



Maritime &  
Coastguard  
Agency

2016-17

# Maritime & Coastguard Agency **Annual Report and Accounts**

Safer Lives | Safer Ships | Cleaner Seas

HC 278

# **Maritime & Coastguard Agency Annual Report and Accounts 2016-2017**

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

*Ordered by the House of Commons to be printed 19 July 2017*

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Print ISBN 9781474145534  
Web ISBN 9781474145541

ID 2881379            07/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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# Performance report

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# Non-Executive Chair's introduction

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I am delighted to present the Maritime & Coastguard Agency's Annual Report & Accounts for 2016-17. This document sets out our performance and achievements for the last year.

As a direct response to recommendations from the Maritime Growth Study, I took appointment as the Agency's first Non-Executive Chairman with effect from January 2017. I intend to champion and support the Agency's ambitions to operate more effectively, efficiently and commercially.

In the last year, the Agency has made a number of significant changes to the way the UK Ship Register is managed and organised with the clear intention of improving the service delivered to customers.

I am delighted that Doug Barrow has joined the MCA to head up the UK Ship Register. The team under Doug Barrow's guidance will enable us to increase our engagement with the wider shipping industry so that we can deliver the objectives set out in the Maritime Growth Strategy.

Our coastguard search and rescue operations are highly respected. The inbuilt resilience of the National Network has enabled us to deliver over and above our statutory obligations, such as securing a permanent presence at the National Maritime Information Centre where we work alongside the Border Force, the Royal Navy, National Crime Agency and the Marine Management Organisation to support the nation's security and defence. We played an active role in resolving the migrant issues the country faced last summer, as well as aiding the seizure of illegal drugs worth tens of millions of pounds.

In the coming year, I intend, along with our senior leadership team, to engage with industry stakeholders and our partner organisations to drive the Agency's transformation into a global maritime leader. I look forward to guiding the Agency through the exciting and challenging times ahead.

Michael Parker  
Non-Executive Chairman

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# Chief Executive's foreword

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The Maritime & Coastguard Agency's vision is to be the world's best maritime safety organisation. In the past year, I'm delighted to report we've made further strides towards this goal.

The Survey and Inspection Transformation Programme has made excellent progress with implementation well under way. We've started rationalising our estate and offering our surveyor workforce more flexible ways of working, alongside an improved package of terms and conditions. This underscores our commitment to building a strong future for maritime safety and security standards in the United Kingdom, based on a stable survey and inspection regime supported by a highly skilled and motivated workforce.

At the same time, we have grasped the new opportunities of the government's Maritime Growth Study to help boost the UK's maritime economy. This includes adopting a commercially aware and more customer-focused approach to regulating the shipping industry and administering the UK merchant fleet under the Red Ensign. The appointments of both Michael Parker and Doug Barrow to key senior leadership positions will be hugely helpful in delivering the changes that we simply must make to remain competitive in the global maritime business.

In the last year, our newly transformed coastguard search and rescue (SAR) service responded swiftly and effectively to over 20,000 incidents in UK waters, around our coasts and inland. Re-energised recruitment, modernised training and greatly improved technology reaffirmed our global reputation for excellence in SAR operations, indispensably supported by the selfless contributions of our 3,500 volunteer officers on the front line of lifesaving interventions.

Another achievement for this year has been the wholesale transfer of helicopter tasking authority from the Ministry of Defence to a versatile SAR service under MCA direction. Our new helicopters have, in some places, broken historic records for the annual number of missions conducted and have received overwhelmingly positive feedback from our customers and stakeholders. Total MCA helicopter tasking in 2016-17 amounted to over 2,500 missions.

Here at the MCA, we recognise the importance of digital technology and its benefits for our customers. To support this, our corporate teams have been working assiduously to modernise our customer-facing systems to make them more efficient and user-friendly. Work is underway to introduce improved systems for managing the UK Ship Register, seafarer documentation, and the Approved Doctors Information System relating to seafarer medicals.

I am delighted that the Agency was recognised as a high-performing Civil Service organisation with a staff engagement index of 64% - 6% up from last year. This reflects our commitment to do the best for our people, embrace their talent and grow their potential through our training and development programmes.

Building on our many achievements, we aim to bring continued success to the Agency in our journey to become internationally recognised as the "best" in promoting the highest standards of maritime safety, security and environmental protection and as a respected, progressive industry leader.

Alan Massey

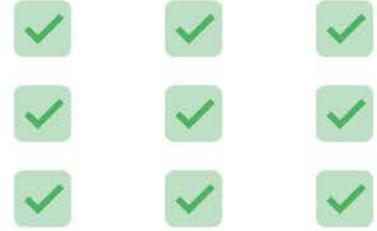
Chief Executive

## Who we are and what we do

The Maritime & Coastguard Agency (MCA) is an executive agency of the Department for Transport (DfT). We work to prevent the loss of life on the coast and at sea.

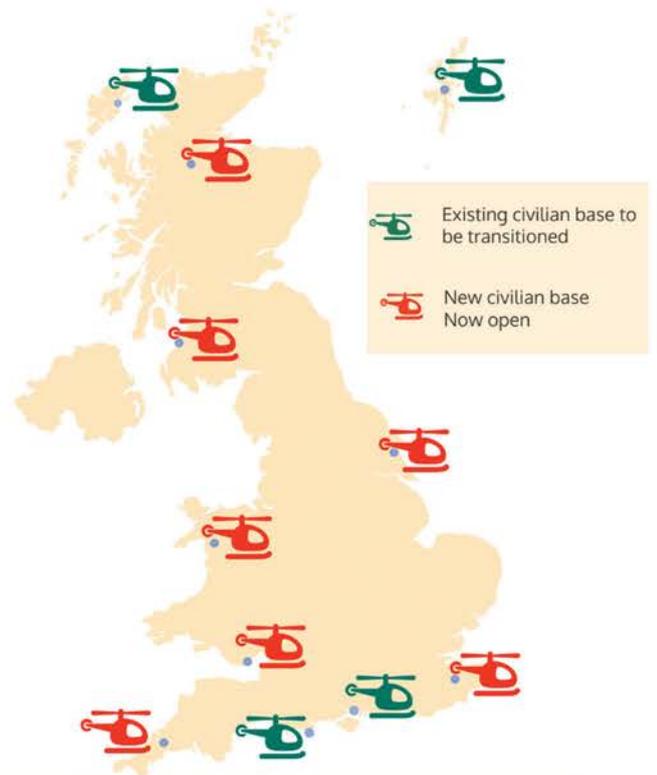
- 1.1.** We produce legislation and guidance on maritime matters and provide certification to seafarers. We enforce standards for ship safety, pollution prevention and seafarer health, safety and welfare through our survey and inspection regime.
- 1.2.** We are the Government's only truly national 24-hour maritime search and rescue (SAR) emergency response service that is capable of operating throughout the UK.
- 1.3.** We work with strategic partners to promote maritime safety, encourage economic growth, and minimise the maritime sector's environmental impact. We do this through Government's maritime safety and environmental strategy, and through our support to industry via the UK Ship Register.
- 1.4.** The MCA's vision is to be the best maritime safety organisation in the world, driving progress towards safer lives, safer ships, and cleaner seas. This vision is underpinned by our four key values of safety, professionalism, trust, and respect.
- 1.5.** Our Business Plan for 2017-18 sets out details of our strategic and operational ambitions, including:
  - successfully implementing the Survey and Inspection Transformation Programme (SITP);
  - taking a commercial approach to the UK Ship Register and growing the fleet towards 30m GT by 2020;
  - investing in, consolidating and stabilising the professional coastguard SAR coordination service, and strengthening the management of our coastal operation functions;
  - maximising digital technology to support the delivery of our improved services;
  - developing our people and building on talent.A copy of our Business Plan for 2017-18 can be found at:  
<https://www.gov.uk/government/publications/mca-business-plan-2017-to-2018>

# Our achievements in 2016-17



We successfully negotiated with trade unions a new package of terms and conditions for our surveyor workforce, with ballot turnout success of 91%.

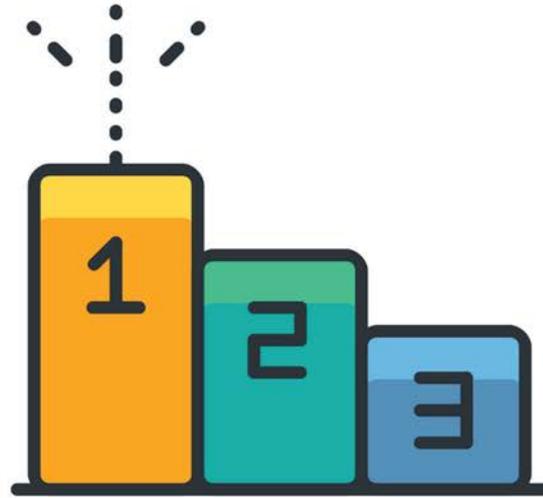
Through our partnership working with the Border Force, Royal Navy, NCA and MMO at the National Maritime Information Centre, we have played a major role in combating illegal migration and helped seize drugs worth tens of millions of pounds.



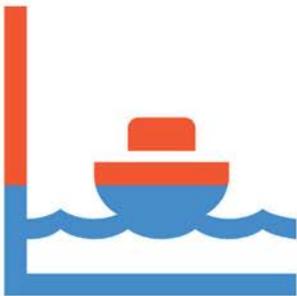
Our new UK search & rescue helicopter service has been there for when people needed it the most and often in very difficult circumstances; coming to the aid of nearly 2000 people in the last year.



The UK Ship Register grows from strength to strength, firmly placed in the world's top 20 in terms of fleet share, with a total fleet of nearly 15.5m GT.



For the first time, the Agency has been recognised as a high performing Civil Service organisation for staff engagement, achieving an engagement index of 64%, an increase of 6% from last year.



The Navigation Safety and Hydrography team prioritise the safe passage for vessels and have surveyed over 7000 sq miles of seabed in the last year.

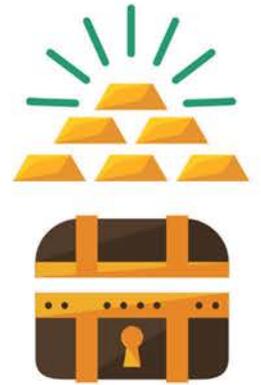
Our seafarer training and certification team processed an incredible 7297 CoCs – a 45% increase from last year. At the same time, they continued to provide an excellent service, with nearly 90% of customers surveyed saying they received a good or excellent service.



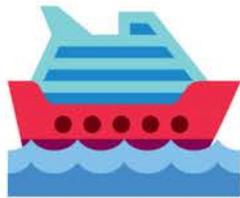
We successfully prosecuted 17 cases in 2016/17, a 40% increase from last year. This includes the Magic Pipe case, which broke records for the highest ever fine awarded for a maritime pollution offence.



Tragically, on average, around 400 people drown around the UK every year and a further 200 take their own lives on our waters. We will do all we can to drive and support the UK's Drowning Prevention Strategy to halve the number of accidental drowning by 2026.



Our Receiver of Wreck team has dealt with around 3000 individual pieces of wreck (not including bulk ingot recovery) across the United Kingdom.



Continuing our commitment to apprenticeships, we are proud to be the first Civil Service organisation to attain approval to register as a training provider for Coastguard standards.

We have worked in collaboration with the Scottish Government and industry stakeholders to provide the most remote and treacherous UK waters with an Emergency Towing Vessel – Iveoli Black.



We are leading the way in maritime innovation with our industry stakeholders to develop marine autonomous vessels to carry out important scientific and commercial information gathering.



We have been striving to provide our customers with great services and value for money. Our procurement team has driven down the cost of key contracts, supporting the business with sound technical advice and driven the new travel contract for the whole of DfT in support of greater efficiency and economies of scale.

# Delivering against our 2016-17 Business Plan

We monitor our progress against a set of agreed objectives as published in our Business Plan.



## Changing our Agency

### Measure

### Result

<p><b>Survey and Inspection Transformation Programme:</b></p> <p>In response to the Maritime Growth Study and the safety-critical need to meet statutory obligations, begin the transformation of the operation of the ship survey and inspection service by:</p> <p>Completing the consultation with stakeholders by :</p>	<p>30 June 2016</p>	<p>This KPI has been met. The final Business Case was approved by Treasury on 8 March 2016. The entire MCA was notified of this and a series of teleconference meetings was held on 11 March 2016. Consultation with staff and stakeholders regarding elements of the Business Case was launched on 22 March 2016 and closed on 21st April 2016.</p>
<p>Publishing a clear programme blueprint with a timetable for implementing reforms to the MCA estate and ways of working by :</p>	<p>31 October 2016</p>	<p>This KPI has been met. A programme blueprint and timetable for implementing reforms was formally approved by the SITP Steering Board in February 2017.</p>
<p><b>MCA Digital Strategy</b></p> <p>Transitioning to digital technology, we will improve the way we deliver a range of our services. This year we will provide online access to our customers in the following areas:</p> <ol style="list-style-type: none"> <li>1. ship registration</li> <li>2. seafarer training, certification and medical examination</li> <li>3. approved doctor's information system</li> <li>4. an improved knowledge management system</li> </ol>	<p>March 2018</p>	<p>Project progress and business case under review following first year of project and additional Government Digital Service requirements; functionality will be delivered in iterations in line with Agile although there may be an impact on the March 2018 end date.</p>
<p>Fully implementing our Consolidated European Reporting System 3 (CERS3) (introduced by 31 March 16) in order to provide incrementally more detailed vessel traffic reporting to the EU's SafeSeaNet 3</p>	<p>March 2017</p>	<p>This KPI has not been met. CERS system is live with UK major ports submitting information as required. Remaining functionality is dependent on Channel Navigation Information Service (CNIS) renewal project which has started. Planning of integration between 2 systems is underway.</p>



## Our Services

## Measure

## Result

<p><b>Search and Rescue</b></p> <p>We will review a percentage of incidents to which the national network has responded to assess the effectiveness of outcomes and learn any appropriate lessons for future operations.</p>	<p>5% of incidents in the national network</p>	<p>This KPI has been met. 35.15% of incidents were reviewed in March, of those reviewed 6.5% generated a Post Mission Learning Review (PMLR)</p>
<p><b>Search and Rescue</b></p> <p>Helicopters take off from all sites that have been incorporated into the new search and Rescue helicopter arrangements within 15 minutes (day) or 45 minutes (night) in at least</p>	<p>98% of cases</p>	<p>This KPI has been met.</p> <p>Year End: 98.99%. All bases met the monthly Availability targets. No technical issues encountered.</p>
<p><b>Survey and Inspection</b></p> <p>Meet the European Directive requirement for Port State Control (PSC) inspections, designed to check the safety of foreign-registered ships at UK ports, for the 2016 calendar year</p>	<p>1287 inspections</p>	<p>This KPI has not been met.</p> <p>The UK (including Gibraltar) became an overburdened state in July 2016 and did not meet the Directive target for the calendar year 2016 inspecting a total of 907 Priority I vessels instead of the required 1287.</p>
<p><b>UK Ship Register</b></p> <p>Focus UK Ship Register (UKSR) marketing on quality owners and vessels so that the average age of 85% of the internationally trading UK Flag ships are greater than 500 GT in:</p>	<p>10 years</p>	<p>This KPI has been met.</p> <p>The average age in this context is 10.21 years</p>
<p>Maintain UK Flag State performance in the Paris Memorandum of Understanding (MOU) White list</p>	<p>Remain in the upper quartile of the White List</p>	<p>This KPI has been met.</p> <p>The UK is 2nd, up six places on the previous year on the Paris MoU White List; and is in 13th position on the Tokyo MoU, again an upward move of six places. The UK also has Qualship 21 status.</p>

<p>In line with the recommendations in the Maritime Growth Study, we will improve the commercial responsiveness and customer service of the UK Ship Register. We will increase its size by</p>	<p>15 million GT by 2020</p>	<p>This KPI is currently in progress.</p> <p>In March 2017 nine commercial vessels over 100 GT flagged in to the UK Ship Register totalling 274,106 GT whilst two vessels left the fleet with their combined weight being 89,621 GT. This contributed to an overall increase in tonnage of 183,414 GT leaving the total UK fleet at 15,231,792 GT. This constituted the second highest monthly increase in tonnage in over three years and also being the highest growth figure since April of last year.</p>
<p><b>Pollution response</b></p> <p>Verification aircraft available to be tasked to respond to pollution incidents</p> <p>Incident response – Counter Pollution and Salvage Officer engaged in incident response within 10 minutes of activation and, where appropriate, other specialist counter pollution support personnel engage within 30 minutes of incident activation in at least</p>	<p>98% of cases</p> <p>95% of cases</p>	<p>This KPI has been met.</p> <p>The aircraft has met every scramble request and all pre-planned sorties requested.</p> <p>This KPI has been met.</p> <p>Routine emergency response has not been affected by the manpower gaps and all duty responses have been effectively met. This has included successful Branch commitment to moderate scale longer term incident response.</p>



### Meeting our customer needs

### Measure

### Result

<p><b>Customer satisfaction</b></p> <p>Encourage the completion of online satisfaction surveys on the Registry of Shipping and Seamen (RSS) and Seafarers and Seafarer Certification (STC) services with a positive response rate of</p>	<p>85% and above</p>	<p>This KPI has been met.</p> <p>The MCA Customer Charter commitment to service improvement is measured by annual customer satisfaction surveys.</p> <p>For 2016-17 the ratings were:</p> <p>STC - 89.7%</p> <p>RSS (Seafarer documentation) - 91.2%</p> <p>RSS (Vessel registration) - 89.9%</p> <p>Total Average Score - 89.9%</p>
<p><b>Parliamentary Questions</b></p> <p>Provide a response within due date (in 24 hours)</p>	<p>100% of cases</p>	<p>This KPI has been met.</p> <p>107/107 (100%)</p>

<b>Freedom of information</b> Provide response within 20 working days in	93% of cases	This KPI has been met. 69/70 (98.6%)
<b>Member of Parliament correspondence</b> Provide a response within 7 working days in	100% of cases	This KPI has been met. 94/94 (100%)
<b>Official correspondence</b> Provide a response within 20 working days in	80% of cases	This KPI has been met. 48/55 (87%)
<b>Prompt Payment</b> Payment of invoices within 5 working days in	80% of cases	This KPI has been met. Year average - 85.3%



### Financial responsibilities

	Measure	Result
<b>Agency Finance</b> Deliver financial performance, including efficiency programmes, in line with published plans	Meet published targets	This KPI has been met. The MCA budget was revised through Supplementary Estimate and was underspent at the end of the year.
<b>Workforce</b> Ensure average number of working days lost to sickness absence does not exceed.	7 days per FTE	This KPI has been met. On average, 5.75 days have been lost to sickness absence (over a rolling 12 month period).
By March 2017, the agency workforce (full time equivalent) will be no more than	980 FTE	This KPI has not been met. Major change programmes such as the Survey & Inspection Transformation Programme and the investment in the Directorate of UK Ship Register, and additional headcount in the ARCC and MCC that were not previously included, have resulted in an end of year FTE of 1027.56.

# Safer Lives – preventing loss of life

Around a quarter of the UK population take 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 and promote a safety culture in commercial and recreational activities.

## 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 their enforcement. This includes international negotiations, primarily through the International Maritime Organization (IMO) and the European Union (EU), but also at the International Labour Organization (ILO).

Vessels on the UK Ship Register undergo in-depth surveys which cover ship construction, equipment and on board operations. We enforce international safety requirements on foreign flagged vessels through the Paris MoU Port State Control arrangements. We also conduct checks on the safety of fishing vessels and the domestic fleet of small passenger ships.

We ensure seafarers have the right skills, are medically fit, and hold valid certificates to serve on UK-registered ships. In 2014, we worked with the ILO to develop the Maritime Labour Convention, the fourth pillar of international maritime law, setting out minimum requirements for seafarers to work on a ship.

## Drowning Prevention

On average, 400 people drown in the UK each year, with a further 200 people committing suicide in our waters. In 2016, the Agency (along with our partner organisations) launched the National Water Safety Forum (NWSF) Drowning Prevention Strategy. This strategy aims to reduce accidental drowning fatalities in the UK by 50% by 2026 and reduce the risk amongst the highest risk populations, groups and communities. We will help deliver the aims of this strategy using an evidence-based approach, continuing to provide data for the National Water Incident database (WAID) and by being true to our values – safety, professionalism, trust and respect. Further information and reports can be found here: [www.nationalwatersafety.org.uk](http://www.nationalwatersafety.org.uk).

In support of Drowning Prevention, the Agency's Recreational Safety Strategy can be found on our website and sets out five safety messages to:

- ensure you are properly trained for your activity
- check the weather and tides
- wear a lifejacket or appropriate buoyancy
- be responsible about alcohol
- keep in touch with family or friends when you go out on the water, for example by letting them know when to expect you to return.

We play an active part in communicating these safety messages to the public through press, social media and face to face at local events. Eight years of evidence continues to inform us that alcohol has been a causal factor in fatal incidents. Our evidence shows that over 80% of deaths were attributed to young men who had been out drinking and ended up in the water intentionally or unintentionally. Annual statistics show the majority of all accidental drowning fatalities (44%) occurred when people were out walking, for instance returning home from the pub or going for a stroll. The remainder were linked to specific water activities (ranging from sailing, motor boating to sub aqua diving), indicating that we are seeing a higher proportion of general day-to-day activities

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<sup>1</sup> Arkenford Watersports Participation Survey, 2015

resulting in fatalities, as opposed to specific water related events.

The annual casualty review panel (in which a panel of experts review incidents to determine whether wearing a lifejacket would have saved a life), informs us that in the last 9 years 164 lives could potentially have been saved.

## **Our media presence**

The Agency has featured in a number of high-profile television programmes over the year. We also create our own video content which is shared on social media. Some highlights of our coverage over the year include the following:

Coastguard featured in the double BAFTA award-winning CBBC television programme Operation Ouch, informing key target audience of 8-12-year-olds on how and who to contact in an emergency at the coast.

MCA documentary pilot filmed and produced by Wild Pictures Production Company highlighting the work of the entire Agency. Covering the vital lifesaving work of the Coastguard and the regulatory side of survey and inspection. (Currently with Channel 4 for consideration.)

‘PINT’ our short film targeting a key audience of young men and warning of the dangers of jumping or falling into cold water was produced and aired as a TV filler, including slots on BBC main channels

In the last year, we have nearly doubled our social media audience with over 31,000 followers on Facebook and 43,000 on Twitter. Most popular post is our conversation with the American actor known as The Rock (11.2million followers) following an exchange he had with the Royal Navy. He replied to our tongue-in-cheek Tweet suggesting he join the UK Coastguard. The exchange was liked over 1K times and we had a number of UK followers asking to join the Coastguard. The conversation was also shared by Paramount Pictures (600K followers).

## **Setting international shipping standards**

In January 2016, the International Maritime Organisation (IMO) Instrument Implementation (III) Code became mandatory for IMO Member States. As the Member State for all ships flying the Red Ensign, the Agency, on behalf of the UK Government, ensures oversight and governance as well as bearing ultimate responsibility for any breaches under international law.

Our aim is to enhance co-operation between government departments in the UK, overseas territories and crown dependencies to develop a better understanding of the III Code and the consequences of failure to comply, encouraging a collaborative approach to demonstrate compliance. Alongside our Red Ensign Group partners, we will develop a strategy to achieve full compliance as a flag, port and coastal state with the requirements of international Maritime Conventions and to prepare the UK Flag State for audit against the III Code standard. These conventions are as follows:

- Safety Of Life At Sea (SOLAS);
- Prevention of Pollution of Ships (MARPOL);
- Standards of Training, Certification and Watchkeeping for seafarers (STCW);
- Load Lines;
- Tonnage measurement of ships (Tonnage); and
- Regulations for preventing collisions at sea (COLREGS).

## **Safety of lives at sea**

The Agency develop non-regulatory measures to help improve maritime safety and seafarer health and wellbeing. We have worked with stakeholders to develop educational and guidance materials to improve understanding of the impact of normal human physical and mental capabilities in safety performance, leadership and management and how we can use this knowledge to promote the development of best practice. Of particular note, we have formed the UK Human Element Development Group, a cross-industry body bringing together the wealth of experience and expertise from maritime bodies, academia and industry representatives to help focus strategic thinking and direction. The Group has identified industry's top human element priorities including the establishment of a significant work package to develop the principles of "Just Culture" in maritime organisations and embed it in the Human Element, Leadership and Management training syllabus.

We furthered our scientific understanding of fatigue amongst seafarers by commissioning a research project which investigated the effects of a number of possible watch keeping and working patterns on board ship. We continued to play an active role internationally in the revision of the IMO guidelines on fatigue.

In 2016, our network of MCA-approved doctors conducted approximately 52,500 medical examinations to check that seafarers were fit to work at sea. Development of a new digital system to support seafarer medical examination and certification began in December 2016 and work is ongoing.

We are working with stakeholders to implement the International Labour Organisation's Work in Fishing Convention (No. 188), and to introduce international amendments to the Maritime Labour Convention, 2006.

Working closely with Health and Safety Executive (HSE), we implemented the EU Directive to minimise health and safety risks from electro-magnetic fields, and agreed an updated Memorandum of Understanding between HSE, Marine Accident Investigate Branch and the MCA on working at the margins.

## **Search and Rescue coordination**

We provide a round-the-clock emergency response SAR coordination service for the UK coast and surrounding waters out to the mid-Atlantic. During 2016 our Coastguard SAR coordination network responded to over 20,000 incidents, dealing with distress and 999 calls, tasking lifeboats, helicopters, other ships in the vicinity, other emergency authorities and volunteer coastguard rescue teams.

## **Coastguard Rescue Service**

Our Coastguard Rescue Service comprises on average 3,500 volunteers in 340 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 nearly 14,000 times.

Last winter, our teams again supported other emergency services during severe weather events in coastal areas, for example in Cumbria. We also assisted Kent Police during Operation Stack, distributing food and water to lorry drivers queuing on the M20 as a result of industrial action by workers at the port of Calais.

## **Search and Rescue Helicopter (SAR – H) Service**

The UK search and rescue helicopter service is nearing the end of its transition phase and is operating successfully at seven purpose-built coastguard facilities. Three further Coastguard helicopter bases will transition to the new service in 2017-18. Also joining the service will be 11 new British-built Leonardo AW189 aircraft. From 31 March 2016, the Aeronautical Rescue Coordination Centre (ARCC) became a coastguard function within the Operations Centre and is co-located within the NMOC at Fareham, Hampshire. Prior to this transition, the ARCC responsibilities had been held by the RAF.

# 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>2</sup>. A safe environment for ships and professional seafarers supports growth by facilitating healthy trade and a vibrant shipping sector. The Agency works closely with the maritime industry to enhance standards of safety in all aspects of maritime activity.

## Setting standards

By setting standards and producing guidance, we create a level playing field for the UK maritime sector, influence ships operating in UK waters and seafarers on UK ships, to follow best practices.

We work in partnership with colleagues across Government and key stakeholders to negotiate international maritime policies, regulations and technical standards, principally at the IMO, the European Commission (EC) and at the European Maritime Safety Agency (EMSA).

The following Regulations have been introduced this year:

- The Merchant Shipping and Fishing Vessels (Health and Safety at work) (Electromagnetic Fields) Regulations 2016 (2016 No.1026)
- The Merchant Shipping and Fishing Vessels (Port Waste Reception Facilities) (Amendment) Regulations 2016 (2016 No. 1211)
- The Merchant Shipping (Marine Equipment) Regulations 2016 (2016 No. 1025)

All four Regulations include the statutory review clause.

We have commenced a series of pilot projects using ambulatory reference to provide a more streamlined and responsive introduction of future changes to international maritime conventions.

To facilitate innovation and support a thriving maritime sector, we collaborated with industry on the forthcoming Safety Code for Passenger Ships Operating Solely in UK Categorised Waters and Code of Practice for Fishing Vessels.

Eight impact assessments and two Regulatory Triage Assessments (RTA) were submitted to the Regulatory Policy Committee for scrutiny. In total: one received an amber opinion pre-consultation; seven achieved green 'fit for purpose' opinions; and, two RTAs were validated.

We published over 80 documents providing the UK maritime sector with additional guidance on safety and general information.

## 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 3,928 in-depth surveys of UK registered ships, and 2,114 inspections during 2016-17. We also carried out 1,114 Port State Control (PSC) inspections of foreign ships in the 2016 calendar year to check that they were meeting regulations concerning safety standards and living conditions.

We authorise six Recognised Organisations (ROs), which are members of the International Association of Classification Societies Ltd (IACS), to carry out a proportion of our statutory equipment construction survey work. 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

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<sup>2</sup> Focus on Ports 2006 (DfT)

behalf. We undertake a risk-based approach to monitoring of ROs, CAs and the Helideck Certification Agency (HCA) which includes regular meetings and audits of their offices and surveyors.

This year, during inspections we found deficiencies on 800 ships and detained 38 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 102 new cases and conducted 14 prosecutions.

## **UK Ship Register**

Flag State Control offers an effective method of implementing safety standards for ships and seafarers. The UK Ship Register has a reputation for maintaining the high international standards, with an efficient ship registration service and dedicated Customer Account Managers.

During 2016-17, there were 67 new ship registrations (1.28m Gross Tonnage (GT)) and at the end of March 2017 the UK Ship Register stood at 15.23m GT with 1,331 vessels. The total tonnage on the Register increased by 2.5%, the third consecutive year of growth.

The UK remains within the upper quartile of the Paris Memorandum of Understanding (MOU) White List and the Tokyo MoU White List of Quality Flag States. We have also 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), each of which operate their own British ship register. Any vessel on these registers is a 'British ship', and is entitled to fly the British Merchant Shipping flag the 'Red Ensign' (or a version of it defaced with the appropriate national colour).

Together with the UK Ship Register, the Red Ensign Group has a combined size for the British flag 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. 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 2016-17, we undertook monitoring visits of Guernsey, the British Virgin Islands, the Falkland Islands and St Helena.

The 2016 REG Conference was hosted in the UK and took forward some key elements of maritime policy and strategy, including:

- developments and strategy to ensure compliance with the IMO Instruments Implementation Code across the group ahead of a future IMO audit;
- agreement on sharing resources to develop common standards for REG Flag State Surveyors and monitoring delegated functions to Recognised Organisations; and
- agreement to take forward development of a Red Ensign Yacht Code.

We also hosted the REG Technical Forum which met twice in 2016-17 alongside a number of separate working groups to develop technical policy and to improve consistency across all the REG Registers.

## Seafarers

The MCA supports 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.

Some 48,367 seafarers hold UK Certificates of Competency (CoCs) or Certificates of Equivalent Competency (CECs). In 2016-17 we issued over 5,300 Notices of Eligibility (NOEs) and 14,459 CoCs and CECs. We also issue around 1,200 Boat Master's Licences annually for commercial operations on inland waterways.

## Navigation Safety

The Agency operates the Dover and Sunk Vessel Traffic Services (VTS). We recognise the other 24 VTS in the UK and monitor standards in establishments delivering VTS training.

We provide maritime advice to other Government organisations (e.g. Department of Business, Energy & Industrial Strategy, the Marine Management Organisation, Marine Scotland and The Planning Inspectorate) on marine licensing activities, marine planning, marine protected areas and Offshore Renewable Energy Installations. We inform Government (e.g. DfT, BEIS) position and engage across industry on matters related to autonomous shipping and maritime cyber-security. We also inform Government (e.g. DfT, Ofcom, UKSSC) position on matters affecting maritime radio spectrum, both national and international.

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

- administer and deliver the UK Civil Hydrography Programme (CHP) and ensure that UK home waters are adequately surveyed for the safe update of navigational charts and publications. To augment this effort, the MCA collaborates with a number of delivery partners such as the UKHO and the Channel Coastal Observatory to promote common standards and accelerate survey progress;
- administer and deliver the UK Marine Weather Service (MWS), and ensure that authoritative shipping forecasts are communicated to sea-users to aid in their decision making. To support this work, the MCA collaborates with a number of delivery partners such as the Met Office and the BBC to assure the integrity of our forecast delivery.
- develop and maintain standards, policy and guidance for the carriage and use of navigational and radio equipment on board ships, implement and monitor routeing and reporting measures to assist safe navigation and improve the provision of information to the mariner by means of Maritime Safety Information and appropriate E-navigation implementation;
- co-ordinate technical developments for SafeSeaNet and Long Range Identification and Tracking (LRIT) through our newly implemented Consolidated European Reporting System version 3 (CERS3).

We have also conducted eight Port Marine Safety Code health-checks and liaised with other government departments and industry to improve the application of the Code and Guide to Good Practice requirements and recommendations. We have also published a report to industry highlighting emerging trends in compliance from our health-check activity.

## Cleaner Seas – protecting the environment

With nearly 17,000 kilometres of coast, the UK has one of the longest coastlines in Europe. 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, alongside one of the world's busiest international shipping lanes. 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 actual marine pollution incidents continue to fall, the risk from marine pollution remains and requires proactive management.

### Counter Pollution

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 (MARPOL Convention) and the 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC Convention).

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. Our Counter Pollution and Salvage Branch (MCA CPS) works to prevent or deal with pollution from both ships and offshore installations. As the National Competent Authority (NCA) we deliver technical support and operational response to actual or threatened pollution in the UK EEZ. In co-operation with Government and non-Government stakeholders, we provide a national collaborative reaction capability to achieve effective counter-pollution preparedness and response, and are able to combat the full range of pollution risks. We also provide international assistance under a variety of regional agreements.

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). It explains the circumstances in which the Agency will deploy national resources, 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 is 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 has been extended until 31 December 2021.

The UK continues to pursue a significant upgrade to its aerial dispersant spraying capability, though significant difficulties continue to hamper the projects progress. Currently we are unable to determine a clear in-service date for this capability.

### Receiver of Wreck

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. During 2016-17, 400 reports of recovered wreck material were received.

The Receiver deals with all wreck, regardless of age, size or apparent value. The 400 reports of salvage received are varied in nature, ranging from a complete wooden gun carriage from a 17th Century warship and a 1.5 ton naval gun barrel of the late 1800s to silver coins, ships' bells, small boats, fishing equipment and even a hot tub.

## **Secretary of State's Representative for Maritime Salvage and Intervention (SOSREP)**

The role of the SOSREP is to represent the Secretaries of State for Transport (in relation to ships) and Business, Energy and Industrial Strategy (in relation to offshore installations) by removing or reducing the risk to safety and the environment arising from accidents involving ships, fixed or floating platforms or sub-sea infrastructure. The intervention powers available to the SOSREP extend to UK territorial waters (12 nautical miles from the coast/baseline) for safety issues and in the EEZ/UK Pollution Control Zone for pollution related incidents. For pollution incidents from offshore installations the powers extend to the UK Continental Shelf. The SOSREP is empowered to make crucial and often time-critical decisions, without delay and without recourse to higher authority, where such decisions are in the overriding interest of the UK public. The SOSREP has the ultimate and decisive voice for maritime salvage, offshore containment and intervention.

The current SOSREP is due to retire in April 2018 and his Deputy in July 2017. Recruitment plans have been put in place to ensure that the current post holders are available prior to their respective departure dates to mentor the new incumbents for a transitional period.

## Our people

Our people are our greatest asset and we are accredited at Silver status within the Investors in People (IiP) standard. The 2016 Annual People Survey People results showed a dramatic 6% increase in engagement scores to 64%, making us a high performing civil service organisation.

We continue to celebrate the excellent work that our staff do through features in our in-house communication “Coast to Coast”; certificates to mark long service, Special Performance Bonuses, reward vouchers and Chief Executive’s Awards to recognise outstanding contributions. We also use the formal Honours process to nominate exceptional 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 assiduously follow the Civil Service Code.

We train to develop our staff. Learning and development activity during 2016-17 included:

- continuing to deliver and evolve the Coastguard curriculum to meet both the extant HMCG training competency framework and emerging operational needs;
- working in partnership with City & Guilds to develop an accreditation scheme for Coastguard technical training;
- finalising 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 participate in a wide range of personal development and mandatory training solutions to meet individual and business needs.

The Agency believes that it is to the mutual benefit of the MCA and our staff that employees are represented by Trade Unions. We have recognised both 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 Negotiation and Consultation Committee (JNCC).

## External Relations

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.
- Transport Scotland, with whom we signed an MoU on 29 November 2016.

# Health and Safety

## Management Arrangements

The MCA continues to refine its health and safety (H&S) policies and arrangements to ensure that standards are actively managed across the Agency. The Senior Executive Group (SEG) and the National H&S Committee remain responsible for overseeing the MCA's safety management system and lead on safety improvements.

A monthly H&S report is tabled and discussed at the SEG, Directorate Management Boards and MCA Board meetings. In addition, H&S deep dive presentations on targeted areas are held quarterly at SEG's request. H&S is an agenda item at all management meetings.

The performance of the Agency's safety management system is measured using performance indicators within the balanced scorecard and in accordance with DfT centre initiatives. Significant changes in performance are reported to the SEG, MCA Board and Directorate Management Boards.

The MCA National H&S Committee meets quarterly and is attended by trade union representatives and chaired by a member of SEG. The volunteer Coastguard Rescue Service is also represented at this forum.

The MCA Health & Safety team regularly attend the DfT Health and Safety Forum, working with Departmental colleagues to lead on new and common health and safety initiatives.

## Occupational Health & Safety Initiatives

The MCA's latest health and safety strategy was published in February 2017. The next steps are to develop Directorate-specific plans to fully implement the strategy.

The H&S Team, in partnership with Human Resources, continue to strive for improvements in pressure and stress management. A new Wellbeing Manager's post has been established in HR and a number of initiatives have been taken to improve the health, safety and wellbeing of staff and volunteers both at work and outside of work. Several Mental Health first aid courses have been run this year and the MCA's Mental Health Buddy Network remains active. On the reactive side, there have been several investigations into stress related illnesses which have identified underlying causes and enabled senior management to take the appropriate remedial actions. The effectiveness of return to work interventions has also improved, reducing the time lost due to stress related and other occupational health illness.

This has been a busy year for ensuring compliance with ISO9001 standards in the Coastguard, not least to ongoing change management in the coastguard structure and manning. Many of these quality standards have safety implications, e.g. training, equipment management, supervisory management. Through the hard work of local and HQ senior management and the internal audit team, operational standards have steadily improved and significant risks addressed. To support this work, several interactive workshops have been run for operational staff which have yielded positive results on the coast. Further workshops and training initiatives are ongoing.

The Agency continues to mitigate risk through robust risk assessments. Of note this year, was the noise at work risk assessment for staff at the National Maritime Operations Centre. This specially commissioned work was to ensure that Operational staff are not exposed to excessive noise through headsets. Working practices were shown to be within safe limits and the MCA continues to review and evolve working practices in this area.

## Attendance Management

The Agency's sickness absence rate is reported monthly to the MCA Board and the 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.

## **Training**

Induction training for new staff includes site specific introduction for H&S arrangements, including general and 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 also undertake manual handling training. Line managers now complete the new Civil Service Learning (CSL) packages *Health & Safety Awareness for Managers* and all staff complete *Health & Safety Awareness for all Staff*. All new coastal officers receive specific H&S training, and new marine surveyors are provided with H&S Awareness Training as part of their induction package.

The MCA upheld its commitment to health and safety training this year, training 33 MCA staff in 'human factors in accident investigation'. These staff will be used to review the most serious accidents and near misses in the Agency. In addition, Operational Coastguard staff were trained in the newly developed First Point of Contact first aid and 'Time Expired Pyrotechnics and Ordnance' courses. Both will have a significant impact on safety standards around the Coast.

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

There is a strong and active commitment from the MCA Board and the Senior Executive Group to continuously improve health and safety standards in the agency. Health and Safety is also reviewed in more detail by the local management boards.

Senior Leaders continue to lead pressure / stress management courses across the MCA.

Risk assessments have been revisited and updated over the last year. Remedial actions arising have led to further risk reductions.

Topical health and safety issues continue to be reviewed during internal quality audits helping management to focus on any shortcomings or potential improvements.

The accidents and near miss reporting culture has improved this last year, with line managers taking more time to reflect on the causes of accidents and the lessons identified from them. This has been invaluable in raising health and safety awareness in the Agency and refining our safe working practices.

## **Plans for the year ahead**

One of the main aims is to translate the MCA's health and safety strategy into specific actions in Directorate Business Plans, the emphasis being on Leadership and Policy; Planning and Delivering; Monitoring and Review.

The means for communicating lessons identified from accidents and near misses is under review. The intent is to make the process more engaging and informative for all staff.

Further accidents and near miss investigation training is being explored together with wider initiatives such as the key factors underpinning 'High Reliability Organisations' (HROs). HROs are those organisation that have very positive, proven safety cultures.

Moving forward, the Agency will explore digital solutions to safety management systems including e-learning and cloud based accident reporting systems.

The MCA's current Health and Safety policies and procedures are now due a thorough review, this work will be undertaken over the next 6 months.

A key training initiative this year will be aimed at 'Building Custodians' with the aim of improving building safety across the Estate.

# Sustainable Development

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

## Overview

The MCA is fully committed to achieving the targets set within the Greening Government Commitments (GGC) Agenda. We have recently published a strategy that sets out how we plan to meet the GGC targets.

The Estates team, supported by senior management, continues to lead the Agency in identifying cost effective and efficient means to achieve our targets. The below table provides a high level overview of the MCA's baseline, where we are at the moment and what we must achieve by 2020 to fully meet GGC targets.

	Baseline Value	Target Value	Required Reduction	Current Level
Cut greenhouse gas emissions by at least 36% from a 2009-10 baseline.	5,517	3,752	1,765	5,285
Reduce the amount of waste going to landfill to less than 10%	0	9.99	0	0
Reduce government's paper use by at least 50% from a 2009 to 2010 baseline	7,167	3,583	3,584	6,652
Reduce overall water consumption by 9% against 2009-10 baseline, ensuring continuous improvement where this level has already been achieved.	13,344	12,143	Continuous improvement as target already achieved	6,692
Reduce the number of domestic business flights by at least 30% from the 2009 to 2010 baseline	1,723	1,206	517	2,729

## Cross Organisational Working Group

To better enable the Agency to deliver the efficiencies required under GGC, a cross-organisational working group has been established. This allows each of the Directorates to be represented and provides a point of contact to take forward plans and initiatives consistently across the organisation. This cross-organisational approach will also be essential in terms of monitoring and recording data at localised level as well as challenging behaviours and encouraging positive cultural shifts.

## Reducing Travel – Domestic Flights

In line with the GGC Framework the Agency has a specific target to reduce domestic flights against a 2009-10 baseline. In order to achieve this the Agency has developed a reporting matrix to assist in the monitoring and recording of flight information. The agreed approach to this will be a combination of challenging specific travel at a Directorate level, promoting developments in technology to enable regular use of alternatives to travel such as video, SKYPE and telephone conferencing and the publication of revised travel guidance.

## **The MCA Estate Reducing Energy Consumption and Waste**

The MCA's estate comprises just under 500 sites around the UK, many in remote locations. These sites are key to the operational delivery of the organisation.

The diverse nature of the MCA estate means that properties vary greatly in size, age, condition and location which presents a challenge in reducing energy consumption. The estates team has worked collaboratively with internal and external stakeholders to identify short and long term plans to achieve the required target reductions.

Property management tools and reports are being developed to achieve the targets and involves the collection, monitoring and analysis of energy costs and usage data. The evidence provided will enable anomalies to be identified and usage to be challenged. This work will provide critical insight into the performance of the estate and enable the compilation of a plan to drive down consumption and embed sustainability into the workplace. Actions will include adopting different working practices, deploying new technologies, introducing building management systems to manage energy usage / generation and refining the working and operational environments for staff and volunteers.

Due to the operational and geographically dispersed nature of the estate a long term approach is required. We plan to deliver a streamlined, sustainable and highly effective estate over a 5-year period.

## **Climate Change Adaption**

The Agency also recognises the importance of adapting to climate change as part of our planning processes and 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>

## **Plans for the Future**

From the next financial year we will be working toward the achievement of GGC targets by focusing on waste avoidance and waste management targets and reducing domestic UK flights.

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>

**Sir Alan Massey**

**Chief Executive**

**6 July 2017**



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# Accountability report

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# Corporate Governance Report

## Directors' Report

The MCA 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 30). The composition of the board, including advisory and non-executive members, during the year is shown below:

**Michael Parker**, who was appointed **Non-Executive Chairman** on 1 January 2017.

**Sir Alan Massey**, who was **Chief Executive** and the Agency's Accounting Officer.

**Richard Parkes**, who was **Executive Director of Maritime Operations** leading Her Majesty's Coastguard (HMCG) through a period of significant transformation. His key responsibilities are the delivery of the six internationally recognised Coast Guard functions through the national network of Coastguard Operation Centres, the volunteer Coastguard Rescue Service (CRS), Aeronautical Rescue Coordination Centre (ARCC) and Search and Rescue Helicopter (SAR (H)) provision. He led the Future Coastguard Programme which has successfully modernised HMCG; as Senior Responsible Owner, he has also been responsible for the successful transfer of the ARCC function from the MoD into HMCG. He continues to lead the SAR Helicopter Programme which sits on the Government Major Projects Portfolio and is transforming this service from a mix of civilian and military provision to a purely civilian service provided by HMCG.

**Bill Dunham**, who was **Executive Director of Strategy and Corporate Services**. His key responsibilities are 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).

**Simon Barham**, was appointed **Director of the UK Ship Register** on 17 February 2016, and served until 29 July 2016. **Richard Pellew** was appointed **Acting Director** on 1 August 2016. His key responsibilities are attracting owners of quality ships to the UK flag to secure its long-term commercial growth and success, and delivery of front-line services including vessel registration, seafarer services and survey and audit of all UK Ship Register vessels.

**Katy Ware**, who was appointed **Director of Maritime Safety and Standards** on 29 March 2016. Her key responsibilities are for the safety and quality of seafarers and ships under the Red Ensign and our survey and inspection regime. She is leading the Survey and Inspection Transformation Programme as the Senior Responsible Officer

**Jane Jackson**, who attended the board in an advisory capacity as **Chief Financial Officer**.

**Chris Thomas**, who attended the board in an advisory capacity as **Chair of the Senior Executive Group**, (SEG).

**Alex Jablonowski**, **David Snelson** (until 31 December 2016) served as Non-Executive Directors.

## 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 has 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 Accounting Officer is required to confirm that, as far as he or she is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The former Accounting Officer of the Department for Transport, Robert Devereux, designated the Chief Executive of the Maritime and Coastguard Agency, Sir Alan Massey, as Accounting Officer from 20 July 2010. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the MCA's assets, are set out in Managing Public Money published by 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 are accountable to the DfT Maritime Directorate and to DG International Security and Environment (DG ISE). I am responsible to the Secretary of State as detailed in the Agency's Framework Document.

All our work contributes to our vision of being the world's best maritime safety organisation, committed to Safer Lives, Safer Ships, and Cleaner Seas. To deliver this, I am supported by three principal management groups: the MCA Board, ExCom (Executive Committee) and the Senior Executive Group (SEG).

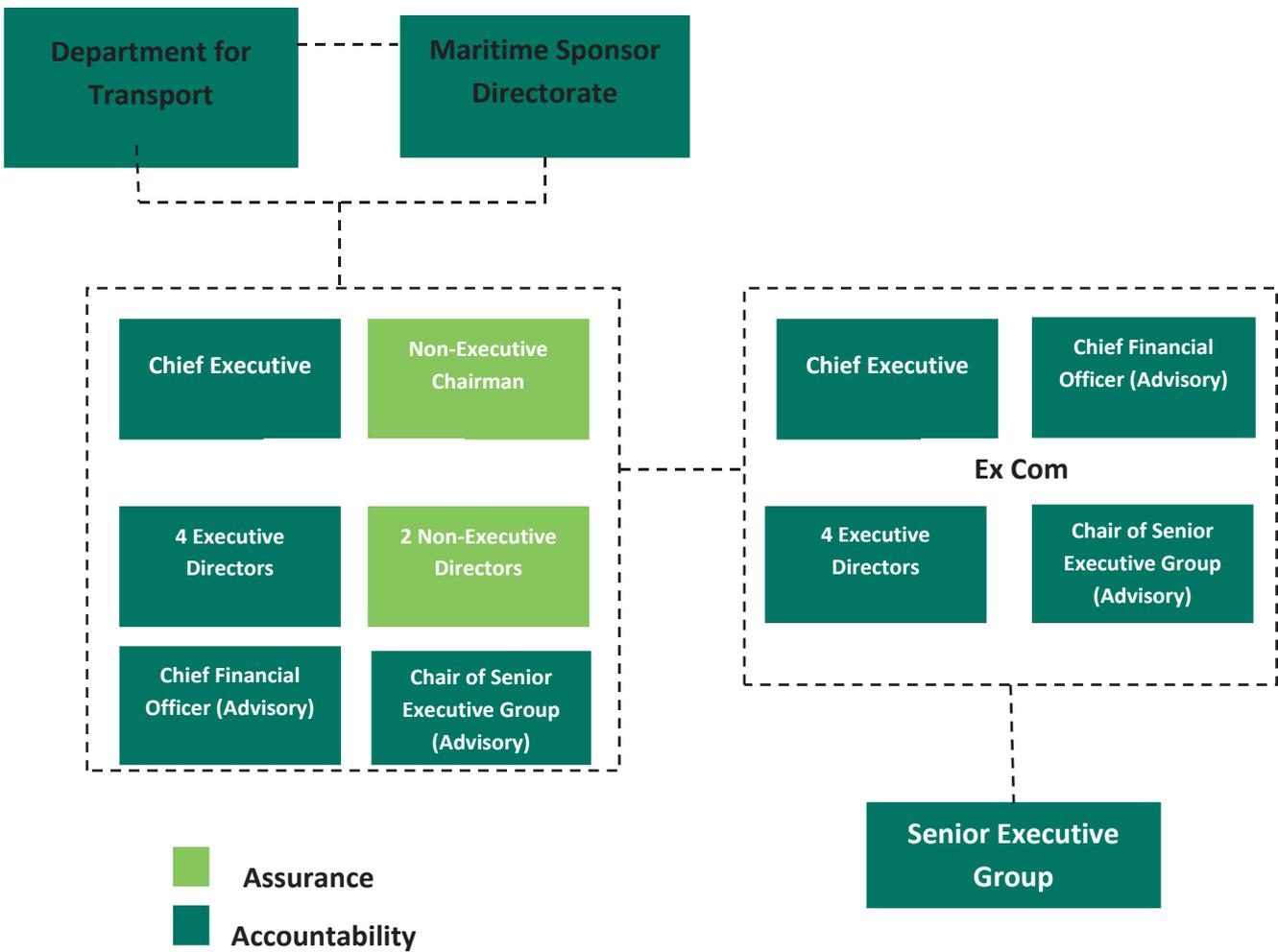
This Governance Statement details the arrangements in place for the financial year 1 April 2016 to 31 March 2017. Specifically, it focuses on internal controls, risk management and the wider risk environment. Progress with the Agency's major change programmes and other commitments in its Business Plan are captured elsewhere in the Annual Report and Accounts.

## Agency Management (since the appointment of the Non-Executive Chairman 1 January 2017)

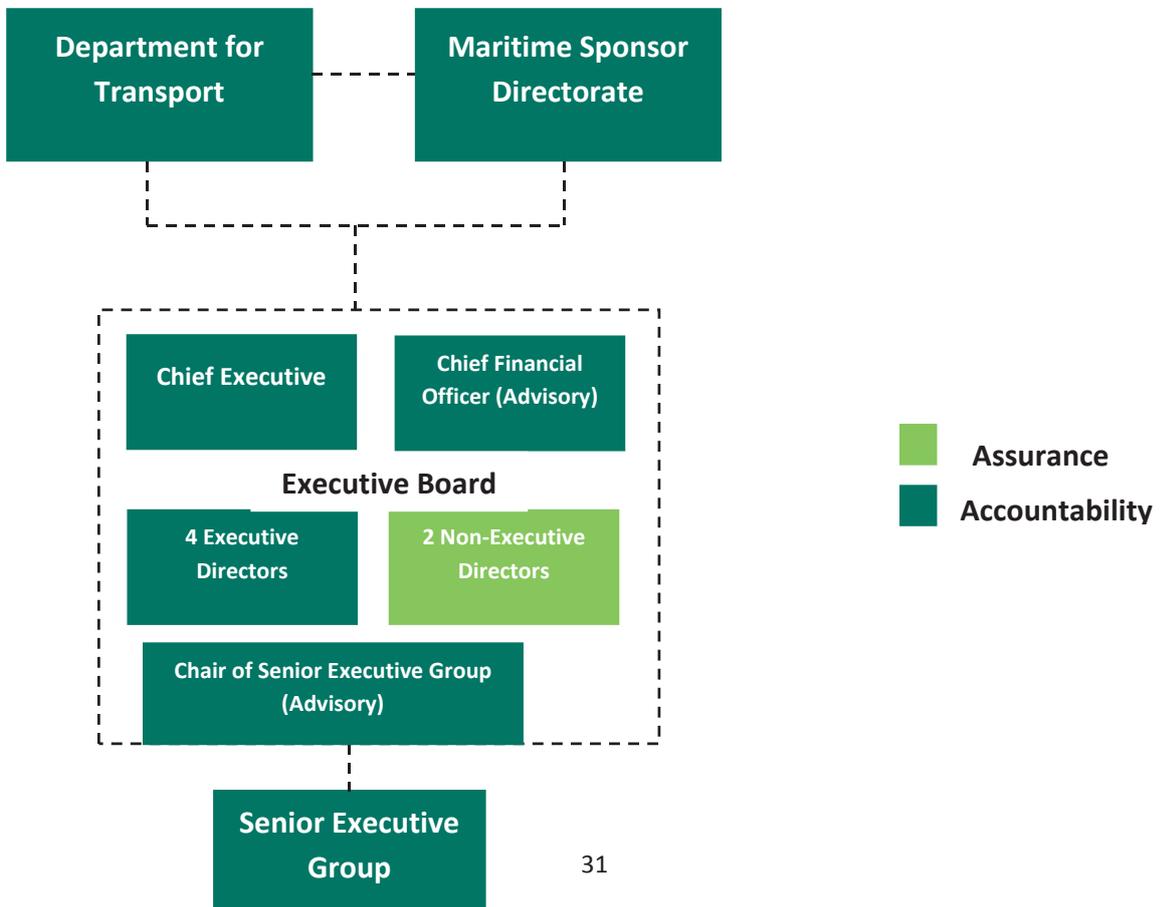
I have ensured that the Agency's governance framework is designed to comply with the guidance laid down in HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice 2011. An external Governance review of compliance against the Code was not conducted within this reporting period.

The Agency is accountable to the Secretary of State for Transport through an Advisory Board, which meets quarterly under the chairmanship of the Director General, ISE. A representative of the Scottish Government attends this Board to contribute on key strategic issues of specific relevance to Scotland. Internally, the MCA is managed by its Board and an Executive Committee. The MCA Board is chaired by the Non-Executive Chairman and has both strategic and business oversight responsibilities supported by the Executive Committee (ExCom) and the Senior Executive Group (SEG). ExCom meets monthly to make decisions on strategic issues largely, but not solely based on advice from SEG (Directors may also directly raise issues emanating from their own Management Boards). SEG meets monthly to make operational decisions and provide advice to the Executive Committee on matters of compliance and governance. The People Committee is charged by the MCA Board to take forward cross-Agency initiatives relating to the engagement, motivation, wellbeing and effective management of the MCA's personnel.

The precise governance relationships and arrangements between these groupings continues to evolve in light of practical experience during the course of the 2017-2018 reporting year. The Agency's high level management structure is set out below



Agency Management (1 Apr 16 – 31 Dec 16) prior to appointment of the Non-Executive Chairman



## Board membership and attendance

### MCA Board (Since 1 January 2017)

Board Member	Title	No. of meetings attended
Michael Parker	Non-Executive Chairmen	3/3
Sir Alan Massey	Chief Executive Officer, Chair	3/3
Bill Dunham	Director of Strategy & Corporate Services	3/3
Richard Parkes	Director of Maritime Operations	3/3
Richard Pellew	Acting Director of UK Ship Register	3/3
Katy Ware	Director of Maritime Safety and Standards	3/3
Chris Thomas	Chair of SEG	3/3
Jane Jackson	Chief Financial Officer	2/3
Alex Jablonowski	Non-Executive Director	3/3

### Executive Board (1 April 2016 – 31 December 2017)

Board Member	Title	No. of meetings attended
Sir Alan Massey	Chief Executive Officer, Chair	7/8
Bill Dunham	Director of Strategy & Corporate Services	7/8
Richard Parkes	Director of Maritime Operations	7/8
Katy Ware	Director of Maritime Safety and Standards	7/8
Simon Barham	Director Of UK Ship Register	4/4
Richard Pellew	Acting Director of the UK Ship Register	3/4
Jane Jackson	Chief Financial Officer	7/8
David Snelson	Non-Executive Director (until 31 December 2016)	8/8
Alex Jablonowski	Non-Executive Director	8/8
Chris Thomas	Chair of SEG	8/8

## Risk Management and Governance

I am responsible for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book), and the DfT Departmental Risk Policy and Guidance. Escalation processes are in place within our management structures, ExCom and SEG, to identify and manage risks appropriately. I'm also supported and advised by the Audit and Risk Assurance Committee (ARAC).

### Principal Risks in 2016-17

Through 2016-17, a total of 14 risks, issues and tolerated risks were actively managed on the corporate risk register. Key risks relating to the Agency's major change programmes are:

**Data as an asset** – Our ability to provide improved working for both our operational and administrative workforce and to provide a digitally enabled service to our customers is extremely dependent on convenient, secure and quick access to information. Failure to deliver programmes such as Knowledge Information Management (KIM) and Cloud Transformation Project (CTP) forms a severe risk to the implementation of large scale transformation programmes such as SITP and Smarter Working. Failure to adequately deliver the Vessel Registration (Waves), Seafarer (SDS) and Doctors (ADIS) projects will impact on top quality customer service.

**Survey and Inspection Transformation Programme (SITP)** - The business case has been approved by Treasury and the programme has moved into implementation. The risks have been updated to reflect the change. Progress and prognosis are optimistic, but there are still several major risks to the successful delivery of the SITP. Responses to the S&I Transformation consultation with staff and stakeholders were reviewed by an Independent Review Panel which recommend some minor changes to the proposals.

### Top Three Priority Concerns in 2016-17

As Accounting Officer I consider the concerns listed below to be the Agency's top three priority concerns:

**Cyber Vulnerability** – Internal and external vulnerabilities that could affect the delivery of and co-ordination of rescue services. Pro-active management of cyber risks are reviewed at EB/SEG level. Work is ongoing to implement improved security procedures and embed good security practices with regular progress checks being led by SIRO at monthly Security Working Groups. *(For more information on this see Information Assurance and Data Handling section of the Annual Report & Accounts document.)*

**Decline of the UK Flag register** – Departmental changes and transformation programmes continue to promote the growth of the UK Flag register. Appointment of a new commercial directors, modernising our offer to customers, digitising our services and bolstering resources in the UKSR directorate show our commitment to manage this risk. *(For more information on this see Safer Lives, Safer Ships and Cleaner Seas sections of the Annual Report & Accounts document.)*

**Suitably Qualified and Experienced Workforce** – Work is ongoing to ensure we recruit and retain suitably qualified and experienced talent. Lack of trained and qualified staff forms the key risk to delivering against our operational and statutory obligations.

## Audit and Risk Assurance Committee

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

During the year, the Committee has concentrated on the following:

- External surveillance visits findings
- Internal audit programmes and findings
- The submission of the Agency's Management Assurance return to DfT

In addition, the Committee has had deep-dive presentations into the following areas:

- Survey and Inspection Management Controls
- Review of new Shared Services Contract
- Directorate of Maritime Operations Investigation Update

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

Attendance by ARAC members in 2016-17 was as follows:

Committee Member	No. of meetings attended
Alex Jablonowski (Chair of the ARAC)	4 of 4
David Snelson (until 31 <sup>st</sup> December 2016)	3 of 3
Michael Parker (from 1 <sup>st</sup> January 2017)	1 of 1

## 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 are discussed at ARAC biannually.

## Internal and External Audit

Our Quality Management System is externally certified, by SGS, to the international ISO 9001:2008 Standard and the requirements of the Standard are applied to all business processes and activities. Transition to the new ISO 9001:2015 Standard commenced in 2016-2017 and will continue throughout the 2017-2018 financial year. The new standard places greater emphasis on leadership engagement and the use of a structured approach to address the Agency's risks and opportunities.

The Agency's annual Internal Quality Audit (IQA) programme supports its continuing certification to ISO 9001. In order to maintain its certification during the course of 2016-17, the Agency was required to address major non-conformities in the areas listed below:

- Management effectiveness – reporting and communicating
- Coastal Operations Officer training
- Training and Competence
- Equipment checks

A root cause analysis report was compiled and the resulting corrective action plan was immediately implemented to rectify these non-conformities. The major non-conformities have been downgraded to minor non-conformities, and the corrective action plan is still in operation. Progress against this plan is monitored by the Agency and will be reviewed by SGS as part of the next surveillance visit.

The IQA programme is based upon the analysis of risks and other factors identified by Directors, and developed in collaboration with DfT's Government Internal Audit Agency (GIAA) team. It is approved by the Agency's Management Boards and ARAC.

DfT GIAA 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. Cyber Security is a key risk area for the Agency and an action plan is now in place to implement recommendations from the GIAA Cyber Security audit. The outcome for the 2016-17 programme identified that 90% of audits received an overall 'moderate' opinion or above.

The GIAA Group Chief Internal Auditor 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. Although GIAA have given the Agency the same assurance rating as 2015-16, GIAA consider that the 2016-17 opinion reflects a stronger control environment with evidence of significant improvement over a number of areas.

The local Management Boards, SEG and MCA Board monitor progress on management actions agreed for internal and external audits at their monthly meetings. Progress is also monitored by the ARAC at its quarterly meetings.

## External Partners

The Agency's key relationships include those with: our safety partners (RNLI, RYA and other rescue and governing organisations); the maritime industries; other government departments (MOD, BEIS, DEFRA, DExEU, DIT, FCO, Home Office, HMT, Cabinet Office, Transport Scotland); and our parent department, the DfT.

## Health and Safety

The Agency has continued its proactive approach to Health and Safety management engaging with the DfT on central safety, health and wellbeing initiatives and developing and publishing its own Agency specific health & safety strategy for the next two years. A new Strategy has been developed with ongoing work in 2017-18 to further embed requirements within Directorates.

Health and Safety deep-dive presentations are given quarterly at the SEG meetings and Health and Safety is discussed in detail at directorate Management Board Meetings. Strategic Health and Safety is a standing agenda item at the MCA Board.

The marked reduction has continued in the number of physical injuries to both staff and volunteers causing lost time has continued. Lessons identified are acted upon and routinely shared with all staff and volunteers.

By carefully monitoring trends and causes of sickness absence, we are improving our understanding of pressure and stress in the Agency and work closely with Human Resources to develop initiatives and management protocols for the effective management of stress within the workplace.

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

As mandated by the Cabinet Office the MCA has appointed Information Asset Owners (IAO) to manage and protect identified assets. IAOs ensure compliance with the Mandatory Minimum Measures which followed the Data Handling Review and take responsibility for assessing asset use and risk. Risks and issues are recorded on risk registers, which are treated as 'living' documents. Assets and associated risk registers are formally reviewed on a continuous basis and are submitted to IA for oversight biannually, prior to being presented to DfT for formal review.

At each financial year end IA assess MCA practices against HMG Security Policy Framework and its expected security outcomes. This assessment is submitted by means of a formal Departmental Security Health Check return to DfT for inclusion in the Departmental return to the Cabinet Office. This return is agreed and signed off by the Accounting Officer and the Senior Information Risk Owner.

Other areas of security focus:

- IA develops security policy against the updated ISO standard 27001:2013. Implementation of security policy will continue as part of business as usual;
- The MCA has a responsibility under the Centre for the Protection of National Infrastructure (CPNI) 'Emergency Services' sector. The hardware, software, networks and related equipment located at MCA data centres (Fareham and Aberdeen) and the disaster recovery site at Dover support Critical National Infrastructure (CNI) obligations;
- On a rotational basis IT Security Health Checks are scoped and implemented by IA in conjunction with external providers. These provide assurance that our systems are protected from unauthorized access or change and that significant weaknesses to our infrastructure and ultimately data are identified and remediated as required;
- IA supports programmes of system/service refresh/change to ensure that the right level of security is applied by suppliers and coders to preserve the confidentiality, integrity and availability of our systems, assets and data. Furthermore IA ensures suppliers maintain and align development to commercial security best practice and UK Government guidelines;
- IA supports user education and awareness training through regular reminders according to actual or perceived threats to the MCA and follow CPNI guidance in this delivery, reinforced through various means, including the Weekly Bulletin, direct mail shots and poster campaigns.
- Vulnerability management is a priority for IA with a continuous approach of identifying, classifying and promulgation of security threats. IA engages with ICT to track, manage and remediate vulnerabilities that could affect MCA infrastructure and data.
- The management of National Security Vetting involves ensuring holders of Security Check (SC) clearance (staff and contractors) adhere to the annual 'aftercare' process. This ensures those in trusted positions with elevated privileges do not present unknown risk to the Agency and the 'insider threat' is minimized;
- Physical security risk assessments which assess the effectiveness of the physical security of manned sites are actioned on a rolling annual basis. Remedial work is addressed by exception;
- Memorandums of Understanding are developed to ensure safe data sharing and partnering initiatives.

## **Management Assurance**

The DfT Resource & Strategy Group made a number of changes to the Management Assurance process and statements in the 2016-2017 return. There was a significant level of scrutiny, of the information reported in the Management Assurance return, by SEG, the MCA Board and the ARAC.

The Agency's system of internal controls are monitored in accordance with DfT guidance and are regularly reviewed by SEG, MCA Board and ARAC. Where weaknesses have been identified, action plans to improve control mechanisms have been established.

The Non-Executive Directors have been involved in MCA Board meetings throughout 2016-17, and based on this exposure to the Agency, and having received management and other assurances, the Audit and Risk Assurance Committee approve the content of this Governance Statement and endorse the Head of Internal Audit opinion.

The Agency's control environment has improved immensely since 2015-16 and there have been a number of successes throughout 2016-17. The assurance process enables me as Accounting Officer to draw confidence and provide a 'substantial' assurance on the effectiveness of risk management, governance and control processes throughout 2016-17.

**Sir Alan Massey**

**Chief Executive**

**6 July 2017**

# Remuneration and Staff Report

## Remuneration policy

The remuneration of Senior Civil Servants who sit on the MCA Board and Executive Committee 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 the Non-Executive Chairman and Non-Executive Directors are negotiated under the terms of their appointment, as approved by the Department for Transport and the MCA Chief Executive respectively.

## 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.

The officials covered by this report hold appointments which are or were open-ended, with the exception of Simon Barham. 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 and pension entitlements of senior management (audited)

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

### Single total figure of remuneration

Officials	2016-17				2015-16			
	Salary (£000)	Bonus payments (£000)	Pension benefits <sup>3</sup> (£)	Total benefits (£000)	Salary (£000)	Bonus payments (£000)	Pension benefit (£)	Total benefits (£000)
<b>Sir Alan Massey</b> <i>Chief Executive</i>	115-120	-	46,000	165-170	115-120	-	46,000	160-170
<b>Richard Parkes</b> <i>Director</i>	85-90	20-25	88,000	195-200	85-90	20-25	56,000	160-165
<b>Bill Dunham</b> <i>Director</i>	90-95	-	35,000	125-130	85-90	-	35,000	115-125
<b>Katy Ware</b> <sup>4</sup> <i>Director</i>	80-85	-	91,000	170-175	0-5	-	4,000	0-10
(Full year equivalent)					80-85			
<b>Richard Pellew</b> <sup>5</sup> <i>Acting Director</i>	45-50	-	87,000	130-135	-	-	-	-
(Full year equivalent)	65-70							
<b>Chris Thomas</b> <sup>6</sup> <i>Acting Director</i>	-	-	-	-	75-80	-	31,000	105-115
(Full year equivalent)					75-80			
<b>Simon Barham</b> <sup>7</sup> <i>Director</i>	35-40	-	12,000	45-50	10-15	-	5,000	10-20
(Full year equivalent)	85-90				85-90			
<b>Jane Jackson</b> <i>Chief Financial Officer</i>	70-75	0-5	20,000	95-100	70-75	-	20,000	85-95
(Full year equivalent)					70-75			
<b>Michael Parker</b> <sup>8</sup> <i>Non-Executive Chairman</i>	5-10	-	-	5-10	-	-	-	-
<b>David Snelson</b> <sup>9</sup> <i>Non-Executive Director</i>	10-15	-	N/A	10-15	10-15	-	N/A	10-15
<b>Alex Jablonowski</b> <i>Non-Executive Director</i>	10-15	-	N/A	10-15	15-20	-	N/A	15-20
<b>Alison White</b> <sup>10</sup> <i>Non-Executive Director</i>	-	-	N/A	-	10-15	-	N/A	10-15
Band of Highest Paid Director's Total	115-120				115-120			
Total Remuneration (£000)								
Median Total	£29,832				£29,241			
Remuneration								
Ratio	4.02				4.03			

<sup>3</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>4</sup> Katy Ware was appointed Director on 29 March 2016.

<sup>5</sup> Richard Pellew was appointed Acting Director on 1 August 2016.

<sup>6</sup> Chris Thomas was Acting Director from 12 January 2015 until 28 March 2016.

<sup>7</sup> Simon Barham was appointed Director from 1 March 2016 and left the MCA on 29 July 2016.

<sup>8</sup> Michael Parker was appointed Non-Executive Chairman on 1 January 2017.

<sup>9</sup> David Snelson left the MCA on 31 December 2016.

<sup>10</sup> Alison White left the MCA on 31 December 2015.

There were no benefits in kind paid to any directors in 2016-17 or 2015-16. In 2016-17, no employee (2015-16: no employee) received remuneration in excess of the highest-paid director. Remuneration ranged from £17,275 to £119,917 (2015-16: £17,275 to £117,938).

### **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 performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2016-17 relate to performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to performance in 2014-15.

### **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.

An increase in the median remuneration of MCA employees has slightly reduced the ratio for 2016-17.

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.

	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Values (CETV)		Real increase in CETV
			At 31/3/17	At 31/3/16	
	£000	£000	£000	£000	£000
Sir Alan Massey <i>Chief Executive</i>	15-20	2.5-5	325	268	41
Richard Parkes <i>Director</i>	30-35	2.5-5	633	522	85
Bill Dunham <i>Director</i>	0-5	0-2.5	55	27	21
Richard Pellew <i>Acting Director</i>	25-30 plus lump sum of 20-25	2.5-5 plus lump sum of 2.5-5	442	366	71
Simon Barham <i>Director</i>	0-5	0-2.5	14	4	8
Katy Ware <i>Director</i>	20-25	2.5-5	299	235	49
Jane Jackson <i>Chief Financial Officer</i>	30-35 plus lump sum of 35-40	0-2.5	508	478	8

## 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 4.6% and 8.05% of pensionable earnings for classic and 4.6% and 8.05% for premium, classic plus and nuvos. The alpha scheme was introduced on 1 April 2015 and many employees were 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 and alpha, 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.

## Staff costs (audited)

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

	Permanently employed staff	Others	2016-17	2015-16
	£000	£000	£000	£000
Wages and salaries	36,160	960	37,120	36,496
Social security costs	3,786	-	3,786	2,859
Other pension costs	7,228	-	7,228	7,042
<b>Total net costs</b>	<b>47,174</b>	<b>960</b>	<b>48,134</b>	<b>46,397</b>
Staff costs expensed			47,950	46,361
Staff costs capitalised			184	36

## 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 2016-17, employer contributions of £6,485,638 were payable to the PCSPS (2015-16: £6,983,595) at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. For 2016-17, 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 2016-17 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 £84,183 (2015-16: £59,546) 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. No employer contributions 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 (2015-16: None).

Contributions due to the partnership pension providers at the balance sheet date were £5,733 (2015-16: £6,012). Contributions prepaid at that date were £Nil.

## Staff numbers (audited)

	Permanently employed staff	Others	31 March 2017	31 March 2016
Direct service delivery and support	775	42	817	787
Corporate support	186	19	205	185
Board members	5	-	5	5
Directly employed	966	61	1,027	977
Others – temporary	-	23	23	24
<b>Total</b>	<b>966</b>	<b>84</b>	<b>1,050</b>	<b>1,001</b>

There were no early retirements in the year caused by ill health (2015-16: None).  
The Agency's Coastguard Rescue Service has approximately 3,500 volunteers.

## Staff composition

Male and female employees by number for the year ending 31 March 2017 were:

	Male	Female	2016-17
Senior Civil Service – Band 2	1	-	1
Senior Civil Service – Band 1	3	2	5
Board members and Senior Civil Service	4	2	6
All other employees	676	368	1,044
<b>Total</b>	<b>680</b>	<b>370</b>	<b>1,050</b>

## Sickness absence data

	2016-17	2015-16
Working days taken as sickness absence	5,850.63	6,466.87
Average number of days lost per employee per year	5.95	6.58

## Staff policies for disabled persons applied during the financial year:

Full and fair consideration to applications for employment by the agency is given by actively encouraging disabled individuals to apply for opportunities. Where such individual candidates can demonstrate that they meet the minimum requirements for a role we offer an interview under the 'Two Ticks' scheme.

The continued employment of, and appropriate training for, agency employees who may become disabled is promoted by applying the MCA's policy of making reasonable adjustments throughout any individual's employment to enable them to work, develop and progress.

## Expenditure on consultancy

Agency expenditure on consultancy in 2016-17 was £190,385 (2015-16: £168,827).

## Off-payroll engagements

Engagements costing the Agency more than £220 per day and lasting more than six months were:

	2016-17
Number of existing engagements as of 31 March 2017	8
<b>Length of existing engagements</b>	
Less than one year at time of reporting	4
Between one and two years at time of reporting	2
Between two and three years at time of reporting	-
Between three and four years at time of reporting	1
Four or more years at time of reporting	1

All existing off-payroll engagements, outlined above, have been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

	2016-17
New engagements or those reaching six months in duration	7
Right to request information about income tax and national insurance contributions	7
Request for information made	7
Information has been received	7
Information has not been received	-
Engagement terminated as a result of information not being received	-

## Exit packages (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
<£10,000	-	-	3	1	3	1
£10,000 - £25,000	-	-	12	30	12	30
£25,000 - £50,000	-	-	9	16	9	16
£50,000 - £100,000	-	-	2	4	2	4
£100,000 - £150,000	-	-	-	1	-	1
£150,000 - £200,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	-	-	26	52	26	52
<b>Total resource cost (£)</b>	-	-	581,039	1,423,493	581,039	1,423,493

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.

# Parliamentary Accountability Disclosures (Audited)

## Regularity of expenditure

The Agency made special payments in 2016-17 to surveyors, in the form of non-consolidated bonuses. These were to recognise and reward the performance and delivery of the surveyor workforce during a period of uncertainty before the start of the Survey and Inspection Transformation Programme (SITP). Payments in 2016-17 totalled £648,000 of which around half was payable to those in post at the start of this year and half to those remaining in post at the end of the year. The Agency has obtained the required HM Treasury approvals for both these staff bonuses and the SITP programme, which is now in its implementation phase.

No other losses or special payments or gifts in excess of £300,000 were incurred or made (2015-16: None).

## Fees and Charges

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).

	2016-17			2015-16		
	Income	Expense	Net	Income	Expense	Net
	£000	£000	£000	£000	£000	£000
<b>Statutory services</b>						
Marine surveys	4,906	4,591	315	4,705	4,404	301
Registration of ships	936	704	232	957	720	237
Seafarers' examinations and certification	2,827	2,584	243	2,315	2,116	199
Other statutory services	357	156	201	658	288	370
<b>Subtotal</b>	<b>9,026</b>	<b>8,035</b>	<b>991</b>	<b>8,635</b>	<b>7,528</b>	<b>1,107</b>
<b>Operational services</b>						
Emergency helicopter flights	1,665	5,861	(4,196)	644	2,268	(1,624)
Navigational warning broadcasts	536	762	(226)	451	643	(192)
<b>Subtotal</b>	<b>2,201</b>	<b>6,623</b>	<b>(4,422)</b>	<b>1,095</b>	<b>2,911</b>	<b>(1,816)</b>
Other services	622	566	56	486	467	19
<b>Total</b>	<b>11,849</b>	<b>15,224</b>	<b>(3,375)</b>	<b>10,216</b>	<b>10,906</b>	<b>(690)</b>

The financial objective of each service is full recovery of service costs in accordance with HM Treasury's 'Managing Public Money'. The above table shows direct income and expenditure and excludes the allocation of overheads to activity.

**Sir Alan Massey**

**Chief Executive**

**6 July 2017**

# 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 2017 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 and Staff Report and Parliamentary Accountability Disclosures that is described in those reports as having been audited.

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

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

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

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

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

## **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Maritime and Coastguard Agency's affairs as at 31 March 2017 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 parts of the Remuneration and Staff Report and Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Corporate Governance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and Parliamentary Accountability Disclosures 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**

**18 July 2017**

**Comptroller and Auditor General**

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



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# Financial statements

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# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2017

		2016-17	2015-16
	Note	£000	£000
Income from sale of goods and services	[3]	(11,849)	(10,216)
Other operating income	[3]	(1,194)	(2,438)
<b>Total operating income</b>		<b>(13,043)</b>	<b>(12,654)</b>
Staff Costs	[2]	47,950	46,361
Purchase of goods and services	[2]	267,377	238,321
Depreciation and impairment charges	[2]	10,374	9,761
Provision expense	[2]	(326)	907
Other operating expenditure	[2]	34	(328)
<b>Total operating expenditure</b>		<b>325,409</b>	<b>295,022</b>
<b>Net operating expenditure for the year</b>		<b>312,366</b>	<b>282,368</b>
<b>Other comprehensive net expenditure</b>			
Items which will not be reclassified to net operating expenditure:			
<b>Net (gain)/loss on:</b>			
Revaluation of property, plant and equipment		601	(2,269)
Revaluation of intangible assets		(61)	(5)
Revaluation of inventories		(358)	(67)
<b>Comprehensive net expenditure for the year</b>		<b>312,548</b>	<b>280,027</b>

The notes on pages 56 to 71 form part of these accounts.

# Statement of Financial Position

as at 31 March 2017

	Note	31 March 2017		31 March 2016	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	[5]	81,928		80,946	
Intangible assets	[6]	9,487		3,753	
Inventories	[9]	4,168		3,810	
Trade and other receivables	[11]	54		61	
<b>Total non-current assets</b>			<b>95,637</b>		<b>88,570</b>
<b>Current assets</b>					
Assets classified as held for sale	[10]	-		1,140	
Trade and other receivables	[11]	7,247		8,488	
Cash and cash equivalents	[12]	4,072		1,286	
<b>Total current assets</b>			<b>11,319</b>		<b>10,914</b>
<b>Total assets</b>			<b>106,956</b>		<b>99,484</b>
<b>Current liabilities</b>					
Trade and other payables	[13]	(51,614)		(48,574)	
Provisions	[14]	(1,266)		(1,324)	
<b>Total current liabilities</b>			<b>(52,880)</b>		<b>(49,898)</b>
<b>Total assets less current liabilities</b>			<b>54,076</b>		<b>49,586</b>
<b>Non-current liabilities</b>					
Other payables	[13]	(374)		(531)	
Provisions	[14]	(1,719)		(2,202)	
<b>Total non-current liabilities</b>			<b>(2,093)</b>		<b>(2,733)</b>
<b>Total assets less total liabilities</b>			<b>51,983</b>		<b>46,853</b>
<b>Taxpayers' equity and other reserves</b>					
General fund		37,441		31,112	
Revaluation reserve		14,542		15,741	
<b>Total equity</b>			<b>51,983</b>		<b>46,853</b>

The notes on pages 56 to 71 form part of these accounts.

Sir Alan Massey  
 Chief Executive  
 6 July 2017

# Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(312,366)	(282,368)
Adjustments for non-cash transactions	[2]	10,082	10,340
(Increase)/decrease in inventories	[9]	(358)	(67)
less movements in inventories relating to items not passing through the Statement of Comprehensive Net Expenditure		358	67
(Increase)/decrease in trade & other receivables	[11]	1,248	(1,024)
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	[13]	2,883	21,673
less movements in trade and other liabilities relating to items not passing through the Statement of Comprehensive Net Expenditure		(7,768)	(1,204)
Use of provisions	[14]	(215)	(2,415)
<b>Net cash outflow from operating activities</b>		<b>(306,136)</b>	<b>(254,998)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,571)	(7,253)
Purchase of intangible assets		(3,910)	(446)
Proceeds of disposals of property, plant and equipment		38	836
<b>Net cash outflow from investing activities</b>		<b>(11,443)</b>	<b>(6,863)</b>
<b>Cash flows from financing activities</b>			
Current year consolidated fund (supply)		321,000	262,000
Capital element of finance lease payments		(27)	(27)
<b>Net financing</b>		<b>320,973</b>	<b>261,973</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		3,394	112
Receipts due to the Consolidated Fund		-	-
Payment of amounts due to the Consolidated Fund		(608)	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>2,786</b>	<b>112</b>
<b>Cash and cash equivalents at the beginning of the period</b>	[12]	<b>1,286</b>	<b>1,174</b>
<b>Cash and cash equivalents at the end of the period</b>	[12]	<b>4,072</b>	<b>1,286</b>

The notes on pages 56 to 71 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 1 April 2015</b>		<b>50,346</b>	<b>14,555</b>	<b>64,901</b>
Net Parliamentary Funding		262,496	-	262,496
Non-cash charges: auditor's remuneration	[2]	91	-	91
Comprehensive net expenditure for the year		(282,368)	-	(282,368)
Revaluation gains and losses		-	2,341	2,341
Transfers between reserves		1,155	(1,155)	-
CFERS payable to the Consolidated Fund		(608)	-	(608)
<b>Changes in taxpayers' equity for 2015-16</b>		<b>(19,234)</b>	<b>1,186</b>	<b>(18,048)</b>
<b>Balance at 31 March 2016</b>		<b>31,112</b>	<b>15,741</b>	<b>46,853</b>
Net Parliamentary Funding		318,225	-	318,225
Non-cash charges: auditor's remuneration	[2]	72	-	72
Comprehensive net expenditure for the year		(312,366)	-	(312,366)
Revaluation gains and losses		-	(182)	(182)
Transfers between reserves		1,017	(1,017)	-
CFERS payable to the Consolidated Fund		(619)	-	(619)
<b>Changes in taxpayers' equity for 2016-17</b>		<b>6,329</b>	<b>(1,199)</b>	<b>5,130</b>
<b>Balance at 31 March 2017</b>		<b>37,441</b>	<b>14,542</b>	<b>51,983</b>

The notes on pages 56 to 71 form part of these accounts.

# Notes to the Agency's Accounts

## 1. Statement of significant accounting policies

### 1.01 Basis of preparation

The financial statements have been prepared in accordance with the 2016-17 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.

The statements cover the period 1 April 2016 to 31 March 2017 and 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.

### 1.02 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.

### 1.03 Adoption of new and revised standards

No new accounting standards became effective for the first time in 2016-17.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017, and have not been applied in these financial statements. The following new standards may affect future financial statements if they are adopted by the Financial Reporting Manual, after further consultation:

- IFRS 9 addresses classification, measurement and impairment of financial assets and is still subject to analysis and consideration by HM Treasury with a view to inclusion in the 2018-19 FReM. It is thought that IFRS 9 will result in terminology changes only.
- IFRS 15 covers the recognition of revenues from contracts with customers. HM Treasury released an exposure draft for inclusion in the 2018-19 FReM. It is not thought that this will materially affect the timing of recognition or amounts recognised.
- IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The probable impact is that there will be earlier recognition of expenditure on leases (amortisation and interest). It is not yet clear when or with what degree of adaptation this standard will be reflected in the FReM. The IFRS will become effective in the private sector for accounting periods commencing on or after 1 January 2019. The agency's statement of financial position would likely be significantly affected if IFRS 16 is adopted by the FReM because arrangements for helicopters used in the provision of helicopter search and rescue services and for leasing many properties may have to be recognised.

Only IFRS 15 has been endorsed by the EU to date. The full impact will not be known until the FReM adopts or adapts these standards. The MCA does not consider that any other new or revised standard or interpretation will have a material impact.

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

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

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out on a five yearly basis, the latest being undertaken as at 31 March 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.
- 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 not charged on freehold land and assets in the course of construction. Other assets are depreciated from the month following acquisition on a straight line basis over their estimated remaining lives as follows:
  - Freehold buildings - up to a maximum of 50 years.
  - Leasehold buildings - over the lower of the lease term and the estimated remaining life.
  - Leasehold improvements – up to a maximum of ten years.
  - Equipment - over the following standard lives:
    - Vehicles, boats and other plant      3-10 years
    - Communications equipment            5-10 years
    - IT and office equipment                3-10 years

## 1.05 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, which is charged from the month after acquisition. 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.

## 1.06 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.

## **1.07 Inventories - 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 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 1.03.

## **1.09 Provisions for liabilities and charges**

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

## **1.10 Pensions**

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

The Scheme is actuarially valued periodically and as at 31 March 2017 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 within the Remunerations and Staff Report under pensions.

## **1.11 Early departure costs**

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

The provision for early departures covers all future commitments to employees who have retired from the Agency and its forebears which will not be met from the Principal Civil Service Pension Scheme. The early departures provision also includes estimates for the staff exit packages for the Survey and Inspection Transformation Programme announced in March 2016 which is being implemented over three years. Provisions are disclosed at Note 14.

## **1.12 Value Added Tax**

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

## **1.13 Operating income**

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

## **1.14 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 within the Statement of Other Comprehensive Expenditure.

## **1.15 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.

## **1.16 Critical judgements**

Under IAS 17 Leases, arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. The Agency has assessed that its arrangements to provide search and rescue helicopter services contain leases, which it has classified as operating leases, principally because the contract terms are not for the major part of the economic life of the assets.

## 2. Operating expenditure

	2016-17		2015-16 Restated	
	£000	£000	£000	£000
<b>Staff costs</b>				
Wages and salaries	35,976		35,547	
Agency staff	960		913	
Wages and salaries – total	36,936		36,460	
Social security costs	3,786		2,859	
Other pension costs	7,228		7,042	
		<b>47,950</b>		<b>46,361</b>
<b>Search and rescue helicopters</b>				
UK SAR helicopter service	138,374		110,303	
MCA Gap SAR-H	53,502		52,897	
		191,876		163,200
<b>Shipping industry support and services</b>				
Support for maritime training	13,474		13,776	
Civil hydrographic surveys	7,300		6,320	
Weather bulletins and navigational warnings	762		894	
Other shipping services	316		322	
		21,852		21,312
<b>Other goods and services</b>				
Pollution response	2,944		3,176	
Coastguard volunteers	3,479		2,850	
Emergency towing vessels	2,741		2,222	
Subscriptions to IMO and other international bodies	1,542		1,661	
Accommodation	12,330		12,867	
Telecommunications	11,043		10,782	
IT services and supplies	3,845		5,430	
Travel, subsistence and hospitality	3,946		4,118	
Other administration costs	4,112		4,011	
Other service costs	4,646		3,303	
Other staffing costs	1,824		2,220	
Other cash items	1,197		1,169	
		53,649		53,809
<b>Purchases of goods and services</b>		<b>267,377</b>		<b>238,321</b>
<b>Non-cash items</b>				
Depreciation	7,700		7,265	
Amortisation	2,233		2,014	
Impairment of non-current assets	(6)		1,145	
Net revaluation (gains)/losses	447		(663)	
Provisions provided for in year (net)	(326)		907	
Loss/(profit) on disposal of non-current assets	(38)		(419)	
Auditors' remuneration and expenses	72		91	
<b>Total non-cash items</b>		<b>10,082</b>		<b>10,340</b>
<b>Total other expenditure</b>		<b>277,459</b>		<b>248,661</b>
<b>Total operating expenditure</b>		<b>325,409</b>		<b>295,022</b>

Operating lease rentals are included in Operating Expenditure under the items shown below:

	2016-17	2015-16
	£000	£000
Search and rescue helicopters	53,595	44,108
Accommodation	2,715	2,509
<b>Operating lease rentals</b>	<b>56,310</b>	<b>46,617</b>

## SAR helicopters

The MCA currently provides search and rescue helicopter services from eleven bases covering the UK Search and Rescue Region. Since 1 January 2016, the MCA has been the sole provider of such services, having taken over by phased transition regions previously covered by the Ministry of Defence under the UK Search & Rescue Helicopter Service (UK SAR H) contract, operating from seven bases throughout 2016-17 and through continued provision of services at four bases under existing contractual arrangements known as Gap SAR. From 1 July 2017, the MCA will provide UK-wide services from ten bases all operating under the UK SAR H contract.

## Services to the shipping industry

The Agency operates the Support for Maritime Training Scheme (SMarT) which provides funding maritime officer trainees and in 2016-17 provided funding after costs of £13,475,000 (2015-16: £13,776,000).

The Agency provided further services to the shipping industry as required by Merchant Shipping Acts and international conventions costing £8,378,000 in 2016-17 (2015-16: £7,536,000).

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.

## 3. Income

	2016-17	2015-16
	£000	£000
Statutory services	9,026	8,635
Operational services	2,201	1,095
Other services	622	486
Other operating income	1,194	2,438
<b>Total Income</b>	<b>13,043</b>	<b>12,654</b>
Income retained by the agency	12,424	12,046
Income to be paid to the Consolidated Fund	619	608

The agency receives income mainly from fees and charges for the delivery of front line services provided on a full cost basis to external customers as part of its operating activities.

- Statutory Services – survey and registration of ships, examination and certification of seafarers.
- Operational Services – emergency helicopter flights and radio warning broadcasts.
- Other Services - ‘Wider Market’ surveying activities and other non-statutory services.
- Other Operating Income - receipts for costs recharged to the DFT and other costs recovered from other government departments and rent receipts.
- Services income is recorded only when the requested service is provided.
- Other income is recorded when the service is provided or costs are recovered.

## 4. 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 Committee and MCA Board. This is in line with the requirements of IFRS 8. Each segment has a director with direct responsibility on the Executive board. Until 31 December 2016 information was reported to the Executive Board of the MCA.

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

The Maritime Operations segment is responsible for delivery of Coastguard, Search and Rescue (SAR) operations on land, at sea, and counter pollution.

The UK Ship Register began reporting as a new separate segment from 1 April 2016 providing vessel registration and seafarer services, which were previously reported within Maritime Safety & Standards,

Strategy and Corporate Services provide the necessary financial, corporate governance, health and safety, risk management, information assurance, corporate development, procurement services, Information and Communication Technology and Estates Infrastructure, Human Resources and Shared Services to the Agency.

The agency appointed a chairman on 1 January 2017 and the Office of the Chief Executive was renamed and expanded accordingly. See Directors report for more details.

Operating segment 2016-17	Staff costs	Other operating costs	Total operating costs	Operatin g income	Net operating costs
	£000	£000	£000	£000	£000
Maritime Safety & Standards	14,918	13,186	28,104	(5,798)	22,306
Maritime Operations	20,962	208,735	229,697	(1,981)	227,716
UK Shipping Register	3,533	14,808	18,341	(4,325)	14,016
Strategy & Corporate Services	7,103	39,771	46,874	(859)	46,015
Chairman and Chief Executive's Office	1,434	959	2,393	(80)	2,313
<b>Total costs</b>	<b>47,950</b>	<b>277,459</b>	<b>325,409</b>	<b>(13,043)</b>	<b>312,366</b>

Operating segment 2015-16 (restated)	Staff costs	Other operating costs	Total operating costs	Operating income	Net operating costs
	£000	£000	£000	£000	£000
Maritime Safety & Standards	13,619	13,243	26,862	(6,070)	20,792
Maritime Operations	21,804	178,549	200,353	(1,940)	198,413
UK Shipping Register	3,111	14,879	17,990	(3,739)	14,251
Strategy & Corporate Services	6,469	41,006	47,475	(592)	46,883
Chairman and Chief Executive's Office	1,358	984	2,342	(313)	2,029
<b>Total costs</b>	<b>46,361</b>	<b>248,661</b>	<b>295,022</b>	<b>(12,654)</b>	<b>282,368</b>

## 5. Property, plant and equipment

2016-17

	Land	Buildings	Vehicles and Boats	Comms 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 2016	5,329	83,606	13,457	34,291	22,207	5,419	3,430	167,739
Additions	-	487	1,188	335	2,105	395	4,371	8,881
Disposals	-	(1,256)	(591)	(11,206)	(11,067)	(1,211)	-	(25,331)
Transfers	-	-	-	-	(50)	-	-	(50)
Reclassification	325	2,679	397	(156)	1,629	162	(3,430)	1,606
Revaluations	(210)	(3,099)	312	346	750	69	-	(1,832)
<b>As at 31 March 2017</b>	<b>5,444</b>	<b>82,417</b>	<b>14,763</b>	<b>23,610</b>	<b>15,574</b>	<b>4,834</b>	<b>4,371</b>	<b>151,013</b>
<b>Depreciation</b>								
As at 1 April 2016	-	37,264	10,311	22,347	13,324	3,547	-	86,793
Charge in year	-	2,770	642	1,897	2,101	290	-	7,700
Disposals	-	(1,256)	(590)	(11,206)	(11,067)	(1,212)	-	(25,331)
Reclassification	-	697	-	-	-	-	-	697
Revaluations	-	(1,434)	202	192	228	38	-	(774)
<b>As at 31 March 2017</b>		<b>38,041</b>	<b>10,565</b>	<b>13,230</b>	<b>4,586</b>	<b>2,663</b>	<b>-</b>	<b>69,085</b>
<b>Net Book Value</b>								
As at 1 April 2016	5,329	46,342	3,146	11,944	8,883	1,872	3,430	80,946
<b>As at 31 March 2017</b>	<b>5,444</b>	<b>44,376</b>	<b>4,198</b>	<b>10,380</b>	<b>10,988</b>	<b>2,171</b>	<b>4,371</b>	<b>81,928</b>
<b>Asset Financing</b>								
Owned	5,444	42,966	4,198	10,380	10,988	2,171	4,371	80,518
Finance Leased	-	1,410	-	-	-	-	-	1,410
<b>Net Book Value</b>								
<b>As at 31 March 2017</b>	<b>5,444</b>	<b>44,376</b>	<b>4,198</b>	<b>10,380</b>	<b>10,988</b>	<b>2,171</b>	<b>4,371</b>	<b>81,928</b>

During the year a review of asset registers led to the removal at nil value of many assets no longer in use following recent asset replacement programmes.

### Analysis of net book value of buildings owned

	31 March 2017 £000	31 March 2016 £000
Freehold buildings	34,348	34,940
Buildings and improvements on properties occupied under:		
Operating leases more than 50 years	3,278	3,799
Operating leases less than 50 years	5,340	5,679
<b>Total owned buildings</b>	<b>42,966</b>	<b>44,418</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).

## Assets with heritage characteristics

The Maritime and Coastguard Agency has 27 (2015-16: 27) 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, Coastal Operational Bases, Coastal Rescue Stations and Radio Sites operating from 11 properties classed as Grade II listed buildings or as buildings of architectural or historical merit or from 16 other properties situated within conservation areas or other special sites and areas.

## Property, plant and equipment (continued)

2015-16	Land	Buildings	Vehicles and Boats	Comms 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 2015	5,447	80,095	12,707	30,144	20,500	4,988	6,985	160,866
Additions	-	2,136	783	1,322	2,034	348	1,941	8,564
Disposals	(107)	(4,561)	(55)	(22)	-	(19)	-	(4,764)
Impairments	-	-	-	-	(561)	-	-	(561)
Transfers	-	2,768	-	2,814	(86)	-	(5,496)	-
Reclassifications	(315)	(1,226)	-	-	-	-	-	(1,541)
Revaluations	304	4,394	22	33	320	102	-	5,175
<b>As at 31 March 2016</b>	<b>5,329</b>	<b>83,606</b>	<b>13,457</b>	<b>34,291</b>	<b>22,207</b>	<b>5,419</b>	<b>3,430</b>	<b>167,739</b>
<b>Depreciation</b>								
As at 1 April 2015	-	37,470	9,692	20,440	11,522	3,241	-	82,365
Charge in year	-	2,620	656	1,907	1,823	259	-	7,265
Disposals	-	(4,251)	(55)	(22)	-	(19)	-	(4,347)
Impairments	-	-	-	-	(219)	-	-	(219)
Reclassifications	-	(516)	-	-	-	-	-	(516)
Revaluations	-	1,941	18	22	198	66	-	2,245
<b>As at 31 March 2016</b>	<b>-</b>	<b>37,264</b>	<b>10,311</b>	<b>22,347</b>	<b>13,324</b>	<b>3,547</b>	<b>-</b>	<b>86,793</b>
<b>Net Book Value</b>								
As at 1 April 2015	<b>5,447</b>	<b>42,625</b>	<b>3,015</b>	<b>9,704</b>	<b>8,978</b>	<b>1,747</b>	<b>6,985</b>	<b>78,501</b>
As at 31 March 2016	<b>5,329</b>	<b>46,342</b>	<b>3,146</b>	<b>11,944</b>	<b>8,883</b>	<b>1,872</b>	<b>3,430</b>	<b>80,946</b>
Asset Financing								
Owned	<b>5,329</b>	<b>44,418</b>	<b>3,146</b>	<b>11,944</b>	<b>8,883</b>	<b>1,872</b>	<b>3,430</b>	<b>79,022</b>
Finance Leased	-	<b>1,924</b>	-	-	-	-	-	<b>1,924</b>
Net Book Value								
As at 31 March 2016	<b>5,329</b>	<b>46,342</b>	<b>3,146</b>	<b>11,944</b>	<b>8,883</b>	<b>1,872</b>	<b>3,430</b>	<b>80,946</b>

## 6. Intangible assets

2016-17	Software Licences	Software	Under Development	Total
	£000	£000	£000	£000
<b>Cost</b>				
As at 1 April 2016	13,060	5,360	445	18,865
Additions	-	2,518	5,091	7,609
Disposal	(5,676)	(3,986)	-	(9,662)
Transfers	-	50	-	50
Reclassification	238	445	(445)	238
Revaluations	125	74	-	199
<b>As at 31 March 2017</b>	<b>7,747</b>	<b>4,461</b>	<b>5,091</b>	<b>17,299</b>
<b>Amortisation</b>				
As at 1 April 2016	12,113	2,999	-	15,112
Charge for year	568	1,665	-	2,233
Disposals	(5,676)	(3,986)	-	(9,662)
Revaluations	117	12	-	129
<b>As at 31 March 2017</b>	<b>7,122</b>	<b>690</b>	<b>-</b>	<b>7,812</b>
Net book value at 1 April 2016	947	2,361	445	3,753
<b>Net book value at 31 March 2017</b>	<b>625</b>	<b>3,771</b>	<b>5,091</b>	<b>9,487</b>

During the year a review of asset registers led to the removal at nil value of many assets no longer in use following recent asset replacement programmes.

Software assets providing core services for the Consolidated European Reporting Systems, valued at £6,631,000, now fully amortised, and intellectual property under development valued at £3,900,000 are the most significant assets by value reported. No intangible assets are financed by lease arrangements.

2015-16	Software Licences	Software	Under Development	Total
	£000	£000	£000	£000
<b>Cost</b>				
As at 1 April 2015	12,980	2,980	2,663	18,623
Additions	33	127	93	253
Disposal	-	(44)	-	(44)
Transfers	21	2,290	(2,311)	-
Revaluations	26	7	-	33
<b>As at 31 March 2016</b>	<b>13,060</b>	<b>5,360</b>	<b>445</b>	<b>18,865</b>
<b>Amortisation</b>				
As at 1 April 2015	11,305	1,008	-	12,313
Charge for year	784	1,229	-	2,013
Disposals	-	(44)	-	(44)
Impairment	-	803	-	803
Revaluations	24	3	-	27
<b>As at 31 March 2016</b>	<b>12,113</b>	<b>2,999</b>	<b>-</b>	<b>15,112</b>
<b>Net book value at 1 April 2016</b>	<b>1,675</b>	<b>1,972</b>	<b>2,663</b>	<b>6,310</b>
<b>Net book value at 31 March 2017</b>	<b>947</b>	<b>2,361</b>	<b>445</b>	<b>3,753</b>

## 7. Impairments

	2016-17 £000	2015-16 £000
<b>Charged to the Statement of Comprehensive Net Expenditure:</b>		
<b><i>Property, plant and equipment</i></b>		
IT and Office Equipment	-	342
<b><i>Intangible assets</i></b>		
Software	-	803
<b><i>Assets held for sale</i></b>		
Impairment reversal	(6)	
<b>Total impairment costs</b>	<b>(6)</b>	<b>1,145</b>

## 8. Capital commitments

	31 March 2017 £000	31 March 2016 £000
Property, plant and equipment	2,257	1,065
Intangible assets	719	174
<b>Total</b>	<b>2,976</b>	<b>1,239</b>

## 9. Inventories

	31 March 2017 £000	31 March 2016 £000
<b><i>Stockpile goods</i></b>		
Balance at 1 April	3,810	3,743
Net gain/(loss) on revaluation	358	67
<b>Balance at 31 March</b>	<b>4,168</b>	<b>3,810</b>

The Agency maintains stocks of dispersants at a minimum capability level for use in major pollution incidents. Any revaluation gains arising from annual revaluation are taken to a revaluation reserve.

## 10. Assets classified as held for sale

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	1,140	115
Reclassification from property, plant and equipment	-	1,025
Impairment reversal	6	
Transfers out	(1,146)	-
<b>Balance at 31 March</b>	<b>-</b>	<b>1,140</b>

Surplus properties made available for sale in earlier years have been reclassified as property assets as they are no longer immediately available for sale.

## 11. Trade receivables and other assets

	31 March 2017 £000	31 March 2016 £000
<b>Amounts falling due within one year</b>		
Trade receivables	1,678	1,774
VAT receivables	817	812
Other receivables	369	369
Prepayments	3,337	3,210
Accrued income	1,046	2,323
<b>Total current</b>	<b>7,247</b>	<b>8,488</b>
<b>Amounts falling due after more than one year</b>		
Other receivables	54	61
<b>Total non-current</b>	<b>54</b>	<b>61</b>
<b>Total current and non-current</b>	<b>7,301</b>	<b>8,549</b>

## 12. Cash and cash equivalents

	2016-17 £000	2015-16 £000
Balance at 1 April	1,286	1,174
Net change in cash balances	2,786	112
<b>Balance at 31 March</b>	<b>4,072</b>	<b>1,286</b>

The following balances were held at:

	31 March 2017 £000	31 March 2016 £000
Office of HM Paymaster General / RBS / Citi (GBS)	4,072	1,286
<b>Total balances at 31 March</b>	<b>4,072</b>	<b>1,286</b>

## 13. Trade payables and other liabilities

	31 March 2017 £000	31 March 2016 £000
<b>Amounts falling due within one year</b>		
Other taxation & social security	1,189	1,168
Trade payables	2,292	111
Other payables	1,770	679
Accruals	38,248	40,877
Deferred income	3,894	4,311
Finance lease obligations	157	150
	<b>47,550</b>	<b>47,296</b>
<b>Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:</b>		
Consolidated fund overfunding	3,445	670
Consolidated fund extra receipts	619	608
	<b>4,064</b>	<b>1,278</b>
<b>Total current</b>	<b>51,614</b>	<b>48,574</b>
<b>Amounts falling due after more than one year</b>		
Finance lease obligations	374	531
<b>Total non-current</b>	<b>374</b>	<b>531</b>
<b>Total current and non-current</b>	<b>51,988</b>	<b>49,105</b>

## 14. Provisions for liabilities and charges

	Early departure costs £000	Leasehold dilapidations £000	Other £000	Total £000
As at 1 April 2016	987	1,828	711	3,526
Provided in the year	-	261	44	305
Not required written back	(578)	(38)	-	(616)
Utilised during year	(215)	-	-	(215)
Unwinding of discount	-	(15)	-	(15)
<b>Balance at 31 March 2017</b>	<b>194</b>	<b>2,036</b>	<b>755</b>	<b>2,985</b>
Current liability	78	433	755	1,266
Non-current liability	116	1,603	-	1,719
<b>Balance at 31 March 2017</b>	<b>194</b>	<b>2,036</b>	<b>755</b>	<b>2,985</b>

Analysis of expected timing of discounted cash flows:

	Early departure costs £000	Leasehold dilapidations £000	Other £000	Total £000
Within 1 year	78	433	755	1,266
2-5 years	116	542	-	658
6-10 years	-	120	-	120
Over 10 years	-	941	-	941
<b>Balance at 31 March 2017</b>	<b>194</b>	<b>2,036</b>	<b>755</b>	<b>2,985</b>

Future estimated costs have been discounted, where the effect of discounting is significant, at rates announced by HM Treasury. Leasehold dilapidations cash flows over 10 years include £606,000 expected to be called within 50 years, £320,000 after more than 50 years and £15,000 after more than 75 years.

### 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.

Additional provisions for the cost of exit packages expected to be paid under the Agency's modernisation and transformation programmes have now all been paid or released.

### Leasehold dilapidations

The provision for leasehold dilapidations represents the estimated expenditure required to return leasehold rental properties to their original condition if this is a requirement of the lease. The estimates are subject to uncertainty regarding timing and the extent of works required.

### Other

Other provisions have been made against a variety of claims by third parties.

## 15. Commitments under leases

### 15.1 Operating leases

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

	31 March 2017	31 March 2016
	£000	£000
<b>Obligations under operating leases for the following periods comprise:</b>		
<b>SAR helicopter contracts</b>		
Not later than one year	55,532	53,595
Later than one year and not later than five years	227,213	225,800
Later than five years	154,982	211,927
<b>Total</b>	<b>437,727</b>	<b>491,322</b>
<b>Land</b>		
Not later than one year	39	37
Later than one year and not later than five years	56	60
Later than five years	456	447
<b>Total</b>	<b>551</b>	<b>544</b>
<b>Buildings</b>		
Not later than one year	1,124	993
Later than one year and not later than five years	2,599	2,445
Later than five years	5,413	5,496
<b>Total</b>	<b>9,136</b>	<b>8,934</b>
<b>Total obligations</b>	<b>447,414</b>	<b>500,800</b>
<b>Total commitments under leases</b>		
Not later than one year	56,695	54,625
Later than one year and not later than five years	229,868	228,305
Later than five years	160,851	217,870
<b>Total</b>	<b>447,414</b>	<b>500,800</b>

### SAR helicopter contracts

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. Further details of these arrangements are disclosed at 2. Operating Expenditure.

## 15.2 Finance leases

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

	31 March 2017	31 March 2016
	£000	£000
<b>Obligations under finance leases for the following periods comprise:</b>		
<b>Buildings</b>		
Not later than one year	182	182
Later than one year and not later than five years	410	592
Later than five years	-	-
<b>Total</b>	<b>592</b>	<b>774</b>
Less future interest payments	(61)	(93)
<b>Present value of lease obligations</b>	<b>531</b>	<b>681</b>
Present value of lease payments		
Payable within one year	157	150
Payable later than one year and not later than five years	374	531
Payable later than five years	-	-
<b>Present value of minimum lease payments</b>	<b>531</b>	<b>681</b>

Finance lease charges amounting to £31,760 (2015-16: £37,829) are included in the Statement of Comprehensive Net Expenditure.

## 16. Contingent assets

The Agency seeks to recover costs from counter pollution incidents. 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 2016-17, the MCA recovered costs of £243,000 from claims made against the owners of MV Sea Breeze and other vessels (2015-16: £ 642,000).

## 17. Contingent liabilities

The agency has legal claims and challenges made against it from time to time in carrying out its duties as a regulator. The total of such claims at 31 March 2017 has been estimated to be £1,500,000 (2015-16: £1,500,000). The likelihood of any liability arising is deemed possible but not likely and any such claims will be defended against vigorously.

## 18. Events after the reporting period

There have been no other 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 accounts are certified by the Comptroller and Auditor General.

## **19. 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.

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

## **20. 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.



# Maritime & Coastguard Agency

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ISBN 978-1-4741-4553-4



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