



Maritime &  
Coastguard  
Agency

2019-20

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

Safer Lives | Safer Ships | Cleaner Seas

**Maritime & Coastguard Agency**  
**Annual Report and Accounts**  
**2019-2020**

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

*Ordered by the House of Commons to be printed 22 October 2020*

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ISBN 978-1-5286-1983-7

CCS0520591354                      10/20

Printed on paper containing 75% recycled fibre content minimum

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

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# Performance report

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# Non-Executive Chairman's introduction

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I am pleased to present the Maritime and Coastguard Agency's Annual Report and Accounts for 2019-20.

2019-20 was Brian Johnson's first full year as Chief Executive, and Brian has overseen the publication of the internal three-year work plan that we have called "The Big Three". This provides key themes for the Agency to focus on over the next three years, as well as supporting the objectives in the DfT produced Maritime 2050 document.

The Survey and Inspection Transformation Programme has now concluded. As well as delivering targets around the estate, we also saw the successful completion of the recruitment campaigns, having recruited high quality surveyors to our workforce will aid us in achieving our survey and inspection targets.

The UK Ship Register had another difficult year due to the uncertainty created by EU Exit. We have made significant progress with developing a fit for purpose digital UK Ship Register platform. This modern digital service will allow the registration and management of vessel information and provide a faster, modern and easier approach for our customers.

During the year, a considerable amount of work has been carried out as the Agency looks to the future development of HM Coastguard. Experience over the last few years has shown that the skills and capability of the service has applications in many areas beyond maritime rescue which has benefit to the wider community.

Despite the coronavirus (Covid-19) pandemic, the Agency will strive to achieve our customer facing targets. We remain committed to our Coastguard functions and protecting the general public – during this current climate we are still able to fulfil our search and rescue commitments. We will also look to achieve the spirit of the Port State Control commitment and undertake surveys and inspections where possible.

I would like to express my thanks to the Agency's Senior Leadership team and their staff for their work and support over the last year.

Michael Parker  
Non-Executive Chairman

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# Chief Executive's foreword

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I am pleased to present the Maritime & Coastguard Agency's Annual Report and Accounts for 2019-20. This Report captures our work in the last year. That work is guided by an internal Three-Year Work Plan which we have called "The Big Three" because of its focus on the themes of Safety & Sustainability, Growth and Innovation.

2019-20 saw the successful conclusion of our Survey and Inspection Transformation Programme. This programme delivered the rationalisation of the MCA Marine Office estate, introduction of better technology and digital systems, and the implementation of a new more efficient surveyor organisational structure. These are key to the future successes of our Survey and Inspection workforce, and the targets that they must achieve.

The United Kingdom Ship Register had another difficult year. We continue to improve the service offer of the United Kingdom Ship Register to customers, and we have implemented the first of a programme of improved digital systems. Nevertheless, 2019-20 was a difficult year as we prepared for the UK's withdrawal from the European Union. The continued uncertainty around EU Exit has led to some customers removing ships from the Register which fell to 10.4m Gross Tonnage by March 2020.

The UK Ship Register is a very attractive proposition that is committed to quality and service, which is reflected in our position of 5<sup>th</sup> on the Paris Memorandum of Understanding on Port State Control "White List". New customer services in the Far East and in Greece will support our ambitions for the future.

As ever, the MCA is ready and prepared to respond to emergencies at sea, on the coast and inland. In the last year, our coastguard search and rescue service answered the call swiftly and effectively to over 31,000 incidents, sometimes in the most difficult of conditions. Our 3,500 volunteers in the community-based Coastguard Rescue Service and our salaried Coastguard personnel have continued to improve their capability to tackle new challenges, which increasingly included training for national flood response and drowning prevention activities. We have responded to high-profile incidents and our search and rescue service have featured in television programmes and the wider media to raise our profile, spread our safety messages and encourage recruitment to our ranks.

Our state-of-the-art UK search and rescue helicopter fleet operates from 10 bases across the United Kingdom. The British-built Leonardo AW189 helicopters have been rolled out across our estate and work has now started on plans for the next generation of our search and rescue helicopters which will see Her Majesty's Coastguard branch out into other aviation strands.

In 2019-20 the MCA launched a new Fixed Wing Aerial Reconnaissance service to support our lifesaving search and rescue missions and counter pollution activities, using Beechcraft King Air B200 aircraft. The aircraft is equipped with multiple state-of-the-art sensors and cameras and can detect vessels, pollution and people in the water at considerable distance. The aircraft are also available to provide further assistance to other public bodies in the work that they do.

The Maritime & Coastguard Agency continues to be recognised as a high-performing Civil Service organisation with a staff engagement index of 65%. That was a good outcome given the extent of change in the Agency, although I aim to see that engagement measure increase over time. The steps we introduced last year with the aim of addressing the pockets of challenging behaviours in

the Agency have started to have an impact. Our 2019 People Survey results showed another fall in the number of staff reporting bullying behaviours. Our Respect Ambassadors have had fewer cases to deal with and there have been many fewer formal grievances raised, all of which suggests that behaviours have been better.

In the final month of the year the Agency was affected by the coronavirus pandemic. Our Coastguard search and rescue functions were able to operate normally. Our search and rescue helicopters provided additional support to the NHS. Our ship survey and inspection work was halted as was our seafarer certification functions. Arrangements were made to keep ships and seafarers properly certificated. As we publish this document, many of our services are beginning to start up again and we will report on the impact of the pandemic in our next Annual Report and Accounts.

Brian Johnson  
Chief Executive



# Who we are and what we do

## Maritime and Coastguard Agency

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

- We produce legislation and guidance and provide certification to ships and seafarers. Through our survey and inspection regime, we enforce standards for ship safety, security, pollution prevention and seafarer health, safety and welfare for seafarers.
- We provide a national 24-hour maritime and coastal search and rescue (SAR) emergency response throughout the UK.
- We work with strategic partners to promote maritime safety, encourage economic growth, and minimise the maritime sector's environmental impact. We do this through Government's maritime safety and environmental strategy, and through our support to industry via the UK Ship Register.
- The MCA's vision is to be the best maritime safety organisation in the world, driving progress towards safer lives, safer ships, and cleaner seas. This vision is underpinned by our four key values of safety, professionalism, trust, and respect.
- The Agency's key objectives for the next three years, will be focusing on the key themes of: safety and sustainability, maritime growth, and maritime innovation.
- We work in collaboration with the Department for Transport to deliver the key objectives outlined in the Maritime 2050 Strategy Document.
- Our Business Plan for 2020-21 sets out details of our strategic and commercial ambitions, including:
  - Using our best endeavours to meet the spirit of the European Directive requirement for Port State Control,
  - Reviewing our Search and Rescue missions to ensure that we are delivering a professional coastguard Search and Rescue coordination service, and strengthening the management of our coastal operation functions,
  - Maximising digital technology to support the delivery of our improved services,
  - Developing our people and building on talent.

A copy of our Business Plan for 2020-21 will be available on Gov.UK once published.

## Our Internal Plan - The Big Three

We have launched an internal Business Plan, called the Big Three. This is a hugely ambitious document that outlines the Agency's key objectives for the next three years, focusing on the themes of:

**Safety and Sustainability** – We will work with partners to improve maritime safety and environmental impact in the UK and on UK registered ships, reducing deaths in UK coastal environments.

**Maritime Growth** – We will offer increasingly high-quality services to enhance the UK's reputation and attract customers to the UK Ship Register, and the wider maritime sector.

**Maritime Innovation** – We will work with Industry, government and academia to develop and exploit new approaches, opportunities and technologies that will see the UK lead maritime innovation.

Our internal plan and its recommendations will also enable us to focus and achieve the key themes that are set out in the Maritime 2050 document.

## Management Commentary

Effective management plays an important part in delivering our services to our customers. Our Governance Statement on page 39 describes how we do this and outlines the principal risks facing the Agency.

# Our achievements in 2019-20



Our Coastguard search and rescue (SAR) coordination network has responded to over 31,000 incidents, dealing with distress and 999 calls.

Our Aeronautical Rescue Coordination Centre responded to 3,800 incidents, rescuing over 1,900 people.

We have been striving to provide our customers with great services and value for money. Our procurement team has driven down the cost of key contracts, supporting the business with sound technical advice. This in addition to the efficiencies being realised across the Agency is helping to ensure that we provide the best value for money.

Our seafarer training and certification team continue to provide an excellent service, with over 85% of customers surveyed saying they received a good or excellent service.

Due to added emphasis on the UK Drowning Prevention Strategy, the number of fatalities around our coastline and waterways has reduced. The reduction highlights the positive impact of continuing our prevention activity working with other National Water Safety forum members on saving lives around our coast and waterways.



There were 77 new ship registrations and at the end of March 2020 the UK Ship Register stood at 10.4m Gross Tonnage with 1,168 vessels.

Navigation Safety Branch engaged with the development and maintenance of around 150 international navigation and radio equipment safety standards and have surveyed around 7,200 km<sup>2</sup> of seabed in the last year.

We successfully prosecuted 10 enforcement cases in the year, thereby adding to the safety of the maritime community.

During the year, 267 reports of wreck material (droits) were received.

The Survey & Inspection Transformation Programme completed after five years. The programme closed having delivered key requirements including the rationalisation of the MCA estate, introduction of enhanced digital solutions, the implementation of a new, more efficient organisational structure and the issue of new, competitive and demanding terms and conditions for surveyors.

Phase three of our recruitment of surveyors campaign successfully concluded. By 31 March, we had achieved our target of having a minimum of 85 qualified Port State Control Officers in post. Recruitment campaigns will continue as the potential for retirements, due to the age demographic of the surveyor workforce, comes to the fore.



Significant progress has been made to develop a fit for purpose UK Ship Register digital platform. This modern digital service allows for the registration and management of vessel information held within the UK Ship Register.

The Channel Navigation Information Service has now been nationalised, previously this was only available from a single Coastguard Operation Centre. This was a four-year project to increase accessibility and improve the resilience of our network.

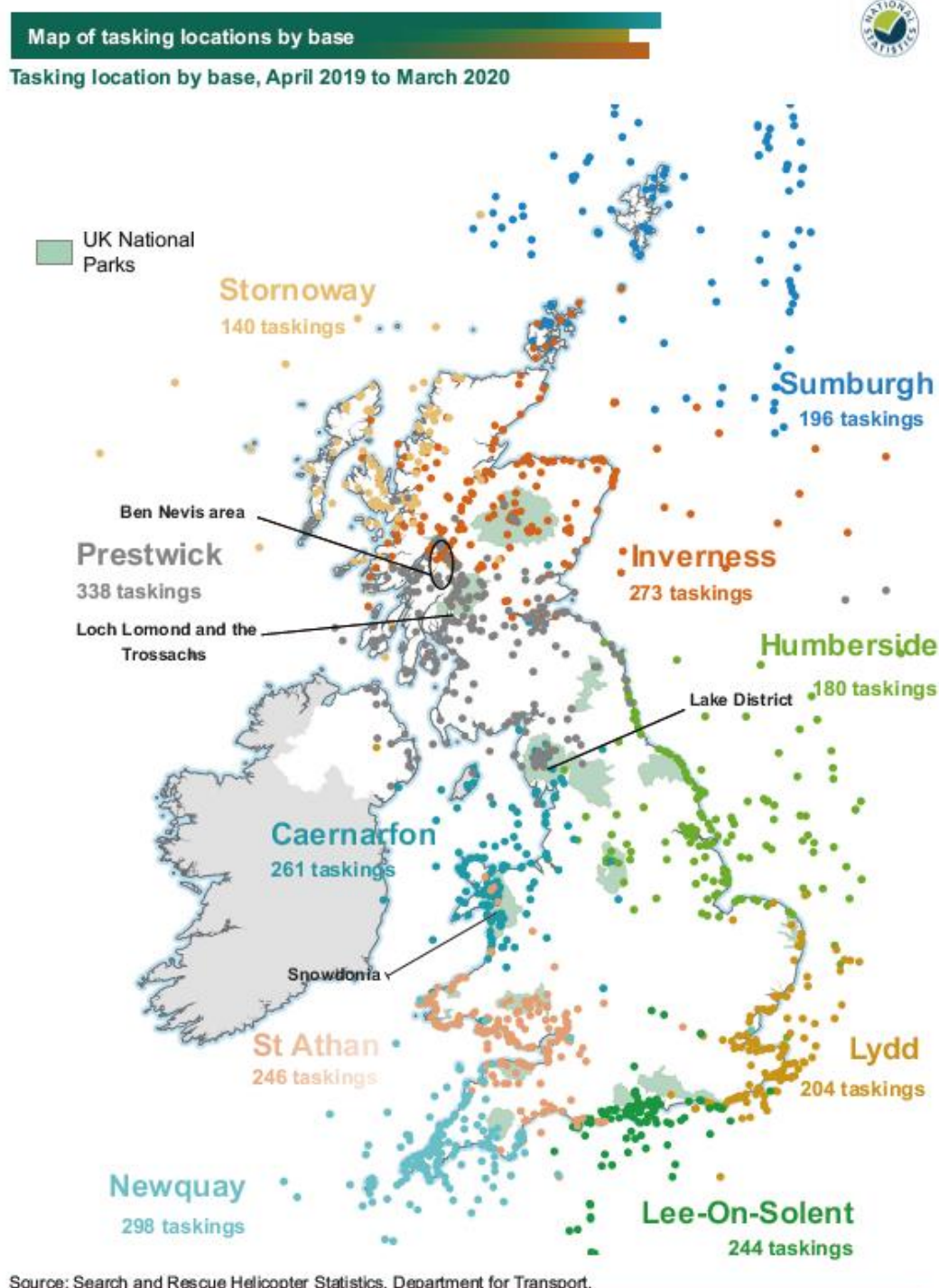
The Agency retained an engagement index score of 65%, which means we remain a high performing Civil Service organisation for staff engagement.

To address the gender pay gap, the MCA has increased the amount of female staff in more senior roles by 15.48% since April 2018.

We have continued our efforts to improve communications and address pockets of challenging behaviours. We introduced a Respect Workshop and by the end of October close to 1,000 members of staff have experienced a workshop to increase their understanding of what good behaviours look like. This is now mandatory for all new recruits via the induction programme.



# Location of civilian search and rescue helicopter taskings, year ending March 2020



## Overall trends

Overall helicopter taskings from April 2019 – March 2020 were 2,380 spread across all ten operational bases. This was a slight drop by 2% from the 2,438 recorded the previous year. As with the previous year, the Prestwick and Newquay bases had the most taskings, responding to 338 and 298 taskings respectively. Despite still being one of the busiest bases, Newquay did experience a drop in taskings from 344 the previous year, while Prestwick increased from 320 taskings in 2018-19.

When compared to the previous year, the number of taskings decreased across the first three quarters, to 652, 764 and 507 taskings respectively. The last quarter of the year (January to March 2020) had 457 taskings, which was slightly up from 442 taskings in the same quarter the previous year. It is likely the coronavirus pandemic had a small impact on the number of taskings in March 2020.

The main pattern in taskings for the 2019-20 year continues to be generally in line with 2018-2019.

### **Notable incidents year ending March 2020**

In the early hours of the morning on 24 September 2019 in dreadful weather conditions, a crew member went overboard from his sailing boat. The HM Coastguard helicopter from Lydd was alerted just after 3am and was dispatched along with the Dungeness Royal National Lifeboat Institution (RNLI) Lifeboat. Southerly gale force 7 winds made this a particularly challenging rescue. The rescue was made more straightforward however as the man was wearing a lifejacket with an effective strobe light. This made him very visible in the water and meant the helicopter crew could see him while on their way to the search area and rescue him from the water just before 3:50am.

On the 5 April 2019, two climbers became stuck while climbing Cuillin Ridge on the Isle of Skye. They managed to call Police Scotland to report they were just shy of the summit but were unable to continue climbing up or down after they became stranded alongside a drop of 3,000ft. The HM Coastguard Stornoway helicopter was called to the scene and winched the two climbers into the helicopter before transferring them into the care of the Skye Mountain Rescue Team. Both climbers were safe and well and did not require medical treatment.

In the evening of 10 March 2020 four children became stuck in the mud with an incoming tide on the River Stour near Copperas Bay. The HM Coastguard Lydd helicopter was called at around 18:55, along with the Felixstowe and Holbrook Coastguard Rescue Teams and two RNLI lifeboats from Harwich. One of the children had managed to call 999 from her phone with only 2% battery. Essex Police, Essex Fire and Rescue and East of England Ambulance were also on scene. Essex Police managed to free two of the children from the mud and the helicopter was able to winch the other two, who were about 500m out in the estuary, to safety.

On the 1 February 2020, a kayaker was airlifted by the HM Coastguard Caernarfon helicopter after he capsized in the River Tees in Cotherstone, County Durham, and sustained upper body injuries. The group he was kayaking with was able to help him onto the riverbank and called 999 for help. The assistance of the HM Coastguard helicopter was requested through the Aeronautical Rescue Coordination Centre (ARCC) because the kayaker and his group were in a difficult-to-access area due to the steep riverbank and dense woodland. Teesdale and Weardale Mountain Rescue Team, the North East Ambulance Service and their Hazardous Area Response Team (HART) consulted with the winchman to identify a suitable clearing in the woods, along with the help of a local farmer. The teams on the ground set up a line rig and carried the injured kayaker on a stretcher up the steep riverbank. An area on the steep ledge that was clear of overhanging trees was identified and from there, the injured kayaker was winched into the helicopter. The casualty was then transported to James Cook University Hospital to have his injuries assessed and treated. This rescue, along with so many others, offers a prime example of multiple agencies working together to ensure the most efficient rescue and best possible care for the casualty.

# Delivering against our 2019-20 Business Plan

The Key Performance Indicators (KPIs) are directly linked to the MCA's strategic targets set out in the Business Plan 2019-20 and provide management with accurate and relevant information from which to make informed and appropriate decisions. The KPIs are reported monthly through the internal Boards who have management oversight of the KPIs where risks and mitigation are identified.

Performance against the targets is set out below:

<p><b>MCA Digital Strategy</b></p> <p>Develop Digital and Technology Roadmaps for Survey &amp; Inspection, UK Ship Register and HM Coastguard by</p>	<p>31 March 2020</p>	<p>This KPI has been partially met.</p> <p>Roadmaps have been completed for HM Coastguard, and this piece of work will continue. UK Ship Register and Survey &amp; Inspection roadmaps are on hold due to the fact other digital services are currently being completed. Roadmaps will recommence once these activities are completed.</p>
<p>Begin discovery on next generation HM Coastguard technology aligned to contract and technology replacement activities by</p>	<p>31 October 2019</p>	<p>This KPI has been met.</p> <p>An internal workshop has been held between IT and HM Coastguard to produce an overall scope of services. A roadmap was produced against operational priorities and was presented to the HM Coastguard Senior Team.</p>
<p>Replace the Search and Rescue Planning Tool for HM Coastguard by</p>	<p>31 March 2020</p>	<p>This KPI has been partially met.</p> <p>The existing contract with our current provider has been extended. A software upgrade has been applied which now allows for particle-based planning which was a key consideration for the replacement of the search planning software. HM Coastguard are reviewing their ongoing requirements.</p>

Replace the Electronic Position-Indicating Radio Beacon (EPIRB) Registry including the public facing website by	31 March 2020	This KPI has been partially met.  A prototype for the replacement Electronic Position-Indicating Radio Beacon Registry service has reached an Alpha stage. There will be a live release in the next financial year.
The mission-critical Radio Network Infrastructure Replacement contract will be let by	31 August 2019	This KPI has not been met.  The Agency completed all preparatory contract work and evaluations; however, additional governance and approval processes prevented the letting of the contract by the target date and permission was received to extend the existing contract. This extension is allowing us to take advantage of emerging innovative and collaborative opportunities
<b>Search and Rescue</b>  Our Maritime and Aeronautical Controllers will review all missions in the distress and alert phase, assess their response, provide guidance where it is needed, and make sure that a mission coordinator is assigned to all distress and alert incidents within 30 minutes of the start of the incident in line with the relevant standard operating procedure in:	90% of all cases	This KPI has been met.  The MCA reviewed and took action within 30 minutes in 93.6% of incidents.
We will review 10% of incidents to which the national Search and Rescue network has responded to assess our compliance with Mission Conduct protocols and the effectiveness of outcomes. We will also seek feedback from stakeholders and learn any appropriate lessons for future operations in:	10% of incidents	This KPI has been met.  The MCA reviewed 10.5% of incidents in the national network. Lessons have been captured and learnt throughout the year using our Informal Mission Review and Post Mission Learning Report processes, including stakeholder feedback.
The technical availability of the national Search and Rescue network will be at least:	98% of the time	This KPI has been met.  Availability for the year was 98%.
Search and Rescue Helicopters will be available to launch from each base location for at least:	98% of the time	This KPI has been met.  Availability for the year was 99.23%.



<p><b>Aviation</b></p> <p>A successfully targeted drone trial that can be used to inform and expand the value for money scope of UK Search and Rescue Second Generation (UKSAR2G) will conclude by:</p>	<p>31 December 2019</p>	<p>This KPI has been met.</p> <p>The Award notification letters were sent to bidders.</p>
<p>Our new aerial surveillance service will be operational by:</p>	<p>31 December 2019</p>	<p>This KPI has been met.</p> <p>The Aerial Surveillance service is now operational.</p>
<p>We will go out to tender for a new UK Search and Rescue Helicopter 2nd Generation contract by:</p>	<p>31 March 2020</p>	<p>This KPI has not been met.</p> <p>The current contract for a new UK Search and Rescue Helicopter 2nd Generation has been extended.</p>
<p><b>UK Ship Register</b></p> <p>Focus UK Ship Register (UKSR) marketing on quality owners and vessels so that the average age of 90% of the internationally trading UK Flag ships greater than 500 gross tonnage is:</p>	<p>10 years or less</p>	<p>This KPI has not been met.</p> <p>The average age is 12.58 years at 31 March.</p>
<p><b>Initial</b> - We will undertake an initial customer satisfaction survey to establish a baseline and then repeat it every six months with an aspiration to close any gap by 40%. By</p>	<p>31 March 2020</p>	<p>This KPI was met.</p> <p>An initial qualitative survey was undertaken as part of the discovery for the new operating model</p>
<p><b>Improve</b> - We will undertake a further customer satisfaction survey to improve on the baseline score. By</p>	<p>31 March 2021</p>	<p>This KPI is ongoing</p>
<p>In line with our Marketing Strategy, we will attract 1.25 million GT (gross tonnage) of shipping to join the UK Ship Register by</p>	<p>31 March 2021</p>	<p>This KPI was not met.</p> <p>The tonnage total for vessels flagging in since April was 853,901 GT</p>
<p>Maintain UK Flag State performance in the Paris Memorandum of Understanding (MOU) White list</p>	<p>Remain in the upper quartile of the White List</p>	<p>This KPI has been met.</p> <p>The UK is 5<sup>th</sup> out of 40 on the Paris MOU White List.</p>

<p><b>Pollution Incident Response</b></p> <p>Counter Pollution and Salvage Officer engaged in incident response within 10 minutes of activation and, where appropriate, other specialist counter pollution support personnel engage within 30 minutes of incident activation in at least</p>	<p>95% of cases</p>	<p>This KPI has been met.</p> <p>Counter Pollution and Salvage Officer engaged in incident response within 10 minutes in 95% of cases.</p>
<p><b>Our Flag and Port State Responsibilities</b></p> <p>Phase 3 of the recruitment process will be completed by</p>	<p>31 March 2020</p>	<p>This KPI has been met</p>
<p>A minimum of 85 qualified Port State Control Officers in post by</p>	<p>31 December 2019</p>	<p>This KPI has been met.</p> <p>We currently have 86 trained Port State Control Officers with 20 surveyors under training</p>
<p>Achieve an average percentage of Overall Customer Satisfaction score of 87% over the previous 12-month period by</p>	<p>31 March 2020</p>	<p>This KPI has been met.</p> <p>We have achieved the 87% average at year end.</p>
<p>Implement all MAIB Recommendations with target dates within the reporting period by</p>	<p>31 March 2020</p>	<p>This KPI has not been met.</p> <p>Four recommendations on the Action Plan could not be completed within the reporting period. This was because of political process interruptions.</p>
<p>To meet the European Directive requirement for Port State Control, we will inspect 1,612 ships overall, inspect at least 95% of all Priority I high risk ship arrivals, 90% of all Priority I non-high-risk ship arrivals and at least 70% of all Priority I arrivals calling at UK ports and anchorages by</p>	<p>31 December 2019</p>	<p>This KPI has been partially met</p> <p>A total of 1,387 inspections were carried out of which 1,275 were undertaken by the MCA and 112 by Gibraltar. 70% of all Priority I vessels that arrived at UK ports and anchorages were inspected.</p>
<p>To demonstrate that we are fulfilling our statutory obligations under the STCW convention and improve customer service to seafarers we will undertake 4,750 STCW oral exams. We will ensure that for 95% of oral exam candidates we will offer an exam at an MCA venue within 21 days from request</p>	<p>31 March 2020</p>	<p>This KPI has been met</p> <p>Oral exams are demand led throughout the year although coronavirus did have an impact on exams in March. This target is measured against offering the date of an exam within 21 day in 95% of all cases. We achieved this in 99% of cases.</p>

<p>In order to ensure the safety of the travelling public and those working on UK Fishing Vessels we will undertake 230 domestic passenger ship inspections and 1,083 fishing vessel inspections</p>	<p>31 March 2020</p>	<p>This KPI has been partially met</p> <p>We undertook 257 domestic passenger ship inspections and 1,082 fishing vessel inspections. This target would have been fully achieved if it was not for the coronavirus pandemic. Our survey and inspection activity had to halt.</p>
<p>In collaboration with Industry, in particular the Fishing Industry Safety Group (FISG), the MCA will work towards delivering the objective of eliminating all preventable fatalities to fishermen by 2027, and establish a downward trend in the number of fishing vessels accidents by</p>	<p>31 March 2020</p>	<p>This KPI has been met</p> <p>During 2019-20 together with industry, we introduced a range of initiatives with the target of helping to reduce the fatalities in the fishing industry.</p>
<p><b>Customer satisfaction</b></p> <p>Encourage the completion of online satisfaction surveys on the Registry of Shipping and Seafarers and Seafarer Certification Services with a positive response rate (the total number of responses indicating agree and strongly agree to the overall satisfaction question) of</p>	<p>85% and above</p>	<p>This KPI has been met.</p> <p>The MCA Customer Charter commitment to service improvement is measured by annual customer satisfaction surveys. In 2019-20 the MCA received a response rate of 95.7% with 1210/1264 saying they received Excellent or Good service.</p>
<p><b>Parliamentary Questions</b></p> <p>Provide a response within due date (in 24 hours)</p>	<p>100% of cases</p>	<p>This KPI has been met.</p> <p>80/80 (100%).</p>
<p><b>Freedom of information</b></p> <p>Provide response within 20 working days in</p>	<p>93% of cases</p>	<p>This KPI has been met.</p> <p>126/127 (99%).</p>
<p><b>Member of Parliament correspondence</b></p> <p>Provide a response within 8 working days in</p>	<p>100% of cases</p>	<p>This KPI has been met.</p> <p>104/104 (100%).</p>
<p><b>Official correspondence</b></p> <p>Provide a response within 20 working days in</p>	<p>80% of cases</p>	<p>This KPI has been met.</p> <p>22/22 (100%).</p>

<p><b>Prompt Payment</b> Payment of invoices within 5 working days in</p>	<p>80% of cases</p>	<p>This KPI has been met. 93.86% of invoices were paid within 5 working days.</p>
<p><b>Agency Finance</b> MCA will deliver within the budgets as published in the Main Estimate and Supplementary Estimate. MCA Finance will also deliver any other targets set by Department.</p>	<p>Meet set targets</p>	<p>This target has been met. The MCA budget was revised through Supplementary Estimate and was underspent at the end of the year.</p>
<p><b>Moving our culture forward</b>  <b>Workforce</b> Ensure average number of working days lost to sickness absence does not exceed.</p>	<p>7 days per FTE</p>	<p>This KPI has not been met. In 2019-20 there was an average of 7.22 days lost due to sickness per FTE.</p>
<p>The MCA will increase its overall engagement score as measured in the annual Civil Service People Survey to at least 68%, further cementing its position as a high performing organisation, by</p>	<p>31 December 2020</p>	<p>The 2019 People Survey engagement indicator remained at 65% in a year of major change for the Agency. This is not a major concern and we are confident that 68% is achievable next year – the target date - although the current challenges may play a part. Individual teams have detailed breakdown and will be considering areas where action is required</p>
<p>All staff have attended a Respect Workshop to encourage improved behaviours and increase awareness of the values enshrined in the Civil Service Code by</p>	<p>31 October 2019</p>	<p>This KPI has been met. By then end of October close to 1,000 people had either attended a workshop or confirmed that they have watched a version of it. The content of the Respect workshop is now built-in to the new induction programme which is mandatory for all new recruits.</p>
<p>The level of bullying and harassment reported in the Civil Service People Survey will be no higher than that recorded for the Civil Service as a whole, and there will be increased levels of confidence that action has been taken by</p>	<p>31 December 2020</p>	<p>This KPI has been met. Bullying experiences down from 15% to 14% in the 2019 People Survey and is now closer to the Civil Service average (11%). Individual teams have detailed breakdown for their area and will be considering areas where action is required</p>

<p><b>Female Recruits</b>  By 31st March 2020 the Agency will have increased the number of women in more senior roles (SEO-SCS) by at least 10% above current numbers by implementing a range of initiatives and interventions. This will work towards reducing the Agency's gender pay-gap</p>	<p>31<sup>st</sup> March 2020</p>	<p>This KPI has been met.   The MCA has increased the number of female recruits in SEO &amp; Above Roles by 15.48 % since April 2018.</p>
<p><b>Black, Asian and minority ethnic (BAME) Representation</b>  With a particular emphasis on HM Coastguard roles, move towards BAME representation rates that reflect the proportion of BAME individuals in the local working-age population in each of our major locations by:</p>	<p>31 March 2021</p>	<p>This KPI is ongoing.   The major locations have been identified as Aberdeen, Cardiff, Fareham (NMOC), and Southampton (including Marine Office).</p>

# Financial Performance Analysis

The MCA is net funded through the Department of Transport supply estimate broken down by resource and capital expenditure 2019-20 amounting to £382.4million (2018-19: £360.9million).

This includes the adjustments made for the impact of International Financial Reporting Standard 16 Leases (IFRS 16) which, as mandated by HM Treasury on transition, requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The MCA recognised lease liabilities of £328.8million representing its obligation to make lease payments and corresponding right-of-use assets representing our right to use underlying leased assets on the transition date of 1 April 2019.

In 2019-20 the Agency had total net assets of £60million, comprising total assets of £371.1million and total liabilities of £311.1million. Our non-current assets include property, plant and equipment and intangible assets of £94.9 million.

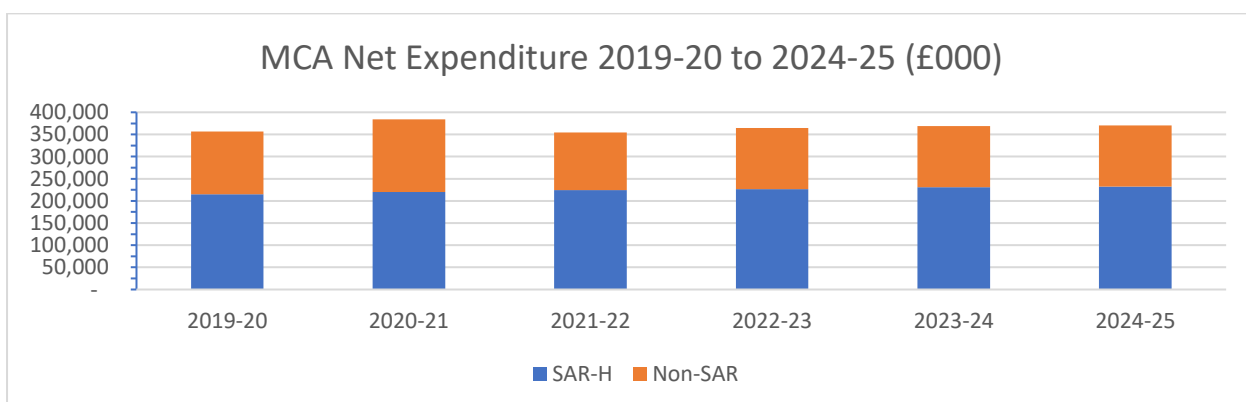
In year our capital expenditure was £13.4million (2018-19 £10.9million) This includes the requirements under IFRS16 incorporating costs for new leases agreed in year of £2.2million. Excluding the impact of IFRS16, the budget was mostly spent on improving the Agency's IT hardware and software.

Total expenditure has risen by £14.4million to £371.8million (2018-19: £357.4million). The main elements of the increase were staff costs £3.5million, Search and Rescue Helicopters (SAR-H) £3.6million, pollution response £4.4million and Telecommunications and IT £4.4 million. Net revaluation losses were £4.7million lower and profits from disposals were £4.2million higher than in 2018-19.

Total income has increased by £0.5million to £15.4million (2018-19: £14.9million) reflecting higher revenue from contracts with customers mainly due to a rise in marine surveys income

## MCA Long Term Expenditure Trends

MCA net expenditure increased significantly after April 2015 when the MCA began to provide all UK SAR Helicopter services under new Search and Rescue (SAR) contracts. From 2018-19 onwards these services were provided all year nationally and the expenditure trend has been more stable. Expected expenditure trends in the table below includes leasing cost profiles altered by IFRS 16 but does not include the costs of replacing the Agency's radio network infrastructure as this project remains in the pre-contract award stage at year end.



# Safer Lives – preventing loss of life

Over 16 million people took part in water sports events on the sea or at the coast in the UK in 2019<sup>1</sup> a slight reduction in numbers compared to 2018, which is likely to be as result of the increase in summer rainfall. Our prevention work aims to reduce the risk of incidents and promote a safety culture in commercial and recreational activities.

## Prevention

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

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

We ensure seafarers have the right skills, are medically fit, and hold valid certificates to serve on UK-registered ships.

## Drowning Prevention

On average, 400 people drown in the UK each year<sup>2</sup>, with a further 200 people committing suicide in our waters<sup>3</sup>. In 2016, the Agency (along with our partner organisations) launched the National Water Safety Forum (NWSF) Drowning Prevention Strategy. This strategy aims to reduce accidental drowning fatalities in the UK by 50% by 2026 and reduce the risk amongst the highest risk populations, groups and communities. Since 2016 there has been a downward trajectory in accidental drownings nationally, but there has been a marked increase in the number of suicides. In 2019, for the first time, the number of suicides at the coast exceeded the number of accidental drownings. The Agency has developed a suicide prevention strategy that focuses on providing training and information for Coastguard operators and volunteers who may be the first point of contact for persons threatening self-harm. We help deliver the aims of this strategy using an evidence-based approach, continuing to provide data for the National Water Incident Database (WAID). Further information and reports can be found here: [www.nationalwatersafety.org.uk](http://www.nationalwatersafety.org.uk).

We play an active part in drowning prevention creating our own drowning prevention strategy to support the national picture. We are working on a joint Community Safety programme with the RNLI, bringing together our volunteers in local communities to share resources, provide consistent safety messages and raise awareness of the roles of our organisations. During the coronavirus pandemic our volunteers have been working with local stakeholders in Communities to deliver mutual aid.

Our statistics for 2019 show most of all accidental drowning fatalities occurred when people were, spending leisure time at the beach, coastal walking or swimming outdoors. The Nursery Watersports Participation survey shows that these activities are most accessible to the public, need no formal training, require minimal equipment and therefore have a much higher participation rate. The remainder of the fatalities were linked to specific water activities (ranging from sailing, motor boating to sub aqua diving), indicating that we are seeing a higher proportion of general day-to-day activities resulting in fatalities, as opposed to specific water related events.

Our evidence continues to show that alcohol has been a causal factor in fatal incidents. Over the

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<sup>1</sup> Arkenford Watersports Participation Survey, 2019

<sup>2</sup> These 400 fatalities are non-commercial incidents.

<sup>3</sup> Data from the National Water Safety Forum (NWSF) Water Incident Database (WaID)

last three years, of all accidental fatalities where alcohol was a contributing factor, 80% are men who ended up in the water intentionally or unintentionally.

The annual casualty review panel (in which a panel of experts review incidents to determine whether wearing a lifejacket would have saved a life), informs us that in the last ten years 150 lives could potentially have been saved, indicating the importance of continuing our safety messages to encourage the public to wear personal floatation devices when on or near the water.

## **Our public and media presence**

The Agency has launched safety campaigns, ramped up its social media activity and featured in documentaries and news programmes throughout this year.

Our social media profile continues to grow and stand out across many platforms. Audiences on Facebook and Twitter alone have climbed to just over 71,800 and 55,525 followers each respectively not including our new HM Coastguard Twitter presence. And on LinkedIn we have over 37,100 followers from across the maritime sector.

MCA and HM Coastguard tweets are often ranked in the Top Ten 'GreatUKGovTweets'. A single organic campaign post on Facebook can have real impact around the UK and beyond.

The UK Ship Register has also increased its online presence with most social interactions taking place through LinkedIn to its 3,700 shipping contacts, whilst use of the website has increased by 44%. A successful London International Shipping Week saw Shipping Minister Nusrat Ghani MP host the UK Ship Register reception at the House of Commons and MCA staff attended events and seminars to discuss and promote the flag with new and existing customers.

In November we launched a radio filler campaign, via the Cabinet Office fillers service, aimed at raising awareness of the 999 Coastguard message and targeting inland communities. The campaign video engaged thousands of people on social media and was the top performing tweet that month with 71,000 views on Facebook. It was also picked up by news outlets across the country, featuring on BBC and ITV news programmes. From October to December 2019, the fillers were the most aired out of all the other radio fillers available from the Cabinet Office fillers.

The MCA and HM Coastguard continue to feature in a wide range of television programmes, raising our profile and spreading the vital safety message of who to contact in a coastal emergency. This reporting year we have featured and provided spokespeople for countless news programmes including BBC, SKY, ITV and Channel 4. Our rescue footage, news stories and campaign videos are often picked up by international media including US, Australian, Indian and Chinese news stations. In August we invited the media to help us celebrate the first birthdays of the UK's youngest surviving pre-term twins whose mother was airlifted to hospital, and the birth of baby Torran who was born onboard one of our helicopters. In September eight Masterchef finalists battled gale force winds in tents pitched next to our Coastguard Operations Centre in Dover to serve up a feast for 120 Coastguard staff and volunteers.



## Setting international shipping standards

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

Our aim is to enhance co-operation between government departments in the UK, UK Overseas Territories (OTs) and Crown Dependencies (CDs) to develop a better understanding of the III Code and the consequences of failure to comply, encouraging a collaborative approach to demonstrate compliance. Alongside our Red Ensign Group (REG) partners, we will develop a strategy to achieve full compliance as a flag, port and coastal state with the requirements of international Maritime Conventions and to prepare the UK Flag State for audit against the III Code standard.

Under the Government's Conflict Stability and Security Fund Programme, the Agency is continuing to provide additional support to the REG Overseas Territories to build stronger sustainable capability and reduce contingent liability in the event of a maritime incident. Working with our overseas colleagues we have, this year, advanced the training of local surveyors, and progressed legislation alongside the Attorney Generals and Maritime Administrations. Funding for Tier 1 pollution response equipment, search and rescue central alerting posts and training for responders has improved capacity within the Territories. A number of workshops have boosted relationships and developed greater collaboration between Territories, neighbouring States and external organisations.

## Safety of lives at sea

The Agency continued development of non-regulatory measures to help improve maritime safety and seafarer health and wellbeing. In particular, the MCA in consultation with industry stakeholders and maritime charities has developed guidance on wellbeing at sea for organisations and seafarers, and on training for seafarers on mental health awareness, all of which will be published early in 2020-21.

At the IMO, we participated in completion of amended Safety of Life at Sea (SOLAS) Regulations and supporting guidance on Onboard Lifting Appliances and Winches.

The 23<sup>rd</sup> Edition of the Ship Captain's Medical Guide was published and we also started work on reviewing the UK's requirements for carriage of medical stores on board vessels in the light of this and following publication of updated technical annexes to the EU Directive on requirements for medical treatment on board vessels.

We completed implementation of the International Labour Organization's Work in Fishing Convention (No. 188), which the UK ratified in January 2019. We published arrangements for ensuring safe manning of fishing vessels and for financial security for fishing vessel owners to meet their liabilities to their crews in the event of occupational injury, illness or death. We supported a training event on the Work in Fishing Convention for staff at the International Labour Organization.

In 2019, our network of MCA approved doctors conducted 51,862 medical examinations to check that seafarers were fit to work at sea. For the first time this included about 1,500 fishermen, as the new statutory requirement for fishermen to hold a medical fitness certificate (introduced as part of our implementation of the Work in Fishing Convention) took effect for some fishermen, as part of a phased introduction.

## Search and Rescue coordination

We provide a round-the-clock emergency response search and rescue coordination service for the UK coast and surrounding waters out to the mid-Atlantic. During the year our Coastguard search and rescue coordination network responded to over 31,000 incidents, dealing with distress and 999

calls, tasking lifeboats, helicopters, other ships in the vicinity, other emergency authorities and volunteer coastguard rescue teams. Our Aeronautical Rescue Coordination Centre responded to 3,800 incidents, rescuing over 1,900 people.

### **Coastguard Rescue Service**

Our Coastguard Rescue Service comprises on average 3,500 volunteers in 308 teams dispersed around the coast of the UK. They give their time to respond to emergencies and spread safety messages in their local communities. They are trained in the specialist skills of search, water (including flood), mud and cliff rescue. The volunteers are led and managed by 102 employed operational staff.

We remain committed to supporting the UK Coastal local resilience forums (LRFs), whose aims are to plan and prepare for and respond to and recover from localised or national significant incidents and major emergencies, and we contribute to the mitigation of a range of risks as a category 1 responder.

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

For the UK Search and Rescue Helicopter service (UKSARH) 2019-20 has again been another successful operating year across all its ten bases, with the final delivery of the new British-built Leonardo AW189 helicopters taking place at Inverness in May 2019.

### **Fixed Wing Aerial Surveillance (ASV) Service**

In 2019-20 the MCA launched a new ASV service to support lifesaving search and rescue missions and counter pollution activities using Beechcraft King Air B200 aircraft. The aircraft, equipped with multiple state-of-the-art sensors and cameras, can detect vessels, pollution and people in the water at considerable distance. On standby to respond to emergency situations around the clock, the aircraft are also available to provide further assistance to other public bodies in the work that they do.

### **Drone Demonstration and Development Pathfinder Project**

The MCA launched this project in 2019-20 to explore and develop the safe use of drones Beyond Visual Line of Sight (BVLOS) in all classes of UK airspace without the need for special permissions. Taking a phased approach, the project aims to identify and overcome technical, operational and commercial barriers for bringing new BVLOS services to the UK. The use of drones in support of search and rescue, counter pollution and maritime aerial observation operations could potentially increase overall efficiency and reduce the risk to our personnel, allowing the MCA to discharge its international obligations effectively.

# Safer Ships – improving maritime safety

Shipping is vital to the UK, as an island nation; in terms of volume, the UK relies on shipping for about 95% of its imports and exports<sup>4</sup>. A safe environment for ships and professional seafarers supports growth by facilitating healthy trade and a vibrant shipping sector. The Agency works closely with the maritime industry to enhance standards of safety in all aspects of maritime activity.

## Setting standards

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

We work in partnership with colleagues across Government and key stakeholders to negotiate international maritime policies, regulations and technical standards, principally at the IMO, the ILO and the European Union.

The following Regulations have been introduced this year:

- The Merchant Shipping (Inland Waterways) (Amendment etc.) (EU Exit) Regulations 2019 No. 808,
- The Merchant Shipping (Tonnage) (Amendment) Regulations 2020 No. 362,
- The Merchant Shipping (Maritime Labour Convention) (Extension of Maritime Labour Certificate) (Amendment) Regulations 2019 No. 716,
- The Merchant Shipping (Marine Equipment) (Amendment) (UK and US Mutual Recognition Agreement) (EU Exit) Regulations 2019 No. 1304,
- The Merchant Shipping (Bridge Visibility) (Small Passenger Ships) Regulations 2019 No. 1025 - subsequently revoked,
- The Merchant Shipping (Standards of Training, Certification and Watchkeeping) (Amendment) (EU Exit) Regulations 2019 No. 630,
- The Merchant Shipping (Marine Equipment) (Amendment etc.) (EU Exit) Regulations 2019 No. 470,
- The Merchant Shipping (Technical Requirements for Inland Waterway Vessels) (Amendment) Regulations 2019 No. 160,
- The Merchant Shipping (Technical Requirements for Inland Waterway Vessels) (Amendment) Regulations 2020 No. 58, and
- The Carcinogens and Mutagens (Miscellaneous Amendments) Regulations 2020 No. 40.

Additionally, in order to facilitate innovation as well as support a thriving maritime sector, we collaborated with industry and have published one Code of Practice this year:

- The workboat code edition 2 - amendment 1.

We published over 70 documents providing the UK maritime sector with additional guidance on safety and general information.

## Monitoring and enforcing standards

By vigorously monitoring compliance with UK policies, regulations, technical standards and International requirements, we are able to provide an assurance of safety, protection of the environment and the health and welfare of seafarers, taking appropriate and proportionate enforcement action when required.

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<sup>4</sup> Focus on Ports 2006 (DfT)

We undertook 2,895 surveys and 2,472 inspections of UK ships during the 2019-20 Financial Year. In the same period, we also carried out 1,387 Port State Control inspections on 1,318 individual ships to ensure they were meeting the required standards during which we identified 3,446 deficiencies with 33 ships being detained in the period.

We carried out 75 inspections of 53 roll on roll off passenger ferries and passenger high speed craft operating between the UK and Europe and found 185 deficiencies requiring corrective action but none warranting the vessel being prevented from operating.

In the course of our activities we also completed 1,125 inspections for specific compliance with MARPOL Air Pollution requirements. In conjunction with these inspections our fuel sampling and testing contractor tested 255 samples of which 7 (2.7%) were found to be non-compliant and followed up with the owner and flag.

We authorise six Recognised Organisations (ROs), which are members of the International Association of Classification Societies (IACS), to carry out a proportion of our statutory survey work. For smaller vessels that operate under the UK Codes of Practice, we have authorised 10 Certifying Authorities (CAs) to survey and issue certificates on our behalf. We undertake a risk-based approach to monitoring of ROs and CAs, which includes regular meetings and audits of their offices and surveyors. Recent work has encompassed updating delegation agreements with the ROs and necessary legislation to meet Brexit requirements and IMO changes, completion of specialist stability auditing of ROs, new tonnage measurement agreements with the CAs and the introduction of hovercraft codes and authorisation.

Where inspections or general maritime intelligence reveal significant breaches of maritime legislation, we may undertake stronger enforcement action. Last year, we investigated 171 new cases and conducted 10 prosecutions.

## **UK Ship Register**

Flag State oversight offers an effective method of implementing safety standards for ships and seafarers.

The UK Ship Register has a reputation for maintaining high international standards, with an efficient ship registration service, dedicated Key Account Managers providing excellent levels of service, ensuring the UK remains at the forefront of global shipping. We integrated our UK Ship Register with the operational Directorate of the Maritime & Coastguard Agency to ensure that we are best placed for delivering services in the future.

During 2019-20, there were 62 new ship registrations (854k Gross Tonnage (GT)) and at the end of March 2020 the UK Flag stood at 10.4m GT with 1,168 vessels. The total tonnage on the Register decreased by 4%. The UK Flag stood at 21<sup>st</sup> largest in the world by tonnage, ninth in Europe and was the fifth largest International Flag behind Malta, Greece, Cyprus, Denmark, Norway, Madeira, Italy and the Isle of Man.

The UK remains in the upper quartile of both the Paris Memorandum of Understanding (MOU) and the Tokyo MoU White Lists of Quality Flag States.

We have also retained the Qualship 21 award, the United States Coast Guard's programme to recognise and reward vessels with exemplary safety management.

The UK Ship Register has undergone a major transformation over the last 12 months, including the development and implementation of a modernised operating model. We also invested time in listening to our domestic and international customers by gathering extensive feedback which informed our longer-term priorities. This led to the design of the future operating model with a supporting action plan.

Our vision was shared with the global shipping market at London International Shipping Week in September 2019; with the mission to become the best international performing flag and a position as the ethical flag of choice. We will become much more attuned to our customers, without compromising the high standards of safety that the UK Flag has proudly represented over many years.

The new operating model is enhancing our offer in line with Maritime 2050 recommendations and provides the tools to enable growth.

The Red Ensign Group (REG) is made up of the UK, nine Overseas Territories and three Crown Dependencies, each of which operate their own British ship register. Any vessel on these registers is a 'British ship' and is entitled to fly the British Merchant Shipping flag the 'Red Ensign' (or a version of it defaced with the appropriate national colour).

Together with the UK Ship Register, the Red Ensign Group has a combined size for the British flag of 43.5 million GT. We will continue to work collaboratively with colleagues within the Overseas Territories and Crown Dependencies to ensure all ships flying the Red Ensign are being maintained and operated to the highest maritime safety standards. This is overseen through a programme of regular monitoring visits to check that maritime standards are maintained in line with international standards and UK and local legislation. In 2019-20, in preparation for the UK's IMO audit in 2020, we undertook monitoring visits of the Administrations of the Cayman Islands, the Isle of Man, Guernsey and Bermuda.

The 2019 and 2020 REG Conferences were hosted by the Government of Montserrat in April 2019 and by the Government of the Falkland Islands in February 2020. The agendas for both provided discussion on maritime policy and strategy, and focussed on progress, strategy and support across the UK, OTs and CDs to ensure compliance with the IMO Instruments Implementation Code across the group ahead of the forthcoming IMO audit, including the support provided by the MCA's Conflict, Stability and Security Fund (CSSF) project referred to previously.

We also hosted the REG Technical Forum in 2019 alongside a number of separate working groups to develop technical policy and to improve consistency across all the REG Registers.

## **Seafarers**

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

Some 52,535 seafarers hold UK Certificates of Competency or Certificates of Equivalent Competency. In 2019-20 we issued 4,640 Notices of Eligibility and over 8,000 Certificates of Competency and Certificates of Equivalent Competency. We also issued around 563 Boat Master's Licences for commercial operations on inland waterways.

## **Safety of Navigation**

To meet the UK international obligations under Chapter IV and Chapter V of the Safety of Life at Sea (SOLAS) Convention, 1974; and Convention on the International Regulations for Preventing Collisions at Sea, 1972 as amended, we;

- implement SOLAS Chapter IV and V ship obligations in UK regulation,
- manage and deliver the UK Civil Hydrography Programme (CHP) and ensure that UK home waters are adequately surveyed for the safe update of navigational charts and publications,
- manage and deliver the UK Marine Weather Service (MWS), in collaboration with the Met Office and the BBC, ensuring that suite of shipping forecasts and warnings and Maritime Safety Information (MSI) are communicated to sea-users,

- maintain close liaison and contacts with the DfT, and UK and Ireland General Lighthouse Authorities (GLA) to ensure delivery of a modern, reliable and economic Aid to Navigation (AtoN) service to assist the safety of all classes of mariners in general navigation,
- engage with the development and maintenance of around 150 international navigation and radio equipment safety standards, as well as provide policy and guidance for the carriage and use of navigational and radio equipment on board ships,
- implement and monitor traffic routing and reporting measures to assist safe navigation and improve the provision of navigation and weather-related advice information to the mariner by means of MSI and appropriate E-navigation implementation, and
- co-ordinate the UK's Long-Range Identification and Tracking (LRIT) Data Centre.

In addition to meeting the UK SOLAS obligations we provide advice to other Government organisations (e.g. Department of Business, Energy & Industrial Strategy, Department of Environment Food & Rural Affairs, the Marine Management Organisation, Marine Scotland and The Planning Inspectorate) on marine licensing, planning, marine protected areas, offshore renewable energy installations, autonomous shipping, maritime cyber security and matters affecting radio spectrum.

We maintain the Consolidated European Reporting System (CERS) that manages the flow of reporting data from vessels arriving in the UK, transmitting it onwards to the European SafeSeaNet system, and providing valuable information to other government departments such as Border Force and the Office of National Statistics.

Working in partnership with UK Hydrographic Office (UKHO), the MCA funds and manages the Civil Hydrography Programme (CHP). Collaboration with a number of other public sector survey programmes maximises survey effort under the 'gather once, use many times' philosophy. During 2019-2020 the CHP surveyed approx. 7,200km<sup>2</sup> of the UK's home waters. All deliverables are freely available under the Open Government Licence, and accessible from online Data Archive Centres hosted by the UKHO, and the British Geological Survey.

The MCA funds and manages the UK Marine Weather Service (MWS), which is delivered through close partnership working with the Met Office, as the UK National Meteorological Service, the BBC, and the Public Weather Service Group. In addition to a suite of verified forecasts and warnings, other specialist services include provision of space weather information, civil contingency planning, and data for Search and Rescue incident management.

Eight Port Marine Safety Code health-checks have been conducted and we have worked with other government departments and industry to improve the application of the Code and its Guide to Good Practice requirements and recommendations. A report to industry highlighting emerging trends in compliance with the Port Marine Safety Code from our health-check activity has also been published. We recognise 24 independent Vessel Traffic Services (VTS) and MCA VTS in the UK and monitor compliance with international standards, and approve establishments delivering Vessel Traffic Services training.

Over 1,000 applications for new UK radio transmitters each year are reviewed by the MCA to avoid harmful impact to maritime radiocommunications and safety around our coasts and we engage with international forums on multiple issues including electronic chart implementation, Global Maritime Distress and Safety System (GDMSS) modernisation, international provision of and protection for maritime radio spectrum, and bridge navigation and communications product performance and test standards.

# Cleaner Seas – protecting the environment

The UK has obligations under three key international conventions concerned with protecting the marine environment from pollution - the 1973 International Convention for the Prevention of Pollution from Ships (MARPOL Convention), the 1982 United Nations Convention for the Law of the Sea (UNCLOS) and the 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC Convention).

With over 17,000 kilometres of coast, the UK has one of the longest coastlines in Europe. The UK Exclusive Economic Zone (UK EEZ) encompasses a sea area of some 773,000 square kilometres within which a large and complex offshore oil and gas industry exists, alongside one of the world's busiest international shipping lanes. Whilst oil pollution is a major source of environmental damage, vessels transporting other hazardous and noxious substances (HNS) also present a pollution risk. Though the frequency and scale of actual marine pollution incidents continue to fall, the risks of and from marine pollution remain and require proactive management under a strategy to deliver prevention, preparedness and response.

## Counter Pollution

After saving human life, one of the MCA key functions is to respond to actual or potential maritime pollution incidents and by doing so, protect public health, the marine and terrestrial coastal environment and the UK's economic interests.

The MCA's Counter Pollution and Salvage (CPS) Branch has the lead in the maintenance and implementation of the UK's National Contingency Plan for Marine Pollution from Shipping and Offshore Installations, the management of the National pollution response capability and the operational control of associated aerial surveillance and dispersant spraying. Working with Government and non-Government stakeholders it is responsible for the prevention of, preparedness for and response to all marine pollution within the UK EEZ.

In the past year the CPS team have been involved in excess of 1,200 shipping casualty and pollution incidents, both at sea and along the UK coast, working closely with HM Coastguard, Environmental Regulators and a wide range of other local authorities and response agencies to resolve them. We have in addition worked with the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) and HM Coastguard to investigate and monitor a further 1,100 plus Petroleum Operations Notices 1 issued by the Offshore Oil and Gas industry.

The start of 2020 has seen the escalation of coronavirus, which has necessitated that the whole team work remotely whilst still looking to achieving both business-as-usual and effective incident management and response. This has been successful across the teams remit and CPS has effectively supported the long running MV KAAMI grounding incident in the north west of Scotland.

The year ended with the completion of a year-long study which has looked at the risks presented by, and to, shipping within the UK EEZ, and an assessment of the availability and adequacy of emergency towage arrangements. The results of this are to be presented to Government in Summer 2020.

## Receiver of Wreck

The Receiver of Wreck administers much of Part IX of the Merchant Shipping Act 1995, as it relates to matters of wreck and salvage. All recovered wreck material must be reported to the Receiver of Wreck regardless of age, size or apparent value. During 2019, 267 reports of wreck material, known as droits, were received. There is no limit to the number of items that can be reported on each droit and these 267 reports amount to over one million individual items including silver coins ranging in date from the 1500s to the 1900s, cannon and cannonballs, ships' bells and aircraft parts, through to modern containers, lost deck cargoes of timber, yachts and fishing boats.

The Receiver of Wreck also dealt with 111 reports of stranded dolphins, porpoises, whales and sturgeon in 2019 under the Prerogative for Royal Fishes.

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

The role of the SOSREP is to represent the Secretaries of State for Transport (in relation to ships) and Business, Energy and Industrial Strategy (in relation to offshore installations) by removing or reducing the risk to safety and the environment arising from accidents involving ships, fixed or floating platforms or sub-sea infrastructure. The intervention powers available to the SOSREP extend to UK territorial waters (12 nautical miles from the coast/baseline) for safety issues and to the UK Exclusive Economic Zone (200 nautical miles or the median line with a neighbouring state) for pollution related incidents. For pollution incidents from offshore installations the powers extend to the UK Continental Shelf. The SOSREP is empowered to make crucial and often time-critical decisions, without delay and without recourse to higher authority, where such decisions are in the overriding interest of the UK. The SOSREP has the ultimate and decisive voice for maritime salvage, offshore containment and intervention.

The SOSREP team comprises the SOSREP, Deputy to the SOSREP and SOSREP Support Officer. A new Deputy to the SOSREP was appointed in August 2019. The Deputy role is seconded to the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED), which is part of the Department for Business, Energy and Industrial Strategy (BEIS). The role is generally focussed on liaison with the offshore industry, but the Deputy also assists with shipping incidents, general stakeholder engagement and shares the on-call duty with the SOSREP.



## Our people

Our people are our greatest asset. We have continued our efforts to improve communications and address pockets of challenging behaviours. More than 1,000 staff have either attended our in-house Respect Workshops or confirmed that they have watched a video version. All new staff experience the messages in the workshop through our induction programme. Our 2019 People Survey results showed another fall in the number of staff reporting bullying behaviours – down to 14% from 15% in 2018. We have encouraged people to raise concerns informally if at all possible, other than in cases of sexual harassment where an informal route is not appropriate. In those most serious cases we have investigated with pace and where appropriate individuals have been dismissed. Our Respect Ambassadors have had fewer cases to deal with which suggests that behaviours have improved. We have introduced a new confidential email should staff see a need to use it; none have so far.

The People Survey saw 87% of colleagues sharing their feelings and opinions, up from 86% in the 2018 survey. The overall engagement index remained static at 65% and we fully expect to meet our aspiration of seeing that rise to 68% by the time of the People Survey scheduled for October 2020.

We celebrate the excellent work that our staff do through blogs in our in-house electronic communication. We issue certificates to mark long service, we use our Recognising Positive Impact scheme, instant reward vouchers and Chief Executive's Awards to recognise outstanding work and exemplary behaviours. We also use the formal Honours process to nominate exceptional staff and volunteers for national awards, including the Merchant Navy Medal.

The Agency has two Inclusion Champions who uphold our commitment to promote good practice on diversity in employment and service delivery. We are committed to equality of opportunity in recruitment, development and promotion. Drawing on the lessons from research by the Harvard Business School, we have reviewed our approach to advertising jobs to ensure that they are not gender biased, and we have used more pictures of women in technical roles to attract female applicants. We treat all staff fairly, with dignity and respect.

As an Equal Opportunities employer, the Agency actively encourages applications from people with disabilities. Where such individual candidates can demonstrate that they meet the essential requirements of the role we will guarantee them an interview under the Disability Confidential Scheme.

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

We train to develop our staff. Learning and development activity during 2019-20 included:

- continuation of a range of leadership and management development initiatives,
- continuing to meet the development needs of our emerging leadership talent through our MCA specific Propel programmes, and
- continuing to drive the uptake of apprenticeships across the MCA.

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

# External Relations

The Agency's key relationships include those with:

- our safety partners (Royal National Lifeboat Institution, Royal Yachting Association, Trinity House and other rescue and governing body organisations),
- maritime industry and seafarers,
- other government departments (Ministry of Defence, Department for Business Energy and Industrial Strategy, Department for Environment, Food and Rural Affairs),
- and our parent department, the Department for Transport, with whom we operate a number of virtual teams as part of the wider UK Maritime Administration,
- Transport Scotland, with whom we signed a Memorandum of Understanding on 29 November 2016.

# Health and Safety

## Management Arrangements

The MCA continues to refine its health and safety policies, plans and arrangements to ensure that standards are actively managed across the Agency. The internal Management Boards and the National Health and Safety Committee remain responsible for overseeing the MCA's safety management system and lead on safety improvements.

A monthly Health and Safety paper is submitted and discussed at all Senior Management Board meetings. In addition, Health and Safety deep dive presentations on targeted areas are held quarterly. Health and Safety is an agenda item at all Branch and Line management meetings.

The performance of the Agency's safety management system is measured via internal audits, analysis of accidents and near misses and the analysis of sickness absence and by management checks with the MCA Directorates. Significant changes in performance are reported to the relevant Management Boards.

The National Health and Safety Committee meets quarterly and is attended by trade union representatives and chaired by a member of the MCA's Executive Team or Senior Leadership Group. The volunteer Coastguard Rescue Service is also represented at this forum. A sub-group to this committee has been set up to conduct a monthly review of all accidents and near misses and publish any lessons identified to the wider MCA.

The Health & Safety team regularly attend the DfT Health and Safety Forum, working with Departmental colleagues to lead on new and common health and safety initiatives, including the development of a new Health & safety audit tool for use across the DfT family.

## Occupational Health & Safety Initiatives

We continue to strive for improvements in pressure and stress management. The MCA's stress management policy has been reviewed internally and through consultation with DfT colleagues and a new version will be published in 2020-21.

Led by Heads of Branch, the following achievements are noteworthy for 2019-20:

- Refinement of stress management practices including the development of a new individual stress risk assessment process, strengthening of the MCA's Mental Health Buddy and additional guidance on mental wellbeing. In addition, the outputs of the 2019 People Survey results have been used to identify key areas for improvement across the Agency including managing pressure and enhancing the well-being of staff

- Mental health and well-being presentations and workshops have been delivered throughout 2019 and 2020.
- Development of MCA specific safe systems of work for HM Coastguard first responders, Operational surveyors and non-operational staff during the coronavirus outbreak, building on Central Government and DfT guidance.
- Updating and refinement of Smarter Working guidance for those staff working at home during the coronavirus pandemic.
- Improvement of Building Management through additional training for Building Custodians and by acting upon internal audit findings.

## Update on improvements from last year's plans

The following improvements were successfully delivered in 2019-2020:

- Operational training at foundation level and during technical training, includes health and safety and ISO9001 training. Operational instructions are routinely updated to improve safety practices across our Operational functions,
- We have reviewed and published several Health & Safety policies this year, including Fire Safety Procedures,
- We have reviewed the Health & Safety arrangements in the MCA and created a sub-group under the National Health & Safety Committee to conduct monthly reviews of all accidents and near misses and routinely publish any lessons identified on our intranet,
- We have led the DfT Health & Safety Forum work in reviewing the means of measuring Health & Safety performance against the Health and Safety Executive's revised HSG65 – 'Managing for Health & Safety'. The intent is to develop a Health & Safety audit tool to be used across the DfT family, replacing the previous Maturity Matrix approach,
- This year we have focused on Building Custodian training to improve the day to day management of our estate. We have updated and increased the input into HM Coastguard and survey and inspection foundation training,
- HM Coastguard driving policies have been reviewed and further work will be conducted to improve on-road and off-road safety, and
- Health & Safety themes were included in the internal audit programme for 2019-20 and new themes have been agreed for 2020-21.

## Attendance Management

The Agency's sickness absence rate is monitored and reported corporately. In addition, the MCA's management information system allows managers at all levels to monitor and analyse the sickness absence in their areas of responsibility. Sickness absence is discussed at the regular Management Board meetings.

## Training

The 'first 100 days' Induction training for new staff includes site specific introduction for health and safety arrangements, including general and fire safety, first aid and welfare arrangements. Civil Service Required Learning for all staff includes basic Health & Safety requirements including fire safety and manual handling training if required. All new and existing HM Coastguard Senior Coastguard Officers and Surveyors receive health and safety training specific to their Operational roles.

## Plans for the year ahead

Senior management are keen to build on this progress and develop a robust and enduring safety culture. Over the next year we will:

- Continue to develop safe working practices necessary for the duration of the coronavirus pandemic,
- Implement agreed changes to the Health & Safety arrangements in the Agency, i.e. by moving the Health & Safety Team to work directly under the Chief People Officer,
- Working with DfT and linked to the MCA's 3-year Business Plan, develop a new MCA Health & Safety strategy,
- Using an external Subject Matter Expert, review the safety tolerance of HM Coastguard Operations,
- Publish a revised stress management policy together with supporting material.
- Working in consultation with the DfT Health and Safety forum, finalise the development of the DfT wide Health & Safety audit tool, and
- Launch the new Cardinus e-learning package 'Healthy Options' which includes display screen equipment, remote working and manual handling training and risk assessment.

# Sustainable Development

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

## Overview

The MCA is fully committed to supporting the Department in the achievement of the targets set within the Greening Government Commitments (GGC) Agenda. The current published GGC targets concluded on 31 March 2020 and a summary of our performance is provided below, a further set of targets covering the period 01 April 2020 up to 31 March 2025, have now been proposed and these are currently under discussion pending final ministerial approval. It is however worth noting that a recalculation of baseline data is proposed as the methods and technology in relation to data capture have improved significantly since 2009-10 therefore meaning that this revised data will achieve a far more detailed and accurate baseline.

The Estates team, supported by senior management, continues to lead the Agency in identifying cost effective and efficient means to achieve our targets. The below table provides a high-level overview of the MCA's baseline and our final performance for 2019-20 in relation to GGC.

	Baseline Value	Target Value	Required Reduction	Achieved Level 2019-20
Cut greenhouse gas emissions by at least 36% from a 2009-10 baseline. (tonnes Co2e generated from electricity and gas consumption across the estate)	5,711	3,883	1,828	4,469
Reduce the amount of waste going to landfill to less than 10% (achieved at baseline)	0	9.99	0	0
Reduce government's paper use by at least 50% from a 2009 to 2010 baseline (A4 reams purchased)	7,167	3,583	3,584	4,033
Reduce overall water consumption by 9% against 2009-10 baseline, ensuring continuous improvement where this level has already been achieved. (converted kg Co2e)	5,160	4,696	464	5,000
Reduce the number of domestic business flights by at least 30% from the 2009 to 2010 baseline	2,240	1,568	672	2,209

## Water

Our water conservation approach continues to be twofold, comprising individual targets based on utilisation of the estate and more general practical measures aimed at reducing overall consumption this includes early detection and action should any leaks be suspected or indeed detected through bill validation.

## Flights

In line with the Greening Government Commitments Framework the Agency had a specific target to reduce domestic flights against a 2009-10 baseline. Reducing the number of domestic flights taken represents a specific challenge for the Agency due to the operational nature of our organisation. The agreed approach to this is a combination of challenging specific travel at a Directorate level, promoting developments in technology to enable regular use of alternatives to travel such as video, and telephone conferencing, and the publication of revised travel guidance. Whilst not fully achieving the target under the current framework this approach has provided year on year reductions and an overall reduction against the baseline.

## The MCA Estate Reducing Energy Consumption and Waste

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

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

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

Due to the operational and geographically dispersed nature of the estate a long-term approach is required. We plan to deliver a streamlined, sustainable and highly effective estate. We have so far through this approach achieved a reduction in terms of our energy consumption against the baseline as detailed above.

## Cross Organisational Working Group

To better enable the Agency to deliver the efficiencies required under Government Greening Commitments, a cross-organisational working group has been established and has now been operational for a year, this allows each of the Directorates to be represented and provides a point of contact to take forward plans and initiatives consistently across the organisation. This cross-organisational approach will also be essential in terms of continuing to monitor and record data at a more specific and localised level as well as challenging behaviours and encouraging positive cultural shifts.

## Climate Change Adaption

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

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

## Sustainable Procurement

The Maritime and Coastguard Agency recognises the significant impact that our procurement decisions have on sustainability outcomes and we are committed to ensuring that our supply chain supports our sustainable development goals. We are working toward the targets in the Government Greening Commitments, in particular by:

- issuing guidance notes to staff on sustainable procurement, which underwent significant revisions this year to include emerging issues like modern slavery in the supply chain,
- training all staff within the Procurement Team and contract managers across the Agency in sustainable procurement principles and having the promotion of sustainable procurement as a key objective for each of them,
- including basic sustainability requirements in all procurement processes, and more advanced criteria where contracts are high value or have a high sustainability risk.
- actively engaging with suppliers and internal order placers to promote continuous improvement in sustainability performance throughout the term of a contract; sustainable procurement successes this year include:
  - the introduction and piloting of two new tools to help priorities our sustainable procurement focus and measure social value in contracts respectively, and
  - the introduction of sustainable procurement performance targets for contract managers for the first time.

## Plans for the Future

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

We will also be further promoting the use of Hybrid and electric cars as part of our hire car contract and further extending the use of pool hire cars and the more efficient car club vehicles for shorter journeys.

The full details of the Government Greening Commitments Agenda can be located at:

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

**Brian Johnson**



16 September 2020

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# Accountability report

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# Corporate Governance Report

## Directors' Report

The Maritime and Coastguard Agency Board is the highest decision-making body in the Agency. Its role and relationship with other management groups are set out in the Governance Statement (see page 39). During the year, there was a restructure of directorates and responsibilities within the Executive Team which are reflected in the Board. The composition of the Board, including advisory and non-executive members, during the year is shown below:

**Michael Parker**, the **Non-Executive Chairman**.

**Brian Johnson**, the **Chief Executive**, the Agency's Accounting Officer, the Senior Information Risk Owner and responsible for Business Improvement and Assurance (including Health and Safety) Risk Management, and Procurement Services until 19 September 2019.

**Katy Ware**, the **Director of Maritime Safety and Standards, and UK Ship Register**. Her key responsibilities are the United Kingdom's statutory obligations as a flag Administration in respect of the safety, security and protection of the environment from shipping, of United Kingdom ships, wherever they are operating in the world and foreign flagged vessels in United Kingdom waters. She is responsible for the safety of the United Kingdom domestic passenger ship and fishing fleet as well as the United Kingdom Navigational safety regime and Civil Hydrography Programme. She is also responsible for seafarer services and audit of MCA approved Nautical Colleges and training providers. At the end of July 2019, she became responsible for the UK Ship Register; attracting owners of quality ships to the United Kingdom flag to secure its long-term commercial growth and success, and delivery of front-line services including vessel registration.

As Permanent Representative of the United Kingdom to the International Maritime Organization, she is responsible for the oversight and negotiation of United Kingdom policy and interests in relation to international maritime matters within the International Maritime Organization and European Union.

She led the Survey and Inspection Transformation Programme as the Senior Responsible Officer.

**Richard Parkes** was the **Director of HM Coastguard** until 23 November 2019. His key responsibilities were the delivery of the six internationally recognised Coastguard functions through the national network of Coastguard Operation Centres, the volunteer Coastguard Rescue Service, Aeronautical Rescue Coordination Centre and Search and Rescue Helicopter provision. He led the Search and Rescue Helicopter Programme which sits on the Government Major Projects Portfolio until the appointment of Damien Oliver in September 2019. He was also responsible for attracting owners of quality ships to the United Kingdom flag to secure its long-term commercial growth and success, and delivery of front-line services including vessel registration until the end of July 2019 when these elements were handed to Katy Ware.

**Chris Thomas** was the **Acting Director of HM Coastguard**, between 24 November 2019 and 5 January 2020, during which time he held the same responsibilities as Richard Parkes.

**Claire Hughes**, was the **Chief People Officer** until 5 January 2020 her key responsibilities were Human Resources, Learning and Development and Estates Infrastructure. On the 6 January 2020 she became **Director of HM Coastguard** and took on the responsibilities of this role.

**Damien Oliver** was appointed as **Commercial and Programmes Director** on the 19 September 2019. His key responsibilities were the Senior Responsible Owner for the major aviation and Coastguard radio network Infrastructure programmes, and overall management and leadership of the procurement function.

**Matthew Reynolds** was appointed as **Director of Information and Technology (I&T)** on the 25 November 2019. His key responsibilities were Information and Communications Technology,

Information Assurance and delivery of the I&T Transformation Programme. Until this appointment representation on the Board was by nominated representative from the Directorate.

**Jane Jackson** was the **Chief Financial Officer**. Her key responsibilities were Corporate Governance, Financial Controls, Fraud and Whistleblowing and Shared Services.

**Matthew Briggs** was **Acting Chief People Officer** between 6 January and 31 March 2020.

**Richard Wilson** was **Head of the Office of the Chairman and Chief Executive**. His key responsibilities were Evidence and Analysis, Strategic Planning, Performance Management, Communications and Enforcement, which became Maritime Investigations at the end of the year.

The **Non-Executive Directors** were **Noel Shanahan**, **Alex Jablonowski** who served until 31 December 2019, and **Ian Kenyon** who served between 27 August 2019 and 9 December 2019.

**Representatives from the Department for Transport (DfT)**, who attended the board on behalf of the DfT Sponsorship Team for Maritime, were as follows: **Lisa Gilmour** April to July, **Claire McAllister** September and October and **Petra Wilkinson** November, December, January and March.

## Statement of Accounting Officer's Responsibilities

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

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

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

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

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

The designation of Accounting Officer was transferred to the Maritime and Coastguard Agency Chief Executive from Department for Transport in 2010. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in Managing Public Money published by Her Majesty's Treasury.

# Governance Statement

## Introduction

The Agency was established on 1 April 1998 and is an Executive Agency of the Department for Transport. We are accountable through the Department for Transport Maritime Directorate to Director General Aviation, Maritime, International and Security. I am responsible to the Secretary of State as detailed in the Agency's Framework Document.

All our work contributes to our vision of being the world's best maritime safety organisation, committed to Safer Lives, Safer Ships, and Cleaner Seas. To deliver this, I am supported by three principal management groups: the Maritime & Coastguard Agency Board, the Executive Team and the Senior Leadership Group.

This Governance Statement details the arrangements in place for the financial year 1 April 2019 to 31 March 2020. Specifically, it focuses on internal controls, risk management and the wider risk environment. Progress with the Agency's major change programmes and other commitments in its 2019-20 Business Plan are captured elsewhere in the Annual Report and Accounts.

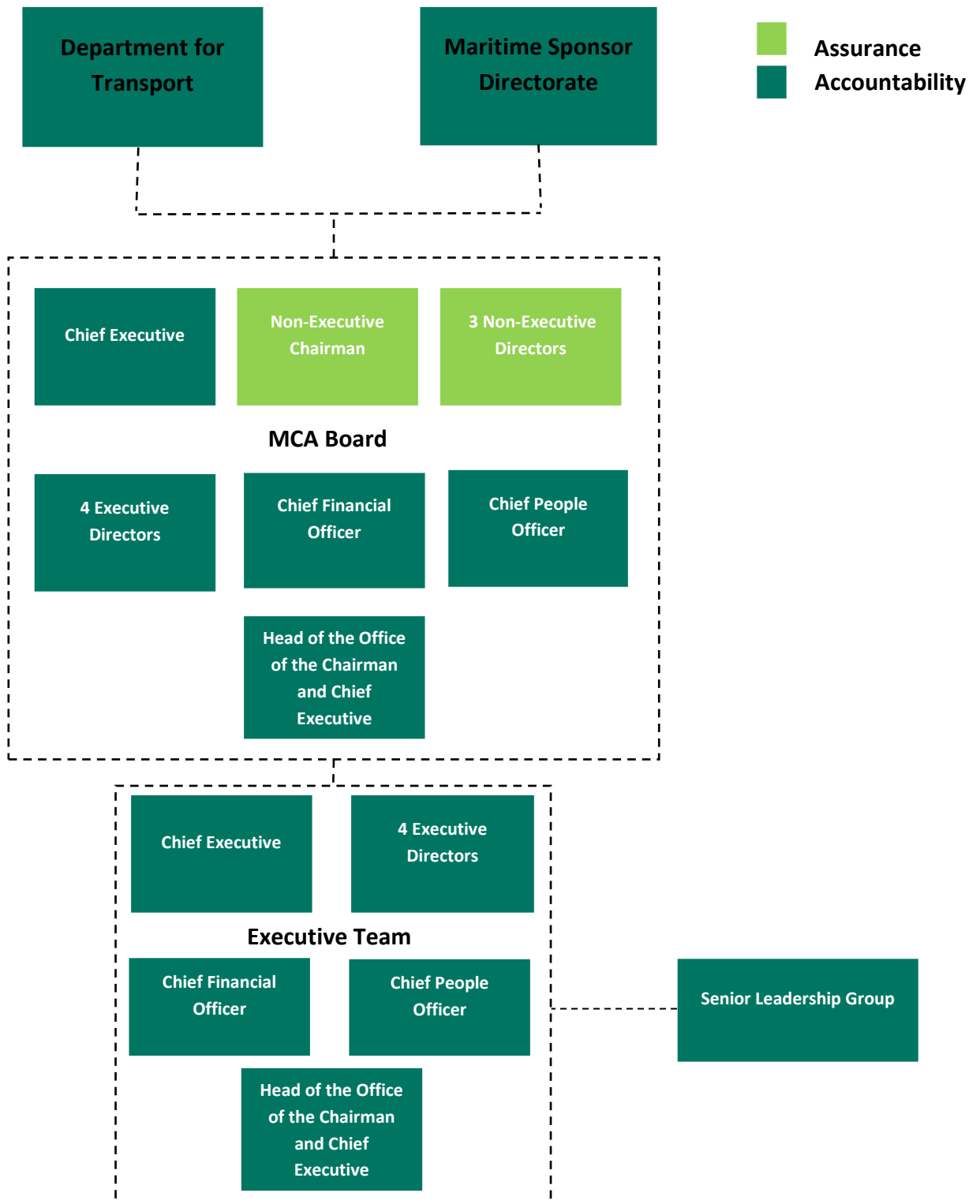
## Agency Management

The Agency's governance framework is designed to comply with the guidance laid down in HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice 2017. An external Governance review of compliance against the Code was not conducted within this reporting period.

The Agency's accountability to the Secretary of State for Transport is exercised through a Sponsorship Board, which meets quarterly under the chairmanship of the Director General Aviation, Maritime, International and Security. A representative of the Scottish Government attends this Board to contribute on strategic issues of specific relevance to Scotland. Internally, the Agency is managed by its Board and an Executive Team. The Agency Board is chaired by the Non-Executive Chairman and has both strategic and business oversight responsibilities supported by the Executive Team and the Senior Leadership Group. The Executive Team meets monthly to make decisions on strategic issues largely, but not solely, based on advice from Senior Leadership Group. Directors may also directly raise issues emanating from their own Management Boards which focus on the management of the Agency. Senior Leadership Group meets monthly to make operational decisions and provide advice to the Executive Team on matters of risk, compliance and governance.

In terms of information assurance and data control, the Security Working Group is a quarterly Board and is chaired by the Senior Information Risk Owner. The Senior Information Risk Owner is responsible for assuring the maintenance of a culture of good information management and continuous review of the effectiveness of extant security policy. The Senior Information Risk Owner is charged with the application of security controls to mitigate risks to our core information technology assets, which include, data, information, equipment, people, premises, third parties and technology.

The precise governance relationships and arrangements between these groupings continues to evolve in light of practical experience during the course of the 2019-20 reporting year. The Agency's high-level management structure is set out as follows:



## Board membership and attendance

Board Member	Title	Number of meetings attended
Michael Parker	Non-Executive Chairman	10/10
Brian Johnson	Chief Executive Officer	10/10
Katy Ware	Director of Maritime Safety & Standards and UK Ship Register	9/10
Richard Parkes	Director of HM Coastguard (Board member until 23 September 2019)	6/6
Chris Thomas	Acting Director of HM Coastguard (between 24 September 2019 to 5 January 2020)	4/4
Claire Hughes	Chief People Officer (between 1 April 2019 and 5 January 2020)	8/8
	Director of HM Coastguard (from 6 January 2020)	2/2
Damien Oliver	Commercial and Programmes Director (from 19 September 2019)	6/6
Matthew Reynolds	Director of Information and Technology (from 25 November 2019)	4/4
Jane Jackson	Chief Financial Officer	9/10
Richard Wilson	Head of the Office of the Chairman and Chief Executive	9/10
Matthew Briggs	Acting Chief People Officer (from 6 January 2020)	2/2
Noel Shanahan	Non-Executive Director	9/10
Alex Jablonowski	Non-Executive Director (until 31 December 2019)	7/8
Ian Kenyon	Non-Executive Director (between 27 August and 9 December 2019)	3/3
Lisa Gilmour	DfT Maritime Sponsorship (1 April to 6 August 2019)	4/4
Claire McAllister	DfT Maritime Sponsorship (7 August to 25 November 2019)	2/2
Petra Wilkinson	DfT Maritime Sponsorship (26 November 2019 to 31 March 2020)	3/4

## Risk Management and Governance

I am responsible for the effective management of corporate risk in accordance with Treasury Guidance (the Orange Book), and the Department for Transport Departmental Risk Policy and Guidance. Escalation processes are in place within our management structures (Executive Team, Senior Leadership Group and Directorate Management Boards) to identify, manage and mitigate risks appropriately. I am also supported and advised by the Audit and Risk Assurance Committee.

## Principal Risks in 2019-20

Through 2019-20, 15 risks were actively managed on the corporate risk register including risks associated with the national radio service, outstanding Marine Accident Investigation Branch (MAIB) recommendations, Grandfather Rights, Contingent liability on UK Government following any maritime disaster within a UK Overseas Territory or Crown Dependency and the International Maritime Organization Instruments Implementation Code (IIBC) detailed in the Priority Concerns section below. A new risk was added in March 2020 to reflect the potential of the coronavirus pandemic to impact service delivery. Other key risks were:

**Competency levels within Her Majesty's Coastguard** – there was potential for loss of life to occur due to poor coordination of incidents owing to inadequate provision of appropriately trained staff operating across the HM Coastguard network. An improvement plan was implemented successfully mitigating this risk.

**Failure of critical HM Coastguard systems** – several existing systems have reached end of life and some projects to replace them have been delayed; their failure would result in various levels of operational impact, some of which would be serious. The risk position for each service is fully understood, with business continuity plans and a disaster recovery service in place. Future mitigations will be managed within a new risk encompassing service failure and cyber risk.

**Civil Contingencies Act compliance** – A plan has been developed to deliver remaining training remotely for Mass Rescue including a major incident exercise. It is expected this activity will be completed by the end of July 2020.

**Lack of regulatory oversight of risk management of Liquefied Natural Gas in ports** – neither the Agency or the Health and Safety Executive (HSE) have regulatory powers to oversee the total risk mitigation of liquefied natural gas storage and handling in ports. Any leak could cause serious damage to the port and surrounding area and have an impact on the economy. The Agency is engaging with the HSE and harbour authorities to determine the authority of oversight of safe operation that will allow effective regulation in order to mitigate this risk.

## Priority Concerns in 2019-20

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

**National Radio Service** – The existing radio network infrastructure that links our 155 remote radio sites to the Her Majesty's Coastguard Operations Centres needs to be replaced as the current analogue network is approaching obsolescence. This network enables Her Majesty's Coastguard to fulfil its role as a Category One Responder and without which it could not fulfil its lifesaving role.

The procurement of a new Coastguard radio network was in the final stages of its approvals process in March 2020. An interim contract was in place with BT to maintain the existing network for as long as it takes to transition to a new network, ensuring no interruption to the operational service.

**Grandfather Rights for Passenger Ships** – New regulations will be implemented to ensure that older passenger ships operating on estuarial waters in the United Kingdom, particularly those on the tidal River Thames, meet modern standards that improve their survivability in some

circumstances. Following a lengthy period of development and consultation these regulations have been submitted for ministerial approval. However, the slowing of government approvals processes since the general election towards the end of 2019 and latterly the coronavirus pandemic have impacted progress of this and solutions to outstanding MAIB recommendations.

**Outstanding Recommendations from the Marine Accident Investigation Branch** – There remains a backlog of legacy safety recommendations from the MAIB requiring implementation of either legislation, guidance or both. There are safety risks while actions remain outstanding. We have mitigated the risk with a clearer focus on priority work and plans to secure more in-house legal resources. This has resulted in a reduction of 50% in outstanding legacy recommendations over the last 12 months.

**Fishing Vessel Safety** – Fatality rates in the fishing industry are too high and we need to see them reduce more quickly than the current safety strategy of achieving zero fatalities by 2027. Regardless of the employment status of crews, we have implemented elements of the Maritime Labour Convention to require risk assessments and the wearing of suitable lifejackets when working unless there is a clear risk assessment to do otherwise. We continue to work to implement the outstanding MAIB recommendations, in particular to introduce a new Small Fishing Vessel Code, which will require vessels of less than 15 metres in length to comply with new stability, construction, machinery and electrical requirements. Alongside this, we are working towards the introduction of new certification and training requirements for fishermen on vessels down to seven metres in length to further enhance safety.

**Standards of an MCA-Approved Training Provider Operating Abroad** – Audits of a college operating abroad highlighted concerns about the quality of their training, which brought into question the validity of some qualifications held by serving seafarers. Steps were taken to mitigate this risk through an online competence assessment tool, and an investigation into the training arrangements of the college and their United Kingdom partner organisations. An audit programme for colleges providing United Kingdom unlimited certificates was conducted in 2019. Online assessments were taken by the majority of the affected seafarers and some undertook training from an alternative MCA approved centre completing the requirement. Thirty-two seafarers were given extension to complete courses at an alternative venue following cancellation of scheduled courses due to the coronavirus pandemic. Eight seafarers who did not respond to emails or letters have had their Certificate of Competency (CoC) suspended. They are subject to Section 61 enquiry which could result in cancellation of their CoC. Audits of UK Colleges and overseas partners have been completed; as a result of findings from the audit, Liverpool John Moores University Maritime Centre stopped their overseas collaborative programme in December 2019.

**Compliance with the International Maritime Organization Instruments Implementation (III) Code** – A mandatory compliance audit of the United Kingdom by the International Maritime Organization was scheduled for September 2020 but has been delayed due to the coronavirus pandemic. We recognise that we have some legislative gaps that need to be addressed or to have a clear plan in place for addressing them, before the United Kingdom is audited. The programme of III Code mock audits to assess the UK's overall preparedness was temporarily suspended at the end of the period due to restrictions required by the coronavirus pandemic.

**Contingent liability on UK Government following any maritime disaster within a UK Overseas Territory or Crown Dependency** – we are currently liaising with the DfT for advice as to whether this risk can now be transferred to the DfT risk register, or to the Foreign Commonwealth Office register.

**Impact of Coronavirus (COVID-19) Pandemic** – in response to the coronavirus pandemic the Agency successfully implemented its business continuity plans and continued to discharge its responsibilities in support of the maritime industry and the general public. Our modern information technology infrastructure enabled most staff to work from home and delivered additional capability to secure the protection and function of the national HMCG network. Advice was issued to

operators and seafarers who continued to work within the maritime sector and pragmatic solutions were implemented for survey and inspection work, including short extensions to certification, to allow the industry to continue to support the UK and wider economies.

## Audit and Risk Assurance Committee

I seek independent advice and assurance on the processes for risk management, governance, assurance and internal control, including reliability and integrity, through the Agency's Audit and Risk Assurance Committee. This committee meets quarterly and comprises of the Agency's Non-Executive Directors, one of whom is appointed as Chair, and the Non-Executive Chairman; the Chief Financial Officer and I also attend.

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

- External surveillance visit findings,
- Internal audit programmes and findings, and
- The submission of the Agency's Management Assurance return to the Department for Transport.

Attendance by Audit and Risk Assurance Committee members in 2019-20 was as follows:

Committee Member	No. of meetings attended
Alex Jablonowski (Chair of the ARAC until June 2019)	2/3
Noel Shanahan (Chair of ARAC from July 2019)	4/4
Michael Parker	3/4
Ian Kenyon	2/2

## Fraud, Bribery and Whistleblowing

The Agency is committed to reducing the incidence of fraud. When identified, investigations are carried out and lessons extracted to strengthen the control environment and reduce the likelihood of recurrence. Fraud, bribery and whistleblowing are discussed monthly at the Executive Team meeting and at the Audit and Risk Assurance Committee quarterly.

As part of the Cabinet Office Annual Assurance exercise the MCA met the twelve Cabinet Office Functional Standards achieving a green (RAG) rating and this was recorded formally in the Counter Fraud Landscape Report 2019, issued in February 2020.

## Internal and External Audit

Our Quality Management System is externally certified by SGS to the International Organisation for Standardisation ISO9001:2015 standard; the requirements of the Standard are applied to all business processes and activities. A key objective in 2019-20 was to bring Her Majesty's Coastguard into scope for the standard. Internal Improvement and Assurance assisted HMCG management in achieving this through internal audits, advisory visits and training. As a result of this combined effort, HMCG successfully transitioned to the ISO2001;2015 standard in June 2019.

The Agency's annual Internal Quality Audit programme supports its continuing certification to ISO 9001:2015 and the 2019-20 audit plan was effectively delivered throughout most of the year although 2 audits were cancelled in March 2020 due to the impact of the coronavirus pandemic. These audits will be carried over to the MCA internal audit plan for 2020-21.

The Government Internal Audit Agency operates to standards defined in the Government's Public



Sector Internal Audit Standards, and its annual programme of work is based upon the analysis of risks to which the Agency is exposed and by what the Audit and Risk Assurance Committee and Executive Team identify as key risks. The outcome for the 2019-20 programme identified that 67% (6 of 9) of audits received an overall 'moderate' opinion or above. Owing to the coronavirus pandemic three audits were incomplete at the end of the year, however the range of audits completed is considered adequate for a balanced opinion.

The Government Internal Audit Agency Group Chief Internal Auditor Opinion provided an overall 'moderate' assurance rating on the adequacy and effectiveness of the Agency's arrangements for corporate governance, risk management and internal control. Although the Government Internal Audit Agency have given the Agency the same assurance rating as 2018-19, they consider that the 2019-20 opinion reflects the continuing transition and embedding of change associated with ongoing organisational change and process transformation instigated by the Chief Executive.

The Agency Board, Executive Team, Senior Leadership Group and local Management Boards monitor progress on management actions agreed for internal and external audits at their monthly meetings. Progress is also monitored by the Audit and Risk Assurance Committee at its quarterly meetings.

## **External Partners**

The Agency's key relationships include those with our safety partners (Royal National Lifeboat Institution, Royal Yachting Association and other rescue and governing organisations), the maritime industries, other government departments (Ministry of Defence, Department for Business Energy and Industrial Strategy, Department for the Environment Food and Rural Affairs, Department for Exiting the European Union, Department for International Trade, Foreign and Commonwealth Office, Home Office, Her Majesty's Treasury, Cabinet Office and Transport Scotland), and our parent department, the Department for Transport.

## **Health and Safety**

Working closely with internal and external stakeholders, the Agency continues to refine its Health and Safety policies, plans and arrangements to ensure that standards are actively managed across the Agency. The Senior Leadership Group and the National Health and Safety Committee remain responsible for overseeing the Agency's safety management system and lead on safety improvements.

A monthly Health & Safety report is tabled and discussed at the Senior Leadership Group, HMCG Senior Officers Group, Survey and Inspection National Management Group, Directorate Management Boards, Executive Team and Agency Board meetings. In addition, Health & Safety is an agenda item at all team management meetings.

The performance of the Agency's safety management system is measured via internal audits, the analysis of accidents and near misses and the analysis of sickness absences. Significant changes in performance are reported to the Senior Leadership Group, Executive Team, Agency Board and Directorate Management Boards.

The National Health and Safety Committee meets quarterly, is attended by trade union representatives and chaired by a member of the Executive Team or the Senior Leadership Group. The volunteer Coastguard Rescue Service is also represented at this forum.

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

The following improvements were successfully delivered in 2019-20:

- Improved governance around Health & Safety actions which are overseen by the Senior Leadership Group, Management Boards and the Executive Team,

- Establishment of an accident and near miss review sub-group sitting under the National Health & Safety Committee. The group considers the human factors and organisational causes of accidents and publishes the lessons identified,
- A full review of core MCA Health & Safety policies, including risk assessment and accident/near miss reporting,
- Health & Safety themes continue to be included in the internal audit programme and have led to many improvements, e.g. asbestos management, fire safety management,
- New Health & Safety policy and controls for managing contractors,
- Delivery of bespoke Health & Safety training for Building Custodians,
- Foundation training for Marine Surveyors and Senior Coastal Operations Officers,
- Updating of new guidance on the 'My Health & Safety' page on the Agency's corporate intranet,
- Accident reviews have led to improved safe systems of work in Her Majesty's Coastguard, most notably around on road and off-road driving practices,
- New accident investigation guidance for line managers,
- Revised and simpler accident, near miss and road traffic collision reporting forms,
- Implementation of new software based equipment management systems and competency recording systems for HMCG,
- Revised asbestos management strategy with regard to asbestos surveys, and
- Sharing stress management initiatives and best practice with DfT colleagues including the development of a new individual stress risk assessment procedure

There were ten injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR), for staff and volunteers. All RIDDOR injuries were investigated by local and headquarters management and any lessons identified integrated into the Agency's safe operating procedures. All accident and near miss summaries are discussed at headquarters and local management meetings.

## **Information Assurance and Data Handling**

As mandated by the Cabinet Office the Agency has appointed Information Asset Owners to manage and protect business-critical operational and information assets. Information Asset Owners continue to have a responsibility on behalf of the Accounting Officer to understand what information is held and how it is used, and for reviewing risks to the confidentiality, integrity and availability of their information assets, including those in their delivery chain. At each financial year end Information Assurance Branch assess Agency practices against the Government Security Policy Framework and its expected security outcomes by means of a Departmental Security Health Check for the Department for Transport.

The Information Assurance branch managed all areas of information legislation on behalf of the Senior Information Risk Owner. This supports the changes and implementation of the European Union General Data Protection Regulation and the Data Protection Act 2018. Main areas of security strategy incorporate:

- Development of security policies and procedures in alignment with the updated ISO27001:2013 standard,
- Assurance of obligations under the Centre for the Protection of National Infrastructure 'Emergency Services' sector and ensuring the confidentiality, integrity and operational availability of Critical National Infrastructure related infrastructure, data centres and associated information assets, networks,
- Scoping and conduction Information Technology Security Health Checks by external

providers as approved by the National Cyber Security Centre. These health checks provide assurance that our systems are protected from unauthorised access or change and that significant weaknesses to our infrastructure, and our data, are identified and remediated,

- The support of programmes of system/service refresh/change, including the decommissioning of legacy hardware and ensuring replacements apply the right level of technical security to preserve the confidentiality, integrity and availability of the system, and data. Privacy Impact Assessments are carried out where personal data is affected. Furthermore, Information Assurance ensures suppliers maintain and align development to commercial security best practice and United Kingdom Government guidelines,
- The holistic management of people from onboarding activities, i.e. assuring the application of National Security Vetting where necessary for individuals (staff and contractors) in trusted positions and subsequent annual aftercare, to reinforcing security responsibilities through consistent awareness and education, through proactive strategy and/or as a reaction to actual and or perceived threats,
- Management of cyber vulnerabilities by engaging with the Directorate of Information and Technology to track, manage and remediate vulnerabilities that could affect Agency infrastructure and data,
- Application of physical security controls at manned sites as a result of physical security risk assessments which are actioned on a rolling annual basis and/or when changes to the physical asset estate occur, and
- Ensuring safe data sharing and that partnering initiatives are understood and supported by documented memorandums of understanding.

## Management Assurance

The information reported in the Management Assurance return was scrutinised by the Agency Board, Audit and Risk Assurance Committee and Senior Leadership Group.

The Agency's system of internal controls is monitored in accordance with Department for Transport guidance and are regularly reviewed by the Agency Board, Audit and Risk Assurance Committee and Senior Leadership Group. Where weaknesses have been identified, action plans to improve control mechanisms have been established.

The Non-Executive Directors have been involved in Agency Board meetings throughout 2019-20, and based on this exposure to the Agency, and having received management and other assurances, the Audit and Risk Assurance Committee approve the content of this Governance Statement and endorse the Head of Internal Audit opinion.

The assurance process enables me as Accounting Officer to draw confidence and provide a '**substantial**' assurance rating on the effectiveness of risk management, governance and control processes throughout 2019-20.



16 September 2020

**Brian Johnson**

**Chief Executive**

# Remuneration and Staff Report

## Remuneration policy

The remuneration of Senior Civil Servants (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the review body can be found on [www.gov.uk](http://www.gov.uk) under Office of Manpower Economics.

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

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

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

## Service Contracts

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

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

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

## Remuneration and pension entitlements of senior management (audited)

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

### Single total figure of remuneration

Executive board members	2019-20					2018-19				
	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits <sup>5</sup> (£)	Total benefits (£000)	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits (£)	Total benefits (£000)
<b>Brian Johnson</b> <i>Chief Executive</i>	130-135	-	4,500	51,000	185-190	60-65	-	-	23,000	80-85
(Full year equivalent)	130-135	-	4,500	51,000	185-190	130-135	-	-	51,000	180-185
<b>Sir Alan Massey</b> <sup>6</sup> <i>Chief Executive</i>	-	-	-	-	-	70-75	-	2,300	28,000	100-105
(Full year equivalent)	-	-	-	-	-	120-125	-	-	47,000	165-170
<b>Richard Parkes</b> <sup>7</sup> <i>Director</i>	55-60	5-10	2,000	26,000	85-90	-	-	-	-	-
(Full year equivalent)	85-90	5-10	3,000	40,000	135-140	85-90	-	1,200	30,000	115-120
<b>Bill Dunham</b> <sup>8</sup> <i>Director</i>	-	-	-	-	-	70-75	-	1,800	29,000	100-105
(Full year equivalent)	-	-	-	-	-	90-95	-	-	37,000	125-130
<b>Katy Ware</b> <i>Director</i>	85-90	10-15	700	37,000	130-135	80-85	-	2,500	24,000	110-115
<b>Doug Barrow</b> <i>Director</i> <sup>9</sup>	-	-	-	-	-	75-80	-	1,700	31,000	110-115
(Full year equivalent)	-	-	-	-	-	115-120	-	-	46,000	165-170
<b>Claire Hughes</b> <sup>10</sup> <i>Director</i>	70-75	-	-	35,000	105-110	25-30	-	-	7,000	30-35
<b>Damien Oliver</b> <sup>11</sup> <i>Director</i>	70-75	-	-	28,000	100-105	70-75	0-5	2,500	38,000	110-115
<b>Jane Jackson</b> <i>Chief Financial Officer</i>	75-80	0-5	-	31,000	105-110	75-80	0-5	-	27,000	105-110
<b>Matthew Reynolds</b> <sup>12</sup> <i>Director</i>	40-45	-	-	16,000	55-60	-	-	-	-	-
(Full year equivalent)	115-120	-	-	46,000	160-165	-	-	-	-	-
<b>Richard Wilson</b> <i>OCCE</i>	60-65	0-5	-	(2,000)	60-65	55-60	-	-	2,000	60-65
<b>Chris Thomas</b> <sup>13</sup> <i>Chair of Senior Leadership Group</i>	75-80	0-5	-	12,000	90-95	70-75	5-10	-	(10,000)	70-75
<b>Matthew Briggs</b> <sup>14</sup> <i>Acting Chief People Officer</i>	10-15	-	-	(5,000)	5-10	15-20	-	-	3,000	15-20
(Full year equivalent)	60-65	-	-	(21,000)	35-40	60-65	-	-	13,000	75-80

<sup>5</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

<sup>6</sup> Sir Alan Massey retired from the MCA on 31 October 2018.

<sup>7</sup> Richard Parkes was Director of Her Majesty's Coastguard until 23 November 2019.

<sup>8</sup> Bill Dunham ceased to be a Director from 17 January 2019 and left the MCA on 1 June 2019

<sup>9</sup> Doug Barrow left the MCA on 4 December 2018.

<sup>10</sup> Claire Hughes was appointed to the position of Director of Her Majesty's Coastguard on 6 January 2020. Previously she held the position of Chief People Officer until 5 January 2020.

<sup>11</sup> Damien Oliver joined the Executive Team as Programmes and Commercial Director on 19 September 2019. He was in a position of influence through the full financial year.

<sup>12</sup> Matthew Reynolds joined the Agency on 25 November 2019.

<sup>13</sup> Chris Thomas was acting Director of Her Majesty's Coastguard from 24 November 2019 to 5 January 2020.

<sup>14</sup> Matthew Briggs was acting Chief People Officer from 6 January 2020 to 31 March 2020.

## Single total figure of remuneration (continued)

Non-Executive board members	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits (£)	Total benefits (£000)	Salary (£000)	Bonus payments (£000)	Benefits in kind (to nearest £100)	Pension benefits (£)	Total benefits (£000)
	<b>Michael Parker</b> <i>Non-Executive Chairman</i>	45-50	-	1,100	N/A	45-50	50-55	-	-	N/A
<b>Noel Shanahan</b> <i>Non-Executive Director</i>	10-15	-	-	N/A	10-15	10-15	-	-	N/A	10-15
<b>Ian Kenyon</b> <sup>15</sup> <i>Non-Executive Director</i>	0-5	-	-	N/A	0-5	-	-	-	-	-
(Full year equivalent)	10-15	-	-	N/A	10-15	-	-	-	-	-
<b>Alex Jablonowski</b> <sup>16</sup> <i>Non-Executive Director</i>	10-15	-	-	N/A	10-15	-	-	-	-	-
(Full year equivalent)	15-20	-	-	N/A	15-20	15-20	-	-	N/A	15-20

## Salary

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

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument. The amounts disclosed represent only the value of travel to assessed second workplaces.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2019-20 relate to performance in 2018-19 and the comparative bonuses reported for 2018-19 relate to performance in 2017-18.

## Pay multiples

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

The banded remuneration of the highest paid executive board member in the Agency, in the financial year 2019-20, was £135,000-140,000 (2018-19 £130,000-135,000). This was 4.56 times (2018-19, 4.29) the median remuneration of the workforce, which was £30,131 (2018-19 £30,897). An increase in the highest paid director's remuneration due mostly to receiving benefits in kind in 2019-20 has increased the ratio from 4.29 to 4.56.

In 2019-20, no employee (2018-19: no employee) received remuneration in excess of the highest-paid director. Remuneration ranged from £17,535 to £137,000 (2018-19: £17,256 to £130,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

<sup>15</sup> Ian Kenyon joined the Agency as Non-Executive Director on 27 August 2019 and left the Agency on 9 December 2019

<sup>16</sup> Alex Jablonowski left the Agency as Non-Executive Director on 31 December 2019

## Pension Benefits

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

	Accrued pension at pension age as at 31/3/20 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Values (CETV)		Real increase in CETV
			At 31/3/20	At 31/3/19	
	£000	£000	£000	£000	£000
<b>Brian Johnson</b> <i>Chief Executive</i>	0-5	2.5-5	64	19	34
<b>Richard Parkes</b> <i>Director</i>	30-35	0-2.5	710	672	27
<b>Katy Ware</b> <i>Director</i>	30-35	0-2.5	438	398	18
<b>Claire Hughes</b> <i>Director</i>	20-25 plus lump sum 35-40	0-2.5 plus lump sum 0-2.5	302	269	18
<b>Damien Oliver</b> <i>Director</i>	20-25	0-2.5	250	226	9
<b>Jane Jackson</b> <i>Chief Financial Officer</i>	35-40 plus lump sum 40-45	0-2.5 plus lump sum 0-2.5	678	629	19
<b>Matthew Reynolds</b> <i>Director</i>	0-5	0-2.5	10	0	7
<b>Richard Wilson</b> <i>Head of the Office of the Chairman &amp; Chief Executive</i>	25-30 plus lump sum 85-90	0-2.5 plus lump sum 0-2.5	665	636	-2
<b>Chris Thomas</b> <i>Chair of Senior Leadership Group</i>	15-20 plus lump sum 45-50	0-2.5 plus lump sum 0-2.5	393	368	13
<b>Matthew Briggs</b> <i>Acting Chief People Officer</i>	25-30	0	453	456	-6

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final

salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

### **Cash Equivalent Transfer Values**

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

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



## Real increase in CETV

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

## Staff costs (audited)

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

	Permanently employed staff	Others	2019-20	2018-19
	£000	£000	£000	£000
Wages and salaries	41,025	1,590	42,615	41,046
Social security costs	4,257	-	4,257	3,872
Other pension costs	9,626	-	9,626	8,039
<b>Total net costs</b>	<b>54,908</b>	<b>1,590</b>	<b>56,498</b>	<b>52,957</b>
Staff costs expensed			56,279	52,773
Staff costs capitalised			219	184

## Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but the MCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012.

You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions>).

For 2019-20, employer contributions of £9,748,950 were payable to the PCSPS (2018-19: £7,557,022) at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands (2018-19: 20.0% to 24.5%). The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The MCA is not aware at this time whether rates may or may not vary in the next accounting period. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £115,241 (2018-19: £104,360) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. No employer contributions were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees (2018-19: None).

Contributions due to the partnership pension providers at the balance sheet date were £Nil (2018-19: £12,857). Contributions prepaid at that date were £Nil.

## Staff numbers (audited)

Average number of full-time equivalent persons employed during the years ending 31 March were:

	Permanently employed staff	Others	31 March 2020	31 March 2019
Direct service delivery and support	874	31	905	832
Corporate support	153	15	168	245
Board members	10	-	10	6
Directly employed	1,037	46	1,083	1,083
Others – temporary	-	22	22	18
<b>Total</b>	<b>1,037</b>	<b>68</b>	<b>1,105</b>	<b>1,101</b>

There were no early retirements in the year caused by ill health (2018-19: None). The Agency's Coastguard Rescue Service has approximately 3,500 volunteers.

## Staff composition

Male and female employees by number for the year ending 31 March 2020 were:

	Male	Female	2019-20
Senior Civil Service – Band 2	1	-	1
Senior Civil Service – Band 1	2	2	4
Other Board Members	3	2	5
Board members and Senior Civil Service	6	4	10
All other employees	690	383	1,073
<b>Total</b>	<b>696</b>	<b>387</b>	<b>1,083</b>

## Sickness absence data

	2019-20	2018-19
Working days taken as sickness absence	7820.87	7,545.94
Average number of days lost per employee per year	7.22	6.91

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

As an Equal Opportunities employer, the Maritime and Coastguard Agency actively encourages applications from people with disabilities. Where such individual candidates can demonstrate that they meet the essential requirements of the role the MCA will guarantee them an interview under the Guaranteed Interview Scheme.

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

## The Trade Union (Facility Time Publication Requirements) Regulations 2017

Disclosures required under the Trade Union (Facility Time Publication Requirements) Regulations 2017 which came into force on 1 April 2017 are shown in the table below, as reported to DfT on 2<sup>nd</sup> June 2020.

<b>Relevant Union Officials</b>	2019/20
Number of employees who were relevant union officials during the relevant period	15
Full-time equivalent employee number	1,083
<b>Percentage of time spent on facility time</b>	
1-50%	15
<b>Percentage of pay bill spent on facility time</b>	
Total cost of facility time	£10,299
Total pay bill	£56,278,492
Percentage of the total pay bill spent on facility time	0.02%
<b>Paid trade union activities</b>	
Time spent on paid trade union activities as a percentage of total paid facility time hours (no paid activities in year)	0%

## Expenditure on consultancy

Agency expenditure on consultancy in 2019-20 was £988,661 (2018-19: £369,000).

## Off-payroll engagements

Engagements costing the Agency more than £245 per day which have lasted or are expected to last for longer than 6 months:

	2019-20
Number of existing engagements as of 31 March 2020	23
<b>Length of existing engagements</b>	
Less than one year at time of reporting	11
Between one and two years at time of reporting	-
Between two and three years at time of reporting	6
Between three and four years at time of reporting	5
Four or more years at time of reporting	

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

	2019-20
New engagements or those reaching six months in duration	11
Number of these engagements which were:	
Assessed as being in scope of IR35	-
Assessed as being out of scope of IR35	8
Engaged directly (via PSC contracted to agency) and are on the agency payroll	-
Reassessed for consistency / assurance purposes during the year	8
Required a change to IR35 status following a consistency review	3

## Exit packages (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
<£10,000	-	-	3	3	3	3
£10,000 - £25,000	-	-	3	3	3	3
£25,000 - £50,000	-	-	2	2	2	2
<b>Total number of exit packages</b>	-	-	8	8	8	8
<b>Total resource cost (£)</b>	-	-	112,653	119,183	112,653	119,183

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

# Parliamentary Accountability Disclosures (Audited)

## Regularity of expenditure

### Losses and special payments

The total of losses and special payments incurred or made did not exceed £300,000 (2018-19: No excess).

### Other parliamentary disclosures

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50 of the Lisbon Treaty on European Union. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the UK and EU will be determined by negotiations taking place during a transition period ending 31 December 2020.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of negotiations.

In November 2019 a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end. The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2020.

## Fees and Charges

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

	2019-20			2018-19		
	Income	Expense	Net	Income	Expense	Net
	£000	£000	£000	£000	£000	£000
<b>Statutory services</b>						
Marine surveys	5,866	5,902	(36)	5,106	5,150	(44)
Registration of ships	1,084	1,162	(78)	1,068	824	244
Seafarers' examinations and certification	2,152	2,446	(294)	2,447	2,257	190
Other statutory services	202	286	(84)	450	361	89
<b>Total</b>	<b>9,304</b>	<b>9,796</b>	<b>(492)</b>	<b>9,071</b>	<b>8,592</b>	<b>479</b>

Income disclosed above has also been disaggregated for IFRS 15 in Note 3.

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

Brian Johnson



16 September 2020

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Maritime and Coastguard Agency for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Maritime and Coastguard Agency's affairs as at 31 March 2020 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Maritime and Coastguard Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Maritime and Coastguard Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Maritime and Coastguard Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Maritime and Coastguard Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Chief Executive'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.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Maritime and Coastguard Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Maritime and Coastguard Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Maritime and Coastguard Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Maritime and Coastguard Agency to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.



## **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.

## **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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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# Financial statements

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# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

		2019-20	2018-19
	Note	£000	£000
Revenue from contracts with customers	[3]	(13,601)	(13,076)
Other income	[3]	(1,843)	(1,793)
<b>Total income</b>		<b>(15,444)</b>	<b>(14,869)</b>
Staff costs	[2]	56,279	52,773
Purchase of goods and services	[2]	253,308	289,326
Depreciation and impairment charges	[2]	60,432	15,618
Other operating expenditure	[2]	(4,592)	(60)
Net provision (release)/expense	[2]	464	(249)
<b>Total operating expenditure</b>		<b>365,891</b>	<b>357,408</b>
<b>Net operating expenditure for the year</b>		<b>350,447</b>	<b>342,539</b>
Finance expense	[13]	5,913	-
<b>Net expenditure for the year</b>		<b>356,360</b>	<b>342,539</b>
<b>Other comprehensive net expenditure</b>			
Items which will not be reclassified to net operating expenditure:			
<b>Net (gain)/loss on:</b>			
Revaluation of property, plant and equipment		(109)	(902)
Revaluation of intangible assets		(130)	(22)
Revaluation of inventories		(420)	62
<b>Total net revaluation (gains) and losses</b>		<b>(659)</b>	<b>(862)</b>
<b>Comprehensive net expenditure for the year</b>		<b>355,701</b>	<b>341,677</b>

The notes on pages 67 to 87 form part of these accounts.

# Statement of Financial Position

as at 31 March 2020

	Note	31 March 2020		31 March 2019	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	[5]	77,389		81,881	
Right of use assets	[6]	262,738		-	
Intangible assets	[7]	17,511		15,841	
Inventories	[8]	4,818		4,289	
Trade and other receivables	[10]	41		55	
<b>Total non-current assets</b>			<b>362,497</b>		<b>102,066</b>
<b>Current assets</b>					
Assets classified as held for sale	[9]	-		979	
Trade and other receivables	[10]	8,627		8,914	
Cash	[12]	-		346	
<b>Total current assets</b>			<b>8,627</b>		<b>10,239</b>
<b>Total assets</b>			<b>371,124</b>		<b>112,305</b>
<b>Current liabilities</b>					
Trade and other payables	[11]	(40,555)		(43,311)	
Borrowings	[12]	(1,253)		-	
Lease liabilities	[13]	(48,244)		-	
Provisions	[14]	(1,061)		(701)	
<b>Total current liabilities</b>			<b>(91,113)</b>		<b>(44,012)</b>
<b>Total assets less current liabilities</b>			<b>280,011</b>		<b>68,293</b>
<b>Non-current liabilities</b>					
Other payables	[11]	-		(43)	
Lease liabilities	[13]	(218,562)		-	
Provisions	[14]	(1,479)		(1,495)	
<b>Total non-current liabilities</b>			<b>(220,041)</b>		<b>(1,538)</b>
<b>Total assets less total liabilities</b>			<b>59,970</b>		<b>66,755</b>
<b>Taxpayers' equity and other reserves</b>					
General fund		45,764		51,880	
Revaluation reserve		14,206		14,875	
<b>Total equity</b>			<b>59,970</b>		<b>66,755</b>

The notes on pages 67 to 87 form part of these accounts.



16 September 2020

**Brian Johnson**  
Chief Executive

# Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure for the year		(350,447)	(342,539)
Adjustments for non-cash transactions		56,392	15,386
(Increase)/decrease in inventories	[8]	(529)	62
less movements in inventories relating to items not passing through the Statement of Comprehensive Net Expenditure		420	(62)
(Increase)/decrease in trade & other receivables	[10]	301	1,319
less movements in trade and other receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(51)	(1,054)
Increase/(decrease) in trade and other liabilities	[11]	(2,799)	(7,473)
less movements in trade and other liabilities relating to items not passing through the Statement of Comprehensive Net Expenditure		1,390	9,565
Interest paid on lease liabilities	[13]	(2,947)	-
Use of provisions	[14]	(70)	(77)
<b>Net cash outflow from operating activities</b>		<b>(298,340)</b>	<b>(324,873)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,715)	(10,422)
Purchase of intangible assets		(2,299)	(10,030)
Proceeds of disposals of property, plant and equipment		5,449	363
<b>Net cash outflow from investing activities</b>		<b>(4,565)</b>	<b>(20,089)</b>
<b>Cash flows from financing activities</b>			
Current year consolidated fund (supply)		350,000	345,000
Payment of lease liabilities	[13]	(47,409)	(27)
<b>Net financing</b>		<b>302,591</b>	<b>344,973</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>(314)</b>	<b>11</b>
Payment of amounts due to the consolidated fund		(1,285)	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>(1,599)</b>	<b>11</b>
<b>Cash and cash equivalents at the beginning of the period</b>	[12]	<b>346</b>	<b>335</b>
<b>Cash and cash equivalents at the end of the period</b>	[12]	<b>(1,253)</b>	<b>346</b>

The notes on pages 67 to 87 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 1 April 2018</b>		<b>48,999</b>	<b>15,315</b>	<b>64,314</b>
Net Parliamentary Funding		344,041	-	344,041
Non-cash charges: auditor's remuneration	[2]	77	-	77
Net expenditure for the year		(342,539)	-	(342,539)
Revaluation gains and losses		-	862	862
Transfers between reserves		1,302	(1,302)	-
CFERS payable to the Consolidated Fund		-	-	-
<b>Changes in taxpayers' equity for 2018-19</b>		<b>2,881</b>	<b>(440)</b>	<b>2,441</b>
<b>Balance at 31 March 2019</b>		<b>51,880</b>	<b>14,875</b>	<b>66,755</b>
Changes in accounting standards:				
Cumulative catch up – right of use assets	[6]	1,732	-	1,732
Elimination of finance lease reserves		615	(615)	-
Balance at 1 April 2019		54,227	14,260	68,487
Net Parliamentary Funding		350,000	-	350,000
Non-cash charges: auditor's remuneration	[2]	88	-	88
Net expenditure for the year		(356,360)	-	(356,360)
Revaluation gains and losses		-	659	659
Transfers between reserves		713	(713)	-
CFERS payable to the Consolidated Fund	[11]	(2,904)	-	(2,904)
<b>Changes in taxpayers' equity for 2019-20</b>		<b>(8,463)</b>	<b>(54)</b>	<b>(8,517)</b>
<b>Balance at 31 March 2020</b>		<b>45,764</b>	<b>14,206</b>	<b>59,970</b>

The notes on pages 67 to 87 form part of these accounts.

# Notes to the Agency's Accounts

## 1. Statement of significant accounting policies

### 1.01 Basis of preparation

The financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Maritime and Coastguard Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the MCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The statements cover the period 1 April 2019 to 31 March 2020 and have been prepared in accordance with a direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

### 1.02 Accounting convention

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

### 1.03 Adoption of new and revised standards

#### 2019-20

A new standard, IFRS 16 Leases, became effective for the year ended 31 March 2020, and has been applied in these financial statements. This standard has been adopted by the FReM for 2020-21 but in 2019-20 certain government entities, among them the Department for Transport (including the Agency), are required to follow the standard. Other government bodies will apply the standard in 2020-21.

The standard replaces IAS 17 Leases under which only future payments for leases classified as finance leases were recognised as liabilities. Future payments for other leases were reported as operating lease commitments. IFRS 16 requires that these payments now also be recognised as liabilities using one of the transition methods allowed in the standard.

HM Treasury have mandated that IFRS 16 be implemented using the cumulative catch-up method as described at IFRS 16 Appendix C 5 (b); as a result, comparatives have not been restated and the measurements of the asset and liability balances recognised with effect from 1 April 2019 reflect the Agency's intentions as at that date. HM Treasury also issued a central internal rate of borrowing of 1.99% for entities to apply, when they cannot readily determine the rate implicit in the lease contract. We have applied this as the agency has no borrowings and is funded by HM Treasury.

The reconciliation between IAS 17 operating lease commitments at 31 March 2019 and opening lease liabilities on transition at 1 April 2019 as required by IFRS 16 C12 (b) is as follows:

<b>2019-20</b>	<b>Search &amp; Rescue Helicopters</b>	<b>Land &amp; Buildings</b>	<b>Aerial Surveillance Aircraft</b>	<b>Emergency Towing Vessel</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 31 March 2019	<b>325,816</b>	<b>12,699</b>	<b>6,099</b>	<b>5,244</b>	<b>349,858</b>
Discounting	(18,699)	(1,876)	(298)	(145)	(21,018)
Present value	<b>307,117</b>	<b>10,823</b>	<b>5,801</b>	<b>5,099</b>	<b>328,840</b>
Hindsight Adjustments:					
<i>VAT Removal</i>	(51,186)	(869)	-	-	(52,055)
<i>Contract Extension</i>	44,528	-	-	-	44,528
<i>Interest Rate Adjustment</i>	-	-	(758)	-	(758)
<i>Corrections</i>	-	2,662	-	-	2,662
<i>Lease Length Review</i>	-	1,154	-	-	1,154
<i>Expired Leases</i>	-	(438)	-	-	(438)
<i>Variable Payments</i>	-	735	-	-	735
<b>Sub-total</b>	<b>(6,658)</b>	<b>3,244</b>	<b>(758)</b>	<b>-</b>	<b>(4,172)</b>
Accrued Lease Payment	3,954	-	-	-	3,954
Exemption adjustments:					
Short Term Leases	-	(70)	-	-	(70)
<b>Total adjustments</b>	<b>(2,704)</b>	<b>3,174</b>	<b>(758)</b>	<b>-</b>	<b>(288)</b>
Finance Lease Transfer	-	212	-	-	212
<b>Total Adjustments</b>	<b>(2,704)</b>	<b>3,386</b>	<b>(758)</b>	<b>-</b>	<b>(76)</b>
As at 1 April 2019	<b>304,413</b>	<b>14,209</b>	<b>5,043</b>	<b>5,099</b>	<b>328,764</b>

### Subsequent years

IFRS 17 *Insurance Contracts* requires a discounted cash flow approach to accounting for insurance contracts. Subject to EU adoption, it may now, following deferral, become effective for accounting periods commencing on, or after, 1 January 2022 and should be included in the 2022-23 FReM at the earliest. The Agency considers that it has no contracts which meet the definition of insurance contracts and intends to treat its financial guarantee contracts as financial instruments rather than insurance contracts.

The Agency does not consider that any other new, or revised standard, or interpretation will have a material impact.



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

Property, plant and equipment are carried in the statement of financial position at fair value which has been estimated as described below:

- Property (i.e. land and buildings) is valued by the Agency's external property management advisors at their Existing Use Value (EUV) where a market for such property is established. Where no such market exists and it is impracticable to ascertain the EUV then replacement cost, adjusted for the age and condition of the property, is used.
- Valuations of property are carried out every five years, most recently at 31 December 2018. The five yearly valuation is supplemented by annual indexation for intervening years in line with the direction in the FReM. Revaluation indices are supplied by external property consultants.
- Plant and equipment are valued at fair value using appropriate price indices published by the Office for National Statistics.
- Revaluation surpluses on property, plant and equipment are taken to the revaluation reserve. Revaluation deficits are written off against any revaluation surplus for the asset concerned and otherwise to the Statement of Comprehensive Net Expenditure.
- Depreciation is not charged on freehold land and assets under construction. Other assets are depreciated from the month following acquisition on a straight-line basis over their estimated remaining lives as follows:
  - Freehold buildings - up to a maximum of 50 years.
  - Leasehold buildings - over the lower of the lease term and the estimated remaining life.
  - Leasehold improvements – up to a maximum of ten years.
  - Equipment - over the following standard lives:

▪ Information Technology	3-10 years
▪ Plant and Machinery	5-15 years
▪ Furniture and Fittings	3-10 years
▪ Transport Equipment	3-10 years

Specific individual assets may be depreciated on an ad hoc basis outside of these limits where management believes that this is appropriate.

## 1.05 Non-current assets: intangible assets

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

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

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

Intangible assets are valued at fair value using appropriate price indices published by the ONS. Amortisation is charged from the month after acquisition. Amortisation is not charged on intangible assets under development.

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

Intellectual property rights to data which is not freely available for download under Open Government Licence on government websites are not capitalised.

## 1.06 Assets held for sale

Assets held for sale are available for immediate sale in their present condition and are being actively marketed for sale. They are valued at the lower of their carrying amount at the point of transfer and fair value (market value) less material selling costs. Depreciation is not applied.

## 1.07 Inventories - stockpile goods

Stockpile goods are chemical goods for use in national emergencies held at strategic locations in the UK. They are maintained at a fixed level and not normally consumed in the year during the course of operations. As such they are deemed to be non-current assets by the FReM and are valued at net replacement cost rather than net realisable value. Revaluation surpluses are taken to the revaluation reserve.

## 1.08 Leases

### Scope and classification

In accordance with IFRS 16, contracts, or parts of a contract that convey the right to use an asset in exchange for consideration are accounted for as leases. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use. In such cases, the relevant part is treated as a lease.

The Agency excludes contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and contracts with a term shorter than twelve months (comprising the non-cancellable period together with any extension options that the Agency is reasonably certain to exercise and any termination options that the Group is reasonably certain not to exercise).

### Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), the Agency recognises a right-of-use asset and a lease liability.

The lease liability is measured as the payments for the remaining lease term (as defined above), discounted either by the rate implicit in the lease, or, where this cannot be determined, the Agency's incremental cost of borrowing. The payments included in the liability are those that are fixed or in-substance fixed, excluding charges arising, for example, from future rent reviews or changes in an index. For most agencies, including the MCA, the incremental cost of borrowing is the rate advised annually by HM Treasury.

The right-of-use asset is measured at the value of the liability, adjusted for: any payments made before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs, which will be required to be paid at the end of the lease. However, where the lease requires nominal consideration (a type of arrangement often described as a "peppercorn" lease), the FReM requires that the asset be measured at its current value in existing use.

### Subsequent measurement

The asset is subsequently measured using the fair value model. The Agency considers that the cost model is a reasonable proxy for the fair value model for leases of items other than land and property, and for leases of land and property with regular rent reviews.

The liability is adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments and modifications are measured by re-discounting the revised cash flows; the impact is reflected in the liability and either in the asset valuation or expenditure.

## Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and any change in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or for those shorter than twelve months are expensed.

## Transitional arrangements

The Agency has made the following determinations which have all been mandated by HM Treasury:

- To use the practical expedient not to reassess the contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. New contracts have been classified using IFRS16 criteria;
- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2018/19 reflect the requirements of IAS17;
- For leases previously treated as operating leases:
  - To measure the liability at the present value of the remaining payments, discounted by the incremental cost of borrowing as at the transition date;
  - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
  - To use practical expedient to exclude leases whose term ends within twelve months of first adoption;
  - To use practical expedient to use hindsight in assessing remaining lease terms.

## Estimates and judgements

For embedded leases, the Agency determines the amounts to be recognised as the right-of-use asset and lease liability based on the stand-alone price of the lease component and the non-lease component or components. This determination reflects the prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components.

The FReM requires that right-of-use asset held under “peppercorn” leases should be measured at current value in existing use. These leases include historic, long-term leases as well as more recent arrangements. To identify such leases, the Agency has distinguished consideration that is nominal from consideration that is low, but proportionate to the asset’s value (for example, the lease of a small area of land with few alternative uses). This distinction reflects, so far as possible, recent, observable market arrangements for comparable assets (for example, current rentals); otherwise, based on the Agency’s own arrangements.

Where, for peppercorn leases, existing use value is required, this is calculated using market value rentals provided by external property consultants, over the lease term. Market value rentals will be provided on a yearly basis.

## 1.09 Provisions for liabilities and charges

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

## **1.10 Pensions**

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

Additional details relating to the PCSPS are included within the Remunerations and Staff Report under pensions.

## **1.11 Value Added Tax**

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

## **1.12 Revenue from contracts with customers**

Revenue from contracts with customers relates to revenue received directly from the operating activities of the Agency. The FReM has adapted the definition of a contract in IFRS 15 to include legislation and regulations which enable an entity to obtain revenue not classified as a tax.

Revenue principally comprises fees and charges for goods or services provided, on a full cost basis, to external customers. Most of the Agency's revenue is received in advance of goods or service provision and is recognised as deferred income until the performance obligation has been met. Revenue is stated after deduction of Value Added Tax.

## **1.13 Other Operating Income**

Revenue received as other operating income has been assessed against IFRS 15. Where it does not meet the requirements of IFRS 15 or there are exemptions applicable for certain revenue streams, these have been classified as other operating income.

## **1.14 Contingent liabilities**

The Agency has legal claims and challenges made against it from time to time in carrying out its duties as a regulator. In accordance with IAS 37, the Agency discloses as contingent liabilities potential future discounted obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Agency's control, unless their likelihood is considered to be remote.

## **1.15 Critical judgements**

Contracts for services have been evaluated under IFRS 16 to determine whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use. In such cases, the relevant part is treated as a lease. The Agency has assessed that its contracts to provide search and rescue helicopter and other services such as aerial surveillance aircraft and emergency towing vessels contain leases.

## 2. Operating expenditure

	2019-20		2018-19	
	£000	£000	£000	£000
<b>Staff costs</b>				
Wages and salaries	40,806		40,269	
Agency staff	1,590		594	
Wages and salaries – total	42,396		40,863	
Social security costs	4,257		4,258	
Other pension costs	9,626		7,652	
		<b>56,279</b>		<b>52,773</b>
<b>Purchase of goods and services – cash items</b>				
<u>Search and rescue helicopters</u>				
UK SAR helicopter service	161,102		205,950	
		161,102		205,950
<u>Other goods and services</u>				
Support for maritime training	12,967		16,500	
Civil hydrographic surveys	5,912		4,444	
Other shipping industry services	1,242		1,257	
Shipping industry support and services - total	20,121		22,201	
Information technology and telecommunications	25,117		20,689	
Accommodation	11,835		11,158	
Pollution response	7,788		3,388	
Coastguard volunteers	3,702		3,361	
Emergency towing vessels	1,964		3,665	
Service costs	5,654		4,965	
Subscriptions to IMO and other international bodies	1,596		1,644	
Research and development – grant related	468		286	
Travel, subsistence and hospitality	4,088		4,326	
Administration costs	7,552		5,447	
Staffing costs	2,233		2,169	
<b>Purchase of goods and services - non-cash items</b>				
Auditors' remuneration and expenses	88		77	
		92,206		83,376
<b>Total purchases of goods and services</b>		<b>253,308</b>		<b>289,326</b>
<b>Operating expenditure - other non-cash items</b>				
<b>Depreciation and impairment charges</b>				
Depreciation – owned assets	10,017		9,700	
Depreciation – right of use assets	47,012		-	
Amortisation – owned assets	1,700		970	
Impairment	1,467		-	
Net revaluation (gains)/losses	236		4,948	
		60,432		15,618
<b>Other operating expenditure</b>				
Loss/(profit) on disposal of non-current assets	(4,250)		(60)	
Loss/(gain) on re-measurement of right-of-use assets	(342)		-	
		(4,592)		(60)
<b>Net provision (release)/expense</b>				
Provisions released in year (net)	414		(344)	
Unwinding of discount on provisions	-		-	
Impairment losses – trade receivables	50		95	
		464		(249)
<b>Total other non-cash items</b>		<b>56,304</b>		<b>15,309</b>
<b>Total other expenditure</b>		<b>309,612</b>		<b>304,635</b>
<b>Total operating expenditure</b>		<b>365,891</b>		<b>357,408</b>

## SAR helicopters

The MCA provides all search and rescue helicopter services in the UK. Since 1 July 2017, the MCA has provided UK-wide services from ten bases operating solely under the UK Search and Rescue Helicopter Service (UK SAR-H) contract.

Prior to the implementation of IFRS16, all SAR-H contract costs were charged to operating expenditure as purchases of goods and services. Contract costs previously charged annually as operating lease rentals are now charged over the lease term, after deducting irrecoverable VAT, as depreciation and interest. Other contract costs include all SAR-H costs which are outside the scope of IFRS 16 lease accounting because they relate to costs beyond the physical helicopters which under IFRS 16 are treated as a leased 'right of use' asset. These other costs include those relating to crew, fuel and base services. The irrecoverable VAT deducted is now charged as other contract costs.

	<b>2019-20</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>
<b>SAR-H contract costs</b>		
Other contract costs	161,102	149,572
Operating lease rentals	-	56,378
Purchases of goods and services	161,102	205,950
Depreciation – right of use assets	43,025	-
Operating expenditure	204,127	205,950
Finance expense	5,410	-
Search and rescue helicopters	<b>209,537</b>	<b>205,950</b>

## Services to the shipping industry

Total shipping industry support and services expenditure was £20,121,000 (2018-19: £22,201,000).

The Agency operates the Support for Maritime Training Scheme (SMarT) for maritime officer trainees. The Agency provided funding after costs in 2019-20 of £12,967,000 (2018-19: £16,500,000).

The Agency provided further services to the shipping industry as required by Merchant Shipping Acts and international conventions costing £7,154,000 in 2019-20 (2018-19: £5,701,000). These services included civil hydrographic surveys, weather bulletins and navigational warnings, seafarer safety and medical services.

The United Kingdom Hydrographic Office (UKHO) holds in its database the results of civil hydrographic surveys performed by private firms under contract to the Maritime and Coastguard Agency. The data is freely available from the UKHO for download under the Open Government Licence. The MCA bears the cost of obtaining UK civil hydrographic survey data and holds the crown copyright.

### 3. Income

	2019-20	2018-19
	£000	£000
Statutory services	9,304	9,071
Operational services	2,922	3,199
Other services	859	764
Other income (costs recharged)	516	42
<b>Total revenue from contracts with customers</b>	<b>13,601</b>	<b>13,076</b>
Other receipts	1,402	1,546
Grant income	441	247
<b>Total other income</b>	<b>1,843</b>	<b>1,793</b>
<b>Total Income</b>	<b>15,444</b>	<b>14,869</b>
Income retained by the agency	15,444	14,869

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

Income Segment	Goods or Services	Nature, timing and satisfaction of performance obligation
Statutory Services	Ship Surveys	Undertaken when a fee is received in advance. Surveyor time is spent surveying and income is recognised as time is charged.
	Registration of Shipping & Seafarers	Fee is received in advance for vessel registration documentation and is recognised when documentation issued. Seafarer records are updated with time at sea. Income is recognised once document issued.
	Seafarer Training & Certification	Fee is received in advance for exams, certification & postage. Income is recognised in stages; when an exam is taken, certificates are issued when exam is passed and posted.
Operational Services	Emergency helicopter flights	Local NHS trusts request use of Agency helicopter assets and recharge of costs are invoiced in line with an agreed schedule.
Other Services	Wider Market Initiatives – Large Yacht Surveys	Undertaken when a fee is received in advance. Surveyor time is spent surveying and income is recognised as time is charged.

All our income is recognised at a point in time apart from £493,000 reported in other income.

### Disaggregation

The disclosures below are shown by operating segment in line with IFRS 15 requirements

Operating segment 2019-20					Total Revenue
	Fee in advance	Deposit	Invoiced	Other	
Revenue received as:	£000	£000	£000	£000	£000
Maritime Safety & Standards	3,275	6,725	225	138	10,363
HM Coastguard	-	-	291	-	291
Commercial & Programmes	-	-	2,922	-	2,922
Finance	-	-	-	25	25
<b>Total Revenue</b>	<b>3,275</b>	<b>6,725</b>	<b>3,438</b>	<b>163</b>	<b>13,601</b>

## 4. Operating segments

The Agency is mainly funded by central government. Its primary tasks are service driven, but it does receive income from the provision of services. The Agency's operating segments, known as directorates, are based around the services provided. This follows IFRS 8 requirements.

In 2019-20, some of the directorates and responsibilities within the Executive Team were restructured as detailed within the Corporate Governance Report. Financial information provided to the MCA Board was not changed but will be updated for 2020-21. Assets and liabilities are not reported at segment level. Each segment has a Director or Executive Team member providing representation on the MCA Board.

The Office of the Chairman and Chief Executive provides support to the Chief Executive and some centralised functions for the Agency, including risk from 2 July 2019, internal and external communications, and the investigations of breaches of maritime regulations.

Maritime Safety and Standards delivers services in respect of survey, inspection and seafarer training and certification. It is responsible for developing and implementing standards for navigation, seafarer safety and health, vessel and environmental services. It also has responsibility for maritime security.

UK Ship Register provides services in respect of vessel registration and the survey of large yachts. From August 2019 the directorate's responsibilities were transferred to Maritime Safety and Standards.

HM Coastguard is responsible for Search and Rescue operations on land, at sea, and counter pollution activities. The Aviation programme team, including the Radio Network Infrastructure replacement programme, transferred to the new Commercial and Programmes Directorate on 19 September 2019.

Commercial and Programmes Directorate is responsible for management and leadership of all large contracts and programmes, which includes the UK Second Generation Search and Rescue Aviation Programme and the Radio Network Infrastructure Replacement Programme. It is responsible for the contract management of the MCA's existing aviation services and the MCA's corporate procurement team.

Information and Technology Directorate is responsible for information and communication technology and information assurance.

Finance is responsible for all corporate financial reporting, financial controls and provision of Shared Services system Agresso Business World.

Human Resources and Estates delivers corporate HR services and management of the Agency's estate infrastructure.

Business Improvement and Assurance team, including Health and Safety, is responsible for quality management and compliance with the ISO 9000 Standard, oversight and audit of Recognised Organisations, Certifying Authorities, Crown Dependencies and Overseas Territories. Risk transferred to the Office of the Chairman and Chief Executive from 2 July 2019. Procurement services were transferred to the Commercial Directorate from 1 October 2019.



Operating segment 2019-20	Staff costs	Other operating costs	Finance costs	Total expenditure	Total income	Net expenditure
	£000	£000	£000	£000	£000	£000
Chairman and Chief Executive's Office	1,970	2,576	-	4,546	(565)	3,981
Maritime Safety and Standards	22,952	27,622	-	50,574	(10,700)	39,874
HM Coastguard	22,748	17,819	85	40,652	(375)	40,277
Commercial and Programmes	1,204	215,200	5,538	221,942	(3,045)	218,897
Information and Technology	2,555	28,750	-	31,305	(126)	31,179
Finance	1,028	1,017	-	2,045	(25)	2,020
Human Resources and Estates	2,463	14,579	290	17,332	(608)	16,724
Business Improvement and Assurance	1,359	2,049	-	3,408	-	3,408
<b>Total costs</b>	<b>56,279</b>	<b>309,612</b>	<b>5,913</b>	<b>371,804</b>	<b>(15,444)</b>	<b>356,360</b>

Operating segment 2018-19	Staff costs	Other operating costs	Financ e costs	Total expenditure	Total income	Net expenditure
	£000	£000	£000	£000	£000	£000
Chairman and Chief Executive's Office	1,845	1,360	-	3,205	(351)	2,854
Maritime Safety and Standards	20,728	29,334	-	50,062	(10,694)	39,368
HM Coastguard	21,810	16,044	-	37,854	(732)	37,122
Commercial and Programmes	1,039	211,576	-	212,615	(2,316)	210,299
Information and Technology	2,742	25,401	-	28,143	-	28,143
Finance	1,336	450	-	1,786	(79)	1,707
Human Resources and Estates	2,017	19,124	-	21,141	(697)	20,444
Business Improvement and Assurance	1,256	1,346	-	2,602	-	2,602
<b>Total costs</b>	<b>52,773</b>	<b>304,635</b>	<b>-</b>	<b>357,408</b>	<b>(14,869)</b>	<b>342,539</b>

## 5. Property, plant and equipment

2019-20	Land	Buildings	Information technology	Plant and equipment	Furniture and fittings	Transport equipment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
As at 31 March 2019	7,824	58,194	42,421	6,520	2,764	17,390	2,297	137,410
Reclassification	-	(17,445)	-	-	-	-	-	(17,445)
As at 1 April 2019	7,824	40,749	42,421	6,520	2,764	17,390	2,297	119,965
Additions	-	1,067	3,095	82	218	481	4,023	8,966
Disposals	(78)	(513)	(1,052)	(111)	-	(863)	-	(2,617)
Impairment	-	(1,912)	-	-	-	-	-	(1,912)
Transfers	-	294	(842)	45	122	593	(271)	(59)
Reclassification	-	-	(2,039)	-	-	-	-	(2,039)
Revaluations	(67)	(309)	572	75	(23)	(12)	-	236
<b>As at 31 March 2020</b>	<b>7,679</b>	<b>39,376</b>	<b>42,155</b>	<b>6,611</b>	<b>3,081</b>	<b>17,589</b>	<b>6,049</b>	<b>122,540</b>
<b>Depreciation</b>								
As at 31 March 2019	-	20,302	22,060	2,759	872	9,536	-	55,529
Reclassification	-	(16,851)	-	-	-	-	-	(16,851)
As at 1 April 2019	-	3,451	22,060	2,759	872	9,536	-	38,678
Charge in year	-	1,547	6,516	503	301	1,150	-	10,017
Disposals	-	(371)	(1,051)	(112)	-	(863)	-	(2,397)
Impairment	-	(445)	-	-	-	-	-	(445)
Transfers	-	-	(59)	-	-	-	-	(59)
Reclassification	-	-	(1,006)	-	-	-	-	(1,006)
Revaluations	-	(11)	351	37	(9)	(5)	-	363
<b>As at 31 March 2020</b>	<b>-</b>	<b>4,171</b>	<b>26,811</b>	<b>3,187</b>	<b>1,164</b>	<b>9,818</b>	<b>-</b>	<b>45,151</b>
<b>Net Book Value</b>								
As at 1 April 2019	7,824	37,298	20,361	3,761	1,892	7,854	2,297	81,287
<b>As at 31 March 2020</b>	<b>7,679</b>	<b>35,205</b>	<b>15,344</b>	<b>3,424</b>	<b>1,917</b>	<b>7,771</b>	<b>6,049</b>	<b>77,389</b>

A professional, independent valuation as at 31 December 2018 of the Agency's land and buildings was made by I Lambert MRICS, RICS Registered Valuer and other staff of Hartnell Taylor Cook of Clifton, Bristol, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2017 and the RICS UK National Supplement.

Properties are valued in accordance with the policy outlined in note 1.04. Of the total net book value of land and buildings, 44% relates to specialist assets which are held at depreciated replacement cost and 56% relates to non-specialist assets which are held at existing use value.

Land and building values have been affected by the significant economic uncertainty caused by COVID-19. Management have reviewed the carrying value of property at 31 March 2020 in the context of this uncertainty. Management considers that the valuation of land and buildings is an appropriate basis on which to determine the fair value at the date of reporting, but as a result of the current circumstances due to COVID-19, less certainty can be attached to the valuation than would otherwise be the case.

#### Analysis of net book value of buildings owned

	31 March 2020	31 March 2019
	£000	£000
Freehold buildings	26,228	29,167
Buildings on leased land and improvements on properties occupied under:		
Leases more than 50 years	2,686	1,500
Leases less than 50 years	6,291	6,631
<b>Total owned buildings</b>	<b>35,205</b>	<b>37,298</b>

#### Property, plant and equipment (continued)

2018-19	Land	Buildings	Information technology	Plant and equipment	Furniture and fittings	Transport equipment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
As at 1 April 2018	5,256	83,768	42,262	6,316	2,231	15,309	5,429	160,571
Additions	-	1,266	2,551	421	304	1,487	2,352	8,381
Disposals	(122)	(1,117)	(5,678)	(967)	(7)	(1,713)	-	(9,604)
Transfers	-	559	2,176	589	239	1,921	(5,484)	-
Reclassifications	-	-	1,139	-	-	-	-	1,139
Revaluations	2,690	(26,282)	(29)	161	(3)	386	-	(23,077)
<b>As at 31 March 2019</b>	<b>7,824</b>	<b>58,194</b>	<b>42,421</b>	<b>6,520</b>	<b>2,764</b>	<b>17,390</b>	<b>2,297</b>	<b>137,410</b>
<b>Depreciation</b>								
As at 1 April 2018	-	37,857	22,163	3,200	631	10,186	-	74,037
Charge in year	-	2,609	5,499	457	249	885	-	9,699
Disposals	-	(936)	(5,678)	(967)	(7)	(1,713)	-	(9,301)
Reclassifications	-	-	110	-	-	-	-	110
Revaluations	-	(19,228)	(34)	69	(1)	178	-	(19,016)
<b>As at 31 March 2019</b>	<b>-</b>	<b>20,302</b>	<b>22,060</b>	<b>2,759</b>	<b>872</b>	<b>9,536</b>	<b>-</b>	<b>55,529</b>
<b>Net Book Value</b>								
As at 1 April 2018	5,256	45,911	20,099	3,116	1,600	5,123	5,429	86,534
<b>As at 31 March 2019</b>	<b>7,824</b>	<b>37,892</b>	<b>20,361</b>	<b>3,761</b>	<b>1,892</b>	<b>7,854</b>	<b>2,297</b>	<b>81,881</b>
<b>Asset Financing</b>								
Owned	7,824	37,298	20,361	3,761	1,892	7,854	2,297	81,287
Finance Leased	-	594	-	-	-	-	-	594
<b>Net Book Value</b>								
<b>As at 31 March 2019</b>	<b>7,824</b>	<b>37,892</b>	<b>20,361</b>	<b>3,761</b>	<b>1,892</b>	<b>7,854</b>	<b>2,297</b>	<b>81,881</b>

## 6. Right of use assets

2019-20		Search & Rescue Helicopters	Land & Buildings	Aerial Surveillance Aircraft	Emergency Towing Vessel	Total
		£000	£000	£000	£000	£000
<b>Valuation</b>						
As at 1 April 2019		307,117	10,823	5,801	5,099	328,840
Hindsight Adjustments	[1.03]	(6,658)	3,244	(758)	-	(4,172)
Peppercorn Leases		-	1,732	-	-	1,732
<b>Subtotal</b>		(6,658)	4,976	(758)	-	(2,440)
Accrued Lease Payment		3,954	-	-	-	3,954
<i>Exemption Adjustments:</i>						
Short Term Leases	[1.03]	-	(70)	-	-	(70)
Total		(2,704)	4,906	(758)	-	1,444
<i>Previously Recognised:</i>						
Accrued Lease Payment		(3,954)	-	-	-	(3,954)
Re-classification (PPE)		-	594	-	-	594
<b>Total Adjustments</b>		(6,658)	5,500	(758)	-	(1,916)
Revised 1 April 2019		300,459	16,323	5,043	5,099	326,924
Additions		-	485	-	-	485
De-recognition		(19,348)	(1)	-	-	(19,349)
Remeasurement		-	1,689	-	-	1,689
<b>As at 31 March 2020</b>		<b>281,111</b>	<b>18,496</b>	<b>5,043</b>	<b>5,099</b>	<b>309,749</b>
<b>Depreciation</b>						
As at 1 April 2019		-	-	-	-	-
Charge in year		43,025	1,796	336	1,855	47,012
De-recognition		-	(1)	-	-	(1)
<b>As at 31 March 2020</b>		<b>43,025</b>	<b>1,795</b>	<b>336</b>	<b>1,855</b>	<b>47,011</b>
<b>Net Book Value</b>						
As at 1 April 2019		-	-	-	-	-
<b>As at 31 March 2020</b>		<b>238,086</b>	<b>16,701</b>	<b>4,707</b>	<b>3,244</b>	<b>262,738</b>

Right of use assets exceed right of use liabilities due to cumulative catch up of equity for peppercorn leases which are valued at market value in existing use and the transfer of an existing property finance lease from Property Plant & Equipment.

## 7. Intangible assets

2019-20	Software developments £000	Software licences £000	Intellectual property rights £000	Under development £000	Total £000
<b>Cost</b>					
As at 1 April 2019	6,009	3,440	8,160	3,464	21,073
Additions	1,003	87	-	1,116	2,206
Disposals	(21)	-	-	-	(21)
Transfers	138	73	-	(211)	-
Reclassification	2,277	(238)	-	-	2,039
Revaluations	203	73	-	-	276
<b>As at 31 March 2020</b>	<b>9,609</b>	<b>3,435</b>	<b>8,160</b>	<b>4,369</b>	<b>25,573</b>
<b>Amortisation</b>					
As at 1 April 2019	1,804	3,085	343	-	5,232
Charge for year	751	126	823	-	1,700
Disposals	(21)	-	-	-	(21)
Reclassification	1,244	(238)	-	-	1,006
Revaluations	80	65	-	-	145
<b>As at 31 March 2020</b>	<b>3,858</b>	<b>3,038</b>	<b>1,166</b>	<b>-</b>	<b>8,062</b>
Net book value at 1 April 2019	4,205	355	7,817	3,464	15,841
<b>Net book value at 31 March 2020</b>	<b>5,751</b>	<b>397</b>	<b>6,994</b>	<b>4,369</b>	<b>17,511</b>

The most significant assets by value reported are intellectual property rights valued at £6,994,000 and software assets for the Channel Navigation Information Service valued at £2,443,000. Assets under development include new software for UK Ship Registration valued at £2,140,000 and further digital systems for seafarers valued at £2,098,000.

## Intangible assets (continued)

2018-19	Software developments	Software licences	Intellectual property rights	Under development	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
As at 1 April 2018	5,645	3,643	-	10,454	19,742
Additions	1,187	43	-	1,303	2,533
Disposals	-	(116)	-	-	(116)
Transfers	269	(136)	8,160	(8,293)	-
Reclassifications	(1,139)	-	-	-	(1,139)
Revaluations	47	6	-	-	53
<b>As at 31 March 2019</b>	<b>6,009</b>	<b>3,440</b>	<b>8,160</b>	<b>3,464</b>	<b>21,073</b>
<b>Amortisation</b>					
As at 1 April 2018	1,355	3,115	-	-	4,470
Charge for year	511	117	343	-	971
Disposals	-	(116)	-	-	(116)
Transfers	34	(34)	-	-	-
Reclassification	(110)	-	-	-	(110)
Revaluations	14	3	-	-	17
<b>As at 31 March 2019</b>	<b>1,804</b>	<b>3,085</b>	<b>343</b>	<b>-</b>	<b>5,232</b>
Net book value at 1 April 2018	4,290	528	-	10,454	15,272
<b>Net book value at 31 March 2019</b>	<b>4,205</b>	<b>355</b>	<b>7,817</b>	<b>3,464</b>	<b>15,841</b>

## 8. Inventories

	31 March 2020 £000	31 March 2019 £000
<b>Stockpile goods</b>		
Balance at 1 April	4,289	4,351
Purchases	178	-
Write down	(69)	-
Net gain/(loss) on revaluation	420	(62)
<b>Balance at 31 March</b>	<b>4,818</b>	<b>4,289</b>

## 9. Assets classified as held for sale

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	979	979
Disposals	(979)	-
<b>Balance at 31 March</b>	<b>-</b>	<b>979</b>

The sale of the former MCA Training Centre at Highcliffe, near Bournemouth, was completed on 16 September 2019.

## 10. Trade receivables and other assets

	31 March 2020 £000	31 March 2019 £000
<b>Amounts falling due within one year</b>		
Trade receivables	2,641	2,530
VAT receivables	830	447
Other receivables	181	229
Prepayments	3,365	4,183
Accrued income	1,610	1,525
<b>Total current</b>	<b>8,627</b>	<b>8,914</b>
<b>Amounts falling due after more than one year</b>		
Other receivables	41	55
<b>Total non-current</b>	<b>41</b>	<b>55</b>
<b>Total current and non-current</b>	<b>8,668</b>	<b>8,969</b>

## 11. Trade payables and other liabilities

	31 March 2020 £000	31 March 2019 £000
<b>Amounts falling due within one year</b>		
Other taxation & social security	-	4
Trade payables	386	619
Other payables	1,088	836
Accruals	31,772	37,246
Deferred income	4,405	3,152
Finance lease obligations	-	169
	<b>37,651</b>	<b>42,026</b>
<b>Balances where movement does not pass through the Statement of Comprehensive Net Expenditure:</b>		
Consolidated fund extra receipts	2,904	1,285
	<b>2,904</b>	<b>1,285</b>
<b>Total current</b>	<b>40,555</b>	<b>43,311</b>
<b>Amounts falling due after more than one year</b>		
Finance lease obligations	-	43
<b>Total non-current</b>	<b>-</b>	<b>43</b>
<b>Total current and non-current</b>	<b>40,555</b>	<b>43,354</b>

## 12. Borrowings

	2019-20	2018-19
	£000	£000
Balance at 1 April	346	335
Net change in cash balances	(1,599)	11
<b>Balance at 31 March</b>	<b>(1,253)</b>	<b>346</b>

The following balances were held at:

	31 March 2020	31 March 2019
	£000	£000
Government Banking Service	(1,253)	346
<b>Total balances at 31 March</b>	<b>(1,253)</b>	<b>346</b>

## 13. Lease Liabilities

2019-20		Search & Rescue Helicopters	Land & Buildings	Aerial Surveillance Aircraft	Emergency Towing Vessel	Total
		£000	£000	£000	£000	£000
As at 1 April 2019		307,117	10,823	5,801	5,099	328,840
Accrued Lease Payment	[1.03]	3,954	-	-	-	3,954
Finance Lease Transfer	[1.03]	-	212	-	-	212
Short Term Leases	[1.03]	-	(70)	-	-	(70)
Hindsight Adjustments	[1.03]	(6,658)	3,244	(758)	-	(4,172)
Total Adjustments		<b>(2,704)</b>	<b>3,386</b>	<b>(758)</b>	<b>-</b>	<b>(76)</b>
Revised 1 April 2019		<b>304,413</b>	<b>14,209</b>	<b>5,043</b>	<b>5,099</b>	<b>328,764</b>
Additions		-	240	-	-	240
Interest		5,410	290	128	85	5,913
Payments		(46,253)	(1,890)	(305)	(1,907)	(50,355)
De-recognition		(19,441)	(1)	-	-	(19,442)
Remeasurement		-	1,687	-	-	1,687
<b>As at 31 March 2020</b>		<b>244,129</b>	<b>14,535</b>	<b>4,866</b>	<b>3,277</b>	<b>266,807</b>
Current portion		43,867	1,536	983	1,858	48,244
Non-current portion		200,262	12,999	3,883	1,419	218,563
<b>As at 31 March 2020</b>		<b>244,129</b>	<b>14,535</b>	<b>4,866</b>	<b>3,277</b>	<b>266,807</b>

The HM Treasury interest rate of 1.99% was applied during the financial year up to January 2020 when this changed to 1.27%. Lease liabilities using the 1.27% interest rate total £45,000.



## Obligations under Leases

2019-20	Search & Rescue Helicopters	Land & Buildings	Aerial Surveillance Aircraft	Emergency Towing Vessel	Total
	£000	£000	£000	£000	£000
<b>Obligations</b>					
Not later than one year	48,286	1,808	1,220	1,906	53,220
Later than one year and not later than five years	202,006	6,097	4,574	1,431	214,108
Later than five years	8,191	17,171	-	-	25,362
	258,483	25,076	5,794	3,337	292,690
Less Interest	(14,354)	(10,541)	(928)	(60)	(25,883)
Present value of obligations	<b>244,129</b>	<b>14,535</b>	<b>4,866</b>	<b>3,277</b>	<b>266,807</b>

## Lease Charges within Statement of Comprehensive Net Expenditure

	2019-20	2018-19
	£000	£000
Sub-Leasing income	-	-
Expense relating to short-term leases	547	-
Expense relating to VAT	52,116	-
Expense relating to low-value assets	--	-

## Cash Outflow for Leases

	2019-20	2018-19
	£000	£000
Total Cash outflow for leases 	50,355	-

## SAR helicopter contracts & other obligations

Helicopter search and rescue services managed by the MCA are provided under SAR Helicopter contracts which include arrangements treated as lease obligations. Further details of these arrangements are disclosed at Note 2 Operating expenditure. Other obligations under contracts for Emergency Towing Vessels (ETV) and Aerial Surveillance (ASV) services with similar arrangements are treated in the same way.

During the reporting period a training helicopter was withdrawn from service, so the right of use asset and liability were derecognised.

## 14. Provisions for liabilities and charges

	Leasehold dilapidations	Other	Total
	£000	£000	£000
As at 1 April 2019	1,905	291	2,196
Provided in the year	471	90	561
Not required written back	(26)	(121)	(147)
Utilised during year	-	(70)	(70)
<b>Balance at 31 March 2020</b>	<b>2,350</b>	<b>190</b>	<b>2,540</b>
Current liability	871	190	1,061
Non-current liability	1,479	-	1,479
<b>Balance at 31 March 2020</b>	<b>2,350</b>	<b>190</b>	<b>2,540</b>

Analysis of expected timing of discounted cash flows:

	Leasehold dilapidations	Other	Total
	£000	£000	£000
Within 1 year	871	190	1,061
2-5 years	548	-	548
6-10 years	258	-	258
Over 10 years	673	-	673
<b>Balance at 31 March 2020</b>	<b>2,350</b>	<b>190</b>	<b>2,540</b>

Future estimated costs have been discounted, where the effect of discounting is significant, at rates announced by HM Treasury. Leasehold dilapidations cash flows over 10 years include £152,000 expected to be called within 50 years, £363,000 after more than 50 years and £158,000 after more than 75 years.

### Leasehold dilapidations

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

### Other

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

## 15. Capital commitments

	31 March 2020	31 March 2019
	£000	£000
Property, plant and equipment	1,741	1,308
Intangible assets	999	98
<b>Total</b>	<b>2,740</b>	<b>1,406</b>

## 16. Contingent assets

The Agency seeks to recover costs from counter pollution incidents. In some cases, it may take several years before cost recovery claims are settled and the Agency holds contingent assets pertaining to the future value of such claims. Due to the nature of the claims it is not practical to be able to estimate the future financial effect of the claims as the timing and value are unknown and there is no guarantee of the claims being successful. In 2019-20, the MCA recovered costs of £36,034 from claims made against the owners of several vessels (2018-19: £113,674).

## 17. Events after the reporting period

Since the reporting period close there has been continued economic uncertainty from the ongoing COVID-19 pandemic particularly since the lockdowns imposed by many governments from March 2020.

Non-current assets have been revalued in line with the agency's accounting policy, recognising that these valuations, particularly in relation to land and buildings, may be subject to further uncertainty post year-end as a result of the pandemic.

There have been no other significant events between the reporting period close and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. IAS 10 requires the MCA to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts are certified by the Comptroller and Auditor General.

## 18. Related party transactions

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

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

## 19. Financial instruments

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



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CCS0520591354  
ISBN 978-1-5286-1983-7

