



# Maritime & Coastguard Agency

Maritime and Coastguard Agency

Annual Report and Accounts 2014-2015



Maritime and Coastguard Agency  
Annual Report and Accounts 2014-2015

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## Foreword

I am very pleased to present our Annual Report and Accounts for 2014-2015, which set out our achievements against the objectives in the first year of our 2014-2016 Business Plan.

We have made excellent progress with the changes we planned for the way we coordinate search and rescue missions within Her Majesty's Coastguard. In line with the plan we set out in September 2013, our new national Maritime Operations Centre moved into operational mode in September 2014 by taking on responsibilities for the areas formerly covered by our Portland and Solent centres. The centres at Falmouth, Humber and Milford Haven have joined the growing national network as the new breed of Coastguard Operations Centres; and search and rescue coordination has ceased from Brixham, Liverpool and Swansea.

Creating the evolving national network of centres has allowed us to boost the front-line support we give to our army of brilliant volunteer Coastguard Rescue Officers. That support will get stronger as the programme rolls forward and more full time staff take up their updated roles in the coastal operations structure. I must pay tribute to all our staff for their tremendous professionalism and commitment throughout the transition programme.

We have not made the progress we would have liked with changes to how we organise our ship survey and inspection work to improve its efficiency and productivity. That has been a frustration to our dedicated marine surveyor workforce who are hungry for change and recognise the need for improvements. We have appointed new leadership to this work and we expect to see rapid progress soon. We have particularly welcomed the willingness of the shipping industry to engage with us through the UK Ship Register Advisory Panel and as part of the Department for Transport Maritime Growth Study, both of which will help us become more commercial in our outlook and approach. At the same time we have struggled to fill our marine surveyor vacancies and that has caused us to miss our Port State Control targets this year.

It is encouraging, however, that our seafarer customers continue to show over 90% satisfaction ratings for our seafarer certification and documentation services, of which we are rightly proud.

In December 2014 we led the way in government with our migration to a new Shared Services platform. That has delivered a modern way of working, but has been challenging in its implementation for our staff and also for our customers. I am grateful for the patience and positivity shown all round to address the problems and find solutions to some difficult situations. We continue to work very hard to deliver an effective new system.

We have significantly improved the software packages and hardware we use in the MCA to support our work and improve our efficiency and effectiveness. We are determined to build on that and to maximise digital technology opportunities to make the MCA an even better place to work, and an organisation easier to do business with. We have similarly continued to listen to our staff about their perception of our leadership and change management capabilities and what we can do to manage pressures, make the most of talent and be more inclusive. We have clear improvement plans for all of these things.

Sir Alan Massey  
Chief Executive



# Strategic Report (Incorporating Financial Review for the Year)

## Who We Are

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

We are committed to facilitating international trade and growth of the UK economy through maritime safety, both in terms of our prevention and 'blue light' emergency response activities. All of our work contributes to our vision of being the world's best maritime safety organisation, committed to *Safer Lives, Safer Ships, Cleaner Seas*. That clear vision is underpinned by our shared values of safety, professionalism, trust and respect.

Our Business Plan for 2015 to 2016 sets out the detail of our strategic and operational ambitions, including:-

- supporting our economically vital maritime industry
- Improving our customer service and improving how we deliver our ship survey and inspection activity
- Finalising the implementation of our Future Coastguard programme
- delivering an integrated, civilianised Search and Rescue helicopter service
- maximising digital technology
- engaging more directly with our people and building on their talent

A copy of our Business Plan for 2015 – 2016 can be found at:

<https://www.gov.uk/government/publications/mca-business-plan-2015-to-2016>

## Performance Summary

We monitored our progress against a set of holistic Operational Priorities (OPs) and Transformational Objectives (TOs) published in our Business Plan.

### Our Operational Priorities (OPs)

#### **OP1. Maintenance of our national maritime emergency response capability, including the co-ordination of search and rescue (SAR).**

Commentary:

This OP has been met. Highlighted achievements include, meeting our target for the number of Coastguards qualified to co-ordinate search and rescue missions, and we have successfully maintained our SAR capabilities and managed the programmed closures of the MRCCs at Solent, Portland, Brixham, Liverpool and Swansea, transferring their functions and area of responsibilities into the new National SAR Coordination Network.

As part of the new arrangements for Coastguard organisation and operations we have expanded the number of front line officers supporting the volunteers in the Coastguard Rescue Service. That has necessarily involved a complex recruitment process needing careful management and choreography to get the right people with the right skills in the right place at the right time. Inevitably that has given rise to a number of vacancies through the year, but we have still maintained our rescue capability throughout.

#### **OP2. Ensuring our ship survey, inspection and certification capability, and the parallel work in relation to seafarers, meets our domestic and international obligations.**

Commentary against Business Plan targets:

Some of the measures underlying this OP are reported on the basis of a calendar year. Overall this OP was not met. We met the demand for Seafarer Certification in line with industry priorities and achieved over 90% reported satisfaction from our customers. With regard to our Business Plan targets, we did not undertake satisfaction surveys for UK Ship Register and Survey and Inspection.

We continue to struggle recruiting enough qualified personnel into our marine surveyor roles particularly in those areas of the country where we struggle to compete with other professions in terms of our total reward package. Continued vacancies have resulted in our missing a number of the targets set by the European Maritime Safety Agency (EMSA) although we do not believe that this has adversely affected maritime safety. Our performance against these targets when reported by the Paris Memorandum of Understanding (MOU) Secretariat will show an improved picture because the performance of Gibraltar is taken into account in their assessment of the UK.

**OP3. Working with the maritime industry to encourage quality companies and ships to join the UK register.**

Commentary against Business Plan targets:

This OP has been met. We have continued to work with the shipping industry to encourage shipping to join the UK Ship Register. This is a highly competitive market and the register has continued to fall in terms of both the numbers of ships and gross tonnage, although we have maintained our recognition internationally as a quality Ship Register through the Paris and Tokyo Memoranda of Understanding and the United States Qualship21 scheme. UK Registered ships continue to demonstrate their high quality through a low level of international detentions.

However, our Business Plan target of reducing the average age of 85% of internationally trading UK Flag ships over 500GT to 10 years old or less by 31 March 2015 has not been met.

We welcome the ongoing Maritime Growth Study under the Chairmanship of Lord Mountevans that has been exploring how to grow the UK Maritime Sector generally. As a sub set of that work, we have worked with the industry led UK Ship Register Advisory Panel to understand what we can do to improve the customer experience of the UK as a Flag State. We expect the outcome of this work to be announced as part of London International Shipping Week 2015.

**OP4. Promoting, with our partners, improved safety among seafarers, the commercial fishing community and the recreational sector.**

Commentary:

This OP has been met. Highlighted achievements include, good progress in implementing the revised fishing safety strategy to improve the general safety culture within the shipping industry through education, training and awareness. As a key stakeholder of the National Water Safety Forum (NWSF) we have commenced work with our partners on developing a national drowning prevention strategy that will be used as a basis for the MCA's future prevention policies. Data from the Water Incident Database (WAID) is being effectively used as the evidence base for the national strategy.

We have worked with the fishing industry, Seafish and fish retailers to provide all fishing crews with a supply of subsidised Personal Flotation Devices to encourage a more safety- conscious culture.

**OP5. Supporting a successful and sustainable maritime sector through better regulation.**

Commentary:

This OP has been met. There are no immediate prospects for European Infraction charges for our failure to implement directives and regulations. We rigorously test regulatory proposals against their business impact and we have developed primary legislation that will enable ambulatory referencing to international conventions and regulations in the future so that their implementation in UK law is made much more straightforward.

Primary legislation to allow ambulatory referencing gained Royal Assent prior to the end of the last Parliament and will take effect late May. Three measures to pilot the Ambulatory Reference powers have been agreed and are being progressed with the remaining being included as part of MCA ongoing regulatory programme. However, the progress of these measures is very much dependent on availability of already heavily loaded resources.

**OP6. Working with other government departments and industry to reduce the likelihood of pollution incidents in UK waters.**

Commentary:

This OP has been met. Highlighted achievements include completing all of our Port Marine Safety Code & Vessel Traffic Services Health Checks and the 2014-2015 audit programme for VTS Training Organisations. We successfully delivered our planned survey schedule under the UK Civil Hydrography Programme and we formally closed-out our EU-funded INTERREG IVA project 'INIS Hydro'.

**OP7. Deal with pollution incidents in UK waters.**

Commentary:

This OP has been met. There were no major pollution incidents around the UK coast and all minor incidents were managed successfully. We responded to incidents within 10 minutes of activation in over 95% of all cases.

## Our Transformational Objectives (TOs)

**TO1. Modernising Her Majesty's Coastguard (HMCG):** Following extensive consultation and ministerial decisions announced on 22 November 2011, we will implement our Future Coastguard Programme.

Commentary against Business Plan targets:

This TO remains on target. The new National Maritime Operations Centre (NMOC) came into operation in September 2014. The re-engineered Coastguard Operations Centres (CGOCs) at Falmouth, Humber and Milford Haven were successfully incorporated into the evolving national network and the search and rescue functions ceased at the former MRCCs at Solent, Portland, Brixham, Liverpool and Swansea.

MCA has continued making considerable progress in implementing the Future Coastguard programme in line with the revised schedule announced by the Shipping Minister in September 2013. This revised schedule took into account the time taken in aligning future Coastguard changes with the departmental response to Civil Service reform. The programme is on track to meet the revised target of December 2015 for the Disaster Recovery function at Dover to become fully operational. The technology that will be transferred to Dover is currently being used and tested in Fareham.

**TO2. Reviewing the Ship Survey and Inspection Regime:** Whilst maintaining the UK's high safety standards and reputation as a high quality ship register, we will systematically review the arrangements for ship surveys and inspections to improve efficiency against customer demand and our statutory obligations, build on the need for excellent customer service, and underpin and enhance our reputation in the shipping industry.

Commentary:

This target has not been met. We are currently behind on this and have not made the progress we would have liked in transforming our ship survey and inspection work. The Survey and Inspection review underwent some significant changes during this financial year. In mid-December 2014, a new Programme Director joined and a new Senior Responsible Owner took over in January 2015. Programme governance was strengthened with the introduction of a formal Steering Board. A fully costed proposal for development of the business case for the transformation programme was approved by the Executive Board in March 2015.

Communications across the Directorate of Maritime Safety and Standards were also revitalised with personal marine office visits and the introduction of a monthly newsletter. A communications survey is planned to understand what channels and media are the most appropriate for the audience.

Access to the resources necessary to support development of the future operating framework remains the greatest risk to successful delivery of this programme.

The Maritime Growth Study report, which is published in September 2015, will help us become more commercial in our outlook and approach for this transformation programme.

**TO3. Improving the management, leadership and delivery capacity of the Coastguard Rescue Service:** We plan to enhance the support, training, leadership and management that we give to our cadre of volunteer Coastguards who make up the Coastguard Rescue Service and who support their local communities and the wider UK search and rescue effort by carrying out search activities and specialist rope, water and mud rescues.

Commentary:

We are on target to meet this TO which is intrinsically linked to progress and success against TO1. The future CG programme includes a major expansion of our coastal presence to provide increased support to the volunteers that make up the Coastguard Rescue Service.

**TO4. Delivering savings of 33% on our administration costs:** In line with the rest of Government, we will continue to reduce the cost of our administration over the next three years, through a range of measures aimed at increasing efficiency and effectiveness in the MCA operating model; policy and regulatory development; procurement, estate, people and financial management; more effective working practices; and by stopping some low priority activities. In particular, we will continue to explore closer working across government departmental boundaries to maximise the use of our available talent.

Commentary against measurable Business Plan Target

We delivered savings of 33% administration cost as required by the Comprehensive Spending Review 2010. We managed this through a range of measures aimed at increasing efficiency and effectiveness in the MCA operating model; policy and regulatory development; procurement; estate; people and financial management; more effective working practices and by stopping some low priority activities.

**Other Business Plan Targets**

**Taking forward the Government Digital Strategy. Publish a plan explaining our approach to the digitisation of customer services.**

Commentary

This target has not been met. The digital strategy will be fully incorporated into the MCA's ICT strategy. New targets will be published as part of the 2015-16 Business Plan.

**Search and Rescue Helicopters. Have the new bases open and operationally ready according to schedule.**

Commentary

The programme remains on target for the delivery of SAR services by Bristow Helicopters on behalf of HM Coastguard from the first two new SAR bases in April 2015.

**Shared Services. Migrate to Shared Services in 2014, in accordance with the agreed DfT plan and timeline, without impacting delivery.**

Commentary

This target was not met. In December 2014 we were the first part of the DfT family of organisations formally to join the new Shared Services platform operated by arvato. As expected, there have been problems in using the system, particularly around the reconciliation of financial accounts, and as our staff become familiar with this new way of working. This has not affected our ability to provide our safety services, although it is hampering effective delivery in other areas of business.

**Modernising Employment Contracts. Ensure the smooth transition of Coastguard personnel to new roles and employment contracts, in line with the published Future Coastguard transition plan.**

Commentary

This target is on track to be met. We have continued to make considerable progress in implementing the Future Coastguard programme in line with the revised schedule announced by the Shipping Minister in September 2013.

Transition to the new HM Coastguard national network started in September 2014 when the National Maritime Operations Centre (NMOC) took responsibility for the areas formerly managed by the Maritime Rescue Coordination Centres (MRCC) at Lee-on-Solent and Portland. MCA have subsequently migrated the operational areas formerly managed by the MRCCs at Falmouth, Brixham, Holyhead, Liverpool, Milford Haven and Swansea into the national network with the MRCCs in Falmouth, Holyhead and Milford Haven becoming new Coastguard Operations Centres (CGOC) and the MRCCs in Brixham, Liverpool and Swansea closing. The transition of the national network around the United Kingdom will be complete by December 2015.

**Search and Rescue Response. Helicopters to take off within 15 minutes (day) or 45 minutes (night) in at least 98% of cases.**

When a Coastguard Rescue Team is ready to leave the Rescue Station, it will reach the incident within 30 minutes in at least 90% of cases.

Commentary

These targets have both been met. Helicopter response was over 98% and Coastguard Rescue Team response time was over 92%.

**Pollution Response. Verification Aircraft tasked to respond to incidents will be airborne within 30 minutes during daylight hours and 2 hours at night in at least 98% of cases.**

Commentary

This target has been met and response times were over 98%.

**Legislative Programme. Deliver the agreed outcomes of the Maritime Red Tape Challenge.**

Commentary

This target has not been met in full. We have delivered 18 of our Red Tape Challenge commitments within the Statement of New Regulation (SNR9). The one remaining measure will be completed in October 2015 (SNR10).

**Agency Finance. Deliver financial performance in line with published plan for 2014-15 in line with CSR10 and SR13 requirements.**

Commentary

At the time of the departmental audit we were unable to demonstrate from the accounting systems whether this target was met due to the unavailability of reliable financial information from Agresso. Off system working for the DfT Consolidation Accounts indicated that there had been no breach of Parliamentary Supply Estimate. Following completion of the Annual Accounts we are able to demonstrate that this target has been met.

**Workforce. Keep MRCC staffing at or above Risk Assessed levels.**

Commentary

This target was not met. In 2014-2015 MRCC staffing was at or above Risk Assessed levels 38% of the time, against a target of 80%. There were, however, no cases in which this adversely affected response times or the quality of service provided by HM Coastguard. The manpower shortages at the root of under-manning are transitory and will be overcome as the Future Coastguard programme completes in 2015-2016.

**Retain silver standard Investors in People accreditation.**

Commentary

This target was met. The MCA is proud to have been assessed as continuing to meet the IIP Silver Standard and will continue to use Investors in People to further develop our good people practices.

**Maintain Below average annual sickness absence levels.**

Commentary

This target was met – absence figures show an average number of days lost per employee per year of 5.79 against a target of 7.0 days.

**Protecting the Environment. Reduce the greenhouse gas emissions from the whole estate and business-related transport by 25% (from a 2009-10 baseline).**

Commentary

This target has not been met. The MCA continues to undergo major operational changes which is impacting our ability to reduce emissions against a baseline that was calculated on a static estate and travel footprint. The acquisition of the National Maritime Operations Centre (NMOC) has reduced overall savings gained through the rationalisation of other parts of the estate. However with further rationalisation planned and key areas of energy saving identified at the NMOC it is envisaged that further savings will be realised during 2015-16 and beyond. It is envisaged that travel will also reduce significantly when all change programmes are complete.

**Freedom of Information. Provide responses within 20 working days.**

Commentary

This target has been met. All Freedom of Information requests were responded to on time.

**Parliamentary Questions. Provide a response within due date.**

Commentary

This target has been met. All Parliamentary Questions were responded to on time.

**Member of Parliament correspondence. Provide a response within 7 working days.**

Commentary

This target has not been met. We achieved a response rate of 98.95% against the target of 100%.

**Official Correspondence. Provide a response within 20 working days.**

Commentary

This target has been met. All Official Correspondence was responded to on time.

**Prompt Payment. Payment of invoices within 5 working days.**

Commentary

This target has not been met. Prior to the transfer to Agresso, the MCA achieved the prompt payment target (82.3%). After the transfer, the prompt payment rate for the year declined to 77.06%.

**Other Notable Achievements in 2014-2015**

- In January 2015 135 Agency staff gathered in Hinckley, Leicestershire to work on improving our leadership capability, staff engagement, talent management, and the development of a clear customer charter.
- We have successfully refreshed all of our ICT hardware and software and invested in modern smartphone technology to improve the equipment and facilities available to staff. For a number of staff this has increased the opportunities for greater flexible working away from the office.
- We have successfully handled high profile shipping incidents most notably the car carrier Hoegh Osaka, which was deliberately grounded on the Bramble Bank in January 2015 and the Lysblink Seaways which ran aground in the Sound of Mull. Both incidents were very successfully managed by the Secretary of State's Representative for Maritime Salvage and Intervention (SOSREP).
- The Agency was again recognised in the Queens New Year and Birthday Honours with a number of staff receiving OBEs, MBEs and BEMs.



## **Management Commentary**

Effective management plays an important part in delivering our services to our customers. Our Governance Statement on page 40 describes how we do this and outlines the principal risks facing the Agency.

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

The results of the Agency are discussed in the Financial Review of the Year on page 31.

## **Health and Safety**

### **Management Arrangements**

The MCA continues to refresh its Health and Safety policies and arrangements to ensure that Health and Safety (H&S) is actively managed across the Agency. The Senior Executive Group (SEG) are responsible for overseeing the MCA's safety management system and leading on safety improvements.

A monthly Health & Safety report is tabled and discussed at the SEG, Directorate Management Boards and Executive Board meetings. Health & Safety is also an agenda item at all Directorate Management Board meetings.

The performance of the Agency's safety management system is measured using performance indicators within a balanced scorecard. Significant changes in performance are reported to the SEG, EB and Management Boards.

The MCA National Health and Safety Committee continues to meet quarterly and is attended by PCS and AMP Trade Union representatives. The volunteer Coastguard Rescue Service is also represented at this forum.

### **Occupational Health & Safety Initiatives**

A Health and Safety strategy was developed for the Chief Executive and will be published and implemented in 2015-16. The main thrust is for senior management to show strong leadership with Health and Safety management and initiatives in their areas of responsibility together with further improving the means of assurance across the Agency.

The MCA continued to develop the stress management strategy and has broadened this to include wellbeing and mental health initiatives.

A concerted effort has been made by HMCG to improve the standards of management supervision and competency standards for the volunteer Coastguard Rescue Service. This will continue into 2015-16.

A new occupational health provider for staff and volunteers has been selected and the service successfully implemented.

Under Total Facilities Management, significant improvements have been made to managing asbestos, fire safety and water hygiene practices across the Estate.

### **Attendance Management**

The Agency's sickness absence rate is reported monthly to the EB and SEG. In addition, the MCA's management information system allows managers at all levels to monitor and analyse the sickness absence in their areas of responsibility. Sickness absence is discussed with HR staff at the regular Management Board meetings. Work is ongoing to further analyse the costs of sickness absence to the Agency.

### **Training**

Induction training for new staff includes site specific introduction to Health & Safety arrangements including general safety, fire safety, first aid and welfare arrangements. Mandatory training for all staff includes basic fire safety and display screen equipment (DSE) training and assessment. Where required staff will also undertake manual handling training. Line managers complete the new Civil Service Learning (CSL) packages 'Health & Safety Awareness for Managers' and all staff complete CSL's 'Health & Safety Awareness for all Staff'.

The safe systems of work for HMCG staff and volunteers and marine surveyors continue to be integrated into operational training. 'Hot topics' (alternatively known as toolbox talks) have been introduced to stimulate discussion of topical health and safety matters at management meetings.

Stress management workshops were rolled out in 2014-15 (including a bespoke version for the EB and SEG members) and more are planned for 2015-16. Analysis of absence statistics and the results of the 2014 staff engagement survey have helped management focus on the principal causes of stress in the Agency.

The new line management training package 'Propel' was developed and includes key Health and Safety policies and procedures. The package will be implemented in June 2015.

The Head of Estates arranged asbestos and fire safety management courses throughout 2014-15. These have been delivered to key stakeholders in the business.

Health and Safety awareness training has been built into the new marine surveyor's induction training package.

### **Update on improvements from last year's plans**

Leadership and policy – Directors and SEG keep Health and Safety high on their agendas and senior leaders have actively involved themselves in Health and Safety improvements, e.g. estates management issues; internal and external mental health campaigns.

Health and Safety standards are now routinely examined during ISO9001 internal quality audits. This has helped identify areas for improvement at national and local levels.

Health and Safety training for building custodians will be developed and delivered in 2015-16.

A variety of new or revised Health and Safety policies were published in 2014-15 including:

- Dealing with confrontation;
- Maintaining portable electrical equipment;
- Occupational Health service in the MCA;
- Water safety for non-operational MCA personnel; and
- Hazardous chemicals: safe handling and use.

Directors address high priority Health and Safety matters through Board meetings, capturing longer term examples in their risk registers.

SEG members have tightened their oversight of Health and Safety issues, monitoring progress with specific Health and Safety actions and holding action officers accountable where slippage occurs.

Health and Safety is an agenda item for change management programs and dealing with change is a topic in the stress management workshops.

### **Plans for the year ahead**

There will continue to be strong and active commitment from the EB and SEG to continuously improve Health and Safety standards in the Agency.

The updated MCA Health and Safety strategy will be published in Autumn 2015. Directors will engage with staff and volunteers and lead on implementation.

Senior Leaders will lead pressure/stress management courses across the MCA; the middle management 'Propel' training course will also include such training.

The means of the communication of Health and Safety messages and policies in the Agency will be reviewed with the recent successful initiatives such as 'Hot Topics' for team meetings taken a step further.

Further Health and Safety issues identified as areas for improvement will be embedded in internal quality audits.

Customer feedback mechanisms for accident and near miss reporting will be further improved.

Core policies such as accident reporting and risk assessment will be revised to make more user friendly and practicable.

Through consultation with staff, a new manual handling policy will be developed, published and embedded in training and safe operating procedures.

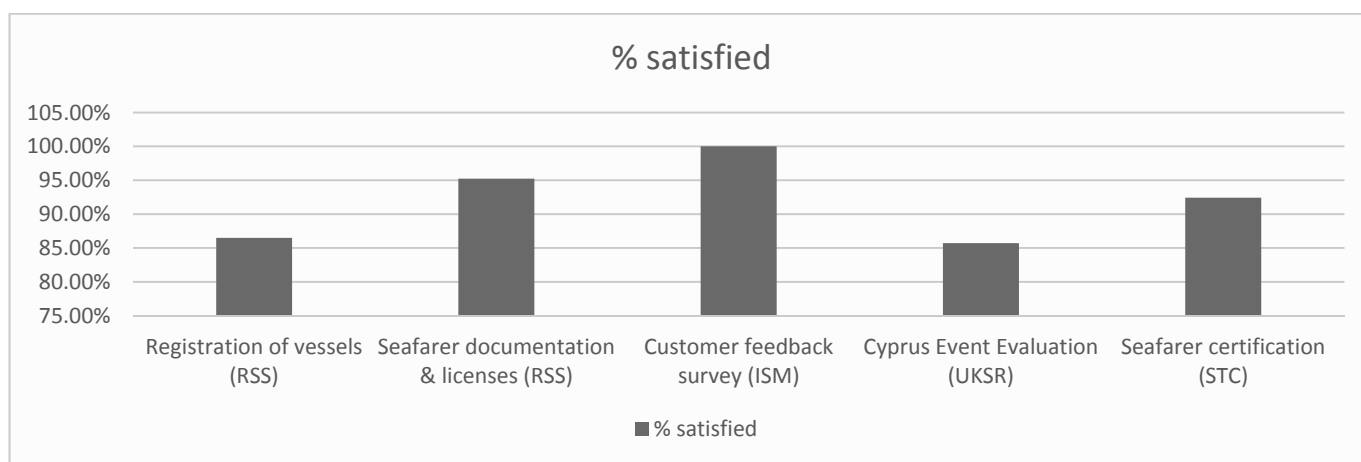
## **Service Improvement**

In response to a National Audit Office (NAO) recommendation from 2009, we conduct a range of on-line customer satisfaction surveys, covering our activities on:

- Seafarer Training & Certification
- Survey & Inspection
- UK Ship Register
- Registry of Shipping and Seamen

Below are the satisfaction ratings for all surveys conducted for the period 2014-15. The average satisfaction percentage is 93.54%.

<b>Survey Name (Team)</b>	<b>Total</b>	<b>Satisfied/above</b>	<b>% satisfied</b>
Registration of vessels (RSS)	37	32	86.48%
Seafarer documentation & licenses RSS)	63	60	95.23%
Customer feedback survey (ISM)	8	8	100%
Cyprus Event Evaluation (UKSR)	7	6 – more aware of benefits of UK registration	85.71%
		4 – would consider moving to UK flag	57.14%
Seafarer certification (STC)	1242	1148	92.43%



All surveys have returned a satisfaction score of 80% and above, as required by the MCA Business Plan 2014-15.

UK Ship Register and Survey & Inspection have not taken part in traditional customer service surveys this year. Due to the ongoing changes in both directorates, it was seen as impractical to administer a survey at this stage. Customer feedback on Survey & Inspection and UK Ship Register services have been gathered through post-event surveys.

Evidence from SeaWorks 2015 in Aberdeen shows that out of 23 fishermen surveyed all of them felt the services provided by MCA surveyors was satisfactory or better.

Feedback surveys for UK Ship Register have also been carried out at various shows throughout the year including Sea Asia Singapore, Monaco Boat Show and London International Shipping Week. These surveys were purely qualitative. Surveys show that customers perceived the UK Ship Register as a quality flag but expensive.

The RSS surveys started in March 2015; the satisfaction rating shown in the table above covers the period March 15 – April 15. A more comprehensive picture will be presented for the period 2015-16.

## **Sustainable Development**

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

We are fully committed to achieving the targets set within the Greening Government Commitments (GGC) Agenda and activity during 2014-15 included:

- publication and internal display of actual energy consumption information covering major buildings, allowing for a targeted approach to improved energy efficiency.
- annual energy survey of Property Managers aimed at identifying efficiency measures that can be implemented cost effectively.
- ongoing liaison between Sustainable Development Manager and Programme Teams to ensure Sustainable Development is embedded across all active programme works and importantly within all planning processes.

The full details of the GGC Agenda can be located at:

<https://www.gov.uk/government/publications/greening-government-commitments-targets/greening-government-commitment-targets>

We recognise the importance of adapting to climate change as part of our planning processes we have voluntarily published a report detailing the impact it may have on our activities. The report can be found here:

<http://webarchive.nationalarchives.gov.uk/20130402151656/http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/11public-bodies/pbs-maritime-coastguard.pdf>

The detailed report can be found on Annex A on page 80.

## **Our People**

Our people are our greatest asset and we are accredited as achieving Silver status within the Investors in People (IiP) standard, putting us in the top 2% of IiP accredited organisations. The 2014 annual Agency People Survey showed a slight decrease in our engagement score. Given the continued themes of change this is still a creditable result and will provide a strong foundation for us all to take positive action from the survey outcome. We continued to show improving scores in areas such as leadership and the management of change, and our Senior Leadership Team has put in place plans for further action.

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

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

We actively encourage disabled individuals to apply for opportunities and operate the 'Two Ticks' guaranteed interview scheme where candidates can demonstrate that they meet the minimum requirements for a role. Throughout an individual's employment we will make reasonable adjustments to enable them to work, develop and progress. We follow the Civil Service Code.

We train to develop our staff. Learning and development activity during 2014-15 included:

- Continuing to design and deliver the new Coastguard curriculum to meet identified training requirements and business needs.
- Establishing a new task based technical training scheme for surveyors to meet the requirements of the IMO Instruments Implementation Code.
- Promoting the use of Civil Service Learning to support staff to identify and undertake a wide range of personal development and mandatory training solutions to meet individual and business needs
- Establishing an accreditation scheme with a recognised awarding body for the delivery of Coastguard Technical Training.
- The MCA launched Apprenticeships in 2014 and during the year have recruited 4 Apprentices under the business and administration framework, the course is expected to run for one year and each candidate is offered a permanent position upon completion.

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

## MCA staff in post

	Total Permanent & Contract Staff
Staff in post at 1 April 2014	999.67
Staff in post at 31 March 2015	1005.51

These figures have been produced on a full time equivalent basis (rather than headcount) to reflect part time working arrangements, excluding temporary agency staff. Of the above staff in post at 31<sup>st</sup> March 2015, 325 were female and 680 were male (2013-14; 313 female and 687 male).

Throughout the reporting year, the gender split for Directors (including the Chief Executive) was as set out in the following tables:-

Executive Directors	Female	Male
1 April 2014 to 19 January 2015	1	3
20 January 2015 to 31 March 2015	-	4
The year 2014-15	1	3

Non- executive Directors	Female	Male
1 April 2014 to 31 March 2015	1	2
The year 2014-15	1	2

Summary of starters and leavers (actual headcount)	
	Total Permanent & Contract Staff
<b>Starters</b>	<b>135</b>
<b>Leavers</b>	
Resignation	41
Retirement (age)	26
End of Fixed Term Contract	6
Dismissal	2
Transfer to Other Government Department (OGD)	9
Retirement (ill health)	-
Voluntary Early Retirement (VER) & Early Severance (VES)	55
Deceased	-
<b>Total leavers</b>	<b>139</b>

During the 2014-15 financial year, no employees retired early on ill health grounds (2013-14: None).

During 2014-15, 5,731.95 (2013-14: 6,299.88) working days were taken as sickness absence. This equates to 5.79 (2013-14: 6.23) days lost per employee (full time equivalent).

## External Relations

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

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

## **Safer Lives – Preventing loss of life**

During 2014 around 27% of the UK population took part in around 250 million water sports events on the sea or at the coast<sup>1</sup>. Our prevention work aims to reduce the risk of incidents, although effective resources are in place for our emergency response role should something go wrong.

### **Prevention**

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

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

The MCA checks that seafarers have the right skills, are medically fit, and hold valid certificates to serve on UK-registered ships. We are working at the IMO to review ship safe manning requirements, and we are implementing the provisions of the consolidated Maritime Labour Convention which we expect to transpose into UK law in August 2014.

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

- get trained
- check the weather and tides
- wear a lifejacket or appropriate buoyancy
- be responsible about alcohol
- keep in touch

We play an active part in getting these safety messages to the public through press notices and social media and face to face at local events. Seven years of evidence continues to inform us that alcohol has been a causal factor in a fatal incidents and that the majority of deaths were attributed to young men who had been out drinking and had ended up in the water intentionally or unintentionally. Annual statistics show the majority of all fatalities (54%) occurred when people were out walking, for instance returning home from the pub or just going for a stroll. The remainder were linked to specific water activities (ranging from Sailing, Motor boating to Sub Aqua Diving. In terms of trend, we are seeing a higher proportion of general day to day activities resulting in fatalities as opposed to specific water related events.

The annual casualty review panel where a panel of experts make a judgment about whether a lifejacket would have saved a life if the person had been wearing one, informs us that in the last 8 years 149 people's lives could potentially have been saved. As a result of this evidence we continue to promote the importance of wearing a lifejacket.

Significant progress has been made in 2014-15 working with other stakeholders as part of the National Water Safety Forum (NWSF) to develop a National Drowning Prevention Strategy as recommended by the World Health Organisation (WHO) report on drownings. We play a significant part in maintaining and inputting data to the Water Incident Database (WAID) which is the evidence base for the strategy. WAID brings together data from many stakeholders including inland and coastal drowning incidents, in on or by the water to form a national single record. Further information and reports can be found here: [www.nationalwatersafety.org.uk](http://www.nationalwatersafety.org.uk).

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<sup>1</sup> Arkenford Watersports Participation Survey, 2014



Our coastguard rescue teams and helicopters have again featured in the following:

- 999: What's your emergency: featured work of the Coastguard Rescue Teams in the Essex area, showing the frontline work done by volunteers for the UK Coastguard.
- BBC One's Channel Patrol: focussed on the work of the maritime industry and organisations in the English Channel. Dover Maritime Rescue Coordination Centre featured in many programmes along with members of Coastguard Rescue Teams. The programme gave an opportunity to highlight the work of the MCA/UK Coastguard in keeping our seas safe and reinforced the "Call 999 and ask for the Coastguard" message.
- BBC One's Close Calls: On Camera: was just one of the programmes featuring the rescue of five fishermen winched off the vessel Luda Naofa by a Coastguard helicopter.

BBC, ITV, CNN, Japanese TV, local, national and international media all took an interest in the Hoegh Osaka. The whole of January 2015 saw the MCA in the spotlight as the grounding and subsequent moving of the stricken car carrier. It gave an opportunity to highlight the importance of the MCA in overseeing salvage and recovery operations.

Following UK ratification of the Maritime Labour Convention, 2006 in August 2013, the MCA attended the first meeting of the International Labour Organization Special Tripartite Committee on the Convention, and supported the first set of amendments to the Convention, which extended and clarify requirements on shipowners' liability, particularly where seafarers are abandoned.

MCA also took a leading role at the International Labour Organization Meeting of Experts on Guidelines to support the Maritime Labour Convention requirements on health and safety in October 2014.

We have continued to develop proposals for UK implementation of the International Labour Organization's Work in Fishing Convention, 2007 (ILO 188), in consultation with industry representatives.

Our network of MCA approved doctors conducted about 54,000 medical examinations to check seafarers were fit to work at sea in 2014. We have strengthened our quality procedures for approved doctors, including updating the Approved Doctors Manual, which sets the standard and provides guidance for conducting seafarer medical examinations. The Manual, in line with the Civil Service Reform plan objective, "Digital by Default", will now be published only in on-line format. We have also agreed mutual recognition of medical certificates with the administrations of Norway and the Netherlands.

In addition to supporting maritime safety regulation, we have continued to develop the complimentary non-regulatory approach to improving maritime safety by fostering effective behaviour change across the industry through promulgation of human element best practice, guidance and education. In particular we have been;

- Working with partner and stakeholder organisations to review and develop human element information, education and guidance materials
- Participating in a range of European and international research projects
- Actively engaging with human element specialists from other industries to explore opportunities to bring their learning to the maritime industry
- Reviewing the effectiveness of the Human Element, Leadership and Management training (HELM)
- Developing the next phase of research into specific aspects of key human behaviour and performance in maritime safety.

Commercial Fishing is judged to be the UK's most dangerous occupation<sup>2</sup>. As part of our ministerially approved strategy to eliminate preventable death in the UK commercial fishing industry we work with the

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<sup>2</sup> Marine Accident Investigation Branch, Fishing Vessel Safety Study, 2008.

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Fishing Industry Safety Group (FISG) on projects to achieve this aim. In particular FISG has been promoting the wearing of personal flotation devices (PFDs) whilst fishermen are on the open deck of

fishing vessels at sea. FISG has developed new voluntary Codes of Practice for fishing vessels and continues to work towards obtaining European Fisheries Funding for free voluntary safety training.

## **Response**

We provide a 24-hour a day, 365 days a year emergency response coordination service for the UK coast and surrounding waters out to the mid-Atlantic. Our growing National Network combined with Maritime Rescue Coordination Centres (MRCCs) responded to around 21,000 incidents, dealing with distress and 999 calls, coordinating rescues where necessary and tasking lifeboats, helicopters, other ships in the vicinity, other emergency authorities or volunteer coastguard rescue teams.

Our Coastguard Rescue Service comprises of around 3500 volunteers in 347 teams around the UK coast. They give their time to respond to emergencies and spread safety messages in their local communities. They are trained in the specialist skills of search, mud and cliff rescue and this year were called out over 13,000 times.

This winter our teams again supported other emergency services during the severe weather events in coastal areas.

We have continued to provide a dedicated search and rescue helicopter service under two operating contracts from our bases in Stornoway, Sumburgh, Portland and Lee-on-Solent, with the military providing helicopter search and rescue from a further eight bases. This year our helicopters carried out 696 missions.

In 2013, working closely with the DfT, we let a UK-wide contract which will run services from ten search and rescue bases. Starting on 1 April 2015, the MCA will take full responsibility for the operational SAR service once the final military base has withdrawn from search and rescue and retired the Sea King helicopter. The MCA will manage the new UK SAR helicopter service.

We are continuing to implement the modernisation of Her Majesty's Coastguard through our Future Coastguard Programme (FCG), which will deliver a resilient and nationally-networked system of coastguard coordination centres. Additional resources will also be put in place to enhance the leadership and support of the Coastguard Rescue Service. As a result of these changes HM Coastguard will be nationally integrated, effectively commanded, resilient to the challenges of the coming decades and staffed by motivated, skilled professionals who will enjoy improved pay and career structures.

## **Safer Ships – Improving maritime safety**

Shipping is vital to the UK, as an island nation; in terms of volume, the UK relies on shipping for about 95% of its imports and exports<sup>3</sup>. A safe environment for ships and professional seafarers supports growth by facilitating healthy trade and a vibrant shipping sector, and we work closely with the maritime industry to enhance standards of safety in all aspects of maritime activity.

### **Setting Standards**

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

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

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

- The Workboat Code
- Merchant Shipping Notice MSN 1754 Safety Management Code for Domestic Passenger Ships of Classes III to VI(A)
- Domestic Passenger Ship Directive – Equivalent Standards
- Controlled Means of Descent

The following Regulations have been introduced:-

- SI 2014/1512, Merchant Shipping (International Safety Management (ISM) Code) Regulations 2014
- SI 2014/1613, Merchant Shipping (Maritime Labour Convention) (Minimum Requirements for Seafarers etc.) Regulations 2014
- SI 2014/1614, Merchant Shipping (Maritime Labour Convention) (Consequential and Minor Amendments) Regulations 2014
- SI 2014/1615, Merchant Shipping (Maritime Labour Convention) (Recruitment and Placement) Regulations 2014
- SI 2014/1616, Merchant Shipping (Maritime Labour Convention) (Health and Safety) (Amendment) Regulations 2014
- SI 2014/3076, Merchant Shipping (Prevention of Air Pollution from Ships) and Motor Fuel (Composition and Content) (Amendment) Regulations 2014
- SO 2015/68, Merchant Shipping (Miscellaneous Safety) (Revocations) Regulations 2015
- SI 2015/315, Merchant Shipping (Fees) Regulations 2015
- SI 2015/410, Merchant Shipping (Boatmasters' Qualifications, Crew and Hours of Work) Regulations 2015
- SI 2015/508, Merchant Shipping (Survey and Certification) Regulations 2015
- SI 2015/629, Merchant Shipping (Weighing of Goods Vehicles and other Cargo) (Revocations) Regulations 2015

We have delivered 34 of our Red Tape Challenge commitments concentrating on those with the biggest impact on business. The ambulatory reference clause, which will allow us to make changes to international legislation by making direct reference to the source document, successfully completed its passage through Parliament. Work has begun to implement ambulatory referencing into national legislation. We recognise the impact that good regulation and effective alternatives will have in supporting a thriving and economically successful maritime sector.

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<sup>3</sup> Focus on Ports 2006 (DfT)

## **Monitoring and Enforcing Standards**

By vigorously monitoring compliance with policies, regulations and technical standards, we are able to provide an assurance of safety, taking appropriate and proportionate enforcement action when required.

We undertook 3,426 in-depth surveys of UK registered ships, and 3,446 inspections during 2014-15. We also carried out 1,279 Port State Control (PSC) inspections of foreign ships in the 2014 calendar year to check that they were meeting regulations concerning safety standards and living conditions.

We authorise six Recognised Organisations (ROs) who are members of the International Association of Classification Societies Ltd (IACS) to carry out a proportion of our statutory equipment construction survey work on UK ships. For smaller vessels that operate under the UK Codes of Practice we have authorised 34 Certifying Authorities (CAs) to survey and issue certificates on our behalf. We undertake a risk-based approach to monitoring of ROs, CAs and the Helideck Certification Agency (HCA) which results in regular meetings and audits of their offices and surveyors.

During inspections this year we found deficiencies on 833 ships and detained 52 of them. Where inspections, surveys or general maritime intelligence reveal significant breaches of maritime legislation we may undertake stronger enforcement action. Last year we investigated 91 new cases, and conducted 12 prosecutions. Further details are available at:

[www.gov.uk/government/publications/mca-enforcement-unit-prosecutions-2014](http://www.gov.uk/government/publications/mca-enforcement-unit-prosecutions-2014)

## **Ship Registers**

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

During 2014-15 there were 54 new ship registrations (0.98m Gross Tonnage (GT)) and at the end of March the UK Ship Register stood at 13.97m GT and 1,325 vessels.

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

The Red Ensign Group (REG) is made up of the UK, nine Overseas Territories (OTs) and three Crown Dependencies (CDs), all of which operate their own British ship register. Together with the UK Ship Register, the Red Ensign Group has a combined size of 48.8 million GT. We will continue to work collaboratively with colleagues within the OTs and CDs to ensure all ships flying the Red Ensign are being maintained and operated to the highest maritime safety standards, and this is overseen through a programme of regular monitoring visits to check that maritime standards are maintained in line with UK and local legislation. In 2014-15 we undertook monitoring visits of the Cayman Islands, Montserrat, Anguilla and the Turks & Caicos Islands.

The 2014 REG Conference was hosted by the Gibraltar Government and discussed issues of maritime policy and strategy, including;

- The introduction and impact of the IMO Instruments Implementation Code;
- The investigation of serious crimes on board REG registered ships; and
- The introduction of a risk based approach to monitoring Recognised Organisations.

We also host the REG Technical Forum which met twice in 2014-15 to discuss the application of technical policy and to improve consistency across all the REG Registers.

## **Seafarers**

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

42,300 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). In 2014-15 we issued over 5,900 Notices of Eligibility (NOEs) and 12,700 new CoCs and CECs. We also issue around 914 Boat Master's Licences annually for commercial operations on inland waterways.

We also managed the Support for Maritime Training (SMarT) Scheme. In 2014-15 SMarT provided funding for a total of 1,921 officer trainees, including 819 new officer trainees who started their training and 718 officer trainees who completed their training.

## **Navigation**

We also provide services to enhance safe navigation.

The MCA operates the Dover and Sunk Vessel Traffic Services (VTS), and The Nab and Bristol Channel services are operated on our behalf. We recognise the other 26 VTS in the UK, and monitor standards in the training establishments delivering VTS training.

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

To meet our international obligations under Chapter 4 and Chapter V of the Safety of Life at Sea (SOLAS) Convention 1974 (as amended), we will:

- Administer our Civil Hydrography Programme (CHP) and ensure that UK home waters are adequately surveyed for the safe update of navigational charts and products. To augment this effort, the MCA has led and delivered the EU-funded 'INIS Hydro' seabed mapping project by co-ordinating survey effort between the UK and Ireland.
- Develop and maintain standards for the carriage and use of navigational and radio equipment on board ships, implement and monitor routing and reporting measures to assist safe navigation and improve the provision of information to the mariner by means of Maritime Safety Information and e-navigation.
- Co-ordinate technical developments for SafeSeaNet and Long Range Identification and Tracking (LRIT) through our Consolidated European Reporting System (CERS).

We have also conducted eight Port Marine Safety Code Health Checks, liaising with other government departments and industry to improve the application of the Code and Guide to Good Practice requirements and recommendations.

## **Cleaner Seas – Protecting the environment**

With nearly 17,000 kilometres coastline the UK has one of the largest in Europe, and the UK economy continues to rely on shipping for 95% of its visible trade. In concert with these, the UK Exclusive Economic Zone (UK EEZ) encompasses a sea area of some 300,000 square kilometres within which a large and complex offshore oil and gas industry exists, as does one of the busiest international shipping lanes in the world. Whilst oil pollution is a major source of environmental damage, vessels transporting other hazardous and noxious substances (HNS) also present a pollution risk. Though the frequency and scale of marine pollution incidents continues to fall, the ongoing risk from marine pollution remains.

The UK has obligations under two key international conventions concerned with protecting the marine environment from pollution. The 1973 International Convention for the Prevention of Pollution from Ships, the MARPOL Convention, and the 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation, the OPRC Convention. Detailed UK Regulation stems from these to cover both shipping and the offshore oil and gas industry.

After saving human life, the MCA's key purpose in responding to a maritime incident is to protect public health, the marine and terrestrial environment and UK's economic interests; this centralised function is enduring. The Agency's Counter Pollution and Salvage Branch (MCA CPS) seeks to prevent, strongly support or deal with pollution from both ships and offshore installations. As the "National Competent Authority (NCA)" it delivers scientific and technical support and operational response to actual or threats of pollution in the UK EEZ. In co-operation with other Government and Non-Government Organisations, Local Authorities and the commercial oil spill response industry, the Agency provides a national collaborative reaction capability that is designed to achieve an effective degree of counter pollution Preparedness and Response, able to combat the full range of pollution risks. It will also provide international assistance under a variety of regional agreements. The Branch also considers and formulates policy in support of these response activities in concert with DfT, this will continue.

As the NCA, the Agency has the lead responsibility for maintaining and implementing the UK's National Contingency Plan for Marine Pollution from Shipping and Offshore Installations (the NCP). The recently revised Plan covers marine pollution from oil or other hazardous and noxious substances. It explains the circumstances in which the Agency will deploy national resources and sets out a framework for dealing with major pollution incidents that threaten UK interests and covers all incidents in, or likely to affect, the UK EEZ. The Plan is a living document which will be continually updated as both response structures and technology evolve.

The presence of an Emergency Towing Vessel to cover the Northern and Western Isles of Scotland continues until March 2016.

The UK continues to pursue significant upgrade to its aerial dispersant spraying capability, and is looking to bring the new Boeing 737 – 400 aircraft into service in the first quarter of 2016.

The Receiver of Wreck administers much of Part IX of the Merchant Shipping Act 1995 as it relates to matters of wreck and salvage. All recovered wreck material must be reported to the Receiver of Wreck and, during 2014, 389 reports of recovered wreck material were received. This is a 26% increase on the previous year.

Wreck material reported during 2014 ranges from gold ingots of the 17<sup>th</sup> century and historic cannons, to ships' bells, the remains of Second World War aircraft including a Junkers Ju-87 and a Dornier, and a large collection of 14<sup>th</sup> century pottery fragments.

Also in 2014, the first ever prosecutions under Part IX of the Merchant Shipping Act 1995 took place. These resulted in fines and costs totalling £60,000.

# Financial Review for the Year

## Accounts Direction

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

## Financial Summary

The MCA is funded under Part II, lines L and W of the Department for Transport (DfT) 2014-15 Main Estimate. During the 2014-15 financial year the Agency's net operating cost was £167,238,000 as detailed within the Financial Statements, being the cost of undertaking the Agency's statutory, ministerial and international obligations and responsibilities whilst remaining within the approved resource expenditure budget.

The MCA continues to invest in new capital investments supporting operational requirements, both maintaining and improving the asset base. Additions to non-current assets amounted to £10,906,000 during the financial year.

A significant part of the investment expenditure related to the Future Coastguard Programme (FCG) – the largest being the build of the training facility at Daedalus £3.1m and continued development of the related ICT infrastructure £3.4m. Other investment expenditure included the renewal of communications equipment, other IT projects and expenditure on the Agency's estate off-set by the disposal of Portland MRCC £0.3m.

There have been no significant events after the reporting period.

Other salient points arising from our activities this year and from decisions taken as a result of the 2010 Comprehensive Spending Review:

- The Net Operating Cost of the MCA has increased by £13.1m compared with 2013-14.
- The cost of staff employed by the MCA has increased by £3.6m (Note 2), these increased costs are attributed to the appointment of coastguards under the new terms and conditions as a result of the FCG.
- The increase in Establishment costs of £4.2m (in Note 3) is driven by increased works following the purchase of Spring Place, the relocation of MAIB and the Insolvency Agency and asbestos and fire risk assessments.
- The increase in programme costs of £4.8m (Note 4) is mainly as a result of the new bases coming on stream as a result of the Search and Rescue (SAR) helicopter contracts being awarded from June 2013.
- The decreased income of £0.5m (Note 5) is in respect of lower recovery of survey and Partner Project (INIS2) income, partially offset by income for MAIB recovery of costs.
- The Statement of Financial Position has increased compared with the previous year by £7.2m. This is mainly due to the build of the training facility at Daedalus and additional ICT systems.
- The Agency has a low level of bad debt as we generally require a deposit or full payment prior to any commencement of service provision. Full details of the bad debt provision can be found in Note 31.

## Maritime and Coastguard Agency

Past and present employees, including those on fixed term appointments, are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or a choice of Partnership Pension schemes. Details of pension accounting treatment are outlined in Note 1.11 of the Annual Accounts.

The statutory audit of our Financial Statements is undertaken by the Comptroller and Auditor General under the provisions of the Government Resources and Accounts Act 2000. The cost of the audit services for the financial year ending 31 March 2015 was £75,000. Additional costs of £16,000 have also been incurred for one-off audit procedures in the year. No other fee was paid in respect of non-statutory work.

We place contracts in line with government policy, EU Procurement Regulations and UK Public Contracts Regulations. We aim to pay all bills by contractual deadlines, or within 30 days of receiving a valid invoice. We met this target in 99.14% of cases. In line with a government wide initiative to pay bills within five days, our performance was 77.06%.

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

**Sir Alan Massey**  
**Chief Executive**  
**18 January 2016**



## Directors' Report

### Agency Management

The Executive Board is the highest decision-making body in the MCA. We set out its role and relationship with other management groups in the Governance Statement (see page 40). Members of the Executive Board were:-

**Sir Alan Massey**, who was **Chief Executive** and the Agency's Accounting Officer from 1 April 2013 to 9 June 2013 and then again from 2 September 2013 onwards.

**Philip Naylor**, who was **Executive Director of Maritime Safety and Standards from 1 April 2014 to 5 January 2015** and was responsible for the safety and quality of seafarers and ships under the Red Ensign, the UK Ship Register, and our survey and inspection regime. He was also responsible for leading change in the Ship Survey and Inspection service including the UK Ship Register.

**Richard Parkes**, who was **Executive Director of Maritime Operations** and was responsible for all emergency response operations, he was also responsible for delivering the Future Coastguard Programme and the new arrangements for Search and Rescue Helicopter provision. He was also Acting Chief Executive and Interim Accounting Officer from 10 June 2013 to 1 September 2013.

**Bill Dunham**, was appointed **Executive Director of Strategy and Corporate Services** from 20 January 2015, but was paid by the Royal Marines up to and including 31 March 2015. He therefore received no remuneration from the MCA until 1 April 2015. His key responsibilities are for strategic planning, performance monitoring, corporate governance and financial controls, the health and safety of our staff and volunteers, ICT, Asset Management, Human Resources, Learning and Development and the Senior Information Risk Owner (SIRO). He is leading the Survey and Inspection Transformation Programme as the SRO.

**Jane Jackson** who was **Acting Strategy and Finance Director** from 1 April 2013 to 31 December 2013, and again from 3 March 2014 to 19 January 2015 and was responsible for strategic planning, performance monitoring, corporate governance and financial controls, the health and safety of our staff and volunteers. She was also the Senior Information Risk Owner (SIRO) and led the preparations for the introduction of a Shared Services platform. Jane continues to serve the board in an advisory capacity as Chief Financial Officer.

**Chris Thomas**, who was **Acting Director of Maritime Safety and Standards** from 12 January 2015 to 31 March 2015. Chris assumed all of Philip Naylor's responsibilities.

**Alex Jablonowski, David Snelson and Alison White** served as Non-Executive Directors.

Details of pension liability treatment and auditors' remuneration can be found in the Financial Review for the year on pages 31-32.

Details of the Agency's monitoring of Directors' conflicts of interest and any reporting of personal related incidents are covered in the Governance Statement starting on page 40.

Sickness absence data can be found on page 23 of the Strategic Report.

**Sir Alan Massey**  
**Chief Executive**  
**18 January 2016**

## **Remuneration Report**

### **Remuneration Policy**

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

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

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

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

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

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

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

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

### **Service Contracts**

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

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

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### **Remuneration (including salary) and pension entitlements (audited)**

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

## Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration								
	2014-15				2013-14			
Officials	Salary (£000)	Bonus payments (£000)	Pension benefits <sup>1</sup> (£000)	Total benefits (£000)	Salary (£000)	Bonus payments (£000)	Pension benefits <sup>1</sup> (£000)	Total benefits (£000)
Sir Alan Massey <i>Chief Executive</i>	115-120	-	40-45	155-165	115-120	10-15	45-50	170-185
Richard Parkes <i>Director</i>	85-90	10-15	25-30	120-135	85-90	10-15	15-20	110-125
Philip Naylor <sup>2</sup> <i>Director</i>	80-85	-	40-45	120-130	105-110	-	40-45	145-155
Full year equivalent	105-110							
Sue Ketteridge <sup>3</sup> <i>Director</i>	-	-	-	-	40-45	10-15		45-50
Full year equivalent	-				75-80		5-10	80-85
Bill Dunham <sup>4</sup> <i>Director</i>	-	-	-	-	-	-	-	-
Jane Jackson <sup>5</sup> <i>Acting Director</i>	70-75	-	15-20	85-95	60-65	-	30-35	90-100
Full year equivalent	70-75				70-75			
Chris Thomas <sup>6</sup> <i>Acting Director</i>	15-20	-	20-25	35-45	15-20	-	5-10	20-30
Full year equivalent	75-80				70-75			
David Snelson <i>Non-Executive Director</i>	10-15	-	N/A	10-15	10-15	-	N/A	10-15
Alex Jablonowski <i>Non-Executive Director</i>	15-20	-	N/A	15-20	15-20	-	N/A	15-20
Alison White <i>Non-Executive Director</i>	10-15	-	N/A	10-15	10-15	-	N/A	10-15
Band of Highest Paid Director's Total Remuneration (£000)	115-120				125-130			
Median Total Remuneration	£25,626				£25,484			
Ratio	4.55				5.02			

### Notes to the table:

Full Year Equivalent (FYE) salaries are disclosed where officials' appointments began or ended part way through the year.

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

<sup>2</sup> Philip Naylor left the MCA on 5 January 2015.

<sup>3</sup> Sue Ketteridge was a Director from 1 November 2013 to 30 March 2014 after returning from a career break and then joined DfT(c).

<sup>4</sup> Bill Dunham was a Director from 20 January 2015 but received no remuneration as disclosed under Agency Management on page 33.

<sup>5</sup> Jane Jackson was Acting Director from 3 March 2014 to 19 January 2015, receiving remuneration until 28 February 2015. Although she was an MCA employee throughout the year, only her time as Acting Director is subject to disclosure. She was also Acting Director from 20 August 2012 to 31 December 2013.

<sup>6</sup> Chris Thomas was Acting Director from 12 January 2015. Although he was an MCA employee throughout the year, only his time as Acting Director is subject to disclosure.

There were no benefits in kind paid to any directors in 2014-15 or 2013-14. In 2014-15, no employee (2013-14: no employee) received remuneration in excess of the highest-paid director. Remuneration ranged from £16,256 to £117,000 (2013-14: £33 to £128,000).

## Salary

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

## Benefits in kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2014-15 bonuses relate to 2013-14 performance and the comparative bonuses reported for 2013-14 relate to the performance in 2012-13.

## Pay multiples

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.

A decrease in the total remuneration of the highest paid director has led to a decrease in the ratio for 2014-15.

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

## Pension Benefits

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

<b>Officials</b>	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Sir Alan Massey <i>Chief Executive</i>	5-10	2.5-5	204	152	33
Richard Parkes <i>Director</i>	20-25	0-2.5	433	385	24
Philip Naylor <i>Director</i>	15-20	2.5-5	241	200	24
Jane Jackson <i>Acting Director</i>	25-30 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	424	392	10
Chris Thomas <i>Acting Director</i>	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 0-2.5	229	197	18

## **Civil Service Pensions**

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2015 and the introduction of the **Alpha** scheme will mean that many employees will be automatically switched to this new scheme. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

### **Cash Equivalent Transfer Values**

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

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

### **Real increase in CETV**

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

### **Compensation for loss of office**

Former Director, Neil Goodall left under agreed terms on 14 September 2008. He received ongoing compensation payments of £15-20k during 2014-15 (2013-14: £15-20k). The compensation terms were negotiated by previous management.

**Sir Alan Massey  
Chief Executive  
18 January 2016**

## Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Maritime and Coastguard Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

The former Accounting Officer of the Department for Transport, Robert Devereux, designated the Chief Executive of the Maritime and Coastguard Agency, Sir Alan Massey, as Accounting Officer from 20 July 2010. The current Accounting Officer of the Department for Transport, Philip Rutnam, designated Richard Parkes as Interim Accounting Officer for the period 10 June 2013 until 1 September 2013 after which date Sir Alan Massey has been the designated Accounting Officer. 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 MCA's assets, are set out in Managing Public Money published by the HM Treasury.

## Governance Statement

### Introduction

The Agency was established on 1 April 1998 and is an Executive Agency of the Department for Transport (DfT). We work closely with colleagues in the Maritime Directorate and the International Security and Environment (ISE) Group of the DfT, who assist the Accounting Officer in discharging his accountability for the Agency. The Accounting Officer is responsible to the Secretary of State as detailed in the Agency's Framework Document.

The Agency encourages economic growth and facilitates the safety of shipping and seafarers, saves lives and protects the maritime environment. The Agency provides a 24 hour maritime search and rescue service and other coastguard functions; enforces the safety of shipping and the welfare of seafarers through the survey and inspection regime; processes the registration and certification of ships and seafarers; and manages pollution prevention and response. We have responsibility for the implementation (within the UK) of international maritime conventions and relevant EU Directives. All of our work contributes to our vision of being the world's best maritime safety organisation, committed to Safer Lives, Safer Ships, Cleaner Seas. In his leadership of this work, the Accounting Officer is supported by two principal management groups: the Executive Board (EB) and the Senior Executive Group (SEG).

This Governance Statement details the arrangements in place for the financial year 1 April 2014 to 31 March 2015. Specifically, it focuses on internal controls, risk management and the wider risk environment. Progress with the Agency's major change programmes and other commitments in its Business Plan are captured elsewhere in the Annual Report and Accounts.

### Agency Management

The Agency is accountable to the Secretary of State for Transport through an Advisory Board which meets quarterly. The Advisory Board reviews the Chief Executive's and the Agency's performance against its plans and resources and also considers risk which is reviewed when appropriate at the ISE Group Board. Members of the MCA Advisory Board in 2014-2015 were:

- Lucy Chadwick (Director General, International Strategy and Environment (ISE) Group, DfT, Chair);
- Ian Woodman (Director of Maritime, DfT);
- Valerie Richardson (Head of Maritime Administration Secretariat, DfT) from 1 April 2014 to 30 November 2014;
- Emma Silverton (Acting Head of Maritime Administration Secretariat, DfT) from 1 December 2014 to 31 March 2015 ;
- Sir Alan Massey (Chief Executive, MCA);
- Bill Dunham (Director Strategy & Corporate Services, MCA) from 20 January 2015;
- Jane Jackson (Acting Director Strategy & Finance, MCA) from 1 April 2014 to 19 January 2015;
- Jane Jackson (Chief Financial Officer, MCA) from 20 January 2015;
- Richard Parkes ( Director of Maritime Operations, MCA);
- Philip Naylor (Director of Maritime Safety and Standards, MCA) from 1 April 2014 to 5 January 2015;
- Chris Thomas (Acting Director of Maritime Safety and Standards, MCA) from 12 January 2015;
- Alex Jablonowski (External Member) and
- Alison White (External Member).

In addition, and in accordance with the outcome of the Smith Commission, the Scottish Government is represented at the Advisory Board by a senior official to enable the Scottish Government to contribute to the discussion of strategic issues affecting the MCA.



## Executive Board

The Executive Board (EB) is the most senior decision-making corporate management group in the Agency and meets monthly (except during August). It is responsible for establishing and overseeing the implementation of the Agency's strategic direction as detailed in its Terms of Reference. The EB takes decisions in relation to the range, appetite and tolerance of corporate risks. Members of the EB are Directors and Non-Executive Directors, and the Chief Financial Officer attends in an advisory capacity. A representative of the Agency's sponsoring Directorate in the DfT attends as an advisor, as does the chair of the Senior Executive Group (see below).

Attendance at EB meetings in 2014-15 was as follows:

Sir Alan Massey (Chief Executive Officer, Chair)	11 of 11
Bill Dunham (Director of Strategy & Corporate Services) from 20 January 2015)	2 of 3
Philip Naylor (Director of Maritime Safety and Standards) from 1 April 2014 to 5 January 2015	8 of 8
Richard Parkes (Director of Maritime Operations)	9 of 11
Chris Thomas (Acting Director of Maritime Safety and Standards) from 12 January 2015	3 of 3
Jane Jackson (Acting Director of Strategy and Finance) 1 April 2014 to 19 January 2015 and (Chief Financial Officer) from 20 January 2015	10 of 11
David Snelson (Non-Executive Director)	10 of 11
Alex Jablonowski (Non-Executive Director)	11 of 11
Alison White (Non-Executive Director)	11 of 11

A file of declared interests for Executive and Non-Executive Directors is maintained. Declarations of conflicts of interest is a standard agenda item at each EB meeting.

## Activities of the Executive Board

The EB focuses on future strategy and direction, performance oversight, risk and accountability. Meetings have reviewed progress, risks and opportunities associated with major change programmes, including the modernisation of Her Majesty's Coastguard, the efficiency of the Ship Survey and Inspection Service, and the migration to a Shared Services environment. The EB regularly reviews health and safety strategic risks, and staff engagement.

The EB holds regular strategy discussions, outside of its standard business agenda, to consider a wide range of matters of strategic importance. It also met to improve its own leadership in response to feedback from the staff survey.

In the Comprehensive Spending Review (CSR), the Agency achieved its full 33% target cost reductions in 2014-2015.

## Senior Executive Group

Senior Executive Group (SEG) reports to the EB and it monitors Agency performance, and takes operational and tactical decisions that fall within its remit and submits advice and recommendations to the EB as appropriate.

## Risk Environment

The Agency continues to operate in a high risk environment. The pressure of international maritime obligations and commercial pressures in the maritime sector form the backdrop to an organisation which continues to undergo major changes in all its directorates, with the constant requirement for further efficiency and cost savings.

During the year there has been real progress on the implementation of the Future Coastguard, Search and Rescue Helicopters programmes and IT Infrastructure. However further risks remain and there have been delays in the Survey and Inspection Transformation and significant issues with the implementation

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of Shared Services, all of which have impacted on both staff morale and operational performance. In addition substantial risks emerged in the training and accreditation of coastal volunteers, which required a substantive remedial response.

The Executive Board has revitalised its approach to the identification and management of risk, ensuring correct treatment and response as risks have emerged.

### **Risk Management and Governance**

The Accounting Officer is responsible for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book) and the DfT Departmental Risk Policy and Guidance. The EB approves the Agency's approach to risk management, setting a risk appetite and the principal risks in the Corporate Risk Register. Escalation processes are in place so that threats and opportunities can be identified and managed appropriately. Examples of risk escalation include the transition from the existing to the future Coastguard structures, and the planned migration to a Shared Services platform. In December 2013 the EB decided to dissolve the Risk Advisory Group and to handle risks differently by giving greater responsibility for risk management to the SEG. The Agency's Audit Committee (renamed the Audit and Risk Assurance Committee) also took a close interest in risk matters and advised the Accounting Officer as appropriate.

### **Principal Risks in 2014-15**

Through 2014-15, a total of 17 risks, issues and tolerated risks were actively managed on the corporate risk register. Key risks relating to the Agency's major change programmes:

- **Future Coastguard Programme Migration** – The transition to a modernised HM Coastguard carries with it several risks, the main one being the provision of suitably qualified and experienced personnel (SQEP). Recruitment has commenced, but the future resource requirements for this programme exceeds the current resources and the challenge of fully populating the new future coastguard structure, with sufficient SQEP, is a major concern. A contingency plan is in hand to mitigate against possible delays in implementing the structure and reduce the pressure on existing resources.
- **Search and Rescue Helicopter (SARH)** - The transition to the new SAR Helicopter contract from the current provider and the MOD has numerous potential risks to the project being delivered on time. One of the key risks to this project has been the possible delays to the new airframes coming on line as the MOD draws down its ageing fleet in line with the agreed end date of January 2016. This risk is being managed with the International Security and Environment Group at the DfT; the aviation team has been holding monthly meetings with the contractors who have produced a 'contingency plan' that seeks to mitigate the impact of late delivery by using alternative aircraft to provide cover should this become an issue. This has been agreed and Ministers have been briefed.
- **Coastal Safety Staffing** – Due to issues with the training requirements of the MCA's coastal safety staff, there is a risk of ineffective rescues which could potentially result in both serious injury to the casualty and reputational damage to the Agency. To mitigate against this Technical Rescue Skills Guides and Field Operation Guides are now in issue. A review of all HMCG generic risk assessments is also being undertaken.
- **Shared Services** - The MCA migration to the Government ISSC1 platform in December 2014 carried with it numerous risks. The MCA is the first customer on the Agresso system built by arvato UK and since the service went live a number of these risks have materialised. Contractually, these issues were expected to be resolved during the initial three month period of "Hypercare" but this has not been the case. The period of support was extended to the end of July 2015 and measures were taken to identify the following key areas requiring resolution:
  - the ability of the MCA to complete year end accounts in readiness for the annual audit;
  - the management of customer accounts, and
  - the ability to close periods in 2015-16.

There is an action plan in place to address the issues hampering the MCA's move to business as usual. This plan will be under continuous review until satisfactory outcomes have been achieved.

The Agency has instigated additional local controls to ensure governance around our accounts information. Limitations of the system have resulted in the use of multiple manual workarounds.

- **Survey and Inspection Transformation Programme (S & I TP)** - There are several major risks to the successful delivery of the S&I TP. One of these is that the Agency will not get Treasury approval, or the approval is delayed, regarding the terms and conditions package, identified within the business case, to ensure the Agency can recruit and retain appropriately skilled and experienced surveyors. The impact of this is that the Agency will be unable to maintain the viability of the S&I business and as a result, fail to meet its statutory obligations resulting in potential infraction from EU and reputational damage. We are mitigating the risk as far as possible by ensuring that there is a strong evidence base behind the business case and through early engagement with the Treasury ahead of submission of the business case.

### **Internal Control and Assurance**

Following amendment of HM Treasury's Corporate Governance Code for Central Government Departments (July 2011) the Agency conducted a review to confirm compliance. No subsequent reviews have taken place within this reporting period.

### **Audit and Risk Assurance Committee**

The Accounting Officer seeks independent advice and assurance on the processes for risk management, governance, assurance and internal control; including reliability and integrity, through the Agency's Audit and Risk Assurance Committee (ARAC). The ARAC is made up of the MCA's three Non-Executive Directors, one of whom is appointed as Chair, and meets quarterly.

During the year, the committee has had deep dive sessions on the following:

- Survey and Inspection Balanced Scorecard Performance and
- Information Assurance

The Committee is provided with a review on Fraud, Whistleblowing and the Hospitality Register every six months.

The Accounting Officer, Acting Director of Strategy and Finance (1 April 2014 to 19 January 2015), Director of Strategy and Corporate Services (from 20 January 2015) and Chief Financial Officer (from 20 January 2015) attend the ARAC meetings and other attendees include the National Audit Office (NAO) Director with responsibility for the Agency, KPMG Audit Director, the DfT Group and MCA Head of Internal Audit and other Executive Directors and Senior Managers attend for specific agenda items. Attendance by ARAC members in 2014-15 was as follows:

Alex Jablonowski (Chair of the ARAC)	4 of 4
David Snelson	3 of 4
Alison White	4 of 4

### **Fraud, Bribery and Whistleblowing**

The Agency remains committed to reducing incidents of fraud. When identified, investigations are carried out and lessons extracted to strengthen the control environment and reduce the likelihood of recurrence. Fraud, bribery and whistleblowing is discussed at ARAC biannually.

### **Internal and External Audit**

Our Quality Management System is externally certified to the international ISO 9001:2008 Standard. The requirements of the Standard are applied to all business processes and activities.

The Agency's annual Internal Quality Audit (IQA) programme supports its continuing certification to ISO 9001 and focuses on key processes and activities. The September 2014 ISO 9001 surveillance visit, conducted by the Agency's certification body SGS, identified weaknesses in local management oversight that has led to inconsistent implementation of standards in the Coastguard. A remedial action plan has been implemented to restore standards and good progress has been made to improve the level of compliance.

The focus over 2015-2016 is to achieve recertification and continue with the good progress already made.

The IQA programme is based upon the analysis of risks and other factors identified by Directors, and developed in collaboration with DfT's Audit and Risk Assurance (ARA) team, and is approved by the SEG, EB and the ARAC.

DfT ARA operates to standards defined in the Government's Public Sector Internal Audit Standards and its annual programme of work is based upon the analysis of risks to which the Agency is exposed and by what the Audit Committee and EB identify as key risks. The outcome for the 2014-15 programme identified that 70% of audits received an overall 'moderate' opinion or above.

The MCA Head of Internal Audit's Opinion provided an overall 'Moderate' assurance rating on the adequacy and effectiveness of the MCA's arrangements for corporate governance, risk management and internal control. During the year the benefits of co-operation and collaboration in delivering the ARA and IQA audit effort continued to be realised.

Progress on management actions agreed for internal and external audits is monitored by the SEG and EB, at their monthly meetings, and by the ARAC at their quarterly meetings. One of the agreed outcomes has been the implementation of improved Coastguard management and supervisory processes.

### **Shared Services**

The MCA became the first Agency to migrate to the Government ISSC1 Shared Services platform in December 2014. The MCA's migration was managed as part of the overall DfT programme which will see other DfT Agencies migrate in the future.

### **External Partners**

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

### **Health and Safety**

The Agency has continued its proactive approach to Health and Safety management engaging with the Department of Transport on central safety, health and wellbeing initiatives and developing its own Agency specific health & safety strategy for the next three years. The steady reduction in the number of physical injuries to both staff and volunteers causing lost time has continued and any lessons identified are acted upon and routinely shared with all staff and volunteers. By analysing the outputs from the 2014 staff engagement survey and by carefully monitoring trends in and causes of sickness absence, we continue to improve our understanding and management of pressure and stress in the Agency. Recent initiatives in Estates management, supported by the Total Facilities Management contractor, have brought about an improvement in compliance standards for fire, asbestos, electrical and water hygiene management across the estate; further work is planned in the next year. The auditing of the Health & Safety management system is now firmly embedded in the internal quality management system with each audit round examining the implementation of a variety of health and safety policies and instructions. This has enabled management to take appropriate corrective actions where required and led to a continuous cycle of improvement in both operational and non-operational areas.

## **Information Assurance and Data Handling**

Information Asset Owners manage asset risk registers on an ongoing basis and submit biannual risk returns on their individual assets for review by the Information Assurance Branch (IAB). IAB submit a consolidated asset risk return quarterly to DfT Central. The Agency's information asset risk tables and a report of the Agency's compliance with the Security Policy Framework are submitted to DfT Centre on an annual basis.

The Agency continues to review and improve the physical security of our estates, strengthening it where required. Plans to put into place improvements to our technical security during 2014-2015 have been completed, and have further enabled the Accounting Officer to ensure that our information assets are protected.

- MCA has replaced laptops and desktop machines with new models, replaced Blackberrys with new Windows mobile phones, and upgraded to the latest supported versions of Microsoft Office software;
- MCA has introduced DfT ETHOS terminals to provide access to the government secure network, decommissioning the Government Secure Intranet (GSI) network, saving the costs of reaccreditation and maintenance;
- MCA has started a phased rollout of the government Common Access Passes (CAP) around the MCA estate;
- We are continuing to develop documentation and implement our ISO 27001 based Information Security Management System (ISMS);
- Physical security risk assessments to assess the effectiveness of the physical security of all our manned sites have been completed and any necessary remedial works are being addressed;
- We issue regular reminders relating to security responsibilities through the Agency's Weekly Brief and via direct mail shots when information risk is perceived to be high;
- An ARA audit of core controls commenced in Q4, looking at the governance of information and management of risk.

## **New Government Security Policy**

Modernising security is a key element of delivering our business and in support of this the UK Government has changed the way it classifies and protects its information. A simpler approach was adopted in April 2014 and the new three levels of security classification are:

- OFFICIAL
- SECRET
- TOP SECRET

The Agency operates within the OFFICIAL category. An Agency wide programme of change and information/guidance was promulgated prior to, during and post classification "go live".

## **Management Assurance**

A number of changes to the management assurance process were made in January 2015, by DfT, to keep it more topical, simple and more user-friendly. The information reported in the return for the 2014-15 exercise were subject to challenge by Directors, the SEG, EB and the ARAC.

In accordance with DfT guidance the Agency's system of internal control is monitored and reviewed and regular reports are made to the SEG, EB and to the ARAC. Where weaknesses have been identified, action plans to improve the control mechanism have been established. The assurance process enables the Accounting Officer to draw confidence and provide a 'substantial' assurance on the effectiveness of risk management, governance and control processes throughout 2014-15.

**Sir Alan Massey**  
**Chief Executive**  
**18 January 2016**

## **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

I certify that I have audited the financial statements of the Maritime and Coastguard Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and Auditor**

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

### **Scope of the audit of the financial statements**

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

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Maritime and Coastguard Agency's affairs as at 31 March 2015 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## **Opinion on other matters**

In my opinion:

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

## **Matters on which I report by exception**

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

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

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date 21 January 2016**

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

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

				2014-15	2013-14
	Note	Staff Costs £000	Other Costs £000	Income £000	£000
<b>Administration Costs</b>					
Staff Costs	[2]	5,939			6,070
Establishment, Accommodation and Other Administrative Costs	[3]		2,521		3,896
Operating income	[5]			(935)	(1,740)
		5,939	2,521	(935)	8,226
<b>Programme Costs</b>					
Staff Costs	[2]	41,113			37,360
Establishment, Accommodation and Other Administrative Costs	[3]		34,408		28,863
Programme Costs	[4]		96,254		91,435
Income	[5]			(12,062)	(11,724)
<b>Totals</b>		47,052	133,183	(12,997)	145,934
<b>Net Operating Cost</b>				167,238	154,160
<b>Other Comprehensive Expenditure</b>					
<b>Items that will not be reclassified to net operating costs:</b>					
<b>Net (gain)/loss on:</b>					
Revaluation of Property, Plant and Equipment	[22]			(3,120)	(3,806)
Revaluation of Intangibles	[22]			52	(61)
Revaluation of Stockpile Goods	[22]			117	(939)
<b>Total Comprehensive Net Expenditure</b>				164,287	149,354

Accounting policies and notes forming part of these accounts are on pages 52 to 78.



## Statement of Financial Position as at 31 March 2015

	Note	31 March 2015		31 March 2014	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	[8,9]	78,501		72,816	
Intangible assets	[10,11]	6,310		6,078	
Stockpile goods	[12]	3,743		3,860	
Trade and other receivables	[15]	13		41	
<b>Total non-current assets</b>			88,567		82,795
<b>Current assets</b>					
Assets classified as held for sale	[14]	115		115	
Trade and other receivables	[15]	7,512		5,281	
Cash and cash equivalents	[16]	1,174		521	
<b>Total current assets</b>			8,801		5,917
<b>Total assets</b>			<u>97,368</u>		<u>88,712</u>
<b>Current liabilities</b>					
Trade and other payables	[17]	(26,752)		(25,030)	
Provisions	[18]	(3,782)		(3,113)	
<b>Total current liabilities</b>			(30,534)		(28,143)
<b>Non-current assets plus/(less) net current assets/(liabilities)</b>			<u>66,834</u>		<u>60,569</u>
<b>Non-current liabilities</b>					
Other payables	[17]	(681)		(826)	
Provisions	[18]	(1,252)		(2,027)	
<b>Total non-current liabilities</b>			(1,933)		(2,853)
<b>Assets less Liabilities</b>			<u>64,901</u>		<u>57,716</u>
<b>Taxpayers' Equity</b>					
General fund	[19]	50,346		44,998	
Revaluation reserve	[22]	14,555		12,718	
<b>Total taxpayers' equity</b>			<u>64,901</u>		<u>57,716</u>

Notes on pages 52 to 78 form part of these accounts.

Sir Alan Massey  
Chief Executive  
18 January 2016

## Statement of Cash Flows for the year ended 31 March 2015

	Note	2014-15 £000	Restated 2013-14 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(167,238)	(154,160)
Adjustments for non-cash transactions	[3]	8,159	7,296
(Increase)/decrease in stockpile goods	[12]	117	(929)
less movements in stockpile goods relating to items not passing through the Statement of Comprehensive Net Expenditure		(117)	939
(Increase)/decrease in trade & other receivables	[15]	(2,243)	1,461
less movements in trade and other receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	-
Increase in trade and other liabilities	[17]	1,577	8,528
less movements in trade and other liabilities relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,988)	659
Decrease in provisions	[18]	(364)	(1,845)
<b>Net cash outflow from operating activities</b>		<u>(162,097)</u>	<u>(138,051)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(9,150)	(23,530)
Purchase of intangible assets		(487)	(1,258)
Proceeds of disposals of property, plant and equipment		373	146
Decrease in non-current financial assets – receivables		41	8
<b>Net cash outflow from investing activities</b>		<u>(9,223)</u>	<u>(24,634)</u>
<b>Cash flows from financing activities</b>			
Current year consolidated fund (supply)	[21]	172,000	165,000
Capital element of finance lease payments		(27)	(27)
<b>Net financing</b>		<u>171,973</u>	<u>164,973</u>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		653	2,228
Payment of amounts due to the Consolidated Fund		-	(406)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		653	1,882
<b>Cash and cash equivalents at the beginning of the period</b>	[16]	521	(1,361)
<b>Cash and cash equivalents at the end of the period</b>	[16]	<u>1,174</u>	<u>521</u>

Cash flows for 2013-14 have been restated to improve presentation of Consolidated Fund cash flows and to match more closely the format adopted by the Department for Transport.

Notes on pages 52 to 78 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 1 April 2013</b>		32,620	9,250	41,870
<b>Changes in taxpayers' equity for 2013-14</b>				
<b>Movements in reserves</b>				
Recognised in Statement of Comprehensive Net Expenditure	[22]		4,806	4,806
Transfers between reserves		1,338	(1,338)	-
Other movement to general reserve				
Non-cash charges: audit fees		75		75
Non-cash charges: DfT services		125		125
Comprehensive Expenditure for the year		(154,160)		(154,160)
Total recognised income and expenses		(152,622)	3,468	(149,154)
Drawdown from the consolidated fund for the year		165,000		165,000
<b>Balance at 31 March 2014</b>		44,998	12,718	57,716
<b>Changes in taxpayers' equity for 2014-15</b>				
Net gain/(loss) on revaluation of non-current assets	[22]		2,951	2,951
Transfers between reserves		1,114	(1,114)	-
Non-cash charges: auditor's remuneration		75		75
Non-cash charges: DfT services		143		143
Comprehensive Expenditure for the year		(167,238)		(167,238)
Total recognised income and expenses		(165,906)	1,837	(164,069)
Net Parliamentary Funding: drawn down		172,000		172,000
Net Parliamentary Funding: deemed		420		420
Supply (payable)/receivable adjustment		(1,166)		(1,166)
<b>Balance at 31 March 2015</b>		50,346	14,555	64,901

Notes on pages 52 to 78 form part of these accounts.

## Notes to the Agency's Accounts

### 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Maritime and Coastguard Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the MCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.01 Accounting Convention

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

#### 1.02 Changes in accounting policy and disclosures

##### 1.02.1 New IFRS standards and interpretations adopted early.

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

##### 1.02.2 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2015, and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that are relevant to the Agency and that may need to be adopted in subsequent periods:

- Phases 1 and 2 of IFRS 9 Financial Instruments, which will replace parts of IAS 39, deals with the classification and measurement of financial assets and financial liabilities. IFRS 9 is intended to improve and simplify the reporting of financial instruments. The completed phases require financial assets and liabilities to be measured according to their classification, and simplify the classification structure. According to the IASB, application of this standard is required for reporting periods beginning on or after 1 January 2015, though earlier application is permitted. However, it is yet to receive EU endorsement so it is difficult to predict the actual application date. The impact of initial application of IFRS 9 is not expected to be significant; the classification of financial assets and liabilities will change, but it seems that existing measurement approaches will continue to be appropriate.
- IFRS 13 provides guidance on establishing fair values of assets and liabilities and sets out disclosure requirements, where other standards require the fair value to be used or disclosed. Public sector adoption of this standard has been delayed whilst HM Treasury make further assessment of its effect on reporting. The exposure draft interprets the IFRS to permit the use of alternative valuation methods for some public service assets, but retains the disclosure requirements of the IFRS. It is considered unlikely that IFRS 13 will have a material impact.
- The International Accounting Standards Board (IASB) is currently developing a replacement to the existing leasing standard, which is expected to eliminate off-balance sheet leasing arrangements, and require recognition of a single right-of-use asset, measured at the present value of lease payments. As the Agency currently occupies many properties under operating leases, this is likely to have an effect on the statement of financial position but the timing of any implementation remains unclear at this stage.
- Other changes due to come into effect after 2014–15 are considered to have no impact on the Agency.

### 1.03 Non-current assets: property, plant and equipment

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

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out on a five yearly basis, the latest being undertaken as at 31 March 2014. The five yearly valuation is supplemented by annual indexation for intervening years in line with the direction in the FReM. Revaluation indices are supplied by external property consultants.
- Other plant and equipment are valued on a net current replacement cost basis. Assets are revalued using appropriate price indices published by the Office for National Statistics.
- Revaluation surpluses on property, plant and equipment are taken to the revaluation reserve. Revaluation deficits are written off against any revaluation surplus for the asset concerned and otherwise to the Statement of Comprehensive Net Expenditure.
- Depreciation is charged on a straight line basis on each main class of tangible non-current property, plant & equipment asset as follows:
  - Freehold land and assets in the course of construction are not depreciated.
  - Freehold buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the Agency's external property management advisors, or adjusted by indices published by the Office for National Statistics, up to a maximum of 50 years.
  - Leasehold buildings are depreciated over the primary term of the lease or the estimated remaining life of the asset, whichever is the lower.
  - Leasehold building improvements are depreciated over the estimated remaining life of the asset, to a maximum of ten years.
  - Equipment is depreciated on current cost over the estimated remaining life of the asset using the following standard lives:
    - Vehicles, boats and other plant           3-10 years
    - Communications equipment               5-10 years
    - IT and office equipment                 3-10 years
  - Donated assets are revalued & depreciated in the same manner as other like assets.
  - Property, plant and equipment are stated at their valuation less accumulated depreciation. Depreciation is charged in the month of acquisition, and none in the month of disposal.

### 1.04 Non-current assets: intangible assets

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

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

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

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

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

### **1.05 Non-current assets held for sale**

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

### **1.06 Inventories**

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

### **1.07 Stockpile Goods**

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

### **1.08 Financial Instruments**

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

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

### **1.09 Finance leases**

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

### **1.10 Provisions for Liabilities and Charges**

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

### **1.11 Pensions**

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

The Scheme is actuarially valued periodically and as at 31 March 2015 no additional accounting entries were required other than those shown in these accounts. If the MCA is required to meet obligations in the future these will be accounted for in accordance with IAS 19.

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

### **1.12 Early Departure Costs**

Additional pension costs arising from early departures are not funded by the Principal Civil Service Pension Scheme except where departure is due to ill-health. For early departures not funded by the scheme the full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure in that year, regardless of the method of payment.

The provision for early departures covers all future commitments to employees who have retired from the Agency and its forebears which will not be met from the Principal Civil Service Pension Scheme. The early departures provision includes an estimate of the staff cost for the Future Coastguard Modernisation Programme announced in November 2011 which is being implemented over three years. The provision also includes an estimate for staff exit packages as a result of the migration to a Shared Service Centre. Provisions are disclosed at Note 18.

### **1.13 Value Added Tax**

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

### **1.14 Operating Income**

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

### **1.15 Prior Year Adjustments**

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

### **1.16 Administration and Programme Expenditure**

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

### **1.17 Foreign Exchange**

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

### **1.18 Financing from the Consolidated Fund**

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

### **1.19 Contingent liabilities**

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

### **1.20 Third Party Assets**

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

### **1.21 PFI**

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

## 2. Staff Numbers and Related Costs

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

	2014-15	2013-14
Board members	4	4
Frontline service deliverers and direct support staff	805	825
Corporate support staff	183	161
Temporary agency staff	23	13
<b>Total</b>	<b>1,015</b>	<b>1,003</b>

The average employment status was:-

	2014-15	2013-14
Permanent staff	866	855
Fixed term contract staff	126	135
Temporary agency staff	23	13
<b>Total</b>	<b>1,015</b>	<b>1,003</b>

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

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

	2014-15 £000	2013-14 £000
Wages and salaries	35,202	34,467
Movement in staff holiday & time off in lieu accrual	305	172
Social security costs	2,947	2,772
Other pension costs	6,228	5,830
Early departure costs	149	37
Early departure provisions	1,385	-
Agency staff	1,119	572
<b>Total gross costs</b>	<b>47,335</b>	<b>43,850</b>
Less: Costs of staff engaged on capital projects	(283)	(420)
<b>Total net costs</b>	<b>47,052</b>	<b>43,430</b>

For 2014-15 the total is split £5,939,000 Administration and £41,113,000 Programme (2013-14 £6,070,000 Administration and £37,360,000 Programme).

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

	2014-15	2013-14
Average staff numbers engaged on capital projects	6.5	9.7

	£000	£000
Wages and salaries	239	330
Social security costs	14	30
Other pension costs	30	60
<b>Total</b>	<b>283</b>	<b>420</b>

During 2014-15 no employees retired early on ill health grounds (2013-14: no employees); the total accrued pension liabilities in the year amounted to £nil (2013-14: £nil).



## Pensions

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

For 2014-15, employers' contributions of £6,167,475 were payable to the PCSPS (2013-14: £5,812,677) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. For 2015-16, the rates will be in the range 20% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 £53,439 (2013-14: £44,229) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,249 (2013-14: £2,787), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £4,598. Contributions prepaid at that date were £Nil.

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<£10,000	-	-	5	-	5	-
£10,000 - £25,000	-	-	34	9	34	9
£25,000 - £50,000	-	-	10	6	10	6
£50,000 - £100,000	-	-	5	-	5	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages	-	-	54	15	54	15
Total resource cost/£	-	-	£1,165,134	£324,088	£1,165,134	£324,088

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

**3. Establishment, Accommodation and Other Administrative Costs**

	2014-15		2013-14	
	£000	£000	£000	£000
<b>Cash items:</b>				
Establishment costs		10,635		9,418
Coastguard costs		2,557		2,551
Transport, travel and subsistence		3,625		3,210
Premises including leases*		11,953		10,284
		<u>28,770</u>		<u>25,463</u>
<b>Non-cash items:</b>				
Amortisation of intangible assets	994		924	
Depreciation of property plant & equipment	7,133		6,223	
Impairment of assets	266		447	
Revaluation losses written off	17		1,178	
Revaluation losses written back	(1,130)		(1,530)	
Loss/(profit) on disposal of non-current assets	404		(146)	
Provisions provided for in year (net)	257		-	
<b>Notional costs**:</b>				
DfT support services	143		125	
Audit fee (statutory audit)	75		75	
		<u>8,159</u>	<u>7,296</u>	
		<u>36,929</u>	<u>32,759</u>	

For 2014-15 the total is split £2,521,000 Administration and £34,408,000 Programme (2013-14 £3,896,000 Administration and £28,863,000 Programme).

\*Premises including leases includes the following leasing costs:

	2014-15	2013-14
	£000	£000
Operating lease rentals	2,470	3,750
Finance lease charges	44	50

\*\* Notional costs are included as follows:

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

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

#### 4. Programme Costs

	2014-15		2013-14	
	£000	£000	£000	£000
<b>Cash items:</b>				
SAR helicopters*		54,785		48,703
Emergency towing vessels		2,461		2,238
Telecommunications		10,439		11,165
Aerial spraying and surveillance		2,275		2,631
Marketing, public relations and printing		102		270
Membership subscriptions to international bodies		1,775		1,785
Counter pollution		127		425
Vehicle and boat fleet		750		781
Maintenance of equipment and stockpiles		588		523
Coast rescue equipment		342		734
Uniforms		463		541
Radio surveys, inspections and advisory work		86		53
Research and technical advice projects		514		170
INIS Hydro project		-		323
Satellite communications		252		269
Pyrotechnics disposal		169		260
Ex-gratia payments		32		(190)
Other		318		451
<b>Current Grants:</b>				
Assistance for Merchant Navy training		14,698		12,300
			14,698	12,300
<b>Disbursements:</b>				
Civil hydrography		5,316		6,773
Weather bulletins and navigational warnings		460		889
Other services to industry		302		341
			6,078	8,003
			96,254	91,435

SAR helicopters: The MCA currently manages SAR helicopter services provided under contract from four bases at Lee-on-Solent, Portland, Sumburgh, and Stornoway. In recent years, UK SAR services have been provided by both the Ministry of Defence and the MCA in different sectors across the country. From 1 April 2015, the MCA will begin to provide services over the entire UK search and rescue region from 10 bases under a ten year contract signed in March 2013. The cost of providing these services includes non-recoverable VAT as previously reported, HM Treasury having ruled in December 2014 that SAR Helicopter services are not eligible for VAT refunding.

\*SAR helicopters includes amounts shown below treated as leasing costs:

	2014-15	2013-14
	£000	£000
Operating lease rentals	16,053	14,184

Current Grants: The Agency disbursed grants of £14,698,000 net of administration costs to the shipping industry in 2014-15 (2013-14: £12,300,000). This is to a maritime training scheme administered by the Agency.

Disbursements: The Agency provided services to the shipping industry at a cost of £6,078,000 in 2014-15 (2013-14: £8,003,000), in accordance with Merchant Shipping Acts and international conventions signed by the UK Government.

The United Kingdom Hydrographic Office (UKHO) holds in its database the results of civil hydrographic surveys performed by private firms under contract to the Maritime and Coastguard Agency. The cost of obtaining UK civil survey data rests with the MCA with which the intellectual property rights remain.

#### 5. Income

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

	2014-15 Appropriated in Aid £000	2013-14 Appropriated in Aid £000
Statutory services	7,860	9,087
Operational services	954	783
Other services	924	930
Other income	3,259	2,664
<b>Total</b>	<b>12,997</b>	<b>13,464</b>

Income is principally derived from the delivery of frontline services by the Agency in 2014-15, with the exception of £2,761,000 (2013-14: £2,021,000) arising from Shared Service Project recharges and rental income included within Other Income above (see below and also Note 7). All income is classed as Programme Income except for Administration Income of £935,000 (2013-14: £1,740,000) included within Other Income.

Income is recorded on the following basis:-

#### Statutory Services

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

#### Operational Services

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

#### Other Services

Provided by request such as 'Wider Market' surveying activities which are in addition to statutory requirements; revenue is only recorded when the service is provided.

#### Other Income

Receipts for items such as Shared Services Project recharges (expenditure for early retirements, departures of some Agency staff and other migration costs charged to the DfT), rental income, costs recovered for pollution remedial activities, income from other government departments where costs are recovered and income from European funded projects at appropriate project completion stages.

Revenue is only recorded when the service is provided. Income of £20,000 (2013-14: £22,000) was credited to the operating costs statement during the year in respect of properties held on operating leases which were sub-leased by the Agency.

#### EU Income

	2014-15 £000	2013-14 £000
INIS Hydro – Research	33	324
Fireproof - Research	-	3
Goalds - Research	-	(8)
<b>Total European Income</b>	<b>33</b>	<b>319</b>

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

## 6. Operating Segments

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

The Maritime Safety and Standards segment covers delivery of survey, inspection, seafarer services, UK Ship Register, navigation safety, vessel and environmental policy along with maritime security responsibility. Income is received on the provision of some of these services.

The Maritime Operations segment is responsible for delivery of Coastguard, Search and Rescue (SAR) operations, counter pollution, provision of the Agency's infrastructure, management of contracts and Human Resources. The Agency derives income from the provision of non-core services that use its infrastructure.

Strategy and Finance provide the necessary financial, corporate governance, health and safety, risk management, information assurance, corporate development and procurement services to the Agency. This segment was renamed Strategy and Corporate Services in January 2015, taking on some responsibilities from the Maritime Operations segment, but reporting was not changed until 1 April 2015.

Office of the Chief Executive covers enforcement, communications and secretariat.

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

Operating segment 2014-15	Staff costs £000	Establishment and accommodation costs £000	Other programme costs £000	Total operating costs £000	Operating income £000	Net operating costs £000
Maritime Safety & Standards	16,226	3,607	22,655	42,488	(9,056)	33,432
Maritime Operations	25,985	30,888	73,029	129,902	(2,051)	127,851
Strategy & Finance	1,950	1,015	303	3,268	(18)	3,250
Office of the Chief Executive	1,334	722	267	2,323	(199)	2,124
Shared Services	1,557	697	-	2,254	(1,673)	581
<b>Total costs</b>	<b>47,052</b>	<b>36,929</b>	<b>96,254</b>	<b>180,235</b>	<b>(12,997)</b>	<b>167,238</b>

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

Operating segment 2013-14	Staff costs £000	Establishment and accommodation costs £000	Other programme costs £000	Total operating costs £000	Operating income £000	Net operating costs £000
Maritime Safety & Standards	16,821	2,820	22,494	42,135	(10,596)	31,539
Maritime Operations	22,087	28,056	68,767	118,910	(1,113)	117,797
Strategy & Finance	2,116	317	(19)	2,414	(115)	2,299
Office of the Chief Executive	1,369	614	193	2,176	(59)	2,117
Shared Services	1,037	952	-	1,989	(1,581)	408
<b>Total costs</b>	<b>43,430</b>	<b>32,759</b>	<b>91,435</b>	<b>167,624</b>	<b>(13,464)</b>	<b>154,160</b>

## 7. Analysis of services for which a fee is charged

## Maritime and Coastguard Agency

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

	2014-15			2013-14		
	Income £000	Expense £000	Net £000	Income £000	Expense £000	Net £000
<b>Statutory Services</b>						
Marine surveys	4,322	4,045	277	5,519	5,165	354
Registration of ships	918	690	228	1,066	802	264
Seafarers' examinations and certification	2,336	2,135	201	2,384	2,179	205
Other statutory services	284	124	160	118	51	67
Subtotal	<u>7,860</u>	<u>6,994</u>	<u>866</u>	<u>9,087</u>	<u>8,197</u>	<u>890</u>
<b>Operational Services</b>						
Emergency helicopter flights	355	1,250	(895)	263	925	(662)
Navigational warning broadcasts	599	854	(255)	520	742	(222)
Subtotal	<u>954</u>	<u>2,104</u>	<u>(1,150)</u>	<u>783</u>	<u>1,667</u>	<u>(884)</u>
<b>Other Services</b>						
Wider market initiatives	906	663	243	874	640	234
Non-statutory services and training	18	54	(36)	56	168	(112)
Subtotal	<u>924</u>	<u>717</u>	<u>207</u>	<u>930</u>	<u>808</u>	<u>122</u>
Total	<u>9,738</u>	<u>9,815</u>	<u>(77)</u>	<u>10,800</u>	<u>10,672</u>	<u>128</u>
<b>Other income</b>						
Offshore pollution receipts	5	86	(81)	60	34	26
EU projects funding – see note 5	33	33	-	319	319	-
Other income	312	312	-	210	210	-
Civil hydrography receipts	113	113	-	19	19	-
Dept. of Energy & Climate Change	35	35	-	35	35	-
Shared Service Project recharge	1,673	1,673	-	1,581	1,581	-
Accommodation receipts	1,088	1,088	-	440	440	-
Wreck salvage	-	91	(91)	-	105	(105)
Subtotal	<u>3,259</u>	<u>3,431</u>	<u>(172)</u>	<u>2,664</u>	<u>2,743</u>	<u>(79)</u>
Total operating income	<u>12,997</u>	<u>13,246</u>	<u>(249)</u>	<u>13,464</u>	<u>13,415</u>	<u>49</u>

The financial objective of each service is full recovery of service costs in accordance with HM Treasury's 'Managing Public Money'. Income that is not derived from fees and charges is not included in the analysis of services for which a fee is charged. The above table shows direct income and expenditure and excludes the allocation of overheads to activity.

## 8. Property, plant and equipment as at 31 March 2015

2014-15	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
As at 1 April 2014	5,201	76,876	13,275	26,800	13,174	4,193	9,833	149,352
Additions	-	550	44	875	1,143	773	6,227	9,612
Disposals	(203)	(686)	(403)	-	(106)	-	-	(1,398)
Impairments	-	-	(87)	-	(384)	-	-	(471)
Transfers	-	585	-	2,015	6,475	-	(9,075)	-
Reclassification	-	(3,369)	-	-	-	-	-	(3,369)
Revaluations	449	6,139	(122)	454	198	22	-	7,140
As at 31 March 2015	5,447	80,095	12,707	30,144	20,500	4,988	6,985	160,866
<b>Depreciation</b>								
As at 1 April 2014	-	35,497	9,463	18,575	10,049	2,952	-	76,536
Charge in year	-	2,890	781	1,586	1,602	274	-	7,133
Disposals	-	(116)	(400)	-	(106)	-	-	(622)
Impairments	-	-	(63)	-	(139)	-	-	(202)
Reclassification	-	(3,369)	-	-	-	-	-	(3,369)
Revaluations	-	2,568	(89)	279	116	15	-	2,889
As at 31 March 2015	-	37,470	9,692	20,440	11,522	3,241	-	82,365
<b>Net Book Value</b>								
As at 1 April 2014	5,201	41,379	3,812	8,225	3,125	1,241	9,833	72,816
As at 31 March 2015	5,447	42,625	3,015	9,704	8,978	1,747	6,985	78,501

### Property, plant and equipment financing

2014-15	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Asset Financing</b>								
Owned	5,447	40,410	3,015	9,704	8,978	1,747	6,985	76,286
Finance Leased		2,215						2,215
<b>Net Book Value</b>								
As at 31 March 2015	5,447	42,625	3,015	9,704	8,978	1,747	6,985	78,501

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

### Finance Leased

The amount against finance leased above under the Buildings asset category relates to a 40-year lease on the MCA's Aberdeen office. Short and long term finance lease obligations are set out in Note 24.

Analysis of net book value of Land and Buildings by tenure:

	Land	Buildings	Land	Buildings
	31 March 2015	31 March 2015	31 March 2014	31 March 2014
	£000	£000	£000	£000
Freehold	5,447	31,147	5,201	29,849
Long leasehold (lease has 50 or more years to run from balance sheet date)	-	3,965	-	3,610
Short leasehold (lease has less than 50 years to run from balance sheet date)	-	7,513	-	7,920
<b>Total</b>	<b>5,447</b>	<b>42,625</b>	<b>5,201</b>	<b>41,379</b>

A formal valuation of the Agency's entire estate by external surveyors was last carried out as at 31 March 2014. Valuations were made by K Maguire MRICS of GVA James Barr and D Letherby MRICS of Hartnell Taylor Cook in accordance with the Statement of Asset Valuation Practice and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

In the year ended 31 March 2015 and in other previous years since 31 March 2011 Land and Buildings were revalued using indices supplied directly to the Agency by Colliers International.

**Assets with Heritage Characteristics**

The Maritime and Coastguard Agency has 28 operational assets held for use in its business detailed within these accounts which have some heritage asset characteristics. None of these assets are held for the primary purpose of contribution to knowledge and culture, or on behalf of the nation's heritage.

The agency has a Coastguard Operations Centre, Sector Bases, Coastal Rescue Stations and Radio Sites operating from 13 properties classed as Grade II listed buildings or as buildings of architectural or historical merit or from 15 other properties situated within conservation areas or other special sites and areas. Freehold properties are carried within Property, Plant and Equipment at £3,362,115 and other properties are leased within an annual total of £60,765.

These properties have been used by the MCA from various dates from 1978 onwards and there was one disposal in 2014-15.



## 9. Property, plant and equipment as at 31 March 2014

2014-15	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
As at 1 April 2013	3,411	45,774	13,906	22,681	13,074	4,078	8,031	110,955
Additions	1,441	13,877	351	173	211	106	7,075	23,234
Assets classified as held for sale	(10)	(292)	-	-	-	-	-	(302)
Disposals	-	(16)	(1,068)	(108)	(122)	(68)	-	(1,382)
Impairments	-	(230)	-	-	(273)	-	-	(503)
Transfers	-	673	-	3,872	728	-	(5,273)	-
Revaluations	359	17,090	86	182	(444)	77	-	17,350
As at 31 March 2014	5,201	76,876	13,275	26,800	13,174	4,193	9,833	149,352
<b>Depreciation</b>								
As at 1 April 2013	-	20,069	9,641	17,543	8,730	2,759	-	58,742
Charge in year	-	2,350	866	1,024	1,772	211	-	6,223
Assets classified as held for sale	-	(181)	-	-	-	-	-	(181)
Disposals	-	(16)	(1,067)	(108)	(122)	(68)	-	(1,381)
Impairments	-	(39)	-	-	(23)	-	-	(62)
Revaluations	-	13,314	23	116	(308)	50	-	13,195
As at 31 March 2014	-	35,497	9,463	18,575	10,049	2,952	-	76,536
<b>Net Book Value</b>								
As at 1 April 2013	3,411	25,705	4,265	5,138	4,344	1,319	8,031	52,213
As at 31 March 2014	5,201	41,379	3,812	8,225	3,125	1,241	9,833	72,816

### Property, plant and equipment financing

2013-14	Land	Buildings	Vehicles and Boats	Communication Equipment	IT and Office Equipment	Other Plant	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Asset Financing</b>								
Owned	5,201	38,979	3,812	8,225	3,125	1,241	9,833	70,416
Finance Leased	-	2,400	-	-	-	-	-	2,400
Net Book Value								
As at 31 March 2014	5,201	41,379	3,812	8,225	3,125	1,241	9,833	72,816

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

## 10. Intangible assets as at 31 March 2015

2014-15	Software Licences	Software	Under Development	Total
	£000	£000	£000	£000
<b>Cost</b>				
As at 1 April 2014	12,394	2,378	2,784	17,556
Additions	52	65	1,177	1,294
Transfers	723	575	(1,298)	-
Revaluations	(189)	(38)	-	(227)
As at 31 March 2015	12,980	2,980	2,663	18,623
<b>Amortisation</b>				
As at 1 April 2014	10,783	695	-	11,478
Charge for year	668	326	-	994
Revaluations	(146)	(13)	-	(159)
As at 31 March 2015	11,305	1,008	-	12,313
<b>Net Book Value</b>				
As at 1 April 2014	1,611	1,683	2,784	6,078
As at 31 March 2015	1,675	1,972	2,663	6,310

2014-15	Software Licences	Software	Under Development	Total
	£000	£000	£000	£000
<b>Intangible Asset Financing</b>				
Owned	1,675	1,972	2,663	6,310
Net Book Value As at 31 March 2015	1,675	1,972	2,663	6,310

Analysis of major intangible assets	Asset Cost 31 March 2015 £000	Net Book Value 31 March 2015 £000	Amortisation Approx Years Remaining
Cers Project – vessel, movements & cargo records	6,507	288	1
Radio Equipment Refresh - Software	2,288	1,371	1 - 7
Information Security Management System (ISMS) projects	1,607	1,607	Under Development
GSI Connection Project Software	1,058	317	2
Cers II Project – vessel, movements & cargo records	642	239	2
Integrated Coastguard Communication System (ICCS) Dover	682	656	9
IMS Vision	634	562	9
Seafarers Certification Management System (SCMS)	248	178	5 Under Development
Seafarers Record System (SRS)	121	121	9
Shift scheduling tool	169	121	Under Development
Maritime Safety Information	646	646	9
All Other Intangible Assets less than £100k Net Book Value	4,021	204	Nil to 5
	18,623	6,310	

## 11. Intangible assets as at 31 March 2014

2013-14	Software Licences £000	Software £000	Under Development £000	Total £000
<b>Cost</b>				
As at 1 April 2013	12,084	2,335	2,172	16,591
Additions	167	-	649	816
Transfers	37	23	(60)	-
Revaluations	106	20	23	149
As at 31 March 2014	12,394	2,378	2,784	17,556
<b>Amortisation</b>				
As at 1 April 2013	10,024	442	-	10,466
Charge for year	674	250	-	924
Revaluations	85	3	-	88
As at 31 March 2014	10,783	695	-	11,478
<b>Net Book Value</b>				
As at 1 April 2013	2,060	1,893	2,172	6,125
As at 31 March 2014	1,611	1,683	2,784	6,078

2013-14	Software Licences £000	Software £000	Under Development £000	Total £000
<b>Intangible Asset Financing</b>				
Owned	1,611	1,683	2,784	6,078
Net Book Value As at 31 March 2014	1,611	1,683	2,784	6,078

Analysis of major intangible assets	Asset Cost 31 March 2014 £000	Net Book Value 31 March 2014 £000	Amortisation Approx Years Remaining
Cers Project – vessel, movements & cargo records	6,460	290	2
Radio Equipment Refresh - Software	2,318	1,630	1 - 8
Information Security Management System (ISMS) projects	1,513	1,513	Under Development
GSI Connection Project Software	1,072	536	3
Cers II Project – vessel, movements & cargo records	650	373	3
Integrated Coastguard Communication System (ICCS) Dover	560	560	Under Development
IMS Vision	480	480	Under Development
Seafarers Certification Management System (SCMS)	251	216	6
Seafarers Record System (SRS)	121	121	Under Development
All Other Intangible Assets less than £100k Net Book Value	4,131	359	Nil to 5
	17,556	6,078	

**12. Stockpile Goods**

	31 March 2015	31 March 2014
	£000	£000
Dispersant stocks		
Balance at 1 April	3,860	2,931
Net gain/(loss) on revaluation	(117)	929
Balance at 31 March	<u>3,743</u>	<u>3,860</u>

Dispersant stock levels are maintained at a minimum level and any revaluation gains arising are taken to a revaluation reserve.

**13. Impairments**

	2014-15	2013-14
	£000	£000
Property, plant and equipment:-		
Buildings	-	191
IT and Office Equipment	244	250
Vehicles and boats	22	-
Assets classified as held for sale	-	6
Total impairment costs	<u>266</u>	<u>447</u>

All impairment costs were charged directly to the Statement of Comprehensive Net Expenditure. In the year ended 31 March 2015, they were mostly incurred against IT and Office Equipment no longer required after the transfer of operations to Coastguard Operating Centres.

**14. Assets classified as held for sale**

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April	115	-
Reclassification	-	121
Anticipated selling costs/impairment	-	(6)
Balance at 31 March	<u>115</u>	<u>115</u>

A surplus property was made available for sale in the year ended 31 March 2014 when sale was considered highly probable within one year. The sale did not however complete but is now considered highly probable in the year ended 31 March 2016.

## 15. Trade and other receivables

	31 March 2015	31 March 2014
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	487	417
VAT receivables	656	971
Staff relocation housing loans (see also note 13)	29	3
Prepayments and accrued income	5,992	3,855
Other receivables	348	35
Total current	7,512	5,281
<b>Amounts falling due after more than one year</b>		
Staff relocation housing loans	-	3
Other receivables	13	38
Total non-current	13	41
Total current and non-current	7,525	5,322

	31 March 2015	31 March 2014
	£000	£000
<b>Amounts falling due within one year</b>		
Balances with other Central Government bodies	1,995	68
Balances with local authorities	236	76
Balances with NHS trusts	60	83
Balances with public corporations and trading funds	-	18
Balances with bodies external to Government	5,221	5,036
Total as above	7,512	5,281
<b>Amounts falling due after more than one year</b>		
Balances with bodies external to Government	13	41
Total non-current	13	41
Total current and non-current	7,525	5,322

## 16. Cash and cash equivalents

The movement in cash balances in the years to 31 March 2015 was:

	2014-15	2013-14
	£000	£000
Balance at 1 April 2014 & 2013	521	(1,361)
Net change in cash balances	653	1,882
Balance at 31 March 2015 & 31 March 2014	1,174	521

The Agency does not hold any cash equivalents as defined at IAS 7 Statement of Cash Flows para 7. The Government Banking Service (GBS), RBS & Citibank provide current account banking services.

The following balances were held at:

	31 March 2015	31 March 2014
	£000	£000
Office of HM Paymaster General / RBS / Citi (GBS)	1,174	521
Total bank balances	1,174	521

**17. Trade payables and other liabilities**

	31 March 2015 £000	31 March 2014 £000
<b>Amounts falling due within one year</b>		
Trade payables	866	231
Finance lease payable	145	138
Staff payroll	1,612	2,097
Other taxation & social security	-	5
Accruals	19,599	18,361
Deferred income	3,364	3,778
Other payables	-	-
	<u>25,586</u>	<u>24,610</u>
Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:		
Consolidated fund overfunding	1,166	420
	<u>1,166</u>	<u>420</u>
Total current	<u>26,752</u>	<u>25,030</u>
<b>Amounts falling due after more than one year</b>		
Finance lease payable-	681	826
Total non-current	<u>681</u>	<u>826</u>
Total current and non-current	<u>27,433</u>	<u>25,856</u>

	31 March 2015 £000	31 March 2014 £000
<b>Amounts falling due within one year</b>		
Balances with other Central Government bodies	3,765	2,200
Balances with local authorities	239	23
Balances with NHS trusts	10	37
Balances with public corporations and trading funds	-	18
Balances with bodies external to Government	<u>22,738</u>	<u>22,752</u>
Total current	<u>26,752</u>	<u>25,030</u>
<b>Amounts falling due after more than one year</b>		
Balances with bodies external to Government	681	826
Total non-current	<u>681</u>	<u>826</u>
Total payables	<u>27,433</u>	<u>25,856</u>

## 18. Provisions for liabilities and charges

	Early departure costs £000	Leasehold dilapidations £000	Other £000	Total £000
As at 1 April 2014	3,145	1,316	679	5,140
Provided in the year	1,495	24	325	1,844
Not required written back	(120)	(91)	(5)	(216)
Utilised during year	(1,432)	-	(321)	(1,753)
Unwinding of discount	10	9	-	19
Balance at 31 March 2015	3,098	1,258	678	5,034
Current liability	2,678	426	678	3,782
Non-current liability	420	832	-	1,252
Balance at 31 March 2015	3,098	1,258	678	5,034

### Analysis of expected timing of discounted cash flows:

	Early departure costs £000	Leasehold dilapidations £000	Other £000	Total £000
Within 1 year	2,678	426	678	3,782
2-5 years	340	120	-	460
6-10 years	80	347	-	427
Over 10 years	-	365	-	365
Balance at 31 March 2015	3,098	1,258	678	5,034

The cash flows under Leasehold dilapidations over 10 years from the reporting date include £321,000 expected to be called within 50 years, £33,000 after more than 50 years and £11,000 after more than 75 years. Future estimated costs have been discounted, where the effect of discounting is significant, at rates announced by HM Treasury.

### Early departure costs

The provision for Early departure costs includes the balance of future pension payments for MCA staff, over the age of 50, who have left under voluntary early retirement schemes since 1999. The MCA is responsible for meeting the pension costs of former staff until they reach the age of 60. Such liabilities may continue to be paid by the Agency until 2020. Future costs have been discounted at 1.30% (2013-14: 1.80%).

A provision for Future Coastguard Modernisation staff costs was made in 2011-12 under Early Departure Costs. The programme started in 2012-13 and the current provision now reflects the position after the closure of eight stations. A further provision for exit packages due to transactional and migration staff was added in 2012-13 after a contract was signed for the migration of the Agency's HR and Finance transactional services to a Shared Service Centre. The migration took place in December 2014 and the provision remaining has been reduced this year to £212,000.

### Leasehold dilapidations

The provision for Leasehold dilapidations represents the estimated expenditure required to return leasehold properties to their original condition in accordance with the terms of certain leases. The estimates are subject to uncertainty regarding timing and the extent of works required. Estimates for dilapidations falling due in the short (0-5 years), medium (6-10 years) and long term (exceeding 10 years) have been discounted at HM Treasury rates of -1.50%, -1.05% and +2.20% respectively, (2013-14: -1.9%, -0.65% and +2.2%).

### Other

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

**19. General Fund**

	2014-15	2013-14
	£000	£000
Balance as at 1 April	44,998	32,620
Net operating cost for the year	(167,238)	(154,160)
Financing from the Consolidated Fund	172,000	165,000
Supply payable	(746)	-
Notional costs	218	200
Transfer from Revaluation Reserve (revaluation surpluses on assets disposed and realised elements of depreciation)	1,114	1,338
Balance as at 31 March	50,346	44,998

**20. Reconciliation of Movement in Government Funds**

	Note	2014-15	2013-14
		£000	£000
As at 1 April		57,716	41,870
Increase/(Decrease) in General Fund	[19]	5,348	12,378
Increase/(Decrease) in revaluation reserve	[22]	1,837	3,468
As at 31 March		64,901	57,716

**21. Reconciliation of financing from the Consolidated Fund**

	Note	2014-15	2013-14
		£000	£000
Financing per the General Fund	[20]	172,000	165,000
Consolidated Fund financing opening (payable)/receivable	[17]	(420)	(420)
Consolidated Fund financing closing payable	[17]	1,166	420
Financing from the Consolidated Fund		172,746	165,000

**22. Revaluation Reserves**



## Property, plant and equipment and Intangible assets

2014-15	Land	Buildings	Vehicles and Boats	Comm. Equip	IT and Office Equip	Other Plant	Sub-total PPE	Intangibles	*Stockpile goods	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at 1 April 2014	2,759	8,267	357	102	169	38	11,692	87	939	12,718
Revaluation surpluses	449	3,570	1	174	82	8	4,284	-	-	4,284
Revaluation deficits	-	-	(34)	-	-	(1)	(35)	(68)	(117)	(220)
Taken to Statement of Comprehensive Net Expenditure	(31)	(1,064)	-	(18)	(6)	(10)	(1,129)	16	-	(1,113)
Sub-total of movements above as shown in the Statement of Other Comprehensive Expenditure	418	2,506	(33)	156	76	(3)	3,120	(52)	(117)	2,951
Other general reserve movement										
Taken to General Fund	(203)	(779)	(54)	(7)	(64)	(1)	(1,108)	(6)	-	(1,114)
As at 31 March 2015	2,974	9,994	270	251	181	34	13,704	29	822	14,555

## Total Revaluation Reserves

2014-15	Total Reserve £000
Property, plant and equipment reserves	13,704
Intangible asset reserves	29
Stockpile goods reserve	822
Total revaluation reserves as at 31 March 2015	14,555

## Opening Revaluation Reserve balances 2013-14:

**Property, plant and equipment and Intangible assets**

2013-14	Land	Buildings	Vehicles and Boats	Comm. Equip	IT and Office Equip	Other Plant	Sub-total PPE	Intangibles	Stockpile goods*	Total
	£000	£000	£000	£000	£000	£000	£000	£000		£000
As at 1 April 2013	2,480	5,794	412	48	459	15	9,208	42	-	9,250
Revaluation surpluses	359	3,780	63	66	0	26	4,294	61	939	5,294
Revaluation deficits	-	-	-	-	(136)	-	(136)	-	-	(136)
Taken to Statement of Comprehensive Net Expenditure	(73)	(312)	-	-	33	-	(352)	-	-	(352)
Sub-total of movements above as shown in the Statement of Other Comprehensive Expenditure	286	3,468	63	66	(103)	26	3,806	61	939	4,806
Other general reserve movement										
Taken to General Fund	(7)	(995)	(118)	(12)	(187)	(3)	(1,322)	(16)	-	(1,338)
As at 31 March 2014	2,759	8,267	357	102	169	38	11,692	87	939	12,718

**Total Revaluation Reserves**

2013-14	Total Reserve £000
Property, plant and equipment reserves	11,692
Intangible asset reserves	87
Stockpile goods reserve	939
Total revaluation reserves as at 31 March 2014	12,718

\*The gain in the value of stockpile goods arising in the year ended 31 March 2014 was taken to a revaluation reserve.

**23. Capital Commitments**

There were commitments outstanding of £1,043,000 for capital expenditure contracts as at 31 March 2015 (31 March 2014: £3,494,000).

	31 March 2015	
	£000	£000
<b><u>Coastguard Infrastructure</u></b>		
Maritime Safety Information	46	
Managed Switches/Power Distribution Units	50	
Wide Area Network	266	
Enterprise Telephony	140	
ICCS	56	
CRS Alerting	69	
Total Coastguard Infrastructure		627
<b><u>Estates</u></b>		
MOC - Ergonomics	331	
CGOC Conversions	81	
MCA HQ Spring Place	2	
Total Estates		414
<b><u>Shipping</u></b>		
Boatmasters Licence Database	2	
Total		<u>1,043</u>

**24. Commitments under leases****(a) Operating leases**

As at 31 March 2015 the Agency was committed to making the following total future minimum payments for land and buildings held under non-cancellable operating leases:

	31 March 2015 £000	31 March 2014 £000
<b>Land</b>		
Payable within one year	37	310
Payable later than one year and not later than five years	29	876
Payable later than five years	37	1,390
<b>Total Land</b>	<b>103</b>	<b>2,576</b>
<b>Buildings</b>		
Payable within one year	997	1,277
Payable later than one year and not later than five years	2,550	4,825
Payable later than five years	6,359	9,418
<b>Total Buildings</b>	<b>9,906</b>	<b>15,520</b>
<b>Other</b>		
Payable within one year	44,187	16,132
Payable later than one year and not later than five years	227,172	215,855
Payable later than five years	268,872	325,817
<b>Total</b>	<b>540,231</b>	<b>557,804</b>
<b>Total commitments under leases</b>		
Payable within one year	45,221	17,719
Payable later than one year and not later than five years	229,751	221,556
Payable later than five years	275,268	336,625
<b>Total commitments under leases</b>	<b>550,240</b>	<b>575,900</b>

**Land and buildings**

MCA has a number of operating leases for land and buildings. Elements of these properties have been sub-let by the Agency under non-cancellable operating leases and total future minimum rental receipts anticipated as at the balance sheet date were £20,000 (2013-14: £22,000).

**Other**

Helicopter search and rescue services managed by the MCA are provided under two SAR Helicopter contracts which include arrangements treated as non-cancellable operating lease commitments. In recent years, UK SAR services have been provided by both the Ministry of Defence and the MCA in different sectors across the country. From 1 April 2015, the MCA will begin to provide services over the entire UK search and rescue region from 10 bases under a ten year contract signed in March 2013. The MCA will continue to provide services from four bases under the earlier arrangements up to July 2017.

In December 2014, HM Treasury did not approve DfT's application for SAR helicopter services to be included in central Government's VAT refund scheme. SAR helicopter commitments therefore continue to include non-recoverable VAT.

### (b) Finance lease

At 31 March 2015 the Agency was committed to making the following total future minimum payments under a finance lease for office accommodation in Aberdeen (see Note 10).

Minimum lease payments:

	31 March 2015 £000	31 March 2014 £000
Obligations under finance leases payable		
Payable within one year	182	182
Payable later than one year and not later than five years	729	729
Payable later than five years	46	228
Total	957	1,139
Less future interest payments	(131)	(175)
Present value of lease obligations	826	964

	31 March 2015 £000	31 March 2014 £000
Present value of lease payments		
Payable within one year	145	138
Payable later than one year and not later than five years	638	614
Payable later than five years	43	212
Present value of minimum lease payments	826	964

Finance charges reported under this lease and included in the Statement of Comprehensive Net Expenditure are £43,899 (2013-14: £49,968).

Elements of this office accommodation have been sub-let by the Agency under non-cancellable operating leases and total future minimum rental receipts of £12,000 (2013-14: £79,000) were anticipated as at balance sheet date.

### 25. Losses

There were no losses recorded in the Agency during 2014-15 (2013-14: nil).

### 26. Special Payments

There were no Special Payments in the year (2013-14: nil).

### 27. Contingent Assets

The Agency seeks to recover costs in relation to counter pollution and civil contingency incidents to which it renders assistance. In some cases, it may take a number of years before cost recovery claims are settled and the Agency holds a contingent asset pertaining to the future value of such claims. Due to the nature of the claims it is not practical to be able to estimate the future financial effect of the claims as the timing and value are unknown and there is no guarantee of the claims being successful. The contingent assets relate to a number of incidents. In 2014-15, the MCA received no counter pollution claim payments (2013-14: £262,722 (MSC Flaminia £233,896 and MV Danio £28,826).

### 28. Contingent Liabilities

There are no contingent liabilities at the balance sheet date.

### **29. Events after the Reporting Period**

There have been no significant events between the reporting period close and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. IAS 10 requires the MCA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by MCA's management to the Secretary of State for Transport. The authorised date for issue is 22 January 2016.

### **30. Related Party Transactions**

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

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

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

### **31. Financial Instruments**

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

Payments in foreign currency amounted to £3,334,857 in 2014-15 (2013-14: £353,692) being both sterling paid in foreign currency equivalents as well as settlement of foreign currency payables. The increase is due mainly to overseas payments for emergency towing vessel services.

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

Trade accounts receivable are recovered in the normal course of business and an increase in the experience of bad and doubtful debts debited operating costs by £71,000 in 2014-15 (2013-14: £68,056), with many of the services the MCA provides requiring a deposit or full payment, often covering the full cost prior to commencement of the service provision. The bad debt reserve stands at £324,308 in 2014-15 (2013-14: £253,160). Service provision costs are monitored by MCA staff and where appropriate a deposit increase is requested.

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

### **32. Charges to the operating cost & future commitments - PFI Contracts**

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

**Maritime and Coastguard Agency  
Sustainable Development Report 2014-2015**

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

We are fully committed to achieving the targets set within the Greening Government Commitments (GGC) Agenda and activity during 2014-15 included:

- publication and internal display of actual energy consumption information covering major buildings, allowing for a targeted approach to improved energy efficiency.
- Annual energy survey of Property Managers aimed at identifying efficiency measures that can be implemented cost effectively.
- ongoing liaison between Sustainable Development Manager and Programme Teams to ensure Sustainable Development is embedded across all active programme works and importantly within all planning processes.

The full details of the GGC Agenda can be located at:

<http://sd.defra.gov.uk/gov/green-government/commitments/>

We recognise the importance of adapting to climate change as part of our planning processes we have voluntarily published a report detailing the impact it may have on our activities. The report can be found here:

<http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/11public-bodies/pbs-maritime-coastguard.pdf>

<b>2014-15 Maritime and Coastguard Agency Sustainability Report</b>						
<b>GREENHOUSE GAS (GHG) EMISSIONS</b>		2010-11	2011-12	2012-13	2013-14	2014-15
Gross Emissions (tonnes CO <sub>2</sub> e)	Scope 1: Direct	777.14	571.68	926.36	617.28	602.55
	Scope 2: Indirect	3,712.43	3,618.64	4,095.44	3,905.73	3,928.11
	Scope 3: Business Travel	91.84	171.77	429.00	403.00	431.56
	<b>Total Emissions</b>	<b>4,581.41</b>	<b>4,362.09</b>	<b>5,450.80</b>	<b>4,926.01</b>	<b>4,962.22</b>
	Estates Electricity (kWh)	7,076,425	6,897,640	7,870,248	8,076,866	7,947,461
	kWh Per head	6,569	6,533	7,181	8,053	7,830
	Private Car Usage (Measured by vehicle usage) km's	1,115,292	1,186,396	1,177,706	1,221,575	1,217,276
	Hire Car Usage** (Measured by vehicle usage) km's	370,091	924,214	840,635	1,185,906	1,570,887
Financial Indicators (£)	Total Energy Expenditure	919,696	993,602	1,169,705	1,010,358	1,191,997
	CRC Related Expenditure (allowance purchases, registration fees etc.)	N/A	57,000	75,000	100,000	100,000
	Expenditure on Business Travel	1,842,525	2,029,328	1,984,962	2,322,890	2,304,882



## PERFORMANCE COMMENTARY AND TARGETS

The Agency has reduced Scope 1 energy consumption over this period. The Agency continues to undergo a significant period of organisational change and of course this will be reflected in our reported figures. Whilst this change takes place there will be periods of increased demand for energy but it is envisaged that this will reduce significantly once all organisational changes have taken place successfully. Potential reductions have been identified of which a number have already been actioned and some are planned over the next reporting period.

## DIRECT IMPACTS

**Scope 1: Direct** - This includes direct consumption of Natural Gas, Oil and LPG to our buildings. Direct emissions have decreased in line with GGC commitments and the Agency will continue to drive down consumption through the use of alternative heating sources where possible, better education and targeted efficiency measures.

**Scope 2: Indirect** -This covers electricity supplies to our buildings.

**Scope 3: Business Travel** - This includes Car Hire Usage and Grey Fleet Usage. There was a reporting error with both the baseline and subsequent years reporting for both hire car usage and car hire travel in that historically the MCA was directed to report only administrative travel due to the operational nature of its work. This allowance was removed with the introduction of Greening Government Commitments (GGC) but not reflected in reporting, both the baseline and the following years reporting now reflect both administrative and operational travel. In addition the reporting method and accuracy of reporting for business travel has changed and improved greatly since 2009 and although MCA has seen an increase due to operational change programmes and the necessary travel in relation to these programmes, a significant part of the increase is directly attributable to improved reporting.

<b>2014-15 Maritime and Coastguard Agency Sustainability Report</b>						
<b>WASTE</b>		<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Non - Financial Indicators	Total Admin Waste (tonnes)	115.80	115.80	115.80	115.80	110.00
	Recycled Waste (tonnes)	48.00	64.60	69.48	86.00	69.00
	Kg per head	2.70	2.70	2.70	2.70	2.70
	Percentage recycled	41%	56%	60%	75%	63%
<b>PERFORMANCE COMMENTARY AND TARGETS</b>						
<p>MCA HQ waste streams have remained fairly static since the introduction of waste segregation at the HQ site in 2007. We have seen an overall decrease in waste during 2014-15. MCA continues to investigate the methods that could be employed to measure waste figures for the entire estate including an overall waste strategy. Regional colleagues have been engaged in the development of strategy to ensure a consistent approach to recycling at all major properties is put in place. We are endeavouring to reduce our paper consumption by targeting specific areas. We continue to engage with our Total Facilities Management (TFM) contractor to identify ways and methods to minimise and manage waste more effectively. Total expenditure during 2014-15 for MCA HQ waste was £13,500 (Incineration £2,000 and Recycling £11,500).</p>						
<b>WATER</b>		<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Non - Financial Indicators	Estates Water m <sup>3</sup>	11,176	8,512	11,133	9,925	11,129
	m <sup>3</sup> per head	9.80	8.10	10.60	10.00	11.40
	Emissions from Water Consumption (tonnes CO <sub>2</sub> e)	3,799.84	2,894.08	3,785.22	3,374.25	3,338.70
<b>PERFORMANCE COMMENTARY AND TARGETS</b>						
<p>MCA is fully committed to meeting the water consumption best practice targets set out under the GGC Agenda. The Agency is currently engaged in an Estate wide Water Saving Audit. Through our Energy Auditing Agents, all major sites are fully surveyed and potential savings and low cost measures identified and implemented. The MCA has undertaken several water saving campaigns as part of the agency's wider awareness-raising campaigns. As with other utilities the key to our success in this area has been the installation of water meters where possible allowing us to identify, measure and manage water consumption across the Estate. Water costs for 2014-15 were £90,097.</p>						

## 2014-15 Department for Transport Sustainability Report

SUSTAINABLE PROCUREMENT		2012 - 13	2013 - 14	2014 - 15
Sustainable Supply Chains	Percentage of the MCA's contracts directly awarded to Small and Medium Sized Enterprises (SMEs)	10.53	22.28	11.94
	Percentage of the MCA's printing contracts awarded to an SME sub-contractor	59%	78%	80%
	Government Buying Standards Compliance	78.57%	92.86%	45.72%
Internal Flights	Number of domestic business flights undertaken by the MCA	1,501	1,873	2,301
<b>PERFORMANCE COMMENTARY AND TARGETS</b>				

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

### Policy and Guidance

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

### Staff Training and Development

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

### Procurement Processes

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

### Contract Management

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

### Notes to the Performance Metrics

1. Government Buying Standards Compliance – this is the percentage of the MCA's contracts awarded in each year to which the Government Buying Standards are applicable, that have the achievement of those Standards as a requirement of the contract.
2. Internal Flights – the MCA is working toward the Government's target to reduce the number of its domestic business flights (business flights that start and finish in the UK) by 20% during the life of this Parliament. The figures shown are the number of domestic business flights taken by MCA staff in the last three financial years.

## Commentary on the Performance Metrics

Percentage of contracts directly awarded to SMEs - this figure has decreased since last year primarily owing to two factors. Firstly, we have instigated a Total Facilities Management contract with a single supplier, with the result that fewer direct contract awards are made to small facilities management firms. It is likely that smaller companies are still being used further down the supply chain in this industry. Secondly, the pattern of our ICT procurement has changed this year away from the purchase of software toward more hardware contracts, where the supply market, and the Crown Commercial Service frameworks, contain a higher proportion of larger businesses.

Percentage of the MCA's printing contracts awarded to an SME sub-contractor - the increase in this figure from 2012-13 has been caused by a change in the MCA's print ordering patterns such that there were more small orders suitable for SMEs. Also, the prime contractor has improved its mechanisms for identifying SME sub-contractors.

Government Buying Standards Compliance - the MCA uses standard terms and conditions of contract that require contractors to fulfil the Government Buying Standards. The fall in the compliance level this year is due to the award of one very high value estates contract that did not comply with the Government Buying Standards. However, the building project does have a number of sustainability features built into it, and was awarded on a whole life costing basis that rewarded sustainably-minded contractors. Its failure to achieve the Government Buying Standard was purely down to the project's sustainability features not specifically matching the technical definition of the Standard.

Internal Flights - the increase in domestic flights since 2012-13 is a result of three major transformation projects currently underway at the MCA. The Future Coastguard Programme, Survey and Inspection Review and migration to Shared Services all necessitate increased travel for management meetings and recruitment/training activity, beyond what would usually be expected. It is anticipated that the number of internal flights will reduce again when these projects draw to a close.

Other sustainable procurement successes this year include:

- Increase in procurement of environmentally preferable stationery and paper for the third year in a row, from 46.05% of spend in 2013-14 to 49.69% in 2014-15.
- Represented the Department for Transport on the Government-wide Sustainable Procurement Working Group, which has the aim of sharing best practice in the discipline across central Government. The MCA also chairs the Department for Transport's internal sustainable procurement group, which was formed this year with the goal of improving performance in sustainable procurement across the Department.
- Gained access recently to the SID4GOV contract management tool, which it is anticipated will increase our ability to measure the sustainability impacts of our supply chain in future years.

### **Direct impacts**

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

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

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

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





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