



Marine  
Management  
Organisation

Annual Report and Accounts  
1 April 2016 to 31 March 2017

# **Marine Management Organisation**

## **Annual Report and Accounts for the financial year ended 31 March 2017**

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More information on our work can be found on our website at <https://www.gov.uk/government/organisations/marine-management-organisation>.



# 1. Performance Report

# 1.1 Overview

## 1.1.1 Chair and Chief Executive Officer's Statement

We are delighted to report that this year the Marine Management Organisation (MMO) has continued in its role as Government's experts in marine management, creating opportunity for sustainable growth and protecting our distinct and complex marine environment.

This year we started the complex task of preparing to be ready for Britain leaving the European Union (EU). The scope and detail of this work are still emerging, but will be pivotal in shaping the future of fisheries and marine management.

In marine planning we achieved a number of milestones. We started marine planning in the North-East, North-West, South-East and South-West marine plan areas. We published the draft South Marine Plan for public consultation which attracted responses from over 80 different organisations. We also developed a new digital format for marine plans which, supported by our Marine Information System, will make them more accessible and easier to use.

In marine licensing we licensed activities that have contributed around £1.3 billion of growth to the marine economy. We made significant progress in our Licensing Improvement Project which will make our processes and systems as efficient as possible. As part of this we are introducing self-service licences and other enhancements, which are helping to deliver savings in excess of £125,000 to business each year. We also met our target of successfully determining 90 per cent of licence applications within 13 weeks.

We continued to play a pivotal role in the Government's commitment to maintaining a network of well-managed, ecologically coherent marine protected areas in English waters. Working with our partners across Defra, we provided advice and expertise to ensure that fishing and other activities in designated sites are managed in a sustainable way. This work did not stop at English waters, as we began a four-year programme with the Centre for Environment, Fisheries and Aquaculture Science (Cefas) to support the UK Overseas Territories to develop, implement and enforce marine protection strategies for over four million square kilometres of sea.

Working closely with the fishing industry we continued to enable the sustainable management of fish stocks and provide support around the introduction of landing obligations. We successfully managed fishing quota allocations to maintain fishing opportunities throughout the year. We gained an additional £1.2 million of quota through swaps and enabled landings of £26.2 million by the inshore fleet, a 19 per cent increase from 2015. Our work also meant there were no closures of commercially important stocks and over 90 per cent uptake in 16 out of 20 key stocks.

We continued to support the fisheries and aquaculture sectors to access funding through the European Maritime and Fisheries Fund (EMFF). This year we approved £14.8 million of funding for 247 projects, which have a total value of £27.2 million to the industry. A further £3.6 million of EMFF funding was allocated to provide community-led local funding through six Fisheries Local Action Groups.

Our achievements were possible because of the dedicated, professional and highly-skilled people who work for and with the MMO. We will continue to improve our services, making sure that the customer stays the focus of our delivery.

Next year will bring further change and challenges as we identify and deliver efficiencies and support Government as they negotiate the terms of leaving the EU. We have every confidence in the commitment and professionalism of the MMO to meet these with enthusiasm and innovation.



**Sir William Callaghan**  
Chair  
Marine Management Organisation



**John Tuckett**  
Chief Executive Officer and Accounting  
Officer  
Marine Management Organisation

## 1.1.2 Purpose and activities of the Organisation

### About the Marine Management Organisation (MMO)

The MMO is an Executive Non-Departmental Public Body (NDPB) established in April 2010 and given powers under the Marine and Coastal Access Act 2009. It is responsible for regulating activities in the seas around England, working at arms length from Government departments, and is accountable to Ministers. It is responsible to the Secretary of State for the Environment, Food and Rural Affairs and a member of the Department for Environment, Food and Rural Affairs (Defra) group.

The MMO is governed by a Chair and Board, appointed by the Secretary of State for Environment, Food and Rural Affairs. The MMO Board are responsible for developing the overall vision, strategy and policy, as well as the governance of the organisation. Supporting the Board is an Executive Group, led by a Chief Executive Officer.

The MMO fulfils its statutory duties by contributing to the broader Defra strategy; which includes a shared vision to create a great place for living; supported by a set of strategic objectives for the period up to 2020. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan.

The Action Plan for 2016-17 sets how the MMO will contribute to the achievements of the Defra strategic objectives, delivering the MMO strategic purpose of enabling sustainable growth in the marine area and supporting coastal communities, whilst protecting and enhancing the marine environment for current and future generations.

### The MMO's role

The MMO is tasked with delivering the Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas. Its work includes:

Marine planning
Licensing activities in the marine area
Fisheries management
Regulation of marine industries
Protecting and enhancing the marine environment
Making European funding available to the fisheries and aquaculture sector
Providing UK statistical information to support data analysis
Preventing worldwide illegal, unregulated and unreported fishing
Promoting biodiversity

### How the MMO fulfils its role

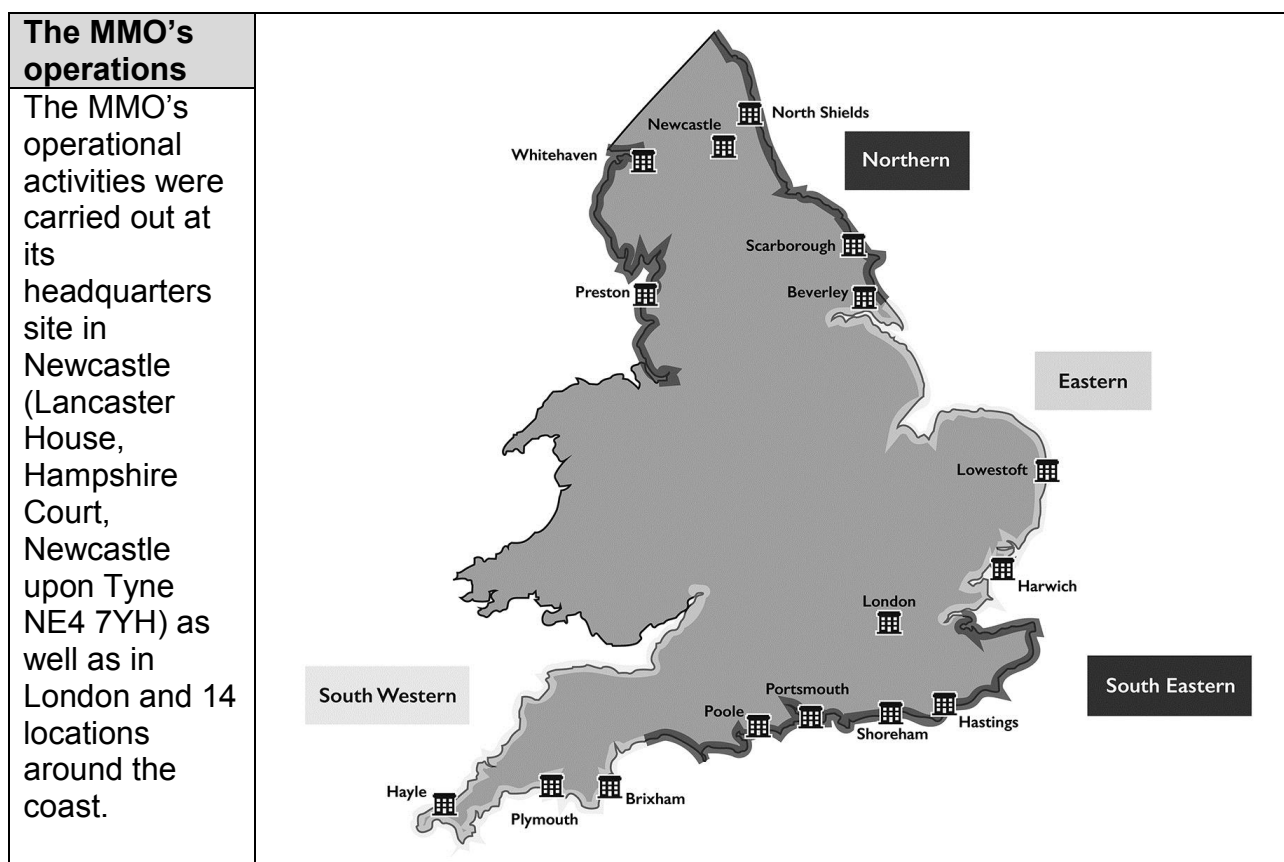
The Marine Policy Statement (2011) provides a framework for the MMO's activities in the marine area. This key piece of national policy sits alongside important European legislation, such as the Marine Strategy Framework Directive, the Water Framework Directive, the Common Fisheries Policy, the Habitats Directive and Wild Birds Directive, the Environmental Impact Assessment Directive and the Renewable Energy Directive. National policy statements for ports, energy, renewable energy, gas supply infrastructure and oil pipelines, electricity networks infrastructure and nuclear power are all taken into account when decisions are made.



The MMO aims to work in a collaborative, open and transparent manner, meeting its legislative and service delivery obligations, in accordance with the principles of better regulation and following the Government’s statutory guidance on sustainable development.

The MMO delivers a range of functions on behalf of Defra, the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Transport (DfT). The Department for Communities and Local Government (DCLG) also has a close interest in the MMO’s work. Defra is the MMO’s lead sponsor and provides funding through Grant in Aid.

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



### The MMO’s people

At 31 March 2017, the MMO employed 281.9 (full time equivalent) people (2015/16: 278.4) primarily delivering the front line operations of implementing plan-led marine management, licensing marine works, administering European funding, fisheries enforcement and managing UK fishing fleet capacity and quotas.

### The MMO’s customers

The MMO serves a wide range of customers from a variety of sectors including the fishing industry, licence applicants, those seeking funding from the European Maritime and Fisheries Fund (EMFF) and coastal communities, amongst others. It is committed to being a transparent and accountable organisation and is dedicated to providing a

high level of customer satisfaction, as well as using customer feedback to improve its services.

### 1.1.3 Key issues and risks

The MMO operates a structured risk and control framework. This framework enables the MMO to identify and manage key strategic, corporate and operational risks and issues. These risks and issues are typically opportunities or threats and concerned with organisational success, vitality and viability, along with maintaining appropriate levels of service. During 2016/17, the MMO identified three risks as having the potential to affect its business success, credibility and relationships with partners and these are set out in detail below:

The loss of suitably qualified and experienced staff impacts upon resources and organisational resilience
Unplanned budget reductions, a dependency on structural funds in the context of EU exit and the failure to achieve an expected income profile through fees and charging leads to increasing financial pressures
Failure to implement the Control Regulation sufficiently in respect of under 10 metre (U10m) vessels landings in England leads to infraction

Risk response plans are in place to manage all of these risks, with responsible Directors as named leads. The MMO routinely shares its key risks with Defra to ensure oversight and a greater breadth of understanding of interrelated risks that might affect the Defra group. See page 34 (Governance Statement) for more information.

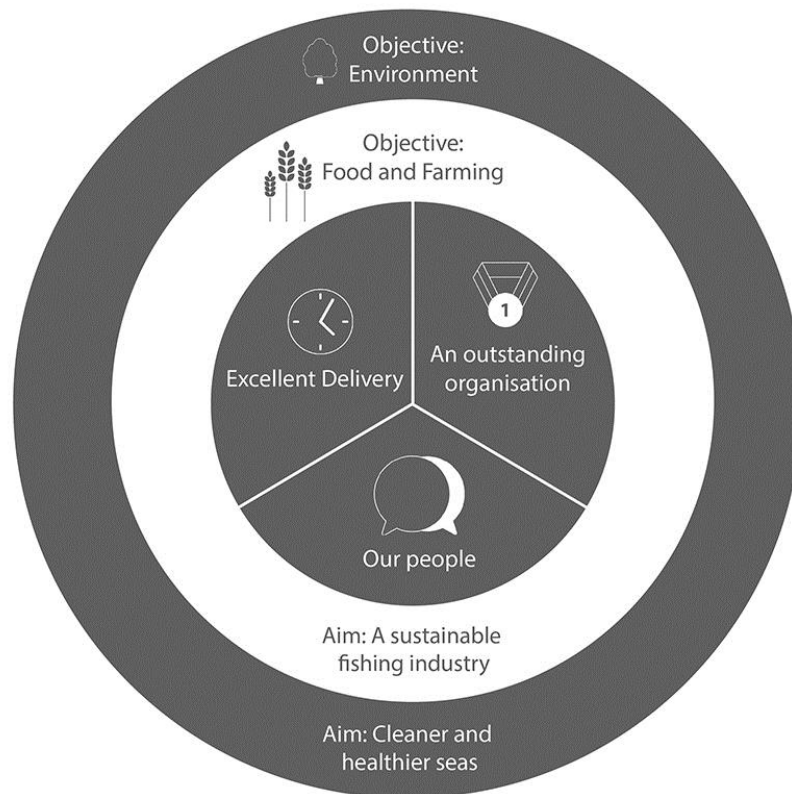
### 1.1.4 Going concern statement

The MMO's accounts have been prepared on a going concern basis. In common with other Non-Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of Grant in Aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2017/18 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the Governments' commitment to increase transparency and accountability of public services, Defra completed its triennial review of the MMO in 2013 and confirmed that the MMO's functions are necessary and should continue to be delivered by a NDPB, and that the MMO is best placed to carry out these functions.

### 1.1.5 Performance summary

The MMO's contribution to the Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas is set out in an Action Plan for 2016/17. This Action Plan sets out its strategic objectives that focus on Environment; and Food and Farming. The MMO supports the delivery of these two 'impact' objectives by contributing to the delivery of relevant aims along with three 'delivery' and 'organisational' strategic objectives: Excellent Delivery; An Outstanding Organisation; and Our People. The MMO's strategic objectives and aims are modelled in figure one overleaf:

**Figure one – Our strategic objectives and aims**



Detailed analysis of the MMO's performance in supporting the delivery of the strategic objectives is provided in the following section (1.2 Performance Analysis).

### **Ensuring delivery of the Action Plan for 2016/17**

For the reporting year from 1 April 2016 to 31 March 2017, the MMO set out a range of measures to track delivery of our Action Plan. These measures are categorised as key performance indicators and key steps to track and measure its performance in supporting the delivery of the strategic objectives. During 2016/17, the delivery of these measures was regularly assessed by the MMO's Performance and Risk Management Board (PRMB) which holds to account the MMO's Executive Group for delivery of the Action Plan. Each meeting of the MMO's Board would also be provided with detailed information on the organisation's performance to ensure that the Board were adequately enabled to monitor the performance, finances, general conduct and propriety of affairs of the MMO to ensure that it is an economic, efficient and effective organisation. It also reports high level progress through Defra's Board.

# 1.2 Performance Analysis

## 1.2.1 Detailed Performance Analysis

**Objective 1: Environment - A cleaner, healthier environment, benefiting people and the economy**  
**Aim: Cleaner and healthier seas**

### Marine Planning

The MMO has continued to establish a system of plan-led marine management to enable sustainable development in England's seas. Following the adoption of the East Inshore and Offshore Marine Plans in 2014/15, the first for England, it laid in Parliament a three-year report on their effectiveness in March 2017. Its approach to evaluating the impact of plans has been cited as best practice at an international level.

This year, the MMO has continued to prepare the South marine plan, working with a coastal population three times greater than that for preparing the East Marine Plans. This has required increased stakeholder engagement and a larger public consultation exercise, which took place between November 2016 and January 2017. Having taken into account consultation feedback, it aims to submit to Government in June 2017 for adoption.

The MMO has continued to progress marine plans for the remaining England marine plan areas by 2021, by preparing simultaneously marine plans for the North-West, North-East, South-West and South-East areas. It has in place a Marine Planning Programme Board with representatives from cross-Government to support plan development. In February 2017, it shared the first iteration of draft plans with stakeholders, using feedback to work through issues and solutions in preparing the next iteration.

The MMO has continued to make progress towards digitalising all marine

plans. Digital marine plans will build upon its Marine Information System (MIS) to be easier to use and more accessible for decision makers, licensing applicants and anyone with an interest in England's marine area. It has engaged with internal and external users to identify improvements to its MIS so as to improve the user experience and create efficiencies in other areas of its work.

### Marine Licensing

Since 2010, activities licensed by the MMO have contributed at least £7 billion of growth to the marine economy. This year, it has successfully determined 90 per cent of marine licence applications within 13 weeks. This reflects its continuing work to effectively manage case work by a programme of ongoing service improvements. Project complexity continues to fluctuate with low complexity 'Band 1' projects increasing by almost 25 per cent since 2015/16, whilst the proportion of high complexity 'Band 3' projects determined represented 29 per cent of the total licences determined this year (2015/16: 35 per cent). The proportion of medium to high complexity 'Band 2' projects has remained broadly constant at 38 per cent (2015/16: 40 per cent).

The MMO has continued to invest in both service and efficiency improvements to the marine licensing service. It has successfully introduced monthly billing, making it easier for its customers to account for their projects on a timely basis. It has introduced a new digital service to make it easier for its customers

to provide monitoring information once their licence has been issued. It has introduced a new way of working with the Aggregates Industry, through the development of Regional Seabed Monitoring Plans, which reduces costs and duplication of effort and improves the coordination of monitoring results. Figure two (page 14) sets out our licence determination performance.

As part of the MMO's ongoing commitment to improve and redesign its licensing service, it has in place a Licensing Improvement Project, which is supported by an industry customer group. This work reflects the principles of Better Regulation, allowing it to better understand the customer experience so that its service is as efficient as possible and maximises value for money. This has included the implementation of fast-track licences and changes to enable applicants to apply for multiple licences and to cover a longer time period, enabling better business continuity and certainty for marine activities by greatly reducing the time taken to apply for licences and the number they need to apply for, creating savings to business. This work is delivering in excess of £125,000 of savings to business each year.

### Marine Conservation

The MMO has contributed to the Government's target of having a well-managed network of Marine Protected Areas (MPAs) by working to ensure the protection of our important marine habitats and species. It has achieved this through balancing the assessment, management and control of fishing and other activities within MPAs. Where it is the lead regulator for fishing, this includes assessing and managing the impacts of fishing in MPAs, including consulting on a byelaw to protect sensitive areas of sandbank in the Thames Estuary. It is also providing expertise to Defra on fisheries activities and potential management measures for offshore MPAs. It has effectively monitored activities in MPAs to ensure

continued protection and is working with Defra and the Inshore Fisheries and Conservation Authorities (IFCAs) to implement new technology for improved monitoring. It has supported Defra to identify and designate future MPAs, providing expert advice on activities and potential management implications.

To support the reduction of environmental damage from marine accidents, the MMO has taken part in several national and local exercises to test and refine its preparedness for emergency oil/chemical spill incidents at sea. It has ensured compliance with wildlife legislation so that activities do not threaten the conservation status of protected marine species and has acted as policy and legal advisors to the IFCAs on their implementation of byelaws for the effective management of fishing in inshore waters, including in MPAs.

In 2016, the UK Government pledged funding from the Conflict Stability and Security Fund (CSSF) over four years to help protect over four million square kilometres of ocean in UK Overseas Territories (UKOTs). The Blue Belt Programme is a four year programme (2016 to 2020), delivered by the MMO and the Centre for Environment, Fisheries and Aquaculture Science (Cefas) with UKOTs on behalf of the Foreign and Commonwealth Office (FCO) and Defra. The Programme will help provide long term protection of the marine environment across the UKOTs, reducing impacts or risk to marine species, habitats and ecosystems from unsustainable human activities. Since September 2016, in conjunction with Cefas, the MMO has established the programme, including an assessment of the work required and the support requested by OTs.

**Figure two** – Licensing decision making analysis for all bands

		Band 1	Band 2	Band 3	Rejected	Total
<b>2014/15</b>	<b>Determined within 13 weeks</b>	122	158	81	N/A	<b>361</b>
	<b>Total Determined</b>	123	180	123	N/A	<b>426</b>
	<b>% Determined within 13 weeks</b>	99%	88%	66%	N/A	<b>85%</b>
<b>2015/16</b>	<b>Determined within 13 weeks</b>	94	141	91	14	<b>340</b>
	<b>Total Determined</b>	94	174	152	14	<b>434</b>
	<b>% Determined within 13 weeks</b>	100%	81%	60%	100%	<b>78%</b>
<b>2016/17</b>	<b>Determined within 13 weeks</b>	116	152	89	20	<b>377</b>
	<b>Total Determined</b>	116	159	122	20	<b>417</b>
	<b>% Determined within 13 weeks</b>	100%	96%	73%	100%	<b>90%</b>

**Table one** – Band overview

<b>Band 1</b>	Low complexity project applications e.g. fast track licences
<b>Band 2</b>	Medium to high complexity routine project applications of <£1 million development costs, that require more detailed environmental advice and consultation
<b>Band 3</b>	High complexity project applications of >£1 million development costs, that require detailed assessments including Environmental Impact Assessments (EIAs) and Habitat Regulations Assessments (HRAs)

## Objective 2: Food and Farming - A world-leading food and farming industry

### Aim: A sustainable fisheries industry

#### Fisheries Management

The MMO manages fishing opportunities around England to ensure the sustainability of stocks, achieving its key objective of maintaining fishing opportunities through 2016. Through consultation with the fishing industry and by working in partnership with industry stakeholders, including Producer Organisations (POs), it was able to maximise catches within quota and effort limits.

16 out of 20 key UK quota stocks achieved over 90 per cent uptake, with the remaining four reaching over 80 per cent. A reason for not achieving over 90 per cent is that fishers decide which stocks to target to maximise their income. Also, multiple stocks are caught together when fishing meaning quota for some stocks runs low before others. The MMO works in collaboration with industry to maximise quota fishing opportunities, including carrying out quota exchanges with other EU member states for key species such as cod, haddock and sole.

The MMO manages quota stocks on behalf of inshore fishers to balance the economic potential with sustainable limits. Its expertise in quota trading and stakeholder liaison, to benefit from industry knowledge, allows for catch limits that maximise quota availability to the fleet. In 2016, it enabled inshore fleet landings of £26.2 million pounds, an increase of 19 per cent (£4.2m) compared to 2015. Its timely delivery of several hundred fishing vessel licensing transactions has helped ensure that the fishing industry can trade and replace vessels, supporting changing needs.

The MMO has managed effort schemes which are initiatives designed to limit the catching capacity and time at sea of certain fleet elements, so that the sustainability of different fish stocks is maintained. Fishing effort uptake in the various management schemes were all within limits set for both the English and UK fleet and it relaxed restrictions in-year to reflect activity and uptake levels. It has supported Defra in its work at a European Union level that led to the suspension of the Cod Recovery Regime to reflect improving stocks, removing a significant burden on the UK fishing fleet welcomed by the fishing industry.

From January 2017, the demersal landing obligation ('discard ban') entered its second phase. The MMO has worked closely with the fishing industry to ensure the new rules are understood through face to face engagement and the publication of comprehensive guidance, whilst also engaging with Defra and industry on landing obligation policy and options for 2018. It has also collaborated with the POs to implement the obligation and provided expertise at international workshops to shape future domestic policy that reflects its experience and expertise.

The MMO has continued to monitor compliance with regulations underpinning the Common Fisheries Policy (CFP) in a proportionate manner, which includes primarily educating to improve compliance and only taking investigative steps and prosecutions for the most serious offences. It is working closely with Defra, the Devolved Administrations, and the European Commission on modernising systems to facilitate the control and compliance with regulations underpinning the CFP.

## European Funding

This year, the European Maritime and Fisheries Fund (EMFF) programme in England has approved 247 projects, committing £14.8 million in grant support with a total value of £27.2 million for the fisheries and aquaculture sectors. The EMFF scheme will look to realise economic benefits such as maintaining jobs in these sectors, helping businesses to grow their turnover and ensuring the long term sustainability and viability of operators. It has allocated a further £3.6

million of EMFF support to six Fisheries Local Action Groups to take forward their local development strategies to benefit and develop fisheries, coastal communities and the wider supply chain infrastructure. Furthermore, it has successfully integrated new elements of the EMFF scheme related to the collection of fisheries data along with control and enforcement activities applicable to the reformed CFP. Its plans for making effective use of control funding will be further developed and implemented during 2017/18.



## Objective 5: Excellent Delivery

Excellent delivery, on time and to budget and with outstanding value for money

## Objective 6: An Outstanding Organisation

An organisation continually striving to be the best, focused on outcomes and constantly challenging itself

## Objective 7: Our People

An inclusive, professional workforce where leaders recognise the contribution of people, and build capability to deliver better outcomes

The MMO wants to be recognised as a highly effective public body and this principle informs its work and is an essential part of achieving its objectives. Key to this is ensuring that its people are skilled and committed; engaging with, listening to and understanding the needs of its customers. This year, its people survey results were better on every set of indicators, including Organisational Objectives and Purpose, Learning and Development, Inclusion and Fair Treatment, Pay and Benefits and Leadership and Managing Change. In addition, more staff felt positively engaged with the MMO.

To build further upon this, the MMO has readied its Leadership Development Programme for roll out in 2017/18 and has continued to deliver a number of activities designed to support its people and to strengthen capability. This includes the development of a Dignity at Work Policy and supporting network to re-inforce its commitment to the right to be treated with dignity and respect at work, not to be subject to any form of unacceptable behaviour (verbal or physical), including discrimination, harassment or bullying. This is supplemented by its new Equality, Diversity and Inclusion Strategy. It has also collaborated with the Environment Agency's coaching network to train some of its people to help coach others within the organisation.

The MMO has published a new operations manual which covers Health, Safety and Wellbeing in the highest risk area of the business. This year, reported accidents were reduced by 12 per cent and sickness absence was reduced by 34 per cent (Average Working Days Lost was 3.5 (2015/16: 5.3)). In addition, it has maintained its commitment to wellbeing matters through initiatives such as an Employee Assistance provider and it has recruited and trained a refreshed network of Mental Health First Aiders to form a Mental Health Support Team.

The MMO has improved 'value for money' in a number of delivery areas through improved cost recovery and increased scrutiny on key commercial arrangements, supported by a spending approval gateway for all procurements over £25,000. This has enabled delivery of its objectives despite a year on year reduction in our budget allocation. It has continued to apply strong financial management and scrutiny during 2016/17, achieving net Resource Departmental Expenditure Limit (RDEL) expenditure (excluding depreciation) of £15 million, which is within 0.7 per cent of the RDEL budget allocation. More detailed information on its financial performance is provided at pages 20-21.

The MMO is committed to putting its customers at the centre of its business and ensuring that its services are led by the people that use them. To achieve this,

it has this year sought the views of customers and stakeholders through various channels including satisfaction surveys, stakeholder focus groups and service improvement workshops. Feedback received indicates that its stakeholders welcome being engaged in shaping its services, industry appreciate being involved in decisions that affect them and, as in previous years, the highest scoring area of its customer and stakeholder survey was the attitude, politeness and customer service skills of its people, at a rating of 71 per cent.

The MMO is committed to reducing regulatory burden on businesses and have completed and published Business Impact Target assessments for new regulatory measures coming into force. This has ensured that it is actively considering the economic impact of regulation on its customers in developing its services and implementing improvements, such as its Licensing Improvement Project.

The MMO has collaborated with its delivery partners, the Inshore Fisheries and Conservation Authorities (IFCAs), to ensure closer cooperation and to remove duplication in some of our shared operational areas. Joint effort in this area has established consistent application of nationally recognised intelligence handling processes, enabling the MMO and the IFCAs to share intelligence efficiently to support risk-based, intelligence-led operations. The MMO and the IFCAs have delivered joint staff training courses and where possible, exploited opportunities to share office accommodation and collaborated in ICT developments to reduce cost and resource commitment whilst providing the same, and in some cases, an enhanced, provision to users of its services. It is also establishing a Joint Maritime Operations Coordination Centre for those engaged with maritime security to help identify and implement opportunities for combined at sea operations that maximise assets and

promote closer operational collaboration, leading to reduced regulatory disruption on customers.

Throughout the year, the MMO has continued to engage strategically with external partners to ensure that its decisions are supported by a robust evidence base. This work has been facilitated by the publication of Part 2 of its Evidence Strategy, which built upon Part 1 by setting out our specific evidence requirements and how they will be met, including Evidence Delivery Plans for its highest priority evidence requirements. This work ensures its commitment to working with other interested parties to ensure that relevant evidence is exchanged within the Defra group, the external research community and the MMO. Further, the establishment of two Knowledge Exchange Fellowships with the Natural Environment Research Council helps ensure that the MMO's work is informed by the latest academic research. It has also worked with partners to establish research programmes and studentships to increase the evidence base available whilst also adding real-world impact to those working in the academic community.

The MMO has maintained its strong record of publishing data and its evidence base, by releasing 34 key new marine datasets in addition to the 117 released in support of a Defra Secretary of State commitment to make data public and open. As part of the broader Defra Digital Strategy, it has developed an Information and Communications Technology (ICT) plan for 2016-20 to allow it to improve its operational effectiveness and efficiency.

The MMO has administered the final phase of implementation of its Integrated Management System, achieving accreditation in spring 2017. This achievement is demonstrative of its commitment to delivering a high quality service and assurance to its customers and stakeholders that it operates in an

environmentally sustainable and efficient manner by adopting internationally recognised best practice on business processes, leadership and management.

Throughout this year, the MMO has worked with its counterparts in the fisheries administrations of Wales, Northern Ireland and the Isle of Man to develop a replacement web-portal. This system will support compliance with the Common Fisheries Policy and will allow the fishing industry to submit their statutory returns on vessel activity and fish sales, incorporating improvements to deal with feedback from the industry on the current portal, enhanced data access and improved user experience. A limited roll out will take place in April 2017 with full roll out planned for later in 2017/18.

## Financial Review

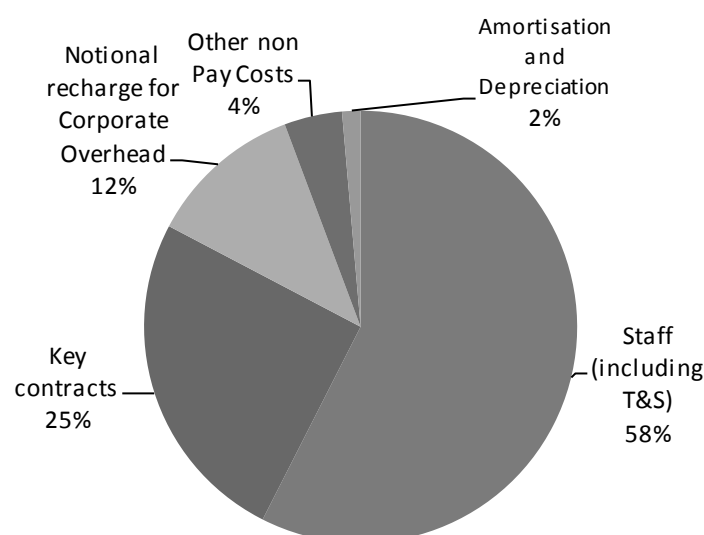
The Grant in Aid (GiA) budget allocation for 2016/17 of £15.5 million represents a reduction of 9 per cent from the previous year (2015/16: £17 million). This is in line with the MMO's commitment to deliver its obligations as part of Spending Review 2015 (SR15), of which 2016/17 is the first financial year.

The MMO has achieved these savings and efficiencies through:

- Improving cost recovery and maximising access to European funding streams to ensure it can make the best use of available funding;
- Reviewing key contracts and identifying opportunities to drive down cost whilst maintaining service delivery;
- Continued focus on improved governance, procurement and compliance information for all budget holders enabling all staff to support and deliver corporate objectives through better resource planning. This included additional scrutiny over expenditure through the spending gateway for all procurements over £25,000.
- Better regulation commitments to reform services through the Licensing Improvement Project.
- Investment in digitisation of services.

This has not only created capacity to deliver the reductions required but has also created opportunity for investment in the delivery of its frontline services. The recruitment of temporary and seconded staff resource to support delivery of the challenging budget savings in the final years of SR15 has also facilitated continued investment (supported by EC funding) in the refresh its fisheries systems infrastructure, prioritising those processes that manage fisheries data to reduce costs, reduce burdens on stakeholders, improving quality and accuracy.

The chart below shows how the MMO has allocated its gross resources by area of expenditure.



### Long term expenditure trends

Over the seven years since vesting, the MMO's annual GiA budget allocation has reduced from £32.0 million (2010/11) to £15.5 million (2016/17 including depreciation) with an obligation to achieve further challenging savings over the remaining three years

of SR15. The commitments made within the Spending Review will be achieved through changes to the MMO's operating model for both corporate services and operational delivery and will incrementally reduce the burden on GiA whilst ensuring a sustainable and targeted approach to delivery. In practice this means reforming how the MMO delivers its regulatory services and the underlying financial structure, this will place greater emphasis on reducing the regulatory burden, greater collaborative partnerships and cost recovery to achieve outcomes.

## 1.2.2 Sustainability Report

The MMO's environmental performance is assessed by measuring its contribution to the targets set out in the Greening Government Commitments (GGC). It has continued to work under the GGC framework during 2016/17 in line with other government departments and performance against these targets has been disclosed within this report.

Carbon emissions are categorised within three scopes as follows:

- **Scope one: Direct impacts** – For the MMO this relates to the emissions from consumption of fuel from vehicles on official travel which are controlled by the MMO and relates to our lease car fleet.
- **Scope two: Indirect Impacts** – This relates to the emissions from the consumption of gas and electricity through our estates.
- **Scope three:** This relates to the emissions from business travel undertaken by MMO staff.

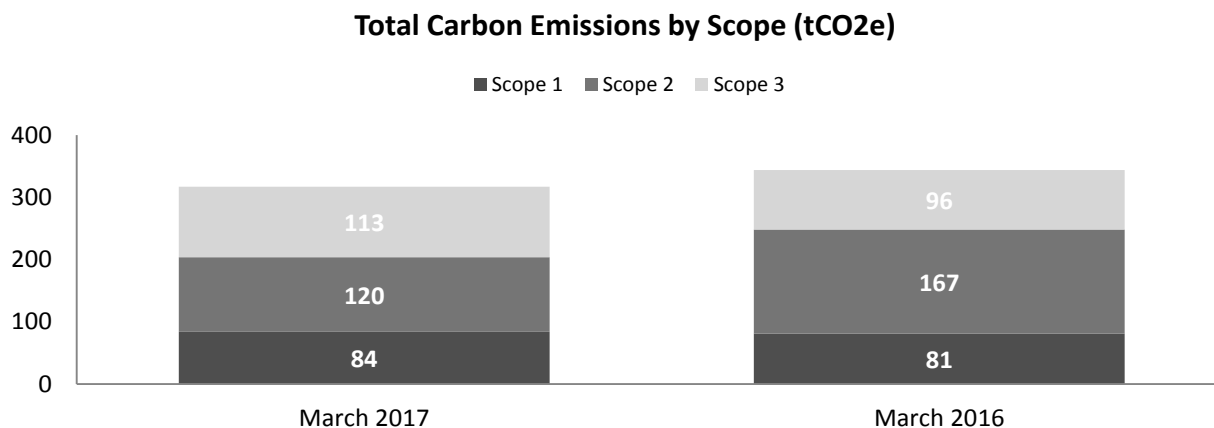
The table below shows a summary of the MMO's performance in 2016/17 compared to 2015/16:

MMO Greenhouse Gas Emissions		2016-17	2015-16 (restated)
<b>Non-financial indicators (tCO<sub>2</sub>e)</b>	<b>Total Gross Emissions for Scope 1,2 &amp; 3</b>	<b>317</b>	<b>344</b>
	Total Net Emissions for Scope 1,2 & 3 (i.e. less reductions e.g. green tariffs)	317	344
	Gross emissions from Scope 1 (Direct Impacts)	84	81
	Gross emissions from Scope 2 (Indirect Impacts)	120	167
	Gross emissions from Scope 3 (business travel)	113	96
<b>Related energy consumption (thousand KWh)</b>	Electricity	253	256
	Gas	223	244
<b>Financial Indicators (£'000)</b>	Expenditure on energy*	N/A	N/A
	CRC Licence Expenditure (2011 onwards)	0	0
	CRC Income for recycling payments	0	0
	Expenditure on accredited offsets - Woodland Trust Enterprise	0	0
	Expenditure on official business travel	463	446

At the time of preparing the final report for 2015/16 an estimate of consumption was used for the last quarter of the year due to lags in receiving actual information. Actual data is now available and 2015/16 figures have been restated resulting in a decrease of 12 tCO<sub>2</sub> for Scope 2 emissions. Similarly, an estimate of consumption for quarter four has been used for 2016/17 until final data is received.

\*Information relating to expenditure on energy is not available as estates functions are managed by Defra Network Corporate Services with MMO receiving only a notional recharge.

Total carbon emissions have decreased by 27 tCO<sub>2</sub>e compared to 2015/16 with an increase in transport related Scope 1 and Scope 3 emissions being more than offset by a reduction in buildings related Scope 2. The breakdown of emissions by scope is shown in the figure below:



The geographical spread of the business and its obligations to ensure its stakeholders are engaged in the matters which affect them continues to create pressure on emissions from our business travel shown in Scope 3. Scope 1 emissions have increased slightly reflecting our increased presence in delivering our local coastal duties. The reduction in Scope 2 emissions recognises ongoing progress in implementation of the Defra network estates strategy and wider alignment of the government property portfolio, which the MMO contributes to and continues to support.

Information relating to total waste and water consumption are shown in the table below:

<b>Waste for Head Office</b>		<b>2016-17</b>	<b>2015-16 (restated)</b>
<b>Non-financial indicators (t)</b>	Total Waste	23	20
	Non-hazardous landfill	4	5
	Non-hazardous reused/recycled	12	11
	Non-hazardous incinerated	7	4
<b>Finite Resource Consumption - Water</b>		<b>2016-17</b>	<b>2015-16 (restated)</b>
<b>Non-financial indicators (m<sup>3</sup>)</b>	Water Consumption	1,410	1,491
<b>Financial indicators (£'000)</b>	Water Supply Costs	N/A	N/A

## Performance against GGC Targets

GGC Target	Target	2016/17	Status
Reduce Greenhouse gas emissions by 25% from a 2009/10 baseline from the whole estate and business related transport	451 tCO <sub>2</sub> e	317 tCO <sub>2</sub> e	Achieved
Reduce the number of domestic flights by 20%	170 flights	250 flights	Not Achieved*
Reduce the amount of waste we generate by 25% from a 2009/10 baseline	47 tonnes	23 tonnes	Achieved
Reduce water consumption from a 2009/10 baseline and report office water use against best practice benchmarks	<1,873m <sup>3</sup>	1,410m <sup>3</sup>	Achieved
Report on office water use against best practice benchmark	N/A	N/A	Achieved (see below)

\* The total number of 250 domestic flights recorded in 2016/17 represents an 18% increase on the 2009/10 baseline. The challenge of operating across a wide geographical area, often in locations with poor mainland transport links is evident in these results and represents the challenge in balancing business need with travel impact. Greater use of technology and more coordinated meeting/travel arrangements have helped reduce reliance on domestic flights, however, due to the geographical spread of MMO activities this will continue to present a challenge.

### Office water use against best practice benchmark

Best practice benchmarks	Current performance against benchmarks
Sites with best performance (<4m <sup>3</sup> /FTE)	29%
Sites with Good performance (4-6m <sup>3</sup> /FTE)	29%
Sites with Poor performance (>6m <sup>3</sup> /FTE)	42%

### Sustainable Procurement

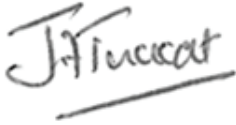
The MMO follows the procurement processes adopted by Defra and as such contributes to the promotion of sustainable procurement across government. Supplier sustainability consideration is a standard evaluation criterion in all tenders over £10,000 and where possible, contracts are awarded through MMO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

### Environmental Management System

The MMO has undertaken a phased implementation of the Integrated Management System with the view to gain ISO9001 and ISO14001 certificates from UKAS (United Kingdom Accreditation Service) for the organisational quality and environmental management processes. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, and implementing sound environmental practice. Implementation of the Integrated Management System has now been completed across all MMO business areas.



The Accounting Officer authorised this Performance Report on 11 July 2017.

A handwritten signature in black ink, appearing to read 'J Tuckett', with a horizontal line underneath.

**John Tuckett**  
Chief Executive Officer and Accounting Officer  
Marine Management Organisation



## 2. Accountability Report

# 2.1 Corporate Governance Report

## 2.1.1 Directors' Report

### Responsibility for the direction of the MMO

#### Non-Executive Board Members

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

At 31 March 2017, there were nine Non-Executive Board members in post, an increase from the seven members at 31 March 2016 due to the appointments of Anthony Delahunty and Terence Jagger. Robert James, Jayne Scott and Derek Langslow were re-appointed on 31 January 2017 for a further year and Nigel Reader for a further two years. The composition of the Board is as follows:

Non-Executive Board Member	Role	Appointment date	End date
Sir William Callaghan	Chair	01/05/2011	30/10/2017
Jayne Scott	Non-Executive Board Member	01/02/2010	31/01/2018
Derek Langslow	Non-Executive Board Member	01/02/2010	31/01/2018
Robert James	Non-Executive Board Member	01/02/2010	31/01/2018
Nigel Reader	Non-Executive Board Member	01/02/2010	31/01/2019
Lord Teverson	Non-Executive Board Member	18/02/2013	31/01/2019
Andrew Wells	Non-Executive Board Member	18/02/2013	31/01/2019
Anthony Delahunty	Non-Executive Board Member	01/02/2017	31/01/2020
Terence Jagger	Non-Executive Board Member	01/02/2017	31/01/2020

The Audit and Risk Assurance Committee members are Nigel Reader (Chair until 16 March 2017), Jayne Scott (Current Chair), Derek Langslow (until 16 March 2017), Terence Jagger and Lord Teverson.

The Remuneration Committee members are Jayne Scott (Chair until 27 January 2017), Andrew Wells (Current Chair), Anthony Delahunty and Robert James.

#### **Interests**

There are no significant interests held by any of the Non-Executive Board Members which may conflict with their responsibilities. A register of Non-Executive Board Members' interests is published on the MMO's website. Related party disclosures can be seen in note 14 to the Accounts.

#### **Executive Group**

The Chief Executive Officer and Directors have authority and responsibility for directing the activities of the MMO and the composition from 1 April 2016 was as follows:

<b>Executive Group Member</b>	<b>Most Current Role</b>	<b>Appointment date</b>	<b>End date</b>
John Tuckett	Chief Executive Officer	19/01/2015	19/01/2018
Steve Brooker	Chief Planning Officer	05/03/2013	-
Michelle Willis	Director of Finance and EU	18/02/2013	-
Phil Haslam	Director of Operations	29/02/2017	-
Trudi Wakelin	Director of Marine Licensing	06/02/2017	-
Andrew Wareing	Director of Business Development and Transformation	05/12/2016	-
Craig McGarvey	Director of Business Development and Transformation	08/06/2015	08/12/2016

### ***Interests***

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

### **Personal data related incidents**

There have been no incidents of data loss involving personal information over the reporting period that required formal reporting to the Information Commissioner's Office.

## **2.1.2 Statement of Accounting Officer's Responsibilities**

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

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

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

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

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

### **Disclosure of audit information to auditors**

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

Furthermore, I confirm that the annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## 2.1.3 Governance Statement

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

The MMO's Executive Group, which comprises five Directors, a Chief Scientific Advisor, and me, has a collective responsibility for the management of the MMO and its business, in line with the Minister's priorities and the business strategy set by the MMO Board.

### Oversight by the Department for Environment, Food and Rural Affairs

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

### Governance within the Marine Management Organisation

As a Non-Departmental Public Body (NDPB) within the Defra group, we are led by a Non-Executive Board that is responsible for setting the overall strategic direction of the MMO and evaluating its performance. Sir William Callaghan is Chair of the Board and has responsibility for ensuring that MMO activities support the wider policies of the Secretary of State (SoS) and its decisions comply with statute and any direction given by the SoS. At the 31 March 2017, the Board comprised nine Non-Executive Board Members. A full list of Non-Executive Board Members is included at page 27.

Governance arrangements are currently detailed in the MMO Code of Conduct for standards of behaviour and the MMO Framework Document for accountabilities and responsibilities, planning, budgeting and control and external accountabilities. This is supported by the MMO's Action Plan which sets out the operational and financial framework to which the MMO adheres. Based on this structure, executive governance is taken forward through the Executive Group (including Directors), led by myself. The Executive Group is supported by Heads of Function that, together with their functional teams, all interact to achieve delivery of the corporate objectives.

The MMO has in place financial and non-financial Schemes of Delegation and guidance on regularity and propriety, including an Anti-Fraud and Bribery Policy and Disclosures in the Public Interest (Whistleblowing) Policy and Procedure to comply with the Public Interest Disclosure Act 1998. These were reviewed during 2016/17 to ensure that they continue to meet all statutory requirements.

The Board delegates responsibility to its two principal committees: the Audit and Risk Assurance Committee (ARAC) and the Remuneration Committee. The Terms of References for these committees are reviewed regularly and each chaired by a Board member. In addition, the MMO is supported by a Chief Scientific Advisor on matters of

science and evidence.

## **Board and Committee Activity and Performance**

### **Board**

The MMO Board considers standard agenda items which include the approval of previous Board minutes and updates on actions; reports from the Chief Executive Officer and Directors, including health, safety and wellbeing; reports detailing performance in delivering the Action Plan; financial reporting and risk management, along with reports from its committees.

During 2016/17, the Board considered a number of corporate matters including marine planning; European funding; marine conservation; customer service; staff survey results; Information Communications Technology requirements; and an Integrated Management System. In addition, a key feature of Board discussion has been in relation to Defra transformation and EU exit, whilst also discussing wider strategic matters including future financial planning; UK maritime security; Marine Protected Areas and the Overseas Territories; and the 25 year environment plan. This approach has ensured that appropriate direction and escalation has been provided following substantive challenge and debate; all of which are formally documented.

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

The Board held a facilitated workshop in April 2017 to review its effectiveness informed by questionnaires completed by Non-Executive Board members, the Chief Executive Officer and Directors. The review of effectiveness considered Governance; the work of the Board; Performance, audit and risk; Composition and culture; and Progress and impact. During the workshop, members and attendees discussed the points flagged by participants as either needing discussion or where the Board was considered to be not currently demonstrating best practice. Key areas discussed included: the setting of MMO strategy within the context of the Defra group, innovation, options for cost recovery, MMO's risk appetite and succession planning. Overall, the Board concluded that they were operating effectively with a small number of improvement actions identified.

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

I can confirm that no Ministerial Directions have been received by the MMO during 2016/17.

### **Audit and Risk Assurance Committee (ARAC)**

The ARAC currently comprises three Non-Executive Board members. In March 2017, Jayne Scott replaced Nigel Reader as Chair of the ARAC and Terence Jagger replaced Derek Langslow. The Board and Accounting Officer receives ARAC minutes and reports from the ARAC Chair concerning the work of the Committee.

The ARAC provides an independent view on the appropriateness and adequacy of MMO governance, risk management and assurance processes. It provides constructive challenge and advice, taking account of risks, on the effectiveness of the MMO's control environment. The principal focus for activities is documented in its Terms of Reference.

For its annual review of effectiveness, the ARAC agreed to take stock of progress in implementing the improvement actions arising from the 2015/16 Review of Effectiveness, as well as to review the ARAC Terms of Reference, by conducting a round-up discussion in which members and attendees shared thoughts and learning.

During the year, the ARAC considered a variety of items including the Internal Audit Programme; External Audit; Corporate Risks; the Annual Report and Accounts (interim and final); the Licensing Improvement Project; and fisheries data challenges.

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

An Annual Report on the key business conducted through the year, produced in support of this Governance Statement, concluded that the comprehensiveness, reliability and integrity of the assurances provided by the Executive Group have been appropriate and adequate for meeting the governance needs of the Board and the Accounting Officer and for supporting the decisions they have taken and their accountability obligations.

### **Remuneration Committee**

The Remuneration Committee comprises three Non-Executive Board members. In January 2017, existing committee member Andrew Wells replaced Jayne Scott as Chair and Robert James and Anthony Delahunty joined the committee. The Remuneration Committee met twice during 2016/17. The objective of the Committee is to provide assurance to the Board, with the principal focus of activities described within the Committee's Terms of Reference. In accordance with best practice, it is a standard part of the Committee's dealings to report to the Board after every meeting and to produce a formal report on key business conducted at the end of each year.



## Attendance at meetings

Attendance at meetings of the Board, ARAC and Remuneration Committee in 2016/17 was good.

	Board		ARAC		Remuneration Committee	
	Meetings	Attended	Meetings	Attended	Meetings	Attended
Sir William Callaghan – Chair of Board	7	7	N/A		N/A	
Nigel Reader – Chair of ARAC until 16 March 2017	7	7	5	5	N/A	
Jayne Scott – Chair of Remuneration Committee until 27 January 2017, Chair of ARAC from 17 March 2017	7	6	N/A		2	2
Anthony Delahunty	1	1	N/A		N/A	
Robert James	7	5	N/A		N/A	
Terence Jagger	1	1	N/A		N/A	
Derek Langslow	7	6	5	5	N/A	
Lord Teverson	7	7	5	5	N/A	
Andrew Wells – Chair of Remuneration Committee from 28 January 2017	7	7	N/A	N/A	2	2

## Data Quality to support the Board's needs

The MMO Board agrees the form and content for all reports to be considered at Board meetings, which are minuted and coordinated by the Board Secretariat. All papers brought to the Board for discussion are validated and approved by each Director for their area of responsibility; this ensures completeness, accuracy and quality so that the content of all papers is of a standard expected for Board consideration. The Board has not raised any specific concerns with the quality of the information provided.

## Compliance with the Corporate Governance Code

The MMO is required to comply with the provisions in the Corporate Governance Code or explain where it has not done so. The only provision of the code that the Board has not complied with is the requirement for a Nominations and Governance Committee. The code indicates that the role of a Nominations and Governance Committee is to: Ensure that there are satisfactory systems for identifying leadership and high potential; Scrutinise the incentive structure and succession planning for the Board and senior leadership; and scrutinise governance arrangements. The Board is satisfied that the relevant assurance covering each of these aspects is obtained through the Chief Executive Officer and the Director of Finance and EU, supported by the Chair of the Remuneration Committee and

the Audit and Risk Assurance Committee; consequently, it does not require a Nominations and Governance Committee.

## **Risk, controls and compliance**

The MMO operates a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. The Performance and Risk Management Board (PRMB), chaired by the Director of Business Development and Transformation, scrutinises organisational progress on performance, risk management and financial management on a monthly basis. This ensures risk is managed in a way that coordinates effort, minimises duplication, sets direction, creates an audit trail and enables timely decision making. During 2016/17, an audit confirmed 'substantial' assurance for Risk Management.

<p><b>Risk - The loss of suitably qualified and experienced staff impacts upon resources and organisational resilience</b></p> <ul style="list-style-type: none"> <li>• This risk was mitigated in year by understanding and managing business critical posts and workforce planning that encompassed more immediate resource requirements, together with longer term strategic thinking;</li> <li>• Additionally, we have analysed the motivations for staff leaving and explored options for retention, including the development of an MMO talent management approach; and we have worked with Defra to support a sensible, managed approach to recruitment across the Defra group.</li> </ul>
<p><b>Risk - Unplanned budget reductions, a dependency on structural funds in the context of EU exit and the failure to achieve an expected income profile through fees and charging leads to increasing financial pressures</b></p> <ul style="list-style-type: none"> <li>• This risk was mitigated in year by implementing improvements to operational efficiency to improve cost recovery and work to bring about the new Statutory Instrument;</li> <li>• Additionally, we are working with Defra to address risks around structural funding and we have ensured 'Value For Money' assessments and lifetime scrutiny for all relevant projects.</li> </ul>
<p><b>Risk - Failure to implement the Control Regulation sufficiently in respect of under 10 metre (U10m) vessels landings in England leads to infraction</b></p> <ul style="list-style-type: none"> <li>• This risk was mitigated in year by progressing further our response plan, which included commissioning the Centre for Environment, Fisheries and Aquaculture Science (Cefas) to prepare a report and to use this report (and data) to make recommendations to the UK Fisheries Enforcement and Control Co-ordination Group (UKFECCG);</li> <li>• Additionally, we have undertaken targeted recruitment to fill key posts in coastal operational units; increased stakeholder engagement, information and education to help embed a culture of compliance; and engaged in operational joint working with the Devolved Administrations where appropriate.</li> </ul>

### **MMO Control Risk**

In order to give users of the services of Shared Services Connected Ltd (SSCL) greater assurance about the quality of SSCL's processes and controls, Cabinet Office engaged PricewaterhouseCoopers LLP (PwC) to review the controls and deliver an independent third party opinion of their design and operating effectiveness. PwC's audit was conducted following the International Standard on Assurance Engagements (ISAE 3402). The report for the year ended 31 March 2017 was qualified due to finding 22 exceptions of which four were applicable to MMO.

Three of the exceptions were over IT system access where there was the possibility of inappropriate access by certain SSCL employees. The remaining exception related to the debt recovery control process and the follow up of outstanding debt. We have sought and received assurance that respectively there was no such IT access and there is active recovery of all outstanding MMO debt, with appropriate mitigation going forward.

We have considered the impact of these exceptions on our reliance on the accuracy and completeness of the financial transactions included in our financial statement for the year ended 31 March 2017. We conclude that there is no material impact on the financial statements.

### **Information risk management**

The MMO holds personal and sensitive information commensurate with its size, statutory requirements and deemed essential for business delivery. We recognise the need to maintain Information Security and all applicable controls are in line with the HMG Security Policy Framework and ensure compliance with relevant legislation. The MMO's Information Assurance and governance activities are overseen by the Information Asset Owners, the Senior Information Risk Owner (SIRO) with support from Defra's Digital, Data and Technology Services (DDTS).

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

There have been no significant lapses of protective security in the reporting period.

The MMO has fully participated in the Macpherson review of quality assurance of government models. The MMO does not own any business critical models but has in place appropriate quality assurance arrangements that could be (i) used in future if any models were to fall within scope, and (ii) are currently used to assure the quality of information contributed to other models.

### **Internal Audit**

The Head of Internal Audit's (HIA's) Annual Report has provided an opinion of 'moderate'. Their opinion has been formed based on an assessment of the design and operation of the risk management framework and an assessment of the range of individual assurances arising from their risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas. Their plan of work was based on risks identified by the MMO's Executive Group and specific areas of focus were decided following discussion with Non-Executive Board members, including the ARAC.

### **External Audit**

There are no outstanding management issue(s) from the 2015/16 audit and all management actions were reviewed as part of the 2016/17 Interim Audit.

## **Whistleblowing**

The MMO is committed to high standards of integrity, honesty and professionalism. To support this, the MMO has in place a Disclosures in the Public Interest (Whistleblowing) Policy and Procedure and we encourage our staff to use the procedures outlined therein to raise concerns about any past, present or imminent wrongdoing. It is also set out that the MMO takes all concerns very seriously; all allegations will be promptly investigated and that appropriate, and proportionate, action will be taken. An audit completed in 2016/17 concluded from testing that our approach was consistent with best practice guidance.

## **Conclusion**

Overall, there are no significant control weaknesses to report and the effectiveness of the overall governance and risk frameworks has continued to be demonstrated. A comprehensive process of risk management was in place throughout the year and the three key risks identified in section 1.1.3 (page 10) have been effectively monitored and managed through the control frameworks.

## 2.2 Remuneration and Staff Report

### 2.2.1 Remuneration Report

#### Terms of Reference for the Remuneration Committee

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

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

All decisions relating to Chief Executive remuneration are decided by the Board following recommendations by the Chair; the Remuneration Committee may also consider this recommendation. Decisions on the Directors' remuneration are taken by the Chief Executive, in accordance with the Senior Civil Service Pay Guidance (Cabinet Office), and endorsed by the Remuneration Committee.

#### Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. Bonus payments, benefits in kind and pension benefits are to be reported separately under Government Financial Reporting Manual 2016/17 guidance.

#### Pension benefits

#### Cash equivalent transfer values (CETV)

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

#### The real increase in the value of the CETV

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

#### Taxable expenses classified as benefits in kind

Taxable expenses classified as benefits in kind cover any business expenses incurred by the MMO to the extent that they are subject to UK taxation together with the associated tax. For 2016/17 this consists of costs of accommodation, travel and subsistence incurred

by Non-Executive Board Members where the place of work in their contract is their home. MMO pay the benefit in kind for Non-Executive Board Members to HMRC as part of a PAYE settlement agreement.

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

### Non-Executive Board Members' remuneration (subject to audit)

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

Non-Executive Board Member	Role	Appointment date	End date	2016/17 Fee £'000	2015/16 Fee £'000	Taxable expenses classified as benefits in kind 2016/17, to nearest £100	Taxable expenses classified as benefits in kind 2015/16, to nearest £100
Sir William Callaghan	Chair	01/05/2011	31/10/2017	40-45	40-45	1,700	1,300
Jayne Scott	Non-Executive Board Member	01/02/2010	31/01/2018	10-15	10-15	2,200	2,100
Derek Langslow	Non-Executive Board Member	01/02/2010	31/01/2018	10-15	10-15	2,100	1,500
Robert James	Non-Executive Board Member	01/02/2010	31/01/2018	10-15	10-15	2,600	2,400
Nigel Reader	Non-Executive Board Member	01/02/2010	31/01/2019	10-15	10-15	2,500	2,500
Lord Teverson	Non-Executive Board Member	18/02/2013	31/01/2019	10-15	10-15	3,000	2,500
Andrew Wells	Non-Executive Board Member	18/02/2013	31/01/2019	10-15	10-15	2,000	1,900

Anthony Delahunty	Non-Executive Board Member	01/02/2017	31/01/2020	0-5 (10-15 FYE)	0	500	0
Terence Jagger	Non-Executive Board Member	01/02/2017	31/01/2020	0-5 (10-15 FYE)	0	300	0
Jeremy Loyd	Non-Executive Board Member	01/02/2010	31/01/2016	N/A	5-10 (10-15 FYE)	0	1,300
Jane Ryder	Non-Executive Board Member	01/02/2010	31/01/2016	N/A	5-10 (10-15 FYE)	0	1,700

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

### Notes

**A.** Remuneration Committee members are Jayne Scott (Chair until 27 January 2017), Andrew Wells (Current Chair), Anthony Delahunty and Robert James.

**B.** Audit and Risk Assurance Committee members are Nigel Reader (Chair until 16 March 2017), Jayne Scott (Current Chair), Derek Langslow (until 16 March 2017), Terence Jagger and Lord Teverson.

**C.** Fixed term appointments for Jeremy Loyd and Jane Ryder ended on 31 January 2016.

**D.** Fixed term appointments for Jayne Scott, Derek Langslow and Robert James ended on 31 January 2017 and were renewed for a further year.

**E.** The fixed term appointment for Nigel Reader ended on 31 January 2017 and was renewed for a further two years

**F.** Fixed term appointments for Anthony Delahunty and Terence Jagger were made on 1 February 2017 for a period of three years.

**G.** No additional paid work was carried out on behalf of the MMO by any Non-Executive Board member.

### Directors' remuneration (subject to audit)

The MMO Directors have the authority and responsibility for directing and controlling the major activities during the reporting period of 2016/17 and have influence over the entity as a whole. The salaries reported are actual expenditure incurred in the year; where a Director has been in post less than a year, the full year equivalent (FYE) is given beneath the actual amount.

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

Director	Current Role	Appointment date	End date	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
				2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 (Restated)	2016/17	2015/16
John Tuckett	Chief Executive Officer	19/01/2015	19/01/2018	120-125	120-125	5-10	0	0	0	47	47	175-180	165-170
Steve Brooker	Chief Planning Officer	05/03/2013	-	45-50 (75-80 FYE)	70-75	0-5	0	0	0	19	20	70-75	100-105
Michelle Willis	Director of Finance and EU	18/02/2013	-	75-80	75-80	5-10	0	0	0	36	32	115-120	105-110
Phil Haslam	Director of Operations	01/12/2016	-	25-30 (80-85 FYE)	40-45 (75-80 FYE)	0	0	0	0	11	0	35-40	40-45
Trudi Wakelin	Director of Marine Licensing	06/02/2017	-	10-15 (75-80 FYE)	0	0	0	0	0	5	0	15-20	0
Andrew Wareing	Director of Business Development and Transformation	05/12/2016	-	20-25 (FYE 80-85)	0	0	0	0	0	6	0	25-30	0
Stuart Rogers	Chief Scientific Advisor	01/04/2016	31/03/2017	(70-75 FYE)	0	0	0	0	0	0	0	0	0
Craig McGarvey	Ex Director of Business Development and Transformation	08/06/2015	08/12/2016	50-55 (75-80 FYE)	60-65 (75-80 FYE)	0	0	0	0	0	0	60-65	60-65
Andy Beattie	Ex Chief Operating Officer	01/09/2014	31/01/2016	0	55-60 (80-85 FYE)	0	0	0	0	0	22	0	75-80
Dickon Howell	Ex Acting Chief Scientific Advisor	22/09/2014	31/03/2016	0	65-70	0	0	0	0	2	25	0-5	90-95



<b>Band of highest paid executive disclosed in remuneration report (£'000)</b>	125-130	120-125
<b>Median total remuneration (£)</b>	27,557	26,690
<b>Ratio</b>	4.6	4.5

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

The remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and cash equivalent transfer of pensions. The banded remuneration of the highest-paid Director in the MMO in financial year 2016/17 was £125,000 to £130,000 which is higher than last year (2015/16: £120,000 to £125,000). In addition to this the median total remuneration of £27,557 has increased from last year (2015/16: £26,690) due to the combined effect of a one percent increase in pay awarded to all MMO staff in July 2016 and changes in grade mix resulting from recruitment. Both of these changes have resulted in an increase in the ratio of highest paid executive compared to median total remuneration from 4.5 in 2015/16 to 4.6 in 2016/17. The median salary used in the fair pay disclosure has been calculated using salaries for all MMO staff and an annual equivalent remuneration paid to interim staff based on the grade of post they are covering.

Overall performance has been assessed against work objectives, the MMO core competence framework and role profiles. Bonus payments for each of the performance years have been made as a non-consolidated pay award where an individual has been awarded an exceeded mark. Bonuses awarded in the 2016/17 year are in respect of performance in the 2015/16 year, no bonuses were awarded in 2015/16 in respect of performance in the 2014/15 year.

## Notes

**A.** Andy Beattie, Chief Operating Officer, left the MMO on 31 January 2016 following a four month sabbatical.

**B.** Steve Brooker was appointed to the role of Chief Planning Officer on 1 February 2016 and reduced his working hours to 0.6 FTE. Prior to this Steve held the role of Director of Marine Development on a full time basis.

**C.** Michelle Willis undertook director responsibilities for licensing for the period from 1 February 2016 to 5 February 2017. Additionally Michelle undertakes duties on behalf of Defra Finance.

**D.** Dickon Howell, Acting Chief Scientific Advisor and Director of Information, left the MMO on 31 March 2016.

**E.** Craig McGarvey is an employee of the Environment Agency and is on secondment to the MMO as Programme Director for Overseas Territories and Blue Belt. Prior to this Craig was seconded to MMO as acting Director of Business Development and Transformation between 8 June 2015 and 8 December 2016. The total cost to MMO of this secondment was £79k which included overheads and VAT.

**F.** Phil Haslam was appointed Director of Operations on a permanent basis on 1 December 2016. Prior to this, Phil was seconded to MMO as Director of Operations from the Eastern Inshore Fisheries and Conservation Authority. His secondment commenced on 1 September 2015 and ended on 28 February 2017. The total cost to MMO of this secondment was £67k which included overheads and VAT.

**G.** Trudi Wakelin was appointed MMO Director of Licensing on a permanent full time basis on 6 February 2017.

**H.** Andrew Wareing was appointed MMO Director of Business Development and Transformation on a permanent full time basis on 5 December 2016.

**I.** Stuart Rogers is an employee of the Centre for Environment, Fisheries and Aquaculture Science (Cefas) and was seconded to MMO as Chief Scientific advisor on a part time basis. His salary and pension benefit was paid by Cefas. His secondment started on 1 April 2016 and ended on 31 March 2017. The total cost to MMO of this secondment was £21k which included overheads and VAT.

**J.** Steve Brooker's pension benefit for 2015/16 has been restated following recalculation by the pension scheme administrator.

### **Pension benefits (subject to audit)**

<b>Executive Group Member</b>	<b>Real increase in pension (£'000)</b>	<b>Real increase in lump sum (£'000)</b>	<b>Value of pension at 31/03/17 (£'000)</b>	<b>Value of lump sum at 31/03/16 (£'000)</b>	<b>CETV at 01/04/16 (£'000) (Restated)</b>	<b>CETV at 31/03/17 (£'000)</b>	<b>Real increase in CETV (£'000)</b>
John Tuckett	2.5-5	0	5-10	0	60	108	40
Phil Haslam	0-2.5	0	0-5	0	0	7	5
Steve Brooker	0-2.5	0	10-15	0	135	154	12
Michelle Willis	0-2.5	0	15-20	0	233	264	17
Dickon Howell	0-2.5	0	5-10	0	84	85	1
Trudi Wakelin	0-2.5	0	0-5	0	0	3	2
Andrew Wareing	0-2.5	0-2.5	25-30	85-90	585	610	5

### **Pensions**

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). No Directors retired in 2016/17.

## 2.2.2 Staff Report

### Staff Costs and Numbers

	<b>2016/17 Permanently employed £'000</b>	<b>2016/17 Others £'000</b>	<b>2016/17 Total £'000</b>	<b>2015/16 Total £'000</b>
Wages and salaries	8,709	1,204	9,913	9,224
Pension costs	1,753	0	1,753	1,776
Social security costs	889	0	889	665
<b>Total Staff Costs</b>	<b>11,351</b>	<b>1,204</b>	<b>12,555</b>	<b>11,665</b>

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments and temporary agency staff. Temporary staff are appointed for short term work through the Crown Commercial Framework Agreements. Expenditure on consultancy is not reflected in the numbers above which in 2016/17 was nil (2015/16: £43k) as shown in note three on page 64 of the financial statements.

<b>Average Number of Full Time Equivalent Staff</b>	<b>2016/17 Number of people</b>	<b>2015/16 Number of people</b>
Directly Employed	280	269
Inward Secondments	6	3
Interim Managers/Specialist Contractors	5	3
Temporary Agency Staff	8	8
<b>Total</b>	<b>299</b>	<b>283</b>

### Pensions

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

From 1 April 2016 to 31 March 2017, employers' contributions of £1,765k were payable to the PCSPS (2015/16: £1,731k) at one of four rates in the range of 20.0 percent to 24.5 percent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the period under review, to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9k were paid to one or more of the panel of three appointed stakeholder pension providers (2015/16: £1k). Employer contributions are age-related and range from eight percent to 14.75 percent of pensionable pay. Employers also match employee contributions up to three percent of pensionable pay. In addition, employer contributions of £1k, under 1% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No employees have retired early on ill health grounds (2015/16: none). Ill health retirements are met by the pension scheme and are not included in the table above.

### Staff composition

The composition of MMO staff at 31 March 2017 is shown in the table below:

	Male	Female	Total
CEO (SCS 2 level or equivalent)	1	0	1
Director (SCS 1 level or equivalent)	3	2	5
Other Staff	150	126	276
<b>Total</b>	<b>154</b>	<b>128</b>	<b>282</b>

### Sickness absence data

During the period to 31 March 2017 the average number of days sickness for our staff was 3.5 days (2015/16: 5.3 days).

### Equality and Diversity

The MMO is committed to the principle of equality and will not tolerate discrimination on grounds of a protected characteristic such as age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. It values the diversity amongst our workforce and are committed to providing a fair and equal working environment for all MMO employees. The MMO uses a recruitment system, which gives each application a unique candidate number, and all applications for employment are short-listed using candidate numbers rather than names.

The MMO aims to ensure that any employee with a disability is provided with an equal, safe, harassment and discrimination free working environment. In order to ensure that people with a disability can compete on equal terms with non-disabled people, the MMO offers a guaranteed interview to all applicants with a disability who meet the minimum criteria for a post. This then allows applicants with a disability the opportunity to demonstrate job accountabilities and behaviours at interview.

Where employees have declared a disability the MMO has been able to support them by providing appropriate adjustments in the work environment, ranging from specialist equipment, allowing time away from the desk and permitting home working.

The MMO has also publicised and encourage managers to bring to the attention of staff the Workplace Adjustments Passport. This provides a discussion framework, helps managers work with a person to understand their needs, and how MMO can support them in their career development.

### **Off-payroll engagements**

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, MMO is required to publish information on our highly paid and/or senior off-payroll engagements.

<b>Off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months:</b>	<b>Total</b>
Existing at 31 March 2017	5
Existed for less than one year at the time of reporting	4
Existed for between two and three years at the time of reporting	1

All existing off-payroll engagements, as disclosed above, have been assessed to confirm that they have paid the correct tax and national insurance. The confirmation has been provided to the Defra Chief Finance Officer.

## 2.3 Parliamentary Accountability and Audit Report

### 2.3.1 Regularity of Expenditure (subject to audit)

The Marine Management Organisation's Accounting Officer, the Chief Executive Officer, is the person on whom parliament calls to account for stewardship of its resources. The standards the accounting officer is expected to deliver cover Governance, Decision-making and Financial Management.

The Marine Management Organisation complies with the HM Treasury guidance "Managing Public Money", which in short covers the principles as to how Government bodies handle public funds with probity and in the public interest. The Financial Memorandum sets out the specific financial framework, within which the Marine Management Organisation is required to operate. This is complemented by the Scheme of Delegation which is the means by which a statutory body authorises its employees to carry out certain of its functions. The Marine Management Organisation has separated its Scheme of Delegation into two parts for ease of reference:

- a financial schedule of delegations ("FSoD") which covers all financial functions or functions which have monetary implications e.g. loans, scheme payments etc.; and
- a non-financial schedule of delegations ("NFSoD") which covers all non-monetary functions e.g. licences, enforcement action etc.

Cabinet Office introduced strict spending controls in 2010 on various categories of spend including advertising; external recruitment; consultancy and IT Projects. To comply with this the Marine Management Organisation established the Spending Review Panel (SRP) through which expenditure in any of these categories, or any other expenditure over £25k must pass for approval prior to any commitment being made.

In addition to the above under the Governments transparency agenda, expenditure is published monthly on all transactions over £25k and Government Procurement Card spend over £500.

An annual audit of the Marine Management Organisation's Accounts is undertaken by the National Audit Office (NAO). In addition to this is an ongoing internal audit programme which helps to provide assurance to our Audit and Risk Assurance Committee that finances are being handled appropriately and with propriety.

All of the above give us assurances that our Finances are being handled with regularity.

For 2016/17, the MMO can report that there were no losses, special payments or gifts incurred during the year to date which exceeded £300k.

### 2.3.2 Fees and Charges (subject to audit)

Information in respect of Fees and Charges can be seen in note five to the Accounts.

### **2.3.3 Remote contingent liabilities (subject to audit)**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

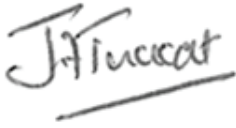
During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

### **2.3.4 Long-term expenditure trends**

Information in respect of long-term expenditure trends can be seen in the 'Financial Review' at pages 20-21.



The Accounting Officer authorised this Accountability Report on 11 July 2017.

A handwritten signature in black ink, appearing to read 'J Tuckett', with a horizontal line underneath it.

**John Tuckett**  
Chief Executive Officer and Accounting Officer  
Marine Management Organisation

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

I certify that I have audited the financial statements of the Marine Management Organisation for the year ended 31 March 2017 under the Marine and Coastal Access Act 2009. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

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

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

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

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

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

### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Marine Management Organisation's affairs as at 31 March 2017 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Marine and Coastal Access Act 2009 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Marine and Coastal Access Act 2009; and
- the information given in the Performance Report and Accountability 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 Staff Report and the 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**  
**Comptroller and Auditor General**

**12 July 2017**

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



### 3. Financial Statements

**Statement of Comprehensive Net Expenditure for the year ended  
31 March 2017**

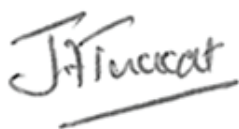
	Note	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>			
Staff Costs	2	12,555	11,665
Other Expenditure	3	11,129	12,237
<b>Total Expenditure</b>		<b>23,684</b>	<b>23,902</b>
<b>Income</b>			
Total Income	4	(5,753)	(4,070)
<b>Net Operating Expenditure</b>		<b>17,931</b>	<b>19,832</b>
<b>Other Comprehensive Net Expenditure</b>			
Net (Gain) / Loss on revaluation of Intangibles	5	0	(13)
<b>Comprehensive Net Expenditure</b>		<b>17,931</b>	<b>19,819</b>

The notes on pages 57 to 73 form part of these accounts.

## Statement of Financial Position at 31 March 2017

	Note	31 March 2017		31 March 2016	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment		12		51	
Intangible assets	5	764		883	
<b>Total non-current assets</b>			<b>776</b>		<b>934</b>
<b>Current assets:</b>					
Trade and other receivables	6	3,587		2,669	
Cash and cash equivalents	7	622		1,121	
<b>Total current assets</b>			<b>4,209</b>		<b>3,790</b>
<b>Total assets</b>			<b>4,985</b>		<b>4,724</b>
<b>Current liabilities:</b>					
Trade and other payables	8	(3,995)		(5,207)	
Provisions	9	(216)		(480)	
<b>Total current liabilities</b>			<b>(4,211)</b>		<b>(5,687)</b>
<b>Total assets less current liabilities</b>			<b>774</b>		<b>(963)</b>
<b>Non-current liabilities:</b>					
Other payables	8	0		(59)	
<b>Total non-current liabilities</b>			<b>0</b>		<b>(59)</b>
<b>Total assets less total liabilities</b>			<b>774</b>		<b>(1,022)</b>
<b>Taxpayers' equity and other reserves:</b>					
General reserve			711		(1,091)
Revaluation reserve			63		69
<b>Total equity</b>			<b>774</b>		<b>(1,022)</b>

The Accounting Officer authorised these Financial Statements on 11 July 2017.



**John Tuckett**  
**Chief Executive Officer and Accounting Officer**  
**11 July 2017**

The notes on pages 57 to 73 form part of these accounts.

## 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 Operating Expenditure		(17,931)	(19,832)
Adjustment for notional corporate recharge	3	2,746	2,893
Adjustments for depreciation and amortisation	3	326	474
Adjustments for non-cash transactions	3	(119)	(56)
(Increase)/decrease in trade and other receivables	6	(918)	(551)
Increase/(decrease) in trade payables and other liabilities	8	(1,271)	(1,771)
(Increase)/decrease in payables relating to IFRIC 12		205	142
Use of provisions	9	(264)	91
<b>Net cash outflow from operating activities</b>		<b>(17,226)</b>	<b>(18,610)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	5	(183)	(277)
<b>Net cash outflow from investing activities</b>		<b>(183)</b>	<b>(277)</b>
<b>Cash flows from financing activities</b>			
Grant from Defra		16,981	21,201
Capital element of payments in respect of finance leases		(71)	(68)
<b>Net financing</b>		<b>16,910</b>	<b>21,133</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>		<b>(499)</b>	<b>2,246</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,121</b>	<b>(1,125)</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>622</b>	<b>1,121</b>

The notes on pages 57 to 73 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	Note	General Reserve £'000	Revaluation Reserve £'000	Total £'000
<b>Balance at 31 March 2015</b>		<b>(5,368)</b>	<b>71</b>	<b>(5,297)</b>
<b>Changes in Taxpayers' Equity for 2015/16</b>				
Grants from parent department		21,201	0	21,201
Notional corporate recharges		2,893	0	2,893
Net gain / (loss) on revaluation of intangible assets		0	13	13
Transfers between reserves		15	(15)	0
Comprehensive Net Expenditure for the year		(19,832)	0	(19,832)
<b>Balance at 31 March 2016</b>		<b>(1,091)</b>	<b>69</b>	<b>(1,022)</b>
<b>Changes in Taxpayers' Equity for 2016/17</b>				
Grants from parent department		16,981	0	16,981
Notional corporate recharges	3	2,746	0	2,746
Transfers between reserves		6	(6)	0
Comprehensive Net Expenditure for the year		(17,931)	0	(17,931)
<b>Balance at 31 March 2017</b>		<b>711</b>	<b>63</b>	<b>774</b>

The notes on pages 57 to 73 form part of these accounts.



## **Notes to the Accounts**

### **Note 1 Statement of accounting policies**

#### **1.1 Requirement to prepare accounts**

These accounts are for the year ended 31 March 2017 and have been prepared in accordance with the Marine and Coastal Access Act (MCAA) 2009 and the Secretary of State direction there under.

The financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marine Management Organisation (MMO) for the purpose of giving a true and fair view, has been selected.

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

#### **1.2 Accounting convention**

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

#### **1.3 Going concern**

The accounts have been prepared on a going concern basis. In common with other Non Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of grant-in-aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2017/18 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the Governments' commitment to increase transparency and accountability of public services, Defra completed a review of its arm's length bodies in October 2010, and confirmed that the MMO will be retained as an executive NDPB, on the grounds of performing a technical function which should remain independent.

#### **1.4 Operating Segments**

In accordance with IFRS8 Operating Segments, all MMO business activities have been identified as forming a single reportable operating segment. All information provided to the Board and Directors for the purposes of financial management is presented on this basis.

## 1.5 Non-current assets

### 1.5.1 Intangible non-current assets: recognition and measurement

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

### 1.6 Revaluation

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

### 1.7 Depreciation and amortisation

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

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

### 1.8 Impairment

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

### 1.9 Service concession arrangements

Service Concession Arrangements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements', as adapted for the public sector context by the FReM. MMO has a rolling 12 month contract to procure information technology support through Defra. In turn, Defra has a contract with IBM for the provision of IT services and infrastructure assets until July 2019.

From March 2017 the IBM contract for the provision of IT services and infrastructure assets no longer falls within the scope of the FReM interpretation of IFRIC12. The assets

used in providing the service have been recorded as property, plant and equipment in Defra's Annual Report and Accounts.

### **1.10 Employee benefits**

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

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

### **1.11 Grants and subsidies**

The MMO adopted the role of UK Managing Authority and England Intermediary Body for the European Maritime and Fisheries Fund (EMFF) on 30 November 2015 (formal designation is on-going). Additionally, the MMO has a role designated by the Secretary of State as the UK European Fisheries Fund (EFF) Managing Authority and the Intermediate Body for England. For the management of both structural funds the MMO will carry out duties in the capacity as Agent for Defra, as the Principal. The transactions of grant expenditure and the funding amounts reclaimed from the European Commission (EC) feature in Defra's Resource Accounts and not the MMO's Accounts. The Defra Resource Accounts include only those transactions which are in relation to the activities of the England Intermediate Body only.

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

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

### **1.12 Other Expenditure**

From April 2015 arrangements for paying corporate overheads moved to a notional recharge basis. The notional Corporate Overhead Recharge, which is calculated by Defra,

includes expenditure relating to estates management and the elements of the IBM Service Concession Arrangement which were previously recognised separately in 'Other Expenditure'.

### 1.13 Income

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

- 1) From 6 April 2014, fees and charges have been issued in accordance with the Marine Licensing (Application Fees) Regulations 2014, supported by powers on the MCAA 2009. This revised statutory instrument allows charging for marine licence activity on a band basis, depending on the criteria of an application, as follows:
  - i) Band 1, Band 2a and Band 2b are capped fees payable in full in advance, and are recognised at the point of receipt.
  - ii) Band 2c, 2d and 2e are hourly fees charged up to a capped limit, invoiced in arrears, and are recognised on an accruals basis.
  - iii) Band 3 are uncapped hourly fees, invoiced in arrears and are recognised on an accruals basis.
- 2) The Public Bodies Act 2011 allows the Secretary of State to change the funding arrangements of certain bodies such as the MMO by means of an order. From 1 October 2014, changes to MMO's charging powers were made in an Order under section 4 of the Act allowing the MMO to recover costs incurred in monitoring sites where licensable activity is taking place, reviewing monitoring reports required from licensing holders, and in varying existing licences. Revisions to the statutory instrument made provision for changes to the Act, where such income is recognised on an accruals basis.
- 3) Fees for dredging licences issued under the Food and Environment Protection Act 1985 (FEPA) in respect of dredging, construction and disposals of waste material in the marine environment.

The income recognition for FEPA licences is based on the arrangements made with the applicant for an annual charge which is invoiced monthly in arrears.

- 4) Fees for dredging licences are issued under the Marine Works Regulations (as amended in April 2011) and inshore and offshore Habitats Regulations. Fees for Environmental Impact Assessment (EIA) decisions relating to marine works are charged under the Marine Works Regulations (as amended in April 2011). New and outstanding applications for extraction of minerals by marine dredging have transitioned into marine licence applications.

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

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

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

### **1.14 Provisions**

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

### **1.15 Value Added Tax (VAT)**

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

### **1.16 Contingent liabilities and remote liabilities**

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

### **1.17 Financial instruments**

#### **1.17.1 Financial assets**

The MMO holds trade receivables in this category. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value or recoverable amount. Provision is made when there is objective evidence that the asset is impaired. Balances are written off to net expenditure when the probability of recovery is assessed as being remote, or is uneconomic to do so.

### **1.17.2 Financial liabilities**

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

### **1.17.3 Derivative financial instruments and hedging**

The MMO is required to disclose the role that financial instruments had at 31 March 2017 in creating or changing the risks faced by the MMO in undertaking its activities.

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

### **1.18 Impending applications of newly issued accounting standards not yet effective**

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to the MMO are outlined below. MMO has not adopted any new IFRS standards early.

IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018. This standard replaces all existing IFRS guidance on revenue recognition.

IFRS 9 – Financial Instruments. This is effective from 1 January 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting.

IFRS 16 – Leases. This standard is effective from 1 January 2019. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.

The MMO will apply the standards upon formal adoption in the FReM. For IFRS 9 and IFRS 15, it is not anticipated that material adjustments to the financial statements will be required following the introduction of these standards. IFRS 16 is expected to have a considerable impact in financial reporting terms. This impact will be assessed when further guidance is forthcoming from HM Treasury.

## Note 2 Staff numbers and related costs

	2016/17 Permanently employed £'000	2016/17 Others £'000	2016/17 Total £'000	2015/16 Total £'000
Wages and salaries	8,709	1,204	9,913	9,224
Pension costs	1,753	0	1,753	1,776
Social security costs	889	0	889	665
<b>Total Staff Costs</b>	<b>11,351</b>	<b>1,204</b>	<b>12,555</b>	<b>11,665</b>

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments and temporary agency staff. Temporary staff are appointed for short term work through the Crown Commercial Framework Agreements.

Information relating to senior MMO staff salaries and other benefits in kind is disclosed within the Remuneration Report from page 37 of the Annual Report. Information relating to staff numbers and other staff information is included within the Staff Report from page 44.

### Note 3 Other expenditure

	Note	2016/17 £'000	2015/16 £'000
CEFAS Scientific Support for Marine Environment Work		3,180	2,706
Aerial, Surface and Satellite Surveillance		1,797	1,824
Travel, Subsistence and Hospitality		1,057	875
Other ICT		541	694
Shared Services (SSCL)		355	447
Other Programme Costs		251	298
Prosecutions and Legal Services		232	338
Data and Evidence		229	336
Grant Expenditure		202	109
Training		177	107
Data Collection Framework		147	179
Audit Fees - Internal Audit (Defra)		103	132
EU Aid		93	432
Audit Fees - External Audit (National Audit Office)		47	49
Rentals payable under operating leases		29	80
Consultancy Charges		0	43
Defra Support Charges		0	186
<b>Non-cash</b>			
Corporate Overhead Recharge		2,746	2,893
Amortisation	5	302	422
Depreciation		24	36
Loss on disposal		0	16
Provisions provided for in period		0	181
IBM Service Concession Arrangement		(119)	(56)
Provisions not required and written back		(132)	0
Utilisation of provision		(132)	(90)
<b>Total</b>		<b>11,129</b>	<b>12,237</b>



## Note 4 Income

	2016/17 £'000	2015/16 £'000
Marine Licences (Marine and Coastal Access Act 2009)	3,383	2,665
European Maritime and Fisheries Fund	1,987	280
Blue Belt Income	194	0
EU Data Collection	97	277
EU Aid for Fisheries Enforcement	60	360
Professional Training	13	14
Other Income	12	29
Disposal Levy	7	445
<b>Total Programme Income</b>	<b>5,753</b>	<b>4,070</b>

### Fees and charges (recovered costs)

Financial objective 2016/17	Income £'000	Full Cost £'000	(Deficit) £'000
Marine Licences (Marine and Coastal Access Act 2009)	3,383	4,275	(892)
	<b>3,383</b>	<b>4,275</b>	<b>(892)</b>

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

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

On 6 April 2014, the MMO implemented a revision of the fees and charging instrument, underpinned by the MCAA 2009. Fees are charged for licensing activities on a tier basis using either a capped (Band 1, Band 2) or hourly charge (Band 3) depending on the criteria of the application.

All of the MCAA 2009 marine licensing income recognised in 2016/17 relates to the implementation of the 2014 charging instrument and of this £25k related to navigational dredging and £1,075k for monitoring and varying marine licences under the new powers of Order to the Public Bodies Act 2011 effective from 1 October 2014.

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

The cost recovery deficit of £892k relating to MCAA 2009 marine licences has materialised due to limitations within the current statutory instrument which restrict MMO ability to recover all recoverable costs, where appropriate.

## Note 5 Intangible assets

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
<b>Cost or valuation</b>			
At 1 April 2016	3,737	278	4,015
Additions	0	183	183
Transfers (Completed / Capitalised CIP)	278	(278)	0
<b>At 31 March 2017</b>	<b>4,015</b>	<b>183</b>	<b>4,198</b>
<b>Amortisation</b>			
At 1 April 2016	3,132	0	3,132
Charged In period	302	0	302
<b>At 31 March 2017</b>	<b>3,434</b>	<b>0</b>	<b>3,434</b>
<b>Net Book Value at 1 Apr 2016</b>	<b>605</b>	<b>278</b>	<b>883</b>
<b>Net Book Value at 31 Mar 2017</b>	<b>581</b>	<b>183</b>	<b>764</b>
	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
<b>Asset Financing</b>			
Owned	581	183	764
On-balance sheet (SoFP) other service concession arrangements	0	0	0
<b>Net Book Value at 31 March 2017</b>	<b>581</b>	<b>183</b>	<b>764</b>

Internally generated intangible assets classified as construction in progress are development costs for new information systems. Development of new Marine Case Management System functionality was transferred into use during 2016/17.

The last revaluation of intangible assets was carried out on 31 March 2017.

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
<b>Cost or valuation</b>			
At 1 April 2015	3,431	357	3,788
Additions	0	277	277
Disposals	(71)	0	(71)
Transfers (Completed / Capitalised CIP)	356	(356)	0
Revaluation	21	0	21
<b>At 31 March 2016</b>	<b>3,737</b>	<b>278</b>	<b>4,015</b>
<b>Amortisation</b>			
At 1 April 2015	2,757	0	2,757
Charged In period	422	0	422
Disposals	(55)	0	(55)
Revaluation	8	0	8
<b>At 31 March 2016</b>	<b>3,132</b>	<b>0</b>	<b>3,132</b>
<b>Net Book Value at 1 Apr 2015</b>	<b>674</b>	<b>357</b>	<b>1,031</b>
<b>Net Book Value at 31 Mar 2016</b>	<b>605</b>	<b>278</b>	<b>883</b>

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
<b>Asset Financing</b>			
Owned	605	278	883
On-balance sheet (SoFP) other service concession arrangements	0	0	0
<b>Net Book Value at 31 March 2016</b>	<b>605</b>	<b>278</b>	<b>883</b>

## Note 6 Trade receivables and other current assets

	2016/17 £'000	2015/16 £'000
<b>Amounts falling due within one year</b>		
Trade Receivables	1,035	1,456
Bad Debt	(170)	(143)
Other taxation and social security	86	0
Prepayments and Accrued Income	1,202	1,356
Prepayments and Accrued Income (EU)	1,434	
<b>Total due within one year</b>	<b>3,587</b>	<b>2,669</b>

There were no receivables falling due after more than one year at 31 March 2017 (31 March 2016).

## Note 7 Cash and cash equivalents

	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April 2016</b>	<b>1,121</b>	<b>(1,125)</b>
Net changes in Cash and Cash Equivalent balances	(499)	2,246
<b>Balance at 31 March 2017</b>	<b>622</b>	<b>1,121</b>

Cash is held in accounts which are provided by Government Banking Services (GBS). The current provider is Royal Bank of Scotland.

## Note 8 Trade payables and other current liabilities

	2016/17 £'000	2015/16 £'000
<b>Amounts falling due within one year</b>		
Trade Payables	342	509
Other taxation and social security	433	4
Accruals and Deferred Income	2,137	4,619
Other Payables:		
Defra Network	1,083	0
IBM Service Concession	0	75
Aerial & Surface Surveillance	0	0
<b>Total due within one year</b>	<b>3,995</b>	<b>5,207</b>
<b>Amounts falling due after more than one year</b>		
IBM Service Concession	0	59
<b>Total due after more than one year</b>	<b>0</b>	<b>59</b>
<b>Total</b>	<b>3,995</b>	<b>5,266</b>

## Note 9 Provisions

	Legal Costs £'000	VMS £'000	IT £'000	31 March 2017 £'000	31 March 2016 £'000
<b>Balance at 1 April 2016</b>	243	83	154	480	389
Provided in the year	0	0	0	0	181
Provisions not required and written back	(132)	0	0	(132)	0
Provisions utilised in year	0	(83)	(49)	(132)	(90)
<b>Balance at 31 March 2017</b>	<b>111</b>	<b>0</b>	<b>105</b>	<b>216</b>	<b>480</b>

The provisions utilised during the year relate to the following:

A financial obligation of £49k relating to the MMO's contractual requirement to cover the cost of new Oracle licenses required to support the service provided by SSCL.

A financial obligation of £83k relating to MMO's share of the cost of installing and updating vessel monitoring devices on English boats.

## Note 10 Commitments under leases

### *Operating leases*

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

	31 March 2017 £'000	31 March 2016 £'000
<b>Buildings</b>		
Not later than one year	348	319
Later than one year and not later than five years	636	756
	<b>984</b>	<b>1,075</b>
<b>Other</b>		
Not later than one year	85	20
Later than one year and not later than five years	114	56
	<b>199</b>	<b>76</b>

As at 31 March 2017, 30 cars were leased over a period of four years which is reflected in the other operating lease commitments above.

## Note 11 Commitments under PFI and other service concession arrangements contracts

Service Concession Arrangements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements', as adapted for the public sector context by the FReM.

MMO has a rolling 12 month contract to procure information technology support through Defra. In turn, Defra has a contract with IBM for the provision of IT services and infrastructure assets until July 2019.

From March 2017 the IBM contract for the provision of IT services and infrastructure assets no longer falls within the scope of the FReM interpretation of IFRIC12. The assets used in providing the service have been recorded as property, plant and equipment in Defra's Annual Report and Accounts.

<b>Total obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:</b>	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
Not later than one year	0	79
Later than one year and not later than five years	0	67
	0	146
Less interest elements	0	(12)
<b>Present value of obligations</b>	<b>0</b>	<b>134</b>

<b>Present value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:</b>	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
Not later than one year	0	75
Later than one year and not later than five years	0	59
<b>Total present value of obligations</b>	<b>0</b>	<b>134</b>

## Note 12 Other financial commitments

The MMO entered into non-cancellable contracts (which are not leases or PFI contracts) as detailed below. The payments to which the MMO were committed at 31 March 2017, analysed by the period during which the commitment expires, are as follows:

	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
Not later than one year	2,011	6,006
Later than one year and not later than five years	3,048	5,397
Later than five years	821	1,597
<b>Total present value of obligations</b>	<b>5,880</b>	<b>13,000</b>

The MMO's key commitments include contracts relating to the provision of aerial, surface and satellite surveillance services and CEFAS scientific support for marine environment work.

## Note 13 Contingent liabilities

The MMO has no contingent liabilities at 31 March 2017 (31 March 2016: Nil).

## Note 14 Related party transactions

The MMO is an executive Non-Departmental Public Body sponsored by Defra, which is regarded as a related party. During the year, MMO has carried out a number of material transactions with Defra in the normal course of business. In addition, MMO had various material transactions with the Cefas and Seafish, for both of which Defra is regarded as the parent Department.

MMO also had transactions with other government departments the most significant of which was with the Ministry of Defence (MOD) and Foreign and Commonwealth Office (FCO).

The following table shows the organisation where our Non-Executive Board or Directors have a related party interest.

Board Member / Senior Staff	Corporate Related Body	Role	Total payments made (Goods & Services) £'000	Total income received £'000	Amount owed by MMO at 31 March 2017 £'000	Amount owed to MMO at 31 March 2017 £'000	Bad Debt at 31 March 2017 £'000
Sir William Callaghan	Ministry of Justice	Magistrate	0	6	0	0	0
Phil Haslam	Eastern Inshore Fisheries Conservation Authority	Chief Officer	88	2	0	0	0
Robert James	Geldards for Associated British Ports	Lawyer	0	146	1	8	0
Nigel Reader	Natural England	Board Member	0	0	12	0	3
Nigel Reader	Environment Agency	In receipt of pension	353	102	34	18	21
Nigel Reader	Joint Nature Conservation Committee	Board Member	0	0	0	1	0
Nigel Reader	Department for Environment, Food and Rural Affairs	Board Member	874	0	268	203	0
Nigel Reader	Natural Resources Wales	Board Member	0	3	1	0	0
Stuart Rogers	Centre for Environment Fisheries and Aquaculture Science	Chief Scientific Advisor	3,355	1	891	194	0

No Non-Executive Board Member or member of the Executive Group has undertaken any material transactions with MMO constituting an interest which needs to be declared.



Further information on Non-Executive Board Members and Directors can be found in the Remuneration Report from page 37.

### Note 15 Third-party assets

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

During 2016/17, the MMO received fishing administrative penalties imposed by English or Welsh courts on owners of fishing vessels in accordance with Sea Fishing (Penalty Notices) (England) Order 2011 SI 2011 No 758. MMO acts as custodian, however, it has no direct beneficial interest, therefore these monies are not included in the Accounts and will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

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

The amounts are set out in the table below:

Monetary assets and monies on deposit	31 March 2017	31 March 2016
	£'000	£'000
Court Costs	142	63
Fishing Admin Penalties	120	65
Bonds	2	75
<b>Total</b>	<b>264</b>	<b>203</b>

### Note 16 Events after the reporting date

There have been no events after the reporting date requiring an adjustment to the accounts. In accordance with the requirements of IAS 10, events after 31 March 2017 are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Comptroller and Auditor General's Audit Certificate.



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