	0	0
Non-cash items:						
Depreciation	121	20	141	196	58	254
Amortisation	466	76	542	99	28	127
Profit on disposal of PPE	(15)	(6)	(21)	(2)	0	(2)
Provision provided for in year	279	0	279	400	0	400
Provisions not required written back	(195)	0	(195)	(238)	0	(238)
Total	28,243	4,913	33,156	26,915	4,402	31,317
Income						
Income from activities	(2,426)	0	(2,426)	(2,055)	(57)	(2,112)
Other income	(50)	0	(50)	(141)	0	(141)
Total	(2,476)	0	(2,476)	(2,196)	(57)	(2,253)
Net Expenditure	25,767	4,913	30,680	24,719	4,345	29,064

This note has been included for reporting purposes in line with revised guidance published in the HM Treasury NDPB Green Book 2011/2012, which requires analysis of expenditure by Programme and Administration be disclosed in line with HM Treasury spending classifications.

Note 7. Property, Plant and Equipment

	Information Technology £'000	Office Equipment £'000	Vehicles £'000	IBM Right of Use £'000	Total £'000
Cost or valuation					
At 1st April 2011	45	27	304	1,452	1,828
Disposals	0	0	(109)	0	(109)
Revaluations	0	0	2	(464)	(462)
At 31 March 2012	45	27	197	988	1,257
Depreciation					
At 1st April 2011	31	23	240	578	872
Disposals	0	0	(102)	0	(102)
Charged in period	6	3	37	95	141
Revaluations - backlog depreciation	0	0	2	0	2
At 31 March 2012	37	26	177	673	913
Net Book Value at 31 March 2011	14	4	64	874	956
Net Book Value at 31 March 2012	8	1	20	315	344

Disposals during 2011/12 were seven Private User Scheme cars with proceeds of £28k and a net gain on disposal of £21k. Of the seven disposals, six cars were fully depreciated and one had a net book value of £7k at the point of disposal. During the year, the MMO adopted a policy of leasing cars rather than purchasing and further disclosure is included in note 15.

Revaluations of IBM right of use assets are expensed through the operating cost statement as part of the wider service concession arrangement.

	Information Technology £'000	Office Equipment £'000	Vehicles £'000	IBM Right of Use £'000	Total £'000
Asset Financing					
Owned	8	1	20	0	29
On-balance sheet (SoFP) other service concession arrangements	0	0	0	315	315
Net Book Value at 31 March 2012	8	1	20	315	344

	Information Technology £'000	Office Equipment £'000	Vehicles £'000	IBM Right of Use £'000	Total £'000
Cost or valuation					
At 1st April 2010	50	25	0	1,953	2,028
Transfers	0	0	313	0	313
Disposals	0	0	(8)	0	(8)
Revaluations	(5)	2	(1)	(501)	(505)
At 31 March 2011	45	27	304	1,452	1,828

Depreciation

At 1st April 2010	28	16	0	394	438
Transfers (Vehicles from Defra)	0	0	189	0	189
Disposals	0	0	(8)	0	(8)
Charged in period	6	5	59	184	254
Revaluations - backlog depreciation	(3)	2	0	0	(1)
At 31 March 2011	31	23	240	578	872

Net Book Value at 31 March 2010	22	9	0	1,559	1,590
Net Book Value at 31 March 2011	14	4	64	874	956

	Information Technology £'000	Office Equipment £'000	Vehicles £'000	IBM Right of Use £'000	Total £'000
Asset Financing					
Owned	14	4	64	0	82
On-balance sheet (SoFP) other service concession arrangements	0	0	0	874	874
Net Book Value at 31 March 2011	14	4	64	874	956

Note 8 Intangible Assets

	Software & Licences £'000	Construction in Progress £'000	Total £'000
Cost or valuation			
At 1st April 2011	1,169	1,629	2,798
Additions	0	456	456
Transfers (Completed/ Capitalised Construction in progress)	1,339	(1,339)	0
Revaluation	6	0	6
At 31 March 2012	2,514	746	3,260
Amortisation			
At 1st April 2011	338	0	338
Charged in year	542	0	542
Revaluation	0	0	0
At 31 March 2012	880	0	880
Net Book Value at 31 March 2011	831	1,629	2,460
Net Book Value at 31 March 2012	1,634	746	2,380

Internally generated intangible assets recognised as construction in progress are development costs for a number of information systems. Most notable development costs this year relate to the European Fisheries Fund on-line grant database (£152k), the Electronic Reporting System (£128k) and further development of the DECC Licensing System (£90k).

During 2011/12, development costs relating to a number of projects were transferred to the fixed asset register and capitalised. The most notable of these being the DECC Licensing System (£565k), Spirit GIS Tool (£401k) and SharePoint (£247k).

	Software Licences £'000	Construction in Progress £'000	Intangible Assets £'000
Cost or valuation			
At 1st April 2010	251	1,433	1,684
Additions	18	1,586	1,604
Transfers (Completed/ Capitalised Construction in progress)	1,041	(1,041)	0
Impairment (See Note 21)	0	(349)	(349)
Revaluation	(141)	0	(141)
At 31 March 2011	1,169	1,629	2,798
Amortisation			
At 1st April 2010	237	0	237
Charged in year	127	0	127
Revaluation	(26)	0	(26)
At 31 March 2011	338	0	338
Net Book Value at 31 March 2010	14	1,433	1,447
Net Book Value at 31 March 2011	831	1,629	2,460

Note 9 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 risk than would normally apply to NDPBs. The non trading nature of MMO's activities, and the way the MMO is financed, mean 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 are not held to change the risk faced in undertaking the activities.

Liquidity Risk

MMO is not exposed to significant liquidity risk given that its net resource requirements are financed through resources provided by Defra.

Interest Rate risk

There is no exposure to interest rate risk as the financial assets and liabilities are predominately non interest bearing.

Foreign currency risk

MMO has undertaken several foreign currency transactions to convert grant receipts from the European Union from euro to sterling. MMO has been exposed to an exchange rate risk between the times that it calculates a grant claim from a sterling base cost until the time that the grant receipt is subsequently converted into sterling. The foreign currency risk is not considered material in the context of the overall activity of the MMO.

Credit risk

Under the legacy licensing fee charging regime the MMO mitigated the credit risk exposure by creating a bad debt provision for historic instalments billed to applicants from 2010/11 and until such time annual instalments mature. Proactive debt recovery has recovered much of this debt and the bad debt provision is retained for all at-risk debts.

A new licence fee structure began on 1 April 2011 and the exposure to credit risk is reduced by the MMO having controls in place that ensure work on new licences does not begin until full payment, or in the case of licences relating to larger scale projects an advance, has been received from the applicant.

Note 10 Total receivables and other current assets

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due within one year		
Trade Receivables	553	220
Deposits and Advances	22	8
Prepayments and Accrued Income	807	130
Total due within one year	1,382	358
Amounts falling due after more than one year		
Total due after more than one year	0	0
	0	0
Total	1,382	358

Total receivables include £209k due from other central Government bodies (31 March 2011: £24k).

Prepayments and accrued income of £88k relates to EU funding for the data collection framework (31 March 2011: £99k) and £574k relates to Licensing income (31 March 2011: £6k).

VAT is not recoverable by the MMO, as an executive NDPB, on any of its activities as it is outside of the scope of VAT as defined by HM Revenue and Customs.

Note 11 Cash and cash equivalents

	31 March 2012 £'000	31 March 2011 £'000
Balance at 1 April 2011	1,044	7
Net changes in Cash and Cash Equivalent balances	(132)	1,037
Balance at 31 March 2012	912	1,044
The following balances at 31 March 2012 were held at:		
Government Banking Service	912	974
Commercial Banks	0	70
Balance at 31 March 2012	912	1,044

The Office of HM Paymaster General accounts have been replaced by Government Banking Service accounts with Citibank. The Office of Paymaster General Accounts were closed on the 31 October 2010.

Note 12 Trade payables and other current liabilities

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due within one year		
Trade Payables	1,040	613
Other taxation and social security	206	182
Accruals and Deferred Income	3,755	3,624
Other Payables:		
Defra Network	5,700	2,771
Aerial and Surface Surveillance	2,463	1,796
Total due within one year	13,164	8,986
Amounts falling due after more than one year		
Other Payables	324	759
Total due after more than one year	324	759
Total	13,488	9,745

Included within finance leases in the Defra Network other payables is the future liability to pay for the 'right of use' assets to IBM. The current liability is £68k (31 March 2011: £146k) and the amount falling due after more than one year is £324k (31 March 2011: £759k).

Payables include £8,848k due to Central Government Bodies (31 March 2011: £4,883k).

Note 13 Provisions for liabilities and charges

	Estates Relocations £'000	Bad Debt £'000	Legal Costs £'000	Vessel Monitoring System £'000	31 March 2012 Total £'000	31 March 2011 Total £'000
Balance at 1st April 2011	206	75	400	0	681	932
Provided in the year	0	14	171	94	279	400
Provisions not required written back	0	(24)	(171)	0	(195)	(238)
Provisions utilised in year	(7)	0	(29)	0	(36)	(413)
Balance at 31 March 2012	199	65	371	94	729	681

Provisions relating to office and staff relocations have been retained at 31 March 2012 due to the ongoing and further planned reorganisation as part of the Estates Strategy and during the year £7k has been utilised.

Bad debt provisions at 1 April 2011, totalling £75k, relate to doubtful FEPA licence fee instalments. Of the doubtful debts for FEPA instalments, £24k was written back during the period as the licences the invoices were raised for were not required.

The legal provision is to enable the MMO to fund any successful applicants' costs in Judicial Review Proceedings or other legal action against the MMO of high value or intensity of legal challenge (and, thus, costs). The figure is an estimate of the potential cost to the MMO in one year, and this has been provided as the likelihood of predicting such cases is difficult to determine. During the year, £29k has been utilised for legal review costs in relation to a case which went to judicial review.

The Vessel Monitoring System (VMS) provision recognises the MMO's statutory obligation to install VMS and Electronic Record Systems (ERS) on board all English registered UK fishing fleet vessels, over twelve meters. The MMO receive EU aid for the majority (90 to 95 per cent) of the associated costs, the £94k provision reflects the MMO contribution only.

Note 14 Capital commitments

Contracted capital commitments at 31 March 2012, not otherwise included in these financial statements, are as follows:

	31 March 2012 £'000	31 March 2011 £'000
Property, plant and equipment	0	0
Intangible assets	1,721	364
	1,721	364

Note 15 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.

Obligations under operating leases comprise:	31 March 2012 £'000	31 March 2011 £'000
Buildings		
Not later than one year	421	371
Later than one year and not later than five years	752	966
Later than five years	77	101
	1,250	1,438
Other		
Not later than one year	102	15
Later than one year and not later than five years	176	4
Later than five years	0	0
	278	19

During the year to 31 March 2012 the MMO adopted a policy of leasing cars rather than purchasing them. Twenty three cars were leased over a three year period and these are included in the other operating lease commitments above.

Note 16 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 8 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 2012 £'000	31 March 2011 £'000
Not later than one year	74	157
Later than one year and not later than five years	346	682
Later than five years	96	346
	516	1,185
Less interest elements	(124)	(279)
Present value of obligations	392	906

Present Value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	69	146
Later than one year and not later than five years	263	537
Later than five years	60	223
Total present value of obligations	392	906

Note 17 Other financial commitments

The MMO entered into non-cancellable contracts (which were not leases or PFI contracts) detailed below. The payments to which the MMO was committed during 2011/12, analysed by the period during which the commitment expires, are as follows.

Other Financial Commitments:	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	13,626	13,789
Later than one year and not later than five years	13,135	14,509
Later than five years	3,322	3,588
Total present value of obligations	30,083	31,886

During the year, negotiations have been ongoing with the Ministry of Defence in relation to the surface surveillance contract which is due to expire in March 2013. The current contract accounts for £7,000k of commitments less than one year.

The Cefas Higher Level Agreement (HLA) accounts for £3,183k of commitments less than one year and for £6,366k later than one year and not later than five years.

The contract with IBM for the provision of IT services and infrastructure assets accounts for £1,125k of commitments less than one year, £4,245k of commitments less than one year and not later than five years and for £836k of commitments later than five years.

Note 18 Contingent liabilities disclosed under IAS 37

The MMO has no contingent liabilities at 31 March 2012 within the meaning of IAS 37 and had none at 31 March 2011.

Note 19 Related party transactions

The MMO is an executive NDPB sponsored by Defra. During the year the MMO carried out a number of material transactions with Defra and other agencies and NDPB's of the department. These are regarded as related parties.

Defra provided shared services support for IBM information technology infrastructure, Estates, transaction processing, procurement and HR, the internal audit function, secondees and other services. Total expenditure during the year was £4,858k with an outstanding payable at 31 March 2012 of £1,771k.

Cefas, an Executive Agency of Defra, provided scientific research and advisory work to the MMO. Total expenditure during the period was £4,294k, with an outstanding balance at 31 March 2012 of £3,424k.

The Sea Fish Industry Authority (SFIA) 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. Total expenditure during the year was £175k with an outstanding payable at 31 March 2012 of £66k.

In addition, the MMO had various material transactions with other government departments and other central government bodies and most notably the Ministry of Defence (MoD) and Marine Scotland who provided fishery enforcement services. Total MoD expenditure in relation to the Royal Navy protection squadron was £7,559k during the year with an outstanding balance at 31 March 2012 of £1,997k. Total expenditure with Marine Scotland during the year was £199k with an outstanding payable at 31 March 2012 of £401k. Total expenditure with Department of Energy and Climate Change (DECC) was £288k for use of shared IT systems with no outstanding balance at 31 March 2012.

Richard Birmingham, Non-Executive Board Member, is Head of the School of Marine Science and Technology at Newcastle University. During the year two fisheries challenge fund grants for research projects were awarded to his colleagues by the MMO, totalling £84k. Richard had no personal involvement with the selection process or project deliverables.

Jane Ryder, Non-Executive Board Member was appointed as Deputy Chair on the SFIA Board and Chair of their Audit and Risk Committee from 1 April 2012. There have been financial transactions between MMO and SFIA as disclosed above however, Jane had no personal involvement relating to these transactions.

Robert James, Non-Executive Board Member, is a partner in the law firm Gelards LLP. Gelards LLP provided legal advice to the MMO on the Hybrid Bill procedure amounting to £2k during the year however, Robert had no personal involvement in these transactions.

Nigel Reader, Non-Executive Board Member, also chairs the MMO Audit and Risk Committee. Nigel also holds a position on the Board of Natural England (NE) and also chairs NE Audit and Risk Committee. There have been financial transactions between NE and MMO during the year totalling £121k however, Nigel had no personal involvement in these transactions.

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

Note 20 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 cost disclosed below relate to monies which have been held for a period less than the required six months and therefore classed as a third party asset.

During the year the MMO received financial 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. These are not MMO assets and are not included in the Accounts and will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

Bond receipts are sums of money deposited with the MMO by suspects or defendants as security against their failure to submit to the jurisdiction of English courts and pay the penalties for their alleged wrongdoing. They occur where foreign fishing vessels are detained by the MMO and released from detention before the court case is concluded or the fines paid. The funds held remain the property of the person depositing it unless, or until, they fail to submit to the court process or pay their penalties, in which case they are forfeit to the Crown.

Legal advice is currently being considered regarding the validity of the MMO charges for disposal levy income. During the year, £137k was received in relation to this, however, until the legal position can be resolved these amounts will not be included within income but held as a third party asset.

At 31 March 2012, the balance outstanding relating to Tier 3 applicants which had not yet been utilised for marine licence activity was £68k. They are set out in the table below:

Monetary assets and monies on deposit	31 March 2011 £'000	Gross Inflows £'000	Gross Outflows £'000	31 March 2012 £'000
Court Costs	0	82	(26)	56
Fixed Administration Penalties (Fisheries)	5	48	(28)	25
Bonds	230	472	(50)	652
Disposal Levy Income	0	137	0	137
Tier 3 Marine Licence Deposits	0	170	(102)	68
Total	235	909	(206)	938

The MMO maintains a formal register of interests which is referred to at each Board and Committee meeting which provides a mechanism for handling any conflict of interest.

Note 21 Impairments

During financial year 2010/11, the MMO required a system which could not be supported by the legacy systems, therefore the MFA implemented a project to deliver a bespoke IT solution. After vesting the MMO, in line with its IT governance framework, undertook a review of all major IT projects inherited from MFA, including the IBM licensing prototype.

This change in solution resulted in an impairment in the course of construction (IAS 36) of the IBM prototype of £349k. The impairment recommendation went through rigorous scrutiny by both the Audit and Risk Committee and the MMO Board, before submission to Defra, who authorised the write off on 9 March 2011.

	2010/11 £'000
Charged to Net Expenditure Account	349
Charge to Revaluation Reserve	0
Total impaired	349

Note 22 Losses and Special Payments

No special payments were made during the period (2010/11: £3k).

Note 23 Events after the reporting date

There were no events after the reporting date.

Note 24 Authorised date of issue

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. The authorised date for issue is 28 June 2012.

Marine Management Organisation

Lancaster House
Hampshire Court
Newcastle Business Park
Newcastle upon Tyne

Telephone: 0300 123 1032

www.marinemanagement.org.uk
info@marinemanagement.org.uk



marine
management
organisation



information & publishing solutions

Published by TSO (The Stationery Office)
and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-297929-9



9 780102 979299