



# Marine Management Organisation

Annual Report and Accounts  
2012/13

Enabling  
sustainable  
growth in our  
marine area



Marine Management Organisation  
Annual Report and Accounts  
for the financial year ended  
31 March 2013

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

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# Foreword

## by Sir Bill Callaghan and James Cross

We are pleased to introduce our Annual Report 2012/13 which describes how we have executed our responsibilities to help our seas flourish in order to increase their value to the economy, society and the environment; whilst at the same time contributing to the wider Government agenda to deliver savings to reduce public expenditure.

In our third year, we have continued to help the marine economy grow in a sustainable way so that the benefits can be realised now and in future generations. Marine licensing enabled hundreds of projects with capital construction costs in excess of £184 million. The economic benefit of licensing is far higher than this figure as projects often bring jobs, infrastructure and other development opportunities to coastal communities. Our streamlined licensing system has significantly reduced project timelines from concept to consent, leading to developments becoming operational more quickly and contributing to the economy earlier.

We continued our commitment to regulating the fishing industry in a proportionate and effective way so that those who comply with the rules benefit and are not undercut by those who do not. We introduced new arrangements for issuing vessel licence variations to provide vessel owners with a more efficient, transparent and timely means of communicating variations and reducing the significant administrative burden on the fishing industry. We delivered innovative work such as our catch quota trial and the interim report in November demonstrated that discards – where fish are thrown away at sea – have been virtually eliminated by fishermen taking part in the trials. We have endeavoured to be an innovative and enabling regulator, for example, our approval and support for the maerl-relocation trial to take place in the Falmouth area to understand more information on the extent to which maerl and its associated communities survive and recover from translocation.

Our work in Lyme Bay should also be highlighted where we worked with the local community in trialling electronic tracking which ultimately allowed legitimate fishing to continue in parts of a marine protected area. In addition, we have used this learning to help prepare for the development of a framework to assess management measures for European Marine Sites, which will also inform the management of Marine Conservation Zones.

Our pioneering work on marine planning continues. We started to implement marine planning in the seas off the East coast of England, engaging with local communities in the East Inshore and East Offshore marine plans. We also announced our second tranche of marine planning areas in the South of England, stretching from the coast and seas at Folkestone to the River Dart in Devon.

We continued to provide information on our work in a variety of places. In addition to our regular annual UK Sea Fisheries Statistics, we also published a series of reports on activities in and around English seas. The reports reviewed fisheries resources and activity, provided socio-economic data on marine industries, compiled spatial data on marine recreational activities and delivered an updated seabed habitat map. The information gathered is being used to shape marine plans and to ensure all marine uses are fully taken account of as the MMO plans for the future of our seas.

We maintained strong financial management delivering our financial outturn within 0.6 per cent. To put this into context, we are required as part of the four year Comprehensive Spending Review to deliver efficiency savings of £6.6million (20 per cent) across the period to 2014/15. We have successfully delivered a third of these savings to date, in line with expectations.

However, this year has not been without its challenges;

In fisheries management, the transition to electronic recording of fishing data has required additional resources and increased time in processing to ensure the accuracy of data received. We have also faced challenges over the robustness of the data we use to monitor effort uptake at vessel and UK level in Western Waters. We have worked with the industry to pursue compliance with reporting obligations through consultation and mutual cooperation wherever possible, and worked with industry groups to investigate any issues raised to maintain the trust of those we work with in these areas.

In marine planning, we took the decision to delay delivery timescales for the East Inshore and Offshore marine plans, allowing us to fully consider a number of external factors. Whilst this was not wholly in our control, the decision to delay was critical to the progress of marine plans.

We have received an increased number of requests under the Freedom of Information Act, responding to 98.6 per cent within timescale. Whilst this is less than the 100 per cent target set it still represents a strong performance in an area where increased demands have created service pressures. As a result we have increased resources in this area in order to further raise performance standards.

The increase in our staff numbers during the year has resulted in growth in carbon emissions relating to our business related activities. The increase in headcount of 20 per cent has led to an increase in carbon emissions of 12 per cent, however, emissions per person have reduced. Although increases in staff numbers will inevitably have a direct impact on our carbon emissions we

are committed to working harder to minimise the impact in future years as far as possible.

We continue to listen to feedback and we listened to our customers and stakeholders which resulted in a six per cent increase in customers who were satisfied with our services. Through the feedback received by seeking views from over 2,500 people, stakeholders and organisations, we created insight groups made up of stakeholders in our major areas of operation to learn more of their views on a regular basis. People told us that they understood the role of the MMO and asked for more opportunities to engage with our various areas of operation. We introduced social media accounts in September 2012 giving people every opportunity to engage with us and learn more of our work and we continue to release daily news and information on our activities as well as publishing news and background of our decisions to help understanding. Feedback received suggested that our customers welcomed the publication of our evidence behind marine licensing decisions and we continue to extend this to other areas of our operation including increased statistical information on our website to support our fisheries management decisions.

Our people have been at the very heart of our success and have undertaken more customer service training and development. Their enthusiasm and commitment has been key in overcoming the challenges of this year and they are set for the new challenges to be delivered in the refreshed Corporate Plan 2013-16. We thank them for their professionalism, dedication and drive in making it possible to deliver our vision of enabling sustainable growth in our marine area.

We look forward to working with our Board, our staff, our customers and stakeholders to deliver another successful year in 2013/14.



Sir Bill Callaghan  
Chair

A handwritten signature in black ink that reads "Bill Callaghan".



James Cross  
Chief Executive Officer

A handwritten signature in black ink that reads "James Cross".

# About the Marine Management Organisation

We are the Marine Management Organisation (MMO). We are a public body that regulates activities in the seas around England. Our mission is to enable sustainable growth in our marine area, transforming coastal communities while protecting and enhancing our marine environment.

## Who we are

We are an Executive Non Departmental Public Body (NDPB) established in April 2010 and given powers under the Marine and Coastal Access Act 2009. We work at arms length from Government departments but are accountable to Ministers. We are responsible to the Secretary of State for the Environment, Food and Rural Affairs and we have a wide range of responsibilities, which include implementing a new marine planning system, licensing marine works and managing UK fishing fleet capacity and UK fisheries quotas. We are led and directed by a Chair and Board appointed by the Secretary of State for the Environment, Food and Rural Affairs.

Our statutory purpose is to make a contribution to the achievement of sustainable development taking account of all relevant facts and matters, and in a manner which is consistent and coordinated.

## What we do

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

- Marine planning
- Licensing activities in the marine area
- Regulation of major industry
- Fisheries management
- Protecting and enhancing the natural environment
- Providing UK statistical information to support data analysis

- Making European funding available to the fishing industry.

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

Since vesting we have continued to develop the licensing process, resulting in improved processing times for applicants. This began with the introduction of a new streamlined licensing system in April 2011 which removed the need to apply for multiple permissions from different public bodies.

We administer a range of statutory controls that apply to marine works including construction, coastal defences, dredging and the disposal of waste materials at sea. This work is undertaken on behalf of the Secretary of State for Environment, Food and Rural Affairs, wherever the Secretary of State has powers within UK and international waters.

We play a critical role in managing sustainable fisheries and have the difficult balancing task of ensuring that stocks are managed throughout the year to maximise fishing opportunities for the UK industry, while at the same time ensuring that stocks are not overfished. We continue to work closely with the fishing industry and Government on finding a workable alternative to the current quota rules in order to reduce

fish discards and maintain and increase the number of sustainable fisheries.

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

We administer the European Fisheries Fund (EFF) in England on behalf of the Department for Environment, Food and Rural Affairs (Defra) and have allocated significant funds to the fishing industry to help local fishing communities. Funding has delivered benefits such as technological innovation, more sustainable fishing practices, as well as harbour and quay regeneration. All funding follows the general principle of helping industry to become more sustainable while remaining profitable.

## MMO locations and four marine areas



## How we fulfil our role

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

We aim to work in a collaborative, open and transparent manner, meeting our legislative and service delivery obligations, in accordance with the principles of better regulation and following the Government's statutory guidance on sustainable development.

We deliver a range of functions on behalf of Defra, the Department of Energy and Climate Change (DECC) and the Department for Transport (DfT). The Department for Communities and Local Government (DCLG) and the Ministry of Defence (MoD) also have a close interest in our work. Defra is our lead sponsor and provides funding through grant in aid. A Cross-Government Sponsorship Group advises Ministers who are accountable to Parliament for our performance.

We continue to work closely with the Devolved Administrations, Crown dependencies and Public Bodies that have a role in the marine area. This ensures consistent and transparent decision making which is widely understood and trusted.

## Our governance

We are governed by a Board comprising the Chair and Non-Executive Board members who are responsible for developing the overall vision, strategy and policy as well as for the governance of the organisation.

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

## Board committees

There are two Board committees: the Audit and Risk Assurance Committee (ARAC) and Remuneration Committee. Work of these Committees provides assurance to the Board that MMO operates as an effective delivery body, demonstrating good value for money and propriety.

## Our operations

Our operational activities were carried out at our headquarters site in Newcastle (Lancaster House, Hampshire Court, Newcastle upon Tyne, NE4 7YH) as well as in London and 14 locations around the coast.

## Our people

At the end of March 2013, we employed 315 (full time equivalent) people (2011/12, 253) primarily delivering the front line operations of implementing a new marine planning system, licensing marine works and managing UK fishing fleet capacity and UK fisheries quotas.

## Our customers

We serve a wide range of customers from a variety of sectors including the fishing industry, licence applicants, those seeking funding from the European Fisheries Fund and coastal communities, amongst others.

We are committed to being a transparent and accountable organisation and are dedicated to providing a high level of customer satisfaction, as well as using customer feedback to improve our services. We are among the leading public bodies that seek the wider views of all customers in our annual customer satisfaction survey, and also have a number of other mechanisms, including a Customer Insight Group to seek feedback.



# Responsibility for the direction of the MMO

## Non-Executive Board members

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

During the reporting period, two Non-Executive Board members left positions on the Board as their fixed term appointments ended, and a further two Non-Executive Board members were appointed to fill the vacant positions. At 31 March 2013 there were nine Non-Executive Board members in post in line with that reported at 1 April 2012. The composition of the Board for 2012/13 was as follows:

Non-Executive Board Member	Role	Appointment date	End date
Sir William Callaghan	Chair	01/05/2011	30/04/2014
Jayne Scott	Non-Executive Member	01/02/2010	31/01/2014
	Deputy Chair	01/12/2010	31/01/2013
Derek Langslow	Non-Executive Member	01/02/2010	31/01/2014
	Interim Chair and Handover	01/12/2010	30/06/2011
Rodney Anderson	Non-Executive Member	01/02/2010	31/01/2013
Richard Birmingham	Non-Executive Member	01/02/2010	31/01/2013
Robert James	Non-Executive Member	01/02/2010	31/01/2014
Jeremy Loyd	Non-Executive Member	01/02/2010	31/01/2016
Nigel Reader	Non-Executive Member	01/02/2010	31/01/2014
Jane Ryder	Non-Executive Member	01/02/2010	31/01/2016
Lord Teverson	Non-Executive Member	18/02/2013	31/01/2016
Andrew Wells	Non-Executive Member	18/02/2013	31/01/2016

The ARAC members are Nigel Reader (Chair), Derek Langslow and Jane Ryder.

The Remuneration Committee members are Jayne Scott (Chair), Rodney Anderson (until 31 January 2013), Jeremy Loyd and Andrew Wells (from 18 February 2013).

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

## Executive Team

The Executive Team have authority and responsibility for directing the activities of the MMO and the composition from 1 April 2012 was as follows:

Executive Directors	Role	Appointment date	End date
James Cross	Chief Executive Officer	14/12/2011	13/12/2014
Andy Beattie	Director of Operations	18/02/2013	-
	Director of Planning and Regulation	02/04/2012	17/02/2013
	Acting Director of Planning and Regulation	07/06/2011	01/04/2012
Liz Humphreys	Director of Corporate Services	18/02/2013	-
	Director of Operations and Compliance	02/04/2012	17/02/2013
	Acting Director of Operations and Compliance	08/11/2010	01/04/2012
Alison Thompson	Director of Corporate Support and Governance	19/07/2010	22/02/2013
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	-
Debbie Moore	Acting Director of Customers and Partnerships	23/01/2012	11/01/2013
Steve Brooker	Acting Director of Marine Development	05/03/2013	-
Michelle More	Financial Controller	18/02/2013	-

# Other statutory information

## Accounts Direction

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

## Auditor

Under Schedule 1, Section 27(4) of the Marine and Coastal Access Act 2009, the Comptroller and Auditor General shall examine and report on the statements of account. The costs of work performed by the auditor for statutory work in respect of the financial year 2012/13 is £60,000 for the Annual Accounts audit (2011/12 £65,000).

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

# MMO performance

## Summary

Our contribution to the Government's vision for clean, healthy, safe and biologically diverse oceans and seas is set out in the Corporate Plan (2012-15). Our Strategic Outcomes continue to focus on the economic, environmental and social pillars of sustainability, the need for decisions to be made on the best available evidence and the drive to be a highly effective public body. Throughout the year our performance has been assessed against ten Strategic Outcomes which prioritise delivery across these areas.

Figure 1 – Summary of MMO Performance 2012/13 and 2011/12

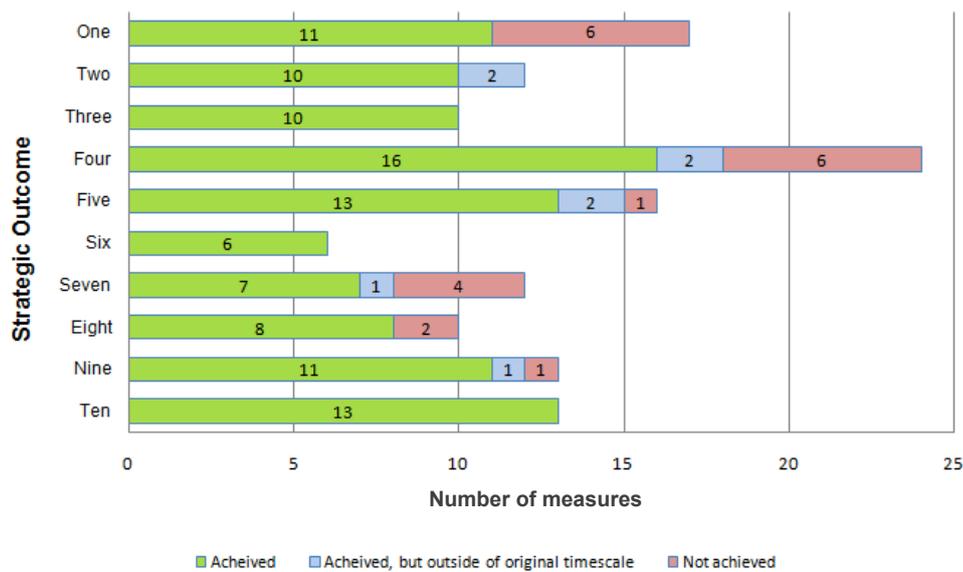
Status of measure	Total Measures 2012/13	%	Total Measures 2011/12	%
Achieved	105	79%	66	82%
Achieved, but outside original timescale	8	6%	7	9%
<b>Subtotal</b>	<b>113</b>	<b>85%</b>	<b>73</b>	<b>91%</b>
Not achieved	20	15%	7	9%
<b>Total</b>	<b>133</b>		<b>80</b>	

As a growing organisation, we recognise the need to continuously improve how we communicate our performance to our wider stakeholders. We have improved the transparency of our performance reporting to recognise those achievements in year which may not have been to the initial timescales as outlined in the Corporate Plan. Additionally, performance for 2011/12 has been restated (Figure 1) to allow greater comparability across reporting periods, and the Annex included in the 2011/12 Annual Report has been updated to reflect this. This information can be found on the MMO website.

Performance in year (summarised in Figure 1) has been a challenge with an increased number of measures underpinning our Strategic Outcomes. We have looked to build on our successes in 2011/12 and have considered more meaningful ways of demonstrating our ongoing commitment to enabling sustainable growth in our marine area. These measures allow us to understand those areas where we are effective in our delivery, meeting the agreed standards set; more importantly they identify those areas where we can continue to improve.

Performance against these outcomes has been scrutinised by the Executive Team through the Performance and Risk Management Board (PRMB) and challenged by the Board. An analysis of the 2012/13 end of year position by Strategic Outcome is shown in Figure 2 below.

**Figure 2 – 2012/13 End of year status by Strategic Outcome**

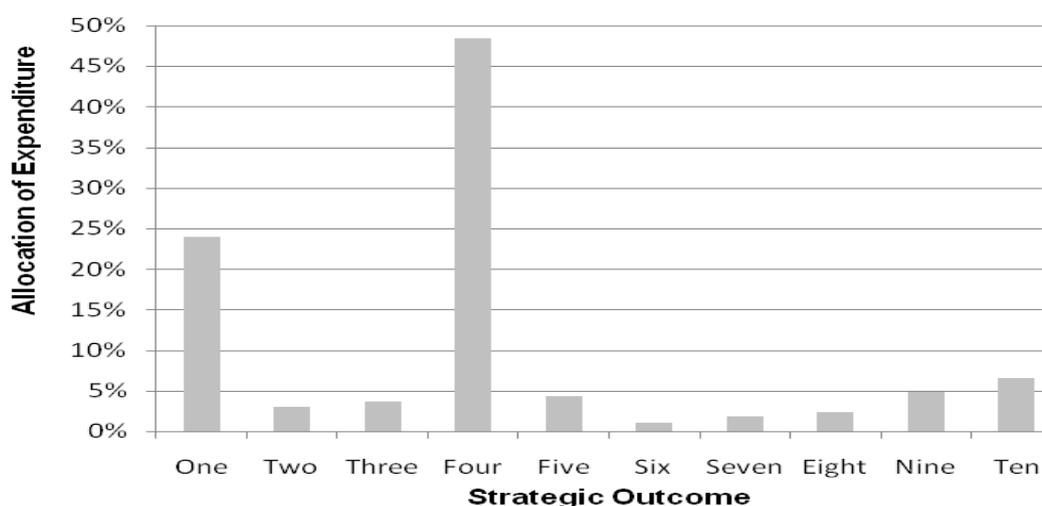


Overall, performance across our wide range of responsibilities has grown, as we have continued to develop our knowledge and experience in key areas such as delivering the new marine plans, operating a streamlined licensing system and implementing new technology across fisheries management. Whilst we recognise specific measures may not have been wholly met in these areas, it should not detract from the significant progress that has been made in these complex areas.

The management commentary that follows provides an overview of performance by Strategic Outcome, a more detailed analysis of performance against these underpinning measures is provided in Annex 1 of this report.

Our budget for 2012/13 totalled £31.2 million, all of which related to Departmental Expenditure Limit (DEL)<sup>1</sup> and £31.0 million of DEL net expenditure was recognised in delivering the ten Strategic Outcomes at 31 March 2013. The allocation of net expenditure to each Strategic Outcome is shown in Figure 3.

**Figure 3 – 2012/13 Allocation of net expenditure by Strategic Outcome**



<sup>1</sup>Departmental Expenditure Limit (DEL) budget is a set budget allocated as part of the Comprehensive Spending Review

# Strategic Outcomes 2012/13

## One

Marine resources are managed effectively and regulated proportionately

## Two

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

## Three

Marine biodiversity is protected and maintained

## Four

Fish and shellfish stocks are managed sustainably

## Five

European funding brings sustainable benefits to the fishing industry and coastal communities

## Six

Marine emergencies are responded to in a prompt and co-ordinated way

## Seven

Decision making is based on best available evidence and information

## Eight

Data and information are well managed and disseminated

## Nine

Efficient corporate services, good governance and control procedures are clearly demonstrated

## Ten

Staff and Board members are skilled and supported in their roles

# Management commentary

## One Marine resources are managed effectively and regulated proportionately

- 48 per cent volumetric increase in the number of licences we determined in year
- Continued progression of the East Inshore and East Offshore marine plans and commencement on the next area for marine planning in the South of England

This year, we have continued to licence a wide variety of projects, determining more licences, more quickly than previously. In total 446 projects have been determined during the year, representing a 48 per cent increase on last year. The drive to improve licensing process efficiency has resulted in the delivery of quicker decisions whilst maintaining consistency of decision making with 76 per cent of licences determined within 13 weeks. Whilst we recognise that this is a step change from the 63 per cent achieved in 2010/11 this is still short of the 90 per cent requested by industry and we remain committed to further improvement.

The licensing decisions we have made during the year include those of significant social and economic benefit to the UK, helping applicants contribute to growth in the marine area. Whilst timescales on larger scale projects can vary due to a range of external factors, 93 per cent of smaller scale applications classified as Tier one<sup>2</sup> have had decisions determined in under 13 weeks and 46 per cent under five weeks. A breakdown of Tier one licence decision making is shown in Figure One. A full breakdown of licensing performance is available at: [www.marinemanagement.org.uk/licensing/performance](http://www.marinemanagement.org.uk/licensing/performance)

Considerable progress has been made as part of the move to fully recover all of our recoverable costs relating to the determination of marine licences. The timescales required for impacting, legislating and implementing the new charging structure have been extensive. As a result implementation of the new statutory instrument needed to change our charging structure will not be in place until 2014/15 which is outside our target to move to full cost recovery by October 2012. In preparation, a number of changes have been made following our fundamental reviews of systems, processes and governance arrangements which we have undertaken.

This year we announced the second tranche of marine plans in the South and engagement through public workshops has already commenced. Alongside this, our work continued in progressing marine planning in the East Inshore and East Offshore areas, including significant engagement with coastal communities and local authorities through a number of activities.

In progressing plans, we have worked with Defra and other Government departments to ensure that Government priorities are addressed through the marine plans in a sustainable way.

<sup>2</sup>Tier one classification refers to those licence applications of less than £10,000 (the cost of construction project seaward of the mean high water springs) and encompass the majority of common inshore licensable activities and construction projects. Applications that are deemed an emergency are also classified as Tier one.

The need for cross Government agreement has been a priority in the production of marine plans and during the year we made the decision to take additional time to ensure support from Defra and other Government departments. This revised approach has lengthened the delivery timeline, including commencement of the formal consultation on marine plans, submitting marine plans to the Secretary of State, and producing the Statement of Public Participation for the second tranche of marine plans.

The overall timescale for producing all 10 marine plans for England by 2021 remains on track through the overlapping of future plan areas and the benefits of lessons learned from previous plan areas.

Figure 4 – Tier one licence decision making analysis

Time taken to determine licence	Total licences determined	% Determined	
0 to 5 weeks	91	46%	93%
5 to 10 weeks	81	41%	
10 to 13 weeks	13	7%	
13 to 20 weeks	7	4%	7%
20 to 30 weeks	5	3%	
30 to 40 weeks	0	0%	
40+ weeks	3	2%	
<b>TOTAL</b>	<b>200</b>	<b>100%</b>	

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

- Over 600 people have attended marine planning events to inform our work
- We launched social media sites on Facebook and Twitter
- 99 per cent of the 14,066 enquiries we received were answered within 10 working days

This year we have looked for more opportunities to talk with our stakeholders, dedicating 65 days to meet members of the fishing industry and stakeholder community as well as our regular contact with them through our coastal offices. We have held three marine licensing workshops and 12 public marine planning events to date which have been attended by over 600 people to inform our work in the East marine plan area. Our coastal offices have continued to enable interaction with local stakeholders, with guidance and advice readily available. On a national level we have held a quarterly Stakeholder Focus Group to inform our thinking on major issues.

We have strengthened our commitment to offering exemplary services to our customers and staff training and development in customer service excellence has increased over the year. We gained valuable feedback from holding customer insight groups and surveying groups of customers via telephone. Our 2013 customer survey reported a six per cent increase in overall customer satisfaction compared to the previous year, achieving the

customer satisfaction target of 70 per cent set for 2012/13. Key customer service figures are shown in Figure 5.

Despite our achievement in meeting the overall customer satisfaction target, our performance of 66 per cent in licensing customer satisfaction did not meet the 85 per cent target set. We are using the results to work with our licensing function to make our processes more customer focussed.

Our dedication to ensuring our work is transparent is stronger than ever. This year we began to publish evidence and data behind major decisions as well as performance data behind published targets. We opened social media accounts on sites such as Facebook and Twitter, increasing the ways people can engage with us and tweeting news and updates on our work on a daily basis with over 500 Twitter followers. We work with media to ensure our news and decisions are published wherever possible in local areas and we increased the amount of information published on our website.

Figure 5 – Customer service figures

Result	Measure
75%	The number of customers who understand the MMO's responsibilities and role
79%	The number of people satisfied with the attitude, politeness and customer service skills of MMO people
99%	The number of enquiries answered within 10 working days
97%	The number of complaints which were responded to in full within 20 working days



## Three Marine biodiversity is protected and maintained

- Successful trialling of alternative fisheries management measures in Lyme Bay
- Publications of Marine Protected Area strategic management table
- MMO chairship of Marine Wildlife Enforcement Working Group

We have continued our pioneering approach to fisheries management in Lyme Bay, trialling the use of inshore Vessel Monitoring System (iVMS) as an alternative management measure. Only vessels with iVMS are allowed to fish using bottom towed gear within the designated protected area and under a voluntary agreement these vessels must also avoid fishing over the sensitive reef features.

We have had a lead role in assessing the need for management measures to protect European Marine Sites (EMSs) through the development and publishing online of our Marine Protected Area strategic management table<sup>3</sup>. Through close working with Defra, Natural England, the Joint Nature Conservation Committee and the Inshore Fisheries and Conservation Authorities we have assessed the need for management in all 75 EMSs in English waters, taking into account the new approach to management of fisheries in EMSs. The delivery of management

measures to protect EMSs continues to provide challenge, particularly where conflict exists in the need to protect designated areas from the effects of commercial fishing activity. In preparation for the designation of Marine Conservation Zones we will use this learning to inform management measures for these protected areas.

We now Chair the Marine Wildlife Enforcement Working Group (MWEWG), a sub-group of the Partnership for Action Against Wildlife Crime (PAW). PAW is a partnership of organisations involved in wildlife law enforcement in the UK which aims to ensure a coordinated response to prevention of wildlife crime and enforcement of legislation. Through MWEWG we have worked to improve understanding amongst statutory bodies, environmental groups and the general public of how to deal with strandings of whales and dolphins and the roles and responsibilities of bodies such as local authorities and the police.

<sup>3</sup>table can be found at [www.marinemanagement.org.uk/protecting/conservation](http://www.marinemanagement.org.uk/protecting/conservation)



## Four Fish and shellfish stocks are managed sustainably

- Achieved landings with a value of £24.2 million through quota management of under 10 metre vessel sector
- 0.3 per cent discard rate for all catch quota species through catch quota scheme
- Promoted compliance through ongoing education and targeted enforcement

Maximising the fishing opportunities for the UK fishing industry whilst ensuring stocks are not overfished continues to be a challenge but one which we have addressed through an approach that focuses on strong industry engagement, embracing innovative solutions and application of proportionate risk based enforcement.

We have developed our working relationships with Producer Organisations, Fisheries Administrations and other Member States and through our quota management of the under 10 metre vessel sector have achieved landings with a value of £24.2 million (95.2 per cent of the potential landings value). We have identified efficiencies in the administration of domestic swaps and leases, which has helped to reduce processing time by up to 50 per cent.

Our innovative approach to fisheries management has been demonstrated through:

- Introducing a net tagging scheme, which reduces the time taken on inspections at sea and in port;
- Implementing an electronic licensing system to reflect up to date communication methods when notifying fishermen of licence variations;
- Continued success of the catch quota scheme, which has achieved 0.3 per cent discard rate for all catch quota species through the installation of remote monitoring equipment and CCTV on vessels.



Providing advice and encouraging the industry to be self compliant is central to our work however, enforcement continues to be a necessary tool in promoting compliance. Deployment of aerial surveillance has provided a visual deterrent to potential illegal activity with over 1,800 sightings of vessels. At sea 900 inspections took place with 250 infringements identified, most of which resulted in oral advice being offered to achieve compliance.

The challenge to find more efficient ways to report fishing activity to Europe and to manage the transition of the fishing records from paper to electronic systems has been difficult this year. During transition we have prioritised accuracy over speed in the collation of fishing records and the additional time

taken to assure information through the electronic system has created challenges in ensuring the timely collation of data. This has been mitigated through the prioritisation of information required for quota management and alleviating pressures through collaborative working across our coastal offices. This will remain a priority in the coming 2013/14 year.

We have completed the implementation of electronic log books and Vessel Monitoring Systems across the over 15 metre fleet and although implementation across the 12-15 metre fleet is well underway, it was not concluded by the end of the year. This reflects the implementation issues experienced by the majority of Fisheries Administrations, of which we are well advanced in comparison to other Member States or devolved administrations.



HMS Mersey – Part of the Royal Navy's Fisheries Protection Squadron who carry out fisheries surveillance and enforcement activity on our behalf.

## Five European funding brings sustainable benefits to the fishing industry and coastal communities

- We have offered £30 million of funding to 748 applicants since 2007, helping to support projects worth £98 million
- Committed funds of £4.4 million in 2012/13 to projects with a total value of £18.4 million
- Delivered benefits to coastal communities through Fisheries Local Action Groups (FLAGs)

We administer the European Fisheries Fund (EFF) for England, making available funding of around £38 million over a six year period to help the fishing industry adapt to Common Fisheries Policy (CFP) reform. Funding is available across the following areas:

Axis 1	Adaptation of the Community fishing fleet
Axis 2	Aquaculture processing and markets
Axis 3	Common interest such as port and harbour improvements
Axis 4	Sustainable development of fisheries areas

Over the last six years, we have offered funding to 748 applicants and have committed over £30 million of EFF funding, helping to fund £98 million worth of projects which otherwise would not have gone ahead.

During the year we have reinforced our engagement with industry and coastal communities to promote the benefits and availability of funding. This year we have committed further EFF funds of £4.4 million to 111 projects worth a total of £18.4 million. This brings the total amount of EFF funding committed to date to 76 per cent of total available budget, exceeding the in year target of 75 per cent.

We support six FLAGs to deliver EFF grants to coastal communities and meet the goals of local development strategies. The funding is aimed at improving the quality of life in these areas as well as providing a sustainable future for these communities. The FLAGs support us to ensure that the benefits of EFF are directly felt by the communities that they represent.

Despite our work to improve the level of support provided to applicants in submitting business cases for EFF funding we acknowledge that more can be done to improve the customer service offered and we will continue to drive up service standards.

Trials of new fishing gear supported by a £44,000 grant from the European Fisheries Fund (EFF) have recorded successes in reducing both fish discards and ground impact caused by beam trawlers. Early results from the ground impact trial project showed a reduction of 17 per cent in the volume of fish discarded when trawlers replaced traditional trawl gear with a roller ball system.

Full Story available at [www.marinemanagement.org.uk/news/news/120917-2.htm](http://www.marinemanagement.org.uk/news/news/120917-2.htm)

## Six Marine emergencies are responded to in a prompt and co-ordinated way

- Responded to eight major incidents during the year
- MMO response for timeliness, collaboration and overall satisfaction rated as excellent by stakeholders

We were notified of 47 incidents during 2012/13 and provided an appropriate response in each case. Of these, we responded to eight major incidents, including the vessels: Flaminia, Baltic Ace, Christos XXII, as well as potential flooding of the Wheal Jane mine in Cornwall. Our marine officers provided advice and expertise on fisheries and the marine environment to the incident environment groups. Our stakeholders from the response community, environmental sector and industry rated our response as excellent for timeliness, collaboration and overall satisfaction.

We have been involved in numerous emergency response exercises, including as part of contingency planning for the London 2012 Olympic and Paralympic Games. We have used these exercises to keep our team of 15 volunteer responders amongst our staff ready to respond and a customer survey held following one of these exercises reported 100 per cent of stakeholders to be satisfied with our response.



(C) Maritime and Coastguard Agency 2012

## Seven Decision making is based on the best available evidence and information

- Published six evidence reports across a range of subjects in line with our Strategic Evidence Plan (SEP)
- Established scientific framework agreement, the first ever in England for marine research
- Increased engagement with wider marine science community

Working with independent marine scientists and researchers across the UK we continue to deliver our SEP to set the focus and direction of our evidence and research programme for the period to 2015. This plan ensures that our evidence is underpinned by sound marine science which supports our operational functions. By identifying and prioritising our current and future evidence needs we can deliver value for money in our activities and benefit the UK marine science community as a whole. In line with our SEP we have published six evidence reports on the MMO website which are listed in the table on the right.

We have now created our scientific framework agreement which is the first ever English framework for marine research. The framework enables us to commission technical advice and research on:

- Ecology and biodiversity
- Physical characteristics and processes
- Marine chemistry
- Terrestrial impacts and research on co-location
- Social and economic science
- Fisheries and other ecosystem services.

We have continued to increase our presence on marine science committees to ensure we are aware of the latest marine science developments and that our decision making takes account of the wider marine science community. These committees include the Marine Science Co-ordination Committee, the Marine Assessment and Reporting Group, the Underwater Sound Forum, the Alignment Working Group and the Offshore Renewables Research Steering Group.

Delivery of the Quality Management System manual and subsequent training of staff was not achieved in year and will now be a priority for 2013/14. Work on the manual was deferred to allow for the consideration of an alternative solution that offered better value for money. The manual will document structures, procedures, processes and resources needed to implement quality management.

## Evidence reports published in 2012/13

Compilation and confidence assessment of seabed habitat data

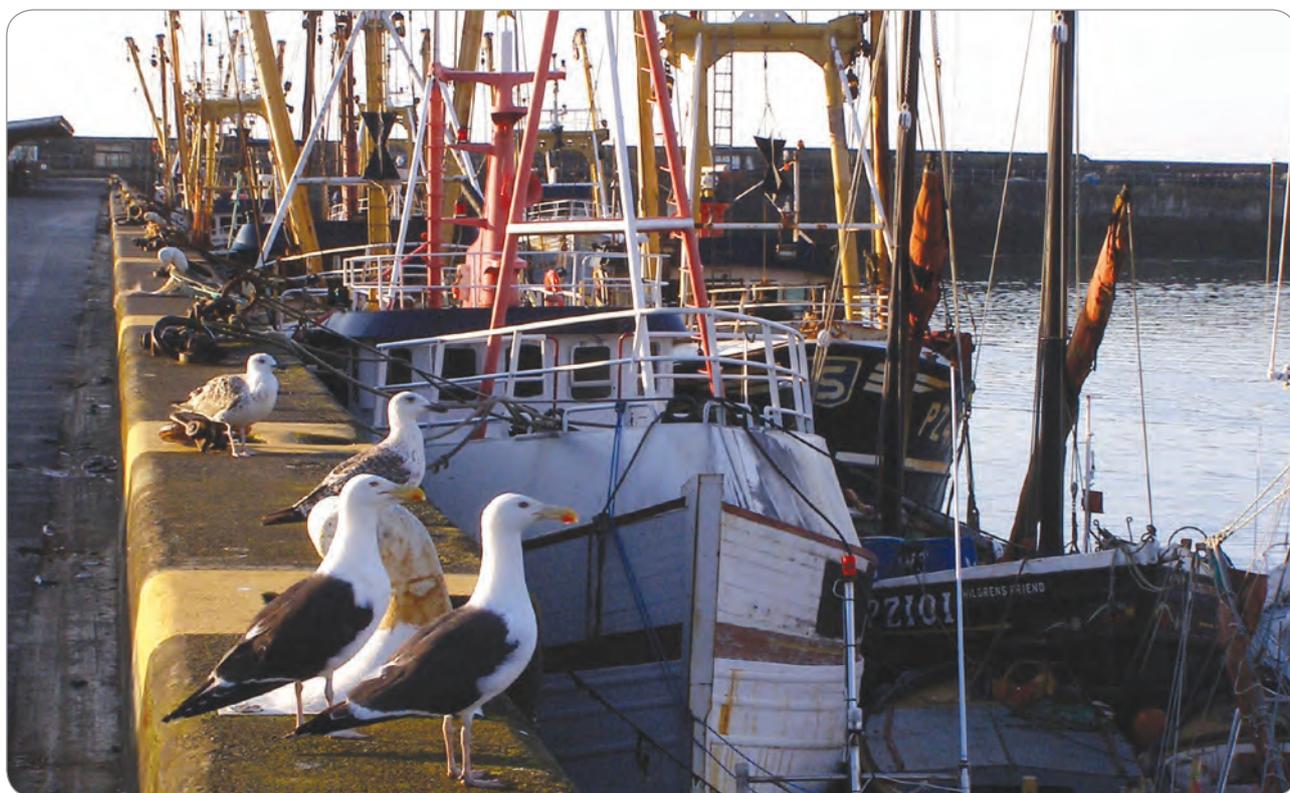
Recommendations on the use of habitat maps in the planning process and requirements for future planning areas

Compilation of spatial data on marine recreation activities

A review of marine social and economic data

Marine social and economic data: A critical review of tools and methods to apply marine social and economic data to decision making

Evaluating the distribution, trends and value of inshore and offshore fisheries in England



## **Eight** Data and information are well managed and disseminated

- We published a wealth of UK fisheries statistics collated by our organisation including:
  - Information on the size and composition of the UK fleet, days at sea, fishing effort and activities in the Cod Recovery Zone
  - Specifics on the value and quality of UK fishing stocks and landings in the UK
  - Detailed figures on the UK fishing fleet, the number of fishermen, the quantity of landings and international trade
- We have led in supporting the Marine Environmental Data and Information Network (MEDIN)

We continued our efforts to disseminate and share the data and information we use in our decision making with the public. Evidence behind our key marine licensing decisions is published on our website and we extend this approach to fisheries management by similarly publishing increased statistical data on which fisheries management decisions are based.

We maintained a “collect once use many times” principle in the management of our data ensuring that all of our information was used to inform as many marine decisions as possible. We endeavour to make our data sets available to the wider marine science community for the benefit of UK marine science as a whole, but recognise feedback that we must continually try to do more.

We took the lead in supporting the MEDIN as we believe the work that they are doing to standardise data is of great benefit to those who use marine science. This year we collaborated on areas such as data quality, data sharing and data management.

We responded to 277 requests for information under access to information legislation during the year and 98.6 per cent were dealt with within statutory timescales, missing the 100 per cent target. A key challenge has been matching the number of requests received to available resources and we invoked contingencies to maintain a consistent level of service in this key public facing service. We have now increased the resources in this area in order to further raise performance standards.

## Nine Efficient corporate services, good governance and control procedures are clearly demonstrated

- Delivered within allocated budget and achieved 31 March 2013 financial position within 0.6 per cent of forecast outturn
- Achieved savings of five per cent in non staff expenditure

We have operated in a challenging financial environment and laid foundations to ensure the organisation is best placed to meet future funding challenges. We have concluded our recruitment programme in line with the levels agreed at vesting and have made efficiencies of five per cent in non staff expenditure to compensate for the associated additional staff costs.

Our rigorous approach to financial management and close working with our sponsorship body has allowed us to effectively manage risks and opportunities. Our monthly reporting and mid year review of finances has enhanced the decisions we make and is demonstrated in a financial outturn figure which is within allocation and 0.6 per cent within forecast (2011/12: 0.5 per cent). Further information on our financial performance can be found in the finance review on page 30.

Our in year review of Board and ARAC effectiveness, revisions to our performance

framework and risk strategy have demonstrated a drive to continually improve our governance. Further information on our governance arrangements can be found in the Governance Statement on page 47.

We have been successful in a number of high profile prosecution cases. We have also had our decisions upheld by the judicial system with the high court supporting the actions we have taken in licensing determinations.

We did not achieve an overall carbon emissions reduction of five per cent on 2011/12 levels. Whilst total emissions per full time equivalent has fallen, the average number of people in post (based on full time equivalent) increased by 50 during 2012/13. Consequently, the additional resource has driven an increase in the carbon emissions emitted from our business related activities. Further details can be found in our sustainability report on page 41 including steps we are taking to reduce our carbon footprint.

## Ten Staff and Board members are skilled and supported in their roles

- Achieved Investors in People (IIP) standard accreditation
- Introduced Civil Service Learning to enable our staff to access relevant and beneficial training for their work

We have continued to invest in the development of our greatest asset 'our people' and a key achievement in the year was the award of IIP accreditation.

We have built on the investments made last year, providing further development opportunities through the inspirational leadership and mentoring programme and the introduction of Civil Service Learning, a new learning delivery partner providing access to a wealth of electronic learning and face to face training opportunities. The MMO People Survey continues to be our primary tool for shaping the culture of our organisation and informing whether our staff are able to access the right learning and development opportunities when needed. Whilst improvements continue to be made, challenges remain and we are committed to addressing perennial themes within our staff survey results and will be investing resources in these areas in the future.

We have revised our Health and Safety Policy to reinforce our commitment to ensuring the health, safety and wellbeing of our people and have provided mandatory health and safety training to all staff. We fully support the right of all staff to be treated with dignity and respect at work, demonstrated through the launch of the MMO Equality and Diversity Policy.

The Board has delivered its collective responsibility for determining the organisation's strategic direction and ensuring that we discharge our statutory duties. It has been supported by an Audit and Risk Assurance Committee (ARAC), providing advice to the Board on matters of financial accountability, risk, control and governance and a Remuneration Committee, recommending policies for the remuneration and performance management of all employees. The effectiveness of both Board and ARAC has been reviewed in year with resultant action plans implemented.



# Financial review

We are funded by Defra through grant in aid and the overall financial position is shown in the Taxpayers Equity section of the Statement of Financial Position by means of the General Reserve.

As part of the current four year Comprehensive Spending Review we are obliged to deliver efficiency savings of 20 per cent across the period to 2014/15. Last year we delivered £1.9 million savings and further savings of £0.9 million required this year were factored in the original MMO 2012/13 budget allocation of £30.5 million. We have also taken into account the increasing financial pressures on future years and laid the foundations to ensure we are best placed to meet these challenges.

In order to deliver our full remit, we have been recruiting in line with the organisational plan with the average number of staff in post (full time equivalent) increasing by 50 during the year. The increase in staff related costs incurred this year have been due to this growth, however, this has been compensated by reductions in non staff expenditure.

A number of funding pressures have emerged during the year and have been mitigated by the identification of further efficiencies and through the escalation of risks with Defra. We have mitigated additional funding pressures through:

- Robust financial reporting cycle enabling timely and informed decisions through the identification of opportunities and risks
- Moving towards alternative methods of fisheries surveillance offering greater flexibility and a reduction in the proportion of fixed costs
- Ongoing review of fee charging process to improve cost recovery for appropriate licensing works

- Development of an MMO framework agreement to improve governance in key areas of spend relating to marine planning and licensing evidence commissioning
- Identifying common areas of spend and delivering efficiencies in procurement through collaboration with other government bodies.

This has allowed the following pressures to be absorbed:

- Additional estates charges of £0.2 million due to changes in the apportionment measure applied by Defra;
- £0.4 million shortfall of licensing receipts due to demand led nature and lack of historical data creating uncertainties in forecasting;
- £0.1 million depreciation pressure due to re-indexation and increased amortisation costs from capitalisation of intangible assets.

Changes in key assumptions underpinning our original 2012/13 budget allocation created a further funding pressure of £0.7 million in the following areas:

- Reduction in licensing income of £0.5 million following confirmation that licence activity relating to Planning Inspectorate was not chargeable when the budget assumed it was
- Increase of £0.2 million for Shared Services costs following in year notification of the removal of a subsidy which was not visible to the MMO

These risks were escalated with Defra throughout the year and additional grant in aid of £0.7 million was approved, as part of the mid year review.

In delivering our duties, we have spent a total Departmental Expenditure Limit (DEL) expenditure of £31.0 million (£30.7 million in 2011/12) and expenditure by Strategic Outcome is set out in note two of the accounts.

## How we have allocated our spend by Strategic Outcome

The allocation of funding across all Strategic Outcomes is shown in the pie chart below. 48 per cent of our expenditure is reported in outcome four and reflects our spend on surveillance activity (£8.4 million) which is the most significant area of non-staff expenditure.

## Relations with suppliers

The standard terms of payment for suppliers is in line with all government departments, and we are required to pay supplier invoices within five days of satisfactory receipt of goods and services and agreement of a valid invoice.

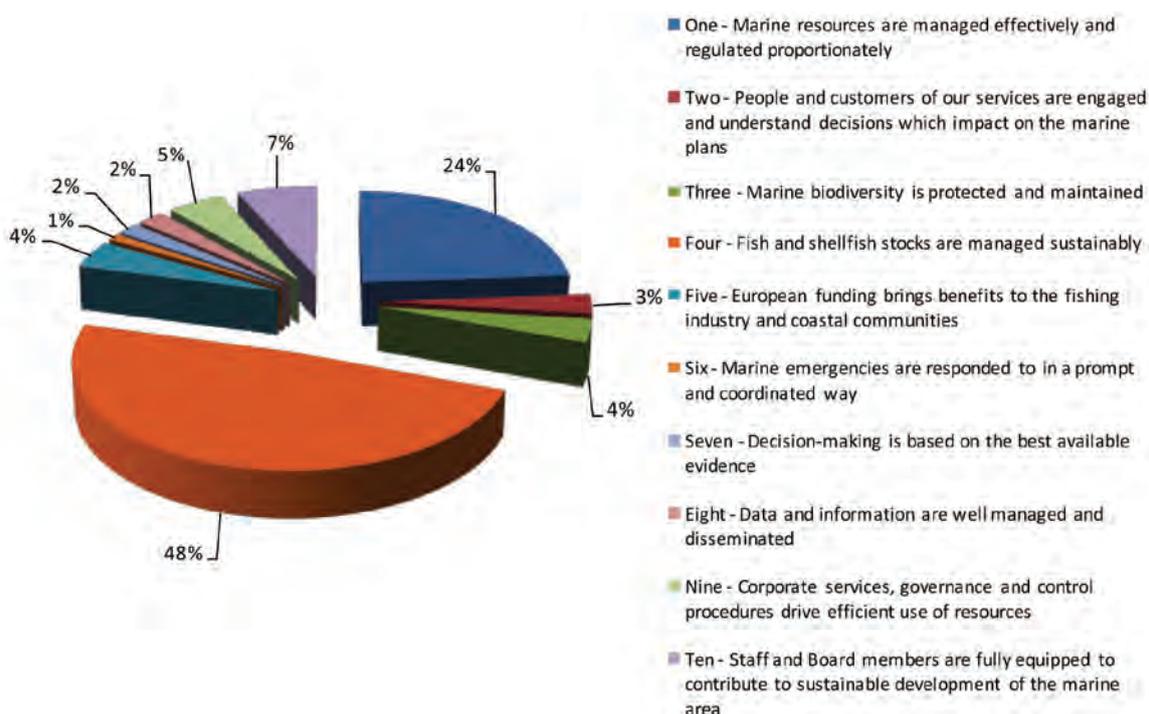
During the year we paid 94.4 per cent of invoices within five days (99 per cent of suppliers were paid within five days in 2011/12). This fall in percentage has been caused by delays in the processing of invoices by our shared services support function and on average, invoices paid outside of the five day target were late by 1.7 days. Creditor days, calculated on an average basis for the year, were 15 days for 2012/13 (15 days for 2011/12).

## Pensions

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

## Executive Directors' interests

The CEO and Executive Directors held no interests outside of the MMO relating to the MMO's business.



## Research and development

The costs arising from development of intangible assets (both internal and external) are capitalised only if the criteria as outlined in International Accounting Standard 38 (IAS 38) is met. During the year internally developed intangible assets totalled £0.4 million (£1.3 million 2011/12), these were capitalised in line with IAS 38 and further details are provided in Note 7 of the Annual Accounts.

## Likely future events affecting the MMO

The Common Fisheries Policy is the European Union's instrument for the management of fisheries and aquaculture. The current policy is due for reform by the end of 2013. We are resolute in helping to preserve fishing opportunities for this generation and the next through reform of the Common Fisheries Policy and the protection of fish stocks in our seas.

The European Commission published their proposals for the European Maritime and Fisheries Fund (EMFF) that will replace the European Fisheries Fund (EFF) from 1 January 2014 until 31 December 2020. We will work with the relevant bodies in the transition to the new fund.



# Our people

Our people are our greatest asset. They are leaders in their field and bring a range of marine expertise to our work. We value the hard work of our staff and continue to invest in their development by ensuring that all are given the opportunities to achieve their potential. This year we have introduced Civil Service Learning which provides a wealth of electronic learning and face to face training opportunities and continued the Leadership Development and Mentoring Scheme. Individuals development needs are reviewed both informally through line manager discussions and formally through the MMO appraisal system.

A key development this year was the launch of the People Plan. This plan champions a people focused culture, developing an organisation that individuals are proud to belong to and to which they stay committed. It focused on the wellbeing of people, cultural development, identifying and managing talent, opportunities for personal and team development and engaging with people. The People Plan has shaped the organisation and refreshed the values of the MMO so that they are shared by all employees.

Our people are dedicated to our mission and deliver according to a shared set of values which is at the very core of their work:

- We are committed to doing our best
- We promote and support the wellbeing of our people
- We value integrity by being open, honest and fair
- We focus on the needs of both our internal and external customers
- We value highly effective and quality leadership
- We use all of our talent to achieve success.

We provide a safe working environment and the provision of mandatory health and safety training to all employees together with our focus on staff well being has sought to promote the highest standards of health and safety across the organisation. Equal opportunities is a fundamental objective of the MMO, ensuring all employees treat each other with respect and value diversity in terms of race, gender, sexuality, disability, age or religious beliefs. The launch of the MMO Equality and Diversity policy and work of the MMO Equality and Diversity Staff Forum are demonstrative of this commitment.

We consider it important that our employees have a voice within the organisation to ensure our staff's views are heard. We use various methods to achieve this including:

- Feedback through the annual staff survey
- Feedback through the Internal Communications Survey
- Staff Suggestion Scheme
- Ask the Executive initiative allowing staff to pose anonymous questions or views to the Executive Team via a page on the MMO intranet

The establishment of the People Plan working group has provided an opportunity for all to influence initiatives in the business. The group consists of volunteers from all parts of the business and focuses on building a people focussed organisation.

For the reporting year to 31 March 2013 the average number of days sickness for our staff was 5.4 days (2011/12 4.0 days), with the wider civil service average being eight days.

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



# Remuneration Report

## Remuneration Committee terms of reference

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

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

All decisions relating to Chief Executive Officer's (CEO) remuneration are decided by the Board following recommendations by the Remuneration Committee, and decisions on the Executive Directors' remuneration are taken by the CEO for approval by the Remuneration Committee.

## Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. Bonus payments are to be reported separately under Government Financial Reporting Manual 2012/13 guidance.

## Pension benefits

### Cash equivalent transfer values (CETV)

This is the actuarially assessed capitalised

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

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

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

## Taxable expenses classified as benefits in kind

Taxable expenses classified as benefits in kind cover any business expenses incurred by the MMO to the extent that they are subject to UK taxation together with the associated tax. For the 2012/13 financial year this consists of costs of accommodation, travel and subsistence incurred by Non-Executive Board members and Directors where the place of work in their contract is their home. MMO pay the benefit in kind for Non-Executive Directors to HMRC as part of a PAYE settlement agreement.

We publish all other business expenses incurred by our Non-Executive Board members while on official duty which are not subject to UK taxation on our website. These are published quarterly reflecting the MMO's commitment to transparency. Expenses may be travel, hotel and other costs, including details of hospitality given and received.

## Non-Executive Board members' remuneration

Non-Executive Board members' remuneration is determined by Defra; however, their fees and expenses are paid by the MMO. Appointments to the Board are on either three or four year terms, in line with the code of practice from the Commissioner for Public Appointments. The remuneration reported in the table is actual expenditure incurred in the year. The fees reported are actual expenditure incurred in the year; where a Non-Executive Board member has been in post less than a year, the full year equivalent (FYE) is given beneath the actual amount. The MMO did not engage any individuals off-payroll in 2012/13 and all payments were made under normal PAYE rules in accordance with their terms and conditions.

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

- A.** Fixed term appointments for Richard Birmingham and Rodney Anderson ended on 31 January 2013.
- B.** Fixed term appointments for Jeremy Loyd and Jane Ryder ended on 31 January 2013 and they were re-appointed for a further three years.
- C.** Lord Teverson and Andrew Wells were appointed to the Board on 18 February 2013 for a fixed period of three years.
- D.** Jayne Scott reverted to a Non-Executive Board member on 1 February 2013 following review of the Board structure by the Chair.
- E.** Remuneration Committee members are Jayne Scott (Chair), Rodney Anderson (until 31 January 2013), Jeremy Loyd and Andrew Wells (from 18 February 2013).
- F.** ARAC members are Nigel Reader (Chair), Derek Langslow and Jane Ryder.
- G.** No additional paid work was carried out on behalf of the MMO by any Non-Executive Board member.

Dr Mel Austen was appointed as Chief Scientific Advisor (CSA) to the MMO on 6 September 2010. Although technically an employee of the MMO, the CSA is responsible and accountable to the Chair and Board and, as a Non-Executive, is independent of the CEO and Executive Team. This part time appointment is to ensure that all scientific evidence and analysis used by the MMO can be robustly defended if subject to external scrutiny. Her actual salary earned during 2012/13 was within the range £10,000 to £15,000 (FYE £60,000 – £65,000).

## Executive Directors' remuneration

The MMO Executive Directors and the Financial Controller have the authority and responsibility for directing and controlling the major activities during the year and have influence over the entity as a whole. The salaries reported are actual expenditure incurred in the year; where an Executive Team member has been in post less than a year, the full year equivalent (FYE) is given beneath the actual amount. The MMO did not engage any individuals off-payroll in 2012/13.

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

Non-Executive Board Member	Role	Appointment date	End date	2012/13 fee £'000	Taxable expenses classified as benefits in kind 2012/13, to nearest £100	2011/12 fee £'000	Taxable expenses classified as benefits in kind 2011/12, to nearest £100
Sir William Callaghan	Chair	01/05/2011	30/04/2014	40 - 45	3,300	35 - 40 (FYE 40 - 45)	5,100
Jayne Scott	Non-Executive Member	01/02/2010	31/01/2014	0 - 5 (FYE 10 - 15)	1,700	-	-
	Deputy Chair	01/12/2010	31/01/2013	10 - 15 (FYE 15 - 20)		15 - 20	3,000
Derek Langslow	Non-Executive Member	01/02/2010	31/01/2014	10 - 15	2,300	5 - 10 (FYE 10 - 15)	1,900
	Interim Chair and Handover	01/12/2010	30/06/2011	-	-	5 - 10 (FYE 35 - 40)	1,400
Rodney Anderson	Non-Executive Member	01/02/2010	31/01/2013	5 - 10 (FYE 10 - 15)	1,500	10 - 15	4,100
Richard Birmingham	Non-Executive Member	01/02/2010	31/01/2013	5 - 10 (FYE 10 - 15)	-	10 - 15	-
Robert James	Non-Executive Member	01/02/2010	31/01/2014	10 - 15	2,600	10 - 15	4,300
Jeremy Loyd	Non-Executive Member	01/02/2010	31/01/2016	10 - 15	2,500	10 - 15	5,400
Nigel Reader	Non-Executive Member	01/02/2010	31/01/2014	10 - 15	2,800	10 - 15	3,100
Jane Ryder	Non-Executive Member	01/02/2010	31/01/2016	10 - 15	1,800	10 - 15	2,600
Lord Teverson	Non-Executive Member	18/02/2013	31/01/2016	0 - 5 (FYE 10 - 15)	-	-	-
Andrew Wells	Non-Executive Member	18/02/2013	31/01/2016	0 - 5 (FYE 10 - 15)	100	-	-

Executive Team Members	Role	Appointment date	End date	2012/13 salary £'000	2012/13 bonus £'000	Taxable expenses classified as benefits in kind 2012/13, to nearest £100	2011/12 salary £'000	2011/12 bonus £'000	Taxable expenses classified as benefits in kind 2011/12, to nearest £100
James Cross	Chief Executive Officer	14/12/2011	13/12/2014	110-115	5-10	-	110 - 115	5 - 10	-
Andy Beattie	Director of Operations	18/02/2013	-	70 - 75	-	-			-
	Acting Director of Planning and Regulation	07/06/2011	17/02/2013		-	-	50 - 55 (FYE 60 - 65)	-	-
Liz Humphreys	Director of Corporate Services	18/02/2013	-	5 - 10 (FYE 65 - 70)	-	2,000	-	-	-
	Acting Director of Operations and Compliance	08/11/2010	17/02/2013	70 - 75 (FYE 75 - 80)	-		65 - 70	-	8,300
Alison Thompson	Director of Corporate Support and Governance	19/07/2010	22/02/2013	60 - 65 (FYE 65 - 70)	5-10	-	65 - 70	-	-
Carolyn Cadman	Director of Customers and Partnerships	04/05/2010	-	65 - 70	-	-	65 - 70	0-5	-
Debbie Moore	Acting Director of Customers and Partnerships	23/01/2012	11/01/2013	45 - 50 (FYE 65 - 70)	-	-	10 - 15 (FYE 60 - 65)	-	-
Steve Brooker	Acting Director of Marine Development	05/03/2013	-	0 - 5 (FYE 65 - 70)	-	-	-	-	-
Michelle More	Financial Controller	18/02/2013	-	5 - 10 (FYE 60 - 65)	-	-	-	-	-
Band of highest paid executive disclosed in remuneration report (£'000)				115 - 120			115 - 120		
Median total remuneration (£)				26,163			25,903		
Ratio				4.5			4.5		

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

The remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and cash equivalent transfer of pensions. The banded remuneration of the highest-paid Director in the Marine Management Organisation in the financial year 2012/13 was £115,000 to £120,000 (2011/12: £115,000 to £120,000). This was 4.5 times the median remuneration of the workforce, which was £26,163 (2011/12: 4.5 times median of £25,903). In 2012/13, no employees received remuneration in excess of the highest-paid director.

#### Notes

- A.** James Cross was appointed Chief Executive Officer on 15 December 2011 for a fixed term of three years with the potential for reappointment of a further two years
- B.** Andy Beattie was appointed as permanent Director of Planning and Regulation on 2 April 2012 and was appointed as Director of Operations on 18 February 2013.
- C.** Liz Humphreys was appointed as permanent Director of Operations and Compliance on 2 April 2012 and was appointed as Director of Corporate Services on 18 February 2013.
- D.** Alison Thompson, Director of Corporate Support and Governance, left the MMO on 22 February 2013.
- E.** Debbie Moore, Acting Director of Customers and Partnerships, left the MMO on 11 January 2013.
- F.** Carolyn Cadman, Director of Customers and Partnerships, returned from a period of maternity leave on 22 January 2013.
- G.** Steve Brooker was appointed to the role of Acting Director of Marine Development following Andy Beattie's move to Director of Operations.
- H.** Michelle More was appointed to the role of Financial Controller following Alison Thompson's departure from the MMO.
- I.** Bonuses awarded in the 2012/13 year are in respect of performance in the 2011/12 year and bonuses awarded in the 2011/12 year are in respect of performance in the 2010/11 year.

Following the departure of Alison Thompson from the MMO, the CEO reviewed the Executive Team structure to ensure that the function of the Finance Director as set out in HMT Managing Public Money was observed. The role of Financial Controller was created, incorporating Executive status, and reporting directly to the CEO on all matters relating to finance, propriety and governance.

## Pension benefits

Executive Directors	Real increase in pension (£'000)	Real increase in lump sum (£'000)	Value of pension at 31/03/13 (£'000)	Value of lump sum at 31/03/13 (£'000)	CETV at 01/04/12 (£'000)	CETV at 31/03/13 (£'000)	Real increase in CETV (£'000)
James Cross	0.0 - 2.5	-	20 - 25	-	190	215	8
Andy Beattie	0.0 - 2.5	-	0 - 5	-	26	45	12
Liz Humphreys	0.0 - 2.5	0.0 - 2.5	20 - 25	60 - 65	287	311	6
Alison Thompson	0.0 - 2.5	0.0 - 2.5	10 - 15	40 - 45	213	230	3
Carolyn Cadman	0.0 - 2.5	0.0 - 2.5	10 - 15	35 - 40	131	141	1
Debbie Moore	0.0 - 2.5	-	20 - 25	-	176	201	14
Steve Brooker	0.0 - 2.5	-	0 - 5	-	49	49	-
Michelle More	0.0 - 2.5	-	15 - 20	-	208	211	2

## Retirement and pensions

(further details can be found in note 3 to the accounts)

### Pensions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). No directors retired in the year to 31 March 2013.

### Early departure costs

The MMO was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. No Executive Directors retired early in the year ended 31 March 2013 (2011/12 no persons).

James Cross  
Chief Executive Officer and Accounting Officer  
28 June 2013



# Sustainability Report

We are at the heart of ensuring our seas are used sustainably. The decisions that we make as a regulator on fishing activity, marine developments and protection of marine biodiversity must enable growth while ensuring that human activity does not damage the ability of the marine environment to supply us with the services and resources that we rely on. It follows that the way we work also contributes to the broader sustainable use of resources.

Our environmental performance is assessed by measuring our contribution to the targets set out in the Greening Government Commitments (GGC) and in addition our corporate plan 2012-15 also committed us to reducing our carbon emissions by 5 per cent compared to the 418 tonnes of carbon reported for 2011/12.

This year, we have continued to grow in line with the organisational plan and the number of MMO employees has grown from an average of 253 full time equivalents (FTE) to 303 in 2011/12 and 2012/13 respectively. This growth in numbers and associated impact on business activity has provided challenge

in our ability to reduce our overall business travel impact. The geographical spread of the business, the essential travel required to fulfil our enforcement duties and our obligations to ensure our stakeholders are engaged in the matters which affect them have all created pressures. Progress has been made in other areas, and benefits from our estates rationalisation are beginning to be seen in the estates emissions.

Carbon emissions are categorised within three scopes as follows:

**Scope one: Direct impacts** – For the MMO this relates to the emissions from consumption of fuel from vehicles on official travel which are controlled by the MMO and primarily relates to our lease car fleet.

**Scope two: Indirect impacts** – This relates to the emissions from the consumption of gas and electricity through our estates.

**Scope three: Business travel** – This relates to the emissions from business travel undertaken by MMO staff.

## Greening Government Targets

- Reduce greenhouse gas emissions by 25 per cent from a 2009/10 baseline from the whole estate and business-related transport
- Reduce the amount of waste we generate by 25 per cent from a 2009/10 baseline
- Reduce water consumption from a 2009/10 baseline, and report on office water use against best practice benchmarks

## MMO Sustainability Working Group

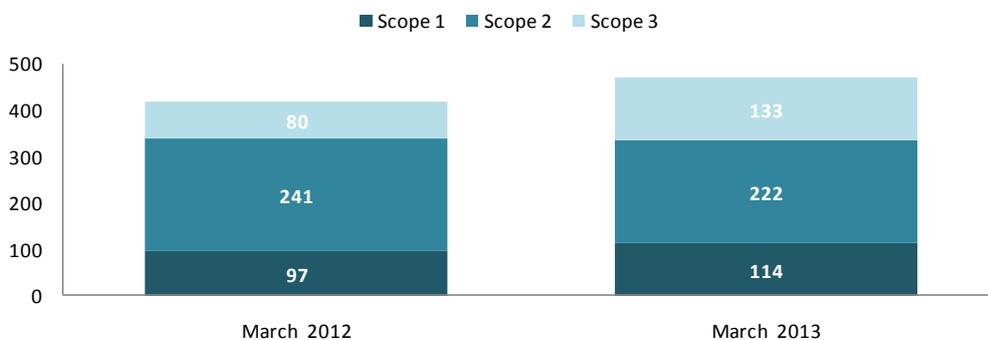
The MMO established a sustainability working group in 2012 who have produced a sustainability strategy and sustainability plan for the 2012/13 year. The purpose of this plan was to lay out the actions the MMO will take over the 2012/13 reporting year to operate more sustainably and a full review of performance against this plan is available on the MMO website.

The table below shows a summary of our performance at 31 March 2013 compared to 31 March 2012:

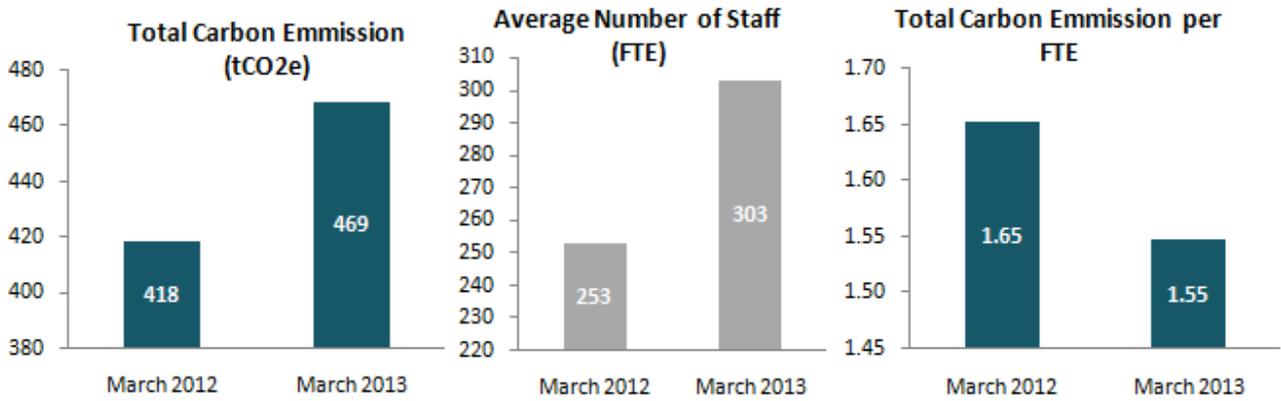
MMO Greenhouse Gas Emissions		2011-12	2012-13
Non financial indicators (tCO <sub>2</sub> e)	Total gross emissions for scope 1,2 & 3	418	469
	Total net emissions for scope 1,2 & 3 (less reductions)	418	469
	Gross emissions from scope 1 (direct impacts)	97	114
	Gross emissions from scope 2 (indirect impacts)	241	222
	Gross emissions from scope 3 (business travel)	80	133
Related energy consumption (thousand KWh)	Electricity	379	315
	Gas	236	311
Financial indicators (£k)	Expenditure on energy	70	68
	CRC licence expenditure (2011 onwards)	0	0
	CRC income from recycling payments	0	0
	Expenditure on accredited offsets - Woodland Trust Enterprise	1	1
	Expenditure on official business travel	390	552

Total carbon emissions have increased by 51 tCO<sub>2</sub>e over the period with the reduction of 19 tCO<sub>2</sub>e scope two emissions being more than offset by increases of 17 and 53 tCO<sub>2</sub>e in scope 1 and scope 3 respectively. The breakdown of emissions by scope is shown in the graph below:

**Total Carbon Emissions by Scope (tCO<sub>2</sub>e)**

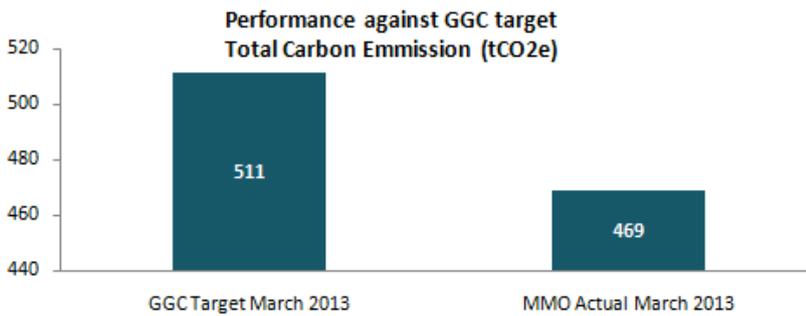


The impact of the increase in staff numbers on our performance is shown opposite, with growth in total carbon emissions of 12 per cent driven by growth in the average FTE of 20 per cent. The combined effect is a reduction of 6 per cent in total emissions per person over the year.



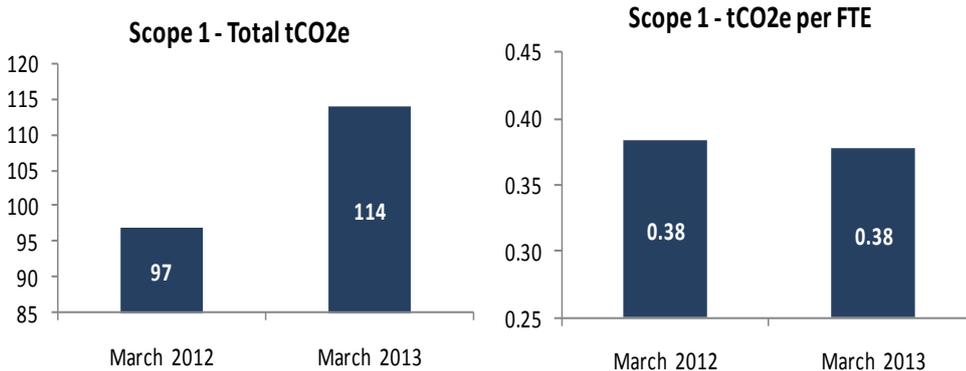
### Performance against GGC Targets

The GGC require a 25 per cent reduction in carbon emissions by 2014/15. The GGC target for March 2013 is 511 tCO<sub>2</sub>e and as can be seen in the graph below actual reported emissions are 469 tCO<sub>2</sub>e. Although currently well within target, the upward trend in overall MMO emissions due to organisational growth creates a risk to future years and we will continue to focus on reducing our impact to mitigate this.



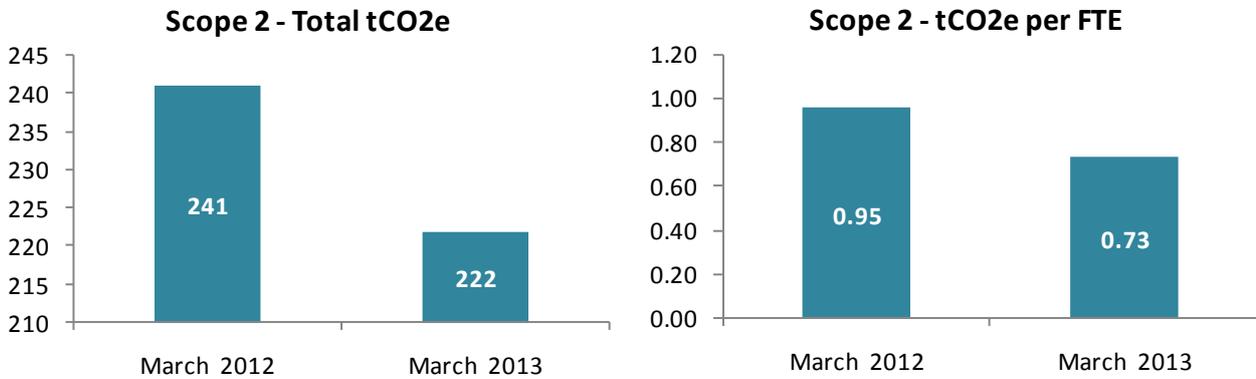
### Analysis by Scope

#### Scope 1: Direct Impacts



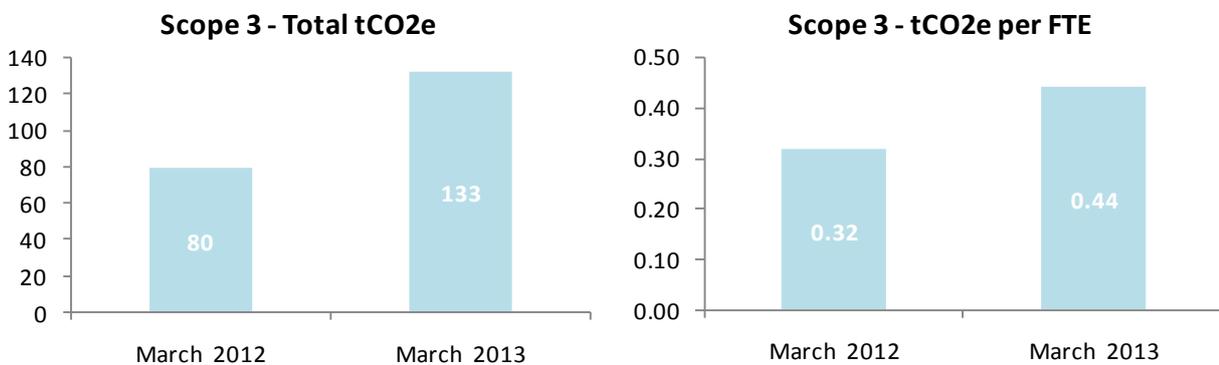
- This relates to direct travel and includes mileage travelled by coastal staff to deliver frontline duties.
- Emissions have increased in line with staff numbers and emissions per FTE have remained constant as new employees undertake their duties.

### Scope 2: Indirect Impacts



- This relates to gas and electricity consumption across MMO sites and total reduction is reflective of benefits arising from MMO estates rationalisation strategy.
- Reduction in the overall total of tCO2e together with the increase in staff numbers have resulted in a 23 per cent reduction in emissions per FTE.

### Scope 3: Business Travel

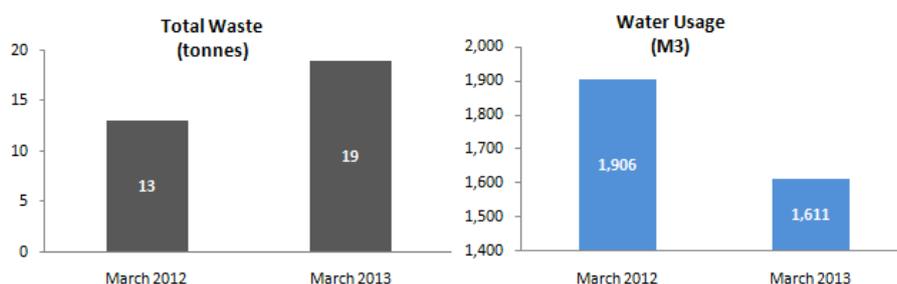


- This relates to indirect travel carried out by the business, not only for business meetings but key stakeholder events such as marine planning workshops and coastal engagement on European Fisheries Funds.
- Emissions per FTE have grown as staff numbers and interdependencies grow. This area will continue to be a priority for the business to address, making sure alternatives to travel are both available and promoted and managing travel through team carbon monitoring

## Waste and Water

Waste for Head Office		2011-12	2012-13
Non financial indicators (t)	Total Waste	13	19
	Non-hazardous landfill	3	4
	Non-hazardous reused/recycled	10	15
	Non-hazardous incinerated	0	0

Finite Resource Consumption - Water		2011-12	2012-13
Non financial indicators (M <sup>3</sup> )	Water Consumption	1,906	1,611
Financial indicators (£)	Water Supply Costs	11	8



Information relating to total waste and water consumption are shown in the tables above. Water consumption has improved over the year with a reduction of 15 per cent, reflecting improvements made to specific sites and work to ensure the MMO apportionment was accurately reflected in shared sites. The increase in waste has predominantly been driven by the MMO share of one - off refurbishment works at Lancaster House and other MMO sites.

### MMO Sustainability Plan

**Key Measure** – 70 per cent of new leases through the MMO Private Use Scheme/Lease Car Scheme are of a vehicle with emissions of 120 grams of carbon dioxide per kilometre driven (g/km) or less by June 2012

**MMO Progress** - Due to restricted opportunities as to when we could replace vehicles in the fleet the original timescale of June 2012 was missed. However, at the end of March 2013 77 per cent of our 35 fleet cars had emissions of 120 grams or less. The MMO will continue to look to increase its share of low emission vehicles.

**Key Measure** – Identify “sustainability champions” for each work area (at least one per office).

**MMO Progress** – Decision was taken not to assign formal sustainability champions to each work area in favour of using existing members of the sustainability working group to drive forward sustainability issues in the business. Working group members from finance and estates have worked together to use site specific sustainability information to target improvements through identification of site anomalies and high usage areas. This has helped reduce water usage in one site by over 80 per cent.

**Key Measure** – All staff will have understanding of sustainable alternatives to indirect travel by March 2013 to support reduction of carbon emissions from indirect travel.

**MMO Progress** – Baselines for carbon emissions as a consequence of business travel have been established for each team. They will be used to drive reductions in business travel across teams through raising awareness of team journey volumes and mode of transport selected.

# Statement of Accounting Officer's responsibilities

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

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

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

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

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

# Governance Statement

## Introduction

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

The MMO Executive Team, which comprises the MMO's four Executive Directors and myself and which as Chief Executive I chair, has a collective responsibility for the management of the MMO and its business, in line with the Minister's priorities and the business strategy set by the MMO Chair and Board.

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

The MMO functions and responsibilities are provided under the Marine and Coastal Access Act 2009. The Department for Environment, Food and Rural Affairs (Defra) is the MMO's sponsoring department and the MMO is accountable to Defra for its use of resources and its performance. The corporate governance

arrangements between Defra and the MMO are set out in a Framework Document which can be found at [www.marinemanagement.org.uk/about/documents/mmo-framework.pdf](http://www.marinemanagement.org.uk/about/documents/mmo-framework.pdf)

The Executive Team and I, meet quarterly with the Sponsorship Team to formally review performance against the Corporate Plan objectives, discuss risks and issues and agree any support the Defra Sponsorship Team can provide within the scope of their remit.

The MMO submits monthly reports to Defra on its forecasts, and use of resources and quarterly on its operational performance. This information is subject to scrutiny by Defra's Supervisory Board and the Cross-Government Sponsorship Group.

The Cross-Government Sponsorship Group comprises of Senior Officials from the Department of Energy and Climate Change (DECC), Defra, Department for Transport (DfT), Department for Communities and Local Government (DCLG) and Ministry of Defence (MoD) to assist the Secretary of State and Defra's Principal Accounting Officer in discharging their duties over risk management and governance of the MMO.

## Governance within the Marine Management Organisation

The MMO Board is responsible for setting the overall strategic direction of the MMO and evaluating its performance. Sir Bill Callaghan

is Chair of the Board and has responsibility for ensuring that MMO policies and activities support the wider policies of the Secretary of State (SoS) and its decisions comply with statute and any direction given by the SoS.

During 2012/13, Non-Executive Board members were:

- Sir Bill Callaghan – Chair
- Rodney Anderson – Non-Executive Board member
- Richard Birmingham – Non-Executive Board member
- Rob James – Non-Executive Board member
- Derek Langslow – Non-Executive Board member
- Jeremy Loyd – Non-Executive Board member
- Nigel Reader – Non-Executive Board member
- Jane Ryder – Non-Executive Board member
- Jayne Scott – Non-Executive Board member
- Lord Teverson – Non-Executive Board member
- Andrew Wells – Non-Executive Board member

The Board comprises nine Non-Executive Board members. During 2012/13, there have been a number of changes which include the contracts of Rodney Anderson and Richard Birmingham expiring on 31 January 2013. On 18 February 2013, Lord Teverson and Andrew Wells were appointed with terms of appointment until 31 January 2016. During the period between appointments, the constitution of the Board remained quorate in line with the governance framework.

Governance arrangements are currently detailed in the MMO Code of Conduct for standards of behaviour and the MMO Framework Document for accountabilities and responsibilities, planning, budgeting and control and external accountabilities. This is supported by the MMO Corporate Plan which sets out the operational and financial framework to which the MMO is required to adhere.

Based on this structure, executive governance is taken forward through the Executive Team which is led by myself; this is supported by the Heads of Functions that, together with their functional teams, all interact to achieve delivery of the corporate objectives.

The MMO has in place financial and non-financial Schemes of Delegation; guidance on regularity and propriety; anti-fraud policy and procedure together with a whistle blowing procedure to comply with the Public Interest Disclosure Act 1998.

The Board delegates certain responsibilities to its principal committees: the Audit & Risk Committee (ARAC) and the Remuneration Committee. The Terms of Reference for these committees are approved annually by the Board and they are each chaired by a Board member. In addition to these committees, the MMO is supported by a Chief Scientific Advisor (CSA) on matters of science and evidence.

## The Audit & Risk Assurance Committee (ARAC)

The ARAC currently comprises three Non-Executive Board members. The Board receives ARAC minutes and reports from the Chair of the ARAC concerning the work of the Committee. An Annual Report on the key business conducted through the year is produced to support this Governance Statement. The principal focus for activities is documented in the ARAC Terms of Reference.

The ARAC provides an independent view on the appropriateness, adequacy and value for money of the MMO governance, risk management and assurance processes. It provides constructive challenge, opinion and advice, taking account of risks, on effectiveness of the MMO control environment.

## Remuneration Committee

The Remuneration Committee currently comprises three Non-Executive Board members from the Board. The Remuneration Committee met twice during 2012/13. The objective of the Committee is to provide assurance to the Board on the governance of remuneration and other staffing systems and processes, with the principal focus of activities disclosed within the Committee's Terms of Reference. In accordance with best practice, it is a standard part of the Committee's dealings to report to the Board after every meeting and to produce a formal annual report on key business conducted at the end of each financial year.

## Board and Committee Activity and Performance

### Board

Attendance records for Board members during 2012/13 are detailed in the table below:

Board Member	Possible Board meetings	Attended	Possible Audit & Risk Assurance Committee meetings	Attended	Possible Remuneration Committee Meetings	Attended
Sir Bill Callaghan (Chair)	5	5	n/a	n/a	n/a	n/a
Nigel Reader (Audit & Risk Assurance Committee Chair)	5	5	4	4	n/a	n/a
Rodney Anderson	4	3	n/a	n/a	2	2
Richard Birmingham	4	4	n/a	n/a	n/a	n/a
Robert James	5	4	n/a	n/a	n/a	n/a
Derek Langslow	5	5	4	3	n/a	n/a
Jeremy Loyd	5	4	n/a	n/a	2	2
Jane Ryder	5	5	4	4	n/a	n/a
Jayne Scott (Remuneration Committee Chair)	5	5	n/a	n/a	2	2

The MMO Board considers standard agenda items which include the approval of previous Board minutes, a Chief Executive Officer's report, performance against the Strategic Outcomes as set out within the Corporate Plan, strategic risk register, the financial toolkit, reports from its committees and reviews of their Terms of Reference. During 2012/13, the Board considered the following which were identified as principal areas of progress or to be significant issues:

- Development of the East Inshore and Offshore marine plans
- Risk Management
- Sustainability Policy
- ICT Strategy
- Health and Safety
- HR Policies
- 2013/16 Corporate Plan

This approach has ensured that appropriate direction and escalation has been provided following substantive challenge and debate; all of which are formally documented.

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

The Board held a facilitated review of effectiveness workshop informed by the results of a number of telephone interviews encompassing Board members, the Executive Team and the Chief Scientific Advisor. The review of effectiveness was designed to test the following principles:

- The MMO is led by an effective and efficient Board which has collective responsibility for the overall performance and success of the organisation

- The Board and its committees have an appropriate balance of skills, experience, independence and knowledge
- There is a clear understanding of roles and responsibilities of non executives and executives

During the workshop, Board members and attendees discussed the points flagged by participants in respect of the principles tested. Consequently, the Board agreed that it was high performing and effective and a small number of actions, identified to further enhance performance during 2013/14, were captured in an action plan and approved by the Board in February 2013. The Board also agreed that issues raised in the previous review had been addressed.

The MMO Chair has completed performance reviews of all Non Executive Board members in the reporting period, taking account of performance during 2012 and reflecting on individual portfolios of responsibility and discussing priorities for the future.

I can confirm that no Ministerial Directions have been received this year in the MMO.

## Audit & Risk Assurance Committee (ARAC)

The ARAC also conducted its annual review of its effectiveness. The review was facilitated by the National Audit Office supported by a self assessment questionnaire and an evaluation carried out at a workshop. The overall conclusion was that the ARAC is effective. A small number of areas were identified and agreed for improvement and have been incorporated into an action programme. The ARAC confirmed that all actions arising from the previous review had been implemented. The output from the process also informed revisions to the ARAC Terms of Reference and which were approved in March 2013.

During the year, the ARAC considered a variety of items which included:

- Annual Report and Accounts
- Sustainability Policy
- Risk Management
- Compliance monitoring of HR Policies

Further assurance has been taken from the more detailed work undertaken by the ARAC, specifically to the following:

- The comprehensiveness, reliability and integrity of the assurances provided are appropriate and adequate for meeting the governance needs of the Board and the Accounting Officer and for the decisions they have taken and their accountability obligations.
- At the Chair's and/or Board's request, particular scrutiny has been applied to the income from licensing charges and recovery of chargeable costs; MMO compliance with its regulatory and operational framework; application of the compliance and enforcement strategy; data and other matters related to Western Waters and performance in achieving compliance with information rights legislation. The ARAC will continue to apply appropriate levels of scrutiny in completing its assurance work to ensure robust conclusions which inform performance improvements and the reduction of any residual risk to levels deemed acceptable.

The ARAC Chair will refer to the Board all issues that, in posing a major risk or threat to the business integrity or reputation of the MMO, in his judgement require disclosure to the full Board or needs executive or immediate action. In addition, the Chair of the Committee will inform the Board (via the Board Chair) of any fraud,

misappropriation or malpractice immediately that it is discovered or suspected. During the year no issues were escalated to the Board.

## Data Quality to support the Board's needs

The MMO Board agrees the form and content for all reports to be considered at Board meetings, which are minuted and coordinated by the Board Secretariat. All papers brought to the Board for discussion are validated and approved by each Executive Director for their area of responsibility; this ensures completeness, accuracy and quality so that the content of all papers is of a standard expected for Board consideration.

The Board has not raised any specific concerns with the quality of the information provided.

## Compliance with the Corporate Governance Code

The MMO is required to comply with the provisions in the Corporate Governance Code or explain where it has not done so. The only provision of the code that the Board has not complied with is the requirement for a Nominations and Governance Committee.

The code indicates that the role of a Nominations and Governance Committee is to:

- Ensure that there are satisfactory systems for identifying leadership and high potential;
- Scrutinise the incentive structure and succession planning for the Board and senior leadership;
- Scrutinise governance arrangements.

The Board is satisfied that the relevant assurance covering each of these aspects is obtained through both the Director of Corporate Support and Head of Human Resources, supported by the Chair of the Remuneration Committee and the Audit and Risk Assurance Committee; consequently, it does not require a Nominations and Governance Committee.

## Risk, controls and compliance

The MMO operates a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. As part of the 2012/13 annual review, a number of revisions have been made to the risk management strategy to better reflect developments in the organisation as it continues to grow and how it manages risk. This follows a risk management workshop during the year which explored the current approach and how this could be developed to be more effective.

Changes to the risk management strategy include the articulation of MMO risk appetite and the defining of the four layers of stratified risk, i.e. strategic, corporate, key operational and business as usual.

The Performance and Risk Management Board, chaired by the Accounting Officer, scrutinises organisational progress on performance, risk management and financial management on a monthly basis. This ensures risk is managed in a way that coordinates effort, minimises duplication, sets direction, creates an audit trail and enables timely decision making around risk management.

During the year, the following key risks were recorded on and mitigated through the MMO's corporate risk register as having the potential to affect our business success, credibility and relationships with partners:

*A reduced funding envelope or request for increased efficiency savings could result in the MMO having less resource available to deliver its obligations. This risk was mitigated in year by securing additional funding following escalation to Defra using the opportunities and risks process, as part of the monthly financial reporting. This was in addition to generating savings across all areas of non staff expenditure.*

*Due to contentious nature of MMO's remit lack of evidence and/or complex legislative framework, differing stakeholder views could lead to our decisions being challenged. During the year, the MMO took a number of measures to mitigate this risk and meet its obligations which included publishing a range of evidence reports, the licensing case register, and key decisions for Marine Protected Areas and fisheries management. Additionally, hosting stakeholder engagement to inform marine planning, revision to licensing fees and charges and continued engagement of the Stakeholder Focus Group. Internal processes have been fully reviewed and documented to ensure consistency underpinned by a robust evidence base.*

*Due to austerity measures and current economic climate, there is a risk that staff morale, motivation and retention is reduced as we move through the current spending review period to the next. The Accounting Officer chairs the Partnership Forum which includes a cross section of MMO staff to address issues and concerns, through measures taken in partnership with HR and the Executive Team. The People Plan Working Group concluded work across a number of work streams which will be implemented in 2013/14.*

*Failure to fully prepare/participate in Triennial Review, better regulation and red tape challenge results in MMO reputational damage with its sponsoring department. During the year, we were able to demonstrate good*

progress made by MMO in meeting the requirements of the Red Tape Challenge and Better Regulation reviews, which were positively received by the appropriate Ministerial challenge board. All preparatory work for the Triennial Review is complete, and has had full engagement across the organisation. This particular risk is considered to have been fully mitigated during the year.

The letters of assurance completed by the Executive Team and Heads of Function at the end of the financial year included all risks which continue to be managed and confirmed that the MMO risk process has been followed. It is considered appropriate that three of the strategic risks discussed above will be carried forward into 2013/14.

## Information risk management

The MMO is not a major holder of protected personal or otherwise sensitive information. However, we recognise the risks to information assets and security is of a high importance. Our information risk governance structures have an Executive Director, as Senior Information Risk Owner (SIRO) with responsibility for managing information risk which is carried out through an Information Management Group with support from the Chief Information Officer and the Head of Evidence, Data and Knowledge Management. At the next level, Information Asset Owners (IAO) are responsible for the confidentiality, integrity and availability of key information assets. Additionally, all IT projects are considered by the appointed IT Security Officer for appropriate accreditation and compliance. We work closely with other specialists in the Defra network allowing common risks and issues to be addressed in a consistent manner and best practice and experience to be shared.

There have been no incidents of data loss involving personal information over the reporting period.

The MMO has fully participated in the Macpherson review of quality assurance of government models. We have completed a review of our list of business critical models to ensure that it is up to date. We will monitor progress in assessing and improving the quality assurance of these models, and in developing an appropriate quality assurance framework.

## Findings from Internal Audit, External Audit and other reviews

### Internal Audit

The Head of Internal Audit's (HIA's) Annual Report has provided an opinion of 'sufficient assurance' over the framework of risk management, governance and internal control for 2012/13. It is the HIA opinion that the administration of European Fisheries Fund (EFF) is not to be included in the scope of assurance, as the Audit of Operations (2012), undertaken independently by the UK Audit Authority, along with the associated Annual Control Report, has not yet been formally reported. This opinion is based on an Audit Programme that reflects the areas of importance and highlighted within team risk registers. These activities are prioritised in an audit plan which is agreed ahead of each financial year and monitored throughout the reporting period.

The conclusions reached by Internal Audit and their view of the MMO's response to recommendations is summarised in the HIA's report, providing the assurance necessary of overall effectiveness. Additionally, Executive Directors and Heads of Function provided letters of assurance which confirmed that they have complied with the MMO risk procedures

and controls. Specific concerns raised have been reflected as corporate risks under the risk assessment section of this Statement.

During the year, slippage of the Internal Audit Programme resulted in a substantive amount of activity being concluded in the last quarter of the financial year. The need for improvement has been recognised by both the Executive Team and the Head of Internal Audit: measures have been implemented to ensure that the Internal Audit Programme for 2013/14 will be more targeted and better managed.

### External Audit

There are no outstanding management issues from the 2011/12 audit and all management actions were reviewed as part of the 2012/13 Interim Audit. During the year, MMO has not been subject to any other external reviews.

### Other reviews (including whistleblowing)

#### *Review of Marine Licensing Fees and Charges*

During the year, MMO engaged PricewaterhouseCoopers to independently assess the implementation of the Fees and Charges for Marine Licensing, underpinned by the Marine & Coastal Access Act 2009. This work was critical in assuring the internal review which was already being progressed to inform a revision to Fees and Charges, specifically, the constraints of the Planning Act 2008, which prevent MMO from fully recovering all of its regulatory costs. The assessment from this review has informed a proposed revision of our Fees and Charges, which will be progressed with HM Treasury in 2013/14.

### Whistleblowing

During the year, the MMO has received two allegations under the whistleblowing policy. The first related to inappropriate claims of travel and subsistence, which following review and a lessons learned exercise, concluded that the guidance was sufficiently vague that it could be misinterpreted. Immediate

management action was taken to revise the detail of the Travel and Subsistence Policy, to be more prescriptive; this was supported by a full education programme of all managers and staff. Independent checks are undertaken each quarter to review compliance.

The second matter remains outstanding at 31 March 2013, whilst investigations continue.

## Internal Control Challenges

The Executive Team has identified two control challenges, which remain on the agenda for ARAC and continue to be reflected in the 2013/14 Internal Audit Plan. Progress has been made throughout the year to improve control; however, further work is required to satisfy both the Executive Team and Board that the risks can be fully mitigated. The two areas are:

### *Data Entry and Accuracy*

The MMO has a regulatory role to ensure the timely completion of fisheries management data for England and more widely for the UK Devolved Administrations. This has increased the need to find more efficient ways to report fishing activity to Europe and to manage the transition of the fishing records from paper to electronic systems. During this transition for England specifically, we have prioritised accuracy over speed in the collation of fishing records. The additional time taken to assure information through the electronic system has created control challenges in ensuring the timely collation of data used to inform management decisions. This remains a priority for the 2013/14 reporting year as we look to undertake a holistic review of the end to end process.

### *Western Waters*

The control weakness identified is intrinsically linked to Data Entry and Accuracy. Following the first year of operation of a stricter management regime and substantial increase in activity in this sector, the UK has been in danger of exceeding the limits on fishing effort

for larger vessels set under the Western Waters regime. This is exemplified in England where the profitable nature of Scalping has been increasingly attractive to vessels from all parts of the UK.

More generally, overfishing is not limited to the issues of data entry and accuracy experienced in England. The MMO is the UK Authority responsible for coordinating and reporting control activities across the four Devolved Administrations in the UK. Difficulties arise in reporting the statistical information for the UK, which is not always consistently collated by the respective Devolved Administrations creating difficulties in data validation. This is not wholly within MMO control to regulate and only assurance can be sought from the respective Devolved Administrations.

The above, when combined with the transition to electronic recording, has created a significant control challenge that has required

close industry engagement and the need for all fisheries administrations to work with fishermen to identify and resolve issues with their systems. Obligations to report data must be met, as well as making sure that accurate information is available to the people who make management decisions. This remains a priority for the 2013/14 reporting year as we look to provide more detailed assurances to industry and stakeholders.

## Conclusion

There are no significant control weaknesses to report and the effectiveness of the overall governance and risk frameworks has continued to be demonstrated. The MMO has two control challenges which are being closely monitored, underpinned by clear action plans. A comprehensive process of risk management was in place throughout the year and the four key risks identified in this Governance Statement have been effectively monitored and managed through the control frameworks.

James Cross  
Chief Executive Officer and Accounting Officer  
28 June 2013



# Annex 1

REF	Description	Status		Additional Information
1.1.1	Announce second tranche of areas for marine planning by August 2012.		Achieved	
1.1.2	Deliver draft marine plans for the East Inshore and East Offshore plan areas (the first tranche) for agreement by the Secretary of State in September 2012.		Not Achieved	Additional time taken to ensure support from Other Government Departments and Defra on the approach to Marine Planning. As a result plans were not delivered during the year and this impacted subsequent Marine Planning Key Steps of 1.1.4 and 1.1.6. Formal consultation on East Inshore and Offshore plans will commence following peer review of draft plans and overall timescale for delivery of all 10 marine plans by 2021 remains on track by overlapping work on future plan areas.
1.1.3	Commence the second tranche of marine plans in November 2012.		Achieved	
1.1.4	Consult on the East Inshore and East Offshore draft marine plans from December 2012.		Not Achieved	See 1.1.2 for further information.
1.1.5	Put in place a process for implementation and maintenance of marine plans once adopted by December 2012.		Achieved	
1.1.6	Publish Statement of Public Participation for second tranche of marine plans by January 2013.		Not Achieved	Statement of Public Participation was produced in draft during 2012/13 but not formally signed off until 2013/14. See 1.1.2 for further information.
1.1.10	People are satisfied that the MMO has taken all reasonable steps to enable engagement in the marine planning process (maintain at 80 per cent)		Achieved	

1.2.1	Develop systems, processes and guidance to continue to improve the marine licensing service in line with the customer framework and feedback.		Achieved	
1.2.2	Engage with industry to seek views on the MMO's services and performance.		Achieved	
1.2.3	Inform local communities, customers and interested parties of licensing decisions affecting the marine area.		Achieved	
1.2.4	Carry out an annual review of fees and charges.		Achieved	
1.2.5	Move to full cost recovery of chargeable activity from October 2012.		Not Achieved	Significant progress was made during the year to review systems, processes and governance arrangements, however move to full cost recovery will only be complete once revised Statutory Instrument (SI) for licensing charging is in place. Although much of the groundwork was complete by the end of year, the SI was not implemented during the year.
1.2.6	The number of marine licence applications determined in accordance with published standards (maintain at 95 per cent).		Not Achieved	A new suite of marine licence standards were published during the year and performance against these standards has been published on the MMO website quarterly. Full details on performance against these targets for 2012/13 can be found on the MMO website.
1.2.7	Users of the licensing function are satisfied with the service provided (maintain at 85 per cent).		Not Achieved	66 per cent achieved in March 2013 survey and feedback will be used to address the areas for improvement identified.
1.3.1	The Marine Licensing Team undertakes appropriate action relating to non-compliance of marine licence returns within two weeks of missed deadlines (maintain at 95 per cent).		Achieved	
1.3.2	Inspections to be conducted in line with the MMO Compliance and Enforcement Model (100 per cent).		Achieved	

1.4.1	Ensure that MMO's work takes account of the UK's targets and indicators under the Directive, and contribute in a timely manner to Defra-led programmes to develop associated monitoring and programmes of measures.		Achieved	
2.1.1	Carry out an audit of the MMO's operational activities against the Localism Act 2011 and act on any recommendations by December 2012.		Achieved	
2.1.2	Review the effectiveness of the tools and approaches used by the MMO to engage with local parties across all business functions by June 2012 and implement actions by March 2013.		Achieved, but outside original timescale	Review finalised in November 2012 to ensure action plan was consistent with draft version of MMO 2013-16 Corporate Plan.
2.1.3	Continue to communicate decisions to customers and local communities in order to allow contribution and participation in decisions that affect them.		Achieved	
2.2.1	Publish a Strategic Engagement Strategy including a relationship management framework and stakeholder analysis, by August 2012.		Achieved	
2.2.2	Seek and act on feedback from all customer groups, stakeholders and partnership organisations and publish results.		Achieved	
2.2.3	Publish clearly defined customer service standards for all areas of the business by September 2012.		Achieved, but outside original timescale	Customer Service standards were defined before September 2012, however, Quarter two performance against the service standards could not be published until October 2012.
2.2.4	Update corporate information on the MMO website to inform communities, customers and interested parties about the services and functions of the MMO by October 2012.		Achieved	
2.2.5	Work collaboratively with other marine delivery bodies and relevant partners to maximise the opportunities of joint communication and engagement where appropriate.		Achieved	
2.2.6	Customers are satisfied with our services (increase by 6 per cent from the 2011/12 survey baseline).		Achieved	Achieved 70 per cent in 2012/13 (64 per cent in 2011/12).

2.2.7	Stakeholders understand the role of the MMO (increase to 85 per cent from a 2010/11 baseline of 83 per cent).		Achieved	
2.2.8	Stakeholders agree that the MMO works effectively with delivery partners (70 per cent).		Achieved	
2.2.9	Stakeholders agree that the MMO understands the challenges facing stakeholders (70 per cent).		Achieved	
3.1.1	Work with delivery partners to consider appropriate statutory or non-statutory management measures to protect the features of marine protected areas from potentially damaging activities.		Achieved	
3.1.2	Work with IFCA to provide quality assurance of byelaws submitted.		Achieved	
3.1.3	Publish site management action plans for 75 per cent of Marine Protected Areas within 28 working days of receiving nature conservation advice from the appropriate statutory nature conservation body.		Achieved	
3.1.4	IFCA nature conservation byelaws quality assured within 28 days of notification (100 per cent).		Achieved	
3.2.1	Operate an effective and efficient wildlife licensing system.		Achieved	
3.2.2	Work with delivery partners and contribute towards the implementation of the England Biodiversity Strategy and the achievement of good environmental status under the Marine Strategy Framework Directive.		Achieved	
3.2.3	Support delivery partners to implement European Commission (EC) and national obligations to conserve marine species.		Achieved	
3.2.4	Implement and enforce relevant management measures for marine protected areas.		Achieved	

3.2.5	Management of inspections to be conducted in accordance with the MMO Compliance and Enforcement Model (100 per cent).		Achieved	
3.2.6	Wildlife licence applications determined within 6 weeks of receipt (maintain at 95 per cent).		Achieved	
4.1.1	Support the implementation of changes to fisheries management arising from the reform of the Common Fisheries Policy and other EU legislation affecting fishing practices.		Achieved	
4.1.2	Continue to trial catch quota management as an alternative way of managing fisheries and produce an interim report by end of October 2012 and a final report by end of March 2013 for the 2012 catch quota trial.		Achieved, but outside original timescale	Interim Report produced and published in November 2012. Final report produced during March 2012 and submitted to Defra in April 2013.
4.1.3	Demonstrate effective engagement with industry at local and national level to ensure understanding of the process leading up to and following the reform of the Common Fisheries Policy.		Achieved	
4.1.4	Work collaboratively with delivery partners and industry to deliver effective fisheries management measures arising from domestic fisheries management reform.		Achieved	
4.1.6	Report on legacy byelaw review process quarterly in 2012.		Achieved	
4.2.1	Coordinate all activities with regard to UK exports and third country landings through the UK IUU Single Liaison Office.		Achieved	
4.2.2	Liaise with the EU, other member states and third countries in respect of enforcement under the scope of IUU regulation.		Achieved	
4.2.3	Work with the delivery partnership to support and promote the UK anti-IUU leadership role.		Achieved	
4.2.4	Including ongoing education, guidance and advice to UK importers and industries on their obligations under the IUU regulations.		Achieved	

4.2.5	Respond to requests sent to the UK Single Liaison Office within required deadlines (maintain at 100 per cent).		Achieved	
4.2.6	Checks on catch certificates to be conducted in accordance with the MMO Compliance and Enforcement Model (100 per cent).		Achieved	
4.3.1	Undertake effective quota and effort management to ensure the UK stays within control levels set for quota and effort uptake and that, as far as possible, fisheries remain open.		Not Achieved	Minor overfishes were recorded at the end of the year totalling 273 tonnes across 14 stocks. Total allocation of UK tonnage across all stocks is 639,000 tonnes
4.3.2	Undertake an annual baseline survey of inshore fishermen's quota requests to inform quota management.		Achieved	Initial response rates to survey were very low and of limited use. Coastal Roadshows have commenced as an alternative and more effective method of engaging with fishermen and events have been held in eastern and southern areas with over 500 people in attendance.
4.3.3	Implement installation of EU electronic log books, electronic sales notes and vessel monitoring system requirements to over 12 metre sector by end October 2012.		Not Achieved	All over 15 metre and 24 metre vessels are now paperless (over 300 vessels). Implementation across the 12-15 metre fleet commenced during the year but did not conclude and will continue throughout 2013/14.
4.3.4	Agree and implement local arrangements with IFCA's for joint working to ensure coordinated and cost-effective delivery		Achieved	
4.3.5	Publish quota and effort management rules by January each year.		Achieved, but outside original timescale	Delays from the European Administration prevented the MMO's ability to deliver this target in the timescales stipulated. Rules were published on 12 March 2013; however, even though this was delivered within the reporting year, it slipped the original timescale.

4.3.6	Fishing vessel licences and variations where fishing opportunity is reduced or a fishery is closed, issued at least 48 hours before the variation comes into effect (maintain at least 95 per cent).		Not Achieved	During the year we introduced electronic notifications to provide vessel owners with a more efficient, transparent and timely means of communicating variations. 82 per cent of the licence variations were issued at least 48 hours before the variation came into effect, however, it should be noted that electronic variations only need to be issued 24 hours in advance in accordance with the regulations.
4.3.7	Input data from over ten metre log sheets within five working days of receipt (95 per cent).		Not Achieved	82 per cent of data from over ten metre log sheets was input within target. The transition to electronic reporting during the year has been a challenge and additional time has been required to validate the accuracy of data during implementation. A review of data processing was commissioned during the year and the actions / findings are being addressed.
4.3.8	Input data from sales notes within 15 working days of receipt for quota species (100 per cent).		Not Achieved	
4.3.9	Input data from sales notes within 20 working days for non-quota species (100 per cent).		Not Achieved	
4.4.1	Meet all EU and national fisheries enforcement obligations through the use of the MMO Compliance and Enforcement Model that targets inspection and enforcement activity using a risk based approach.		Achieved	
4.4.2	Facilitate with IFCA's the Effectiveness of Training Group to deliver adequate training for IFCA officers to undertake a full range of IFCA enforcement work and investigations to a common high standard.		Achieved	
4.4.3	Provide regular and timely information, support and guidance on legislative obligations to all sectors of the fishing industry and delivery partners.		Achieved	
4.4.4	High risk activity areas within the MMO Compliance and Enforcement model are reduced (five activity areas reduced or have reduced scores each year).		Achieved	

5.1.1	Pending Commission approval, revise the EFF Operational Programme and redistribute funds from Axis 1 to other programme axes by 31 August 2012.		Achieved, but outside original timescale	Revised Operational Programme was submitted in July 2012 and within the August timescales. However, following comments from the European Commission a number of clarifications and amendments were requested resulting in re-submission after August 2012. At the end of 2012/13 Commission approval remained pending and no funds could be redistributed.
5.1.2	Support Defra policy in developing the framework and implementation plans for the EMFF to be launched in January 2014.		Achieved	
5.1.3	Carry out all monitoring checks to ensure all projects are completed and final instalments paid at end of the EFF scheme (31 December 2015).		Achieved	
5.1.5	Continue to maximise the uptake of grants and minimise the risk of decommitment and ineligible expenditure.		Achieved	
5.2.1	Revise the Engagement and Communications Strategy for EFF by end June 2012.		Achieved, but outside original timescale	Revisions to the Engagement and Communications Strategy for EFF were complete in September 2012.
5.2.2	Develop a working process with delivery partners and stakeholders to prepare for the closure of the EFF scheme and the implementation of the new EMFF subject to the Commission and policy guidelines.		Achieved	
5.2.4	75 per cent of EFF funds are committed by March 2013.		Achieved	

5.3.1	Implement the new database and develop a methodology for assessing grant applications of differing levels and complexity for EFF in a way that is proportionate to the risk by May 2012.		Not Achieved	The original May 2012 target for implementation was not met as the delivery timeline was extended. This was to ensure the system solution provided value for money by being appropriate for both existing EFF and future EMFF schemes. The system was implemented on 5 April 2013 following testing, just outside of the 2012/13 reporting year.
5.3.2	Provide detailed guidance on operation and assessment processes for EFF to ensure applicants' requests for funding match strict scheme requirements.		Achieved	
5.3.3	Publish all minutes, governance arrangements and information on the MMO website to ensure the clarity of process and transparency of decision-making.		Achieved	
5.3.4	Carry out an annual review of the service level agreements with the intermediary bodies and their effectiveness.		Achieved	
5.3.5	Deliver the Annual Implementing report to the EC by June 2012.		Achieved	
5.3.6	Projects are evaluated before approval and receive positive impact assessments after completion (maintain 100 per cent).		Achieved	
5.3.7	Both the Managing Authority and England is to maintain a level of governance to continue level one audit rating from the UK Audit Authority.		Achieved	
5.3.8	10 per cent management checks are carried out on all projects to ensure compliance with the Management and Control System and address all discrepancies.		Achieved	
5.3.9	Carry out an annual self assessment of the effectiveness of the approval process and build a baseline for future improvement.		Achieved	
6.1.1	Undertake testing of the MMO response to marine emergencies every six months.		Achieved	

6.1.2	Provide marine responder training courses for the MMO emergency responders every six months (maintain at 100 per cent).		Achieved	
6.1.3	Respond to emergencies in accordance with procedures in the Marine Pollution Contingency Plan (maintain 100 per cent).		Achieved	
6.1.4	Respond to oil spill treatment product applications within eight weeks (maintain 100 per cent).		Achieved	
6.1.5	Stakeholders are satisfied with the MMO's response to emergencies (95 per cent).		Achieved	
6.2.1	Ensure the sharing and development of ideas, best practice and opportunity between the MMO and the marine pollution response community including contributing to relevant working groups.		Achieved	
7.1.1	Produce and publish an annual Strategic Evidence Plan that prioritises future operational evidence needs by March 2013.		Achieved	
7.1.2	Develop, maintain and publish a schedule of evidence gathering, research projects, likely costs and funding arrangements by December 2012.		Achieved	
7.1.3	Commission evidence programmes or projects on prioritised research needs and make available to decision makers within the MMO.		Achieved	
7.1.4	Develop and consolidate the geographic information system (GIS) evidence base available through Marine SPIRIT, in line with MMO requirements.		Achieved	
7.1.5	Commissioned evidence reports are quality assured and handed over to decision makers within four weeks of submission by consultants (100 per cent).		Achieved	
7.2.1	Publish the evidence base used in the MMO's decision making quarterly.		Achieved	Evidence has been published on the MMO website as and when available, not just quarterly.

7.2.2	Stakeholders agree that the MMO makes decisions on a publically accessible evidence base (increase to 80 per cent).		Not Achieved	Achieved 73 per cent in the March 2013 survey. Our continued commitment to drive improvements in this area is demonstrated in Strategic Outcome four of the 2013-16 Corporate Plan.
7.2.3	Stakeholders agree that the MMO are transparent and consistent in its decision making (increase to 80 per cent).		Not Achieved	Achieved 78 per cent in the March 2013 survey and our continued commitment to drive improvements in this area is demonstrated in Strategic Outcome four of the 2013-16 Corporate Plan.
7.3.1	Share our Strategic Evidence Plan to inform key partners and the science advisory community of the MMO's priorities.		Achieved	
7.4.1	Produce and publish the quality management system manual by March 2013.		Not Achieved	Work on the manual was deferred until 2013/14 to allow for the consideration of an alternative delivery solution that offered better value money. This will be prioritised in 2013/14.
7.4.2	Complete quality assurance of evidence training programme by July 2012.		Achieved, but outside original timescale	Programme of training was completed in September 2012.
7.4.3	Embed quality management system processes into the MMO staff culture by providing training to all teams by March 2013.		Not Achieved	Training will follow completion of the quality management system manual which was deferred until 2013/14 (See 7.4.1).
8.1.1	Publish annual statistics report by September each year.		Achieved	
8.1.2	Statutory and non-statutory reports and returns that are submitted within agreed timescales (statutory - maintain at 100 per cent, non-statutory - maintain at 90 per cent).		Not Achieved	Of the 137 statutory reports, 136 were submitted within agreed timescales (99 per cent) and all 390 non statutory reports were submitted within agreed timescales.
8.1.3	EU funding received under the Data Collection Framework is transferred to partner organisations within two weeks of receipt (increase to 100 per cent).		Achieved	
8.1.4	The MMO reports and returns are subject to a quality assurance review (maintain 20 per cent review and rectify 100 per cent of issues within three months).		Achieved	

8.2.1	Publish data, information and decisions in relation to the MMO functions.		Achieved	
8.3.3	Requests for information under access to information legislation will be dealt with within statutory timescales (100 per cent).		Not Achieved	Of the 277 requests for information received, 273 (98.6 per cent) were responded to within the statutory timescales.
8.4.1	Publish the minutes of the Information Management Group within four weeks of each meeting.		Achieved	Minutes published internally (published on Microsoft Sharepoint).
8.4.2	Deliver the 2012/13 implementation plan for the Information Strategy by 31 March 2013.		Achieved	
8.4.3	All staff to be trained to Protecting Information Level 1 within two months of joining the MMO. Training will be refreshed annually.		Achieved	
8.4.4	Number of security incidents reported and investigated in line with the Information Commissioner's guidance (100 per cent investigated).		Achieved	
9.1.1	Revise the management framework to ensure effective monitoring and review of the MMO progress against our Corporate Plan objectives by September 2012		Achieved	
9.2.1	Audited Annual Report and Accounts published and laid in Parliament by July 2012		Achieved	
9.2.2	Ensure back office costs against the total budget are no more than 22 per cent.		Achieved	
9.2.3	Accuracy of cash forecasting (+/- 2 per cent of forecast).		Achieved	
9.2.4	Percentage of forecast spend dedicated to programme initiatives (no less than 78 per cent).		Achieved	
9.2.5	Implement audit recommendations within agreed timescales (maintain 100 per cent).		Achieved	

9.2.6	Deliver £0.5 million in-year efficiency savings, so that £2.4 million efficiency savings have been delivered by the end of the financial year 2012/13, towards the £7.6 million total required over the Comprehensive Spending Review period.		Achieved	
9.3.1	Implement change gateway to effectively monitor and manage all business changes by May 2012.		Achieved, but outside original timescale	Change gateway was not implemented until October 2012 following finalisation of the criteria for appropriate business changes.
9.4.2	Reduce the costs of estates each year to achieve 20 per cent reduction by 2015 (compared to a baseline £1.2 million established in 2010/11).		Achieved	
9.4.3	Publish estates costs per Full Time Equivalent by August 2012.		Achieved	Estates costs per Full Time Equivalent published internally as part of the Human Resources Scorecard.
9.4.4	Reduce carbon dioxide emissions across the business by 5 per cent compared to the 2011/12 level (planned 20 per cent decrease by 2015).		Not Achieved	Carbon emissions increased over the year due to the increase in MMO headcount and subsequent rise in emissions generated from our business activities. Although emissions per head have reduced, we recognise the need to minimise our impact on the environment and our sustainability report contains further information on what we are doing.
9.5.1	Carry out a governance review by March each year.		Achieved	
9.5.2	Provide accurate legal advice in line with agreed timescales.		Achieved	
10.1.1	Revise the MMO Health and Safety strategy by December 2012.		Achieved	
10.1.2	Review health and safety supporting procedures and risk assessments to ensure they are suitable and sufficient by December 2012.		Achieved	
10.1.3	Health and safety incidents, and near hits, are investigated and action taken as appropriate (100 per cent).		Achieved	
10.1.4	Provide adequate health and safety training to ensure employees are competent to undertake their duties and seek to prevent incidents.		Achieved	

10.2.1	Achieve Investors in People status by March 2013.		Achieved	
10.2.3	Carry out an annual staff survey and implement the subsequent action plan.		Achieved	
10.2.4	Increase feedback scores achieved in the 2012/13 staff survey in the following areas by 5 per cent from the 2011/12 baseline: o leadership and managing change o my work o my line manager o organisational objectives and purpose		Achieved	
10.2.5	Publish the MMO People Plan by August 2012.		Achieved	Published on the MMO intranet.
10.2.6	Implement action plan resulting from a staff skills analysis.		Achieved	
10.2.7	Develop monitoring information relating to equalities and diversity and corporate health and publish details in 2012/13 o workforce shape (by grade) o workforce diversity (black and minority ethnic, gender, disability) o spend on training and development per full time equivalent (per cent against budget) o workforce dynamics (labour turnover) o attendance (average working days lost)		Achieved	Information relating to equalities and diversity and corporate health published internally as part of the Human Resources Scorecard.
10.3.1	Carry out an annual review of Board effectiveness and implement action plan by March 2013.		Achieved	
10.3.2	Carry out an annual review of Audit and Risk Committee effectiveness and implement action plan by March 2013.		Achieved	
10.4.1	Carry out an annual internal communications survey by end of July 2012, and implement an internal communications survey action plan by March 2013.		Achieved	

# Marine Management Organisation

Annual accounts

For the year ended 31 March 2013

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

I certify that I have audited the financial statements of the Marine Management Organisation for the year ended 31 March 2013 under the Marine and Coastal Access Act 2009. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Board, Accounting Officer and auditor

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies

are appropriate to the Marine Management Organisation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Marine Management Organisation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### Opinion on regularity

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

### Opinion on financial statements

#### In my opinion:

- the financial statements give a true and fair view of the state of the Marine Management Organisation's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Marine and Coastal Access Act 2009 and Secretary of State directions issued thereunder.

## Opinion on other matters

### In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Marine and Coastal Access Act 2009; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
3 July 2013

Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2013

	Note	2012/13 £'000	2011/12 £'000
<b>Expenditure</b>			
Staff costs	3	11,740	10,386
Depreciation and amortisation	6,7	897	683
Other expenditure	4	20,697	22,087
<b>Total Expenditure</b>		<b>33,334</b>	<b>33,156</b>
<b>Income</b>			
Income from activities	5	(2,130)	(2,243)
EU Income	5	(486)	(233)
<b>Total income</b>		<b>(2,616)</b>	<b>(2,476)</b>
<b>Net Expenditure</b>		<b>30,718</b>	<b>30,680</b>
Net gain on revaluation of property, plant and equipment	6	(1)	0
Net gain on revaluation of intangibles	7	(283)	(6)
<b>Total Comprehensive Expenditure for the year ended 31 March 2013</b>		<b>30,434</b>	<b>30,674</b>

The notes on pages 78 to 106 form part of these accounts

**Statement of Financial Position**  
as at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	6	46		344	
Intangible assets	7	2,446		2,380	
<b>Total non-current assets</b>			<b>2,492</b>		<b>2,724</b>
<b>Current assets:</b>					
Trade and other receivables	9	1,616		1,382	
Cash and cash equivalents	10	199		912	
<b>Total current assets</b>			<b>1,815</b>		<b>2,294</b>
<b>Total assets</b>			<b>4,307</b>		<b>5,018</b>
<b>Current liabilities:</b>					
Trade and other payables	11	(11,023)		(13,164)	
Provisions	12	(429)		(729)	
<b>Total current liabilities</b>			<b>(11,452)</b>		<b>(13,893)</b>
<b>Total assets less current liabilities</b>			<b>(7,145)</b>		<b>(8,875)</b>
<b>Non-current liabilities:</b>					
Other payables	11	(238)		(324)	
<b>Total non-current liabilities</b>			<b>(238)</b>		<b>(324)</b>
<b>Assets less total liabilities</b>			<b>(7,383)</b>		<b>(9,199)</b>
<b>Taxpayers' equity:</b>					
General reserve			(7,602)		(9,214)
Revaluation reserve			219		15
			<b>(7,383)</b>		<b>(9,199)</b>

The financial statements on pages 73 to 106 were approved by the Board on 25 June 2013 and were signed on its behalf by:

James Cross  
Chief Executive Officer and Accounting Officer  
28 June 2013



The notes on pages 78 to 106 form part of these accounts.

**Statement of Cash Flows**  
for the year ended 31 March 2013

	Note	2012/13 £'000	2011/12 £'000
<b>Cash flows from operating activities</b>			
Net Expenditure		(30,718)	(30,680)
Adjustments for depreciation and amortisation	6,7	897	683
Adjustment for non-cash transactions	4	100	(48)
Adjustments for gain on disposal of PPE	6	(13)	(21)
Increase in trade and other receivables	9	(234)	(1,024)
Increase / (Decrease) in trade payables and other liabilities	11	(2,227)	3,743
Less movements in payables relating to IFRIC 12		157	577
Use of provisions	12	(300)	48
<b>Net cash outflow from operating activities</b>		<b>(32,338)</b>	<b>(26,722)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	7	(568)	(456)
Proceeds from disposal of property, plant and equipment	6	14	28
<b>Net cash outflow from investing activities</b>		<b>(554)</b>	<b>(428)</b>
<b>Cash flows from financing activities</b>			
Grant from Defra		32,250	27,081
Capital element of payments in respect of finance leases	4	(71)	(63)
<b>Net financing</b>		<b>32,179</b>	<b>27,018</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>(713)</b>	<b>(132)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>912</b>	<b>1,044</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>199</b>	<b>912</b>

The notes on pages 78 to 106 form part of these accounts.

Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2013

	Note	General Reserve £'000	Revaluation Reserve £'000	Total £'000
<b>Balance at 1st April 2011</b>		(5,617)	9	(5,608)
<b>Changes in Taxpayers' Equity for 2011/12</b>				
Grant from parent department - revenue		26,625	0	26,625
Grant from parent department - capital		456	0	456
Net gain on revaluation of property, plant and equipment		0	2	2
Net gain on revaluation of intangible assets		0	6	6
Transfers between reserves		2	(2)	0
Recognised in Statement of Comprehensive Net Expenditure		(30,680)	0	(30,680)
<b>Balance at 31 March 2012</b>		<b>(9,214)</b>	<b>15</b>	<b>(9,199)</b>
<b>Changes in Taxpayers' Equity for 2012/13</b>				
Grants from parent department - revenue		31,484	0	31,484
Grants from parent department - capital	7	766	0	766
Net gain on revaluation of property, plant and equipment	6	0	1	1
Net gain on revaluation of intangible assets	7	0	283	283
Transfers between reserves		80	(80)	0
Recognised in Statement of Comprehensive Net Expenditure		(30,718)		(30,718)
<b>Balance at 31 March 2013</b>		<b>(7,602)</b>	<b>219</b>	<b>(7,383)</b>

### General reserves

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

### Revaluation reserve

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

Transfers between the revaluation reserve and general reserve represent the realised element of backlog depreciation on assets which have revalued upwards during the course of the year.

### Taxpayers' equity

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

The notes on pages 78 to 106 form part of these accounts.

## Notes to the Accounts

### Note 1 Statement of accounting policies

#### Requirement to prepare accounts

These accounts are for the year ended 31 March 2013 and have been prepared in accordance with the Marine and Coastal Access Act (MCAA) 2009 and the Secretary of State direction there under.

The financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marine Management Organisation (MMO) for the purpose of giving a fair presentation, has been selected.

The particular policies adopted by the MMO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Accounting convention

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

#### Going concern

The accounts have been prepared on a going concern basis. In common with other Non Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of grant-in-aid and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2013/14 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of the governments' commitment to increase transparency and accountability of public services, Defra completed a review of its arms length bodies in October 2010, and confirmed that the MMO will be retained as an executive NDPB, on the grounds of performing a technical function which should remain independent.

#### Non-current assets

##### Tangible non-current assets: Property, plant and equipment

During 2012/13, the MMO held no freehold property in its own control, but occupied 21 properties where the freehold was held by Defra or private landlords. Where these constitute non-current assets, they are reported in the accounts of Defra. MMO's occupation of these properties is accounted for on an operating lease basis.

All tangible non-current assets other than freehold and leasehold property are revalued quarterly (previously annually) using indices provided by the Office for National Statistics, and their value less disposal costs is depreciated over the periods in which they contribute net benefits to the business on a straight line basis.

Property, plant and equipment are capitalised by the MMO where the purchase cost is £2k or more and where there is an expected useful economic life of more than one year. On initial recognition they are measured at cost, including any additional expenditure such as installation directly attributable to bringing them into working condition.

On 1 April 2010, 24 Private User Scheme (PUS) cars were added to MMO's fixed asset register following a transfer from Defra at the net book value existing on that date. The useful life of these cars was in line with the MMO policy and has been depreciated accordingly since the date of transfer. As at 31 March 2013, six cars remain in use, all of which have no remaining net book value.

The MMO has no heritage or infrastructure assets.

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

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

#### Intangible non-current assets

The MMO holds a number of software licences, and title to a suite of bespoke software applications. The cost of these assets is amortised over their useful life. Internally generated intangible assets were recognised as Construction in Progress (CIP) and are amortised from the month after they are brought into beneficial use. Treatment of the development costs complied with the criteria noted in IAS38 (Intangible Assets). During 2012/13, the following internally generated intangible assets were brought into beneficial use and began amortising: Spirit Geographical Information System (GIS) 1420 Tool, the Marine Planning Portal and the MMO National Intelligence Database. Additionally, the cost of enhancements to the Legal Case Management System, Department for Energy and Climate Change Licensing System and GIS Work Stream Phase 2 were amortised during the year.

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

## Impairment

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

## Service concession arrangements

Defra has entered into a contract with IBM for the supply of IT services for which the MMO receives benefits. The contract is for a term of eight years commencing February 2010. The contract falls within the scope of IFRIC 12 and the MMO's share is disclosed within the accounts as a service concession arrangement. A lease liability has been included to reflect the capital value payments to IBM for MMO to lease IT infrastructure assets throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the MMO will derive from having access to IBM's IT infrastructure assets. Depreciation has been applied on a straight line basis consistent with the Department's depreciation policy. These IT infrastructure assets, which consist of laptops, servers and hardware, are classed as one tangible service concession asset under property, plant and equipment.

## Employee benefits

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

The MMO recognises in its accounts those costs collected from it by the scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as "pension costs". The MMO recognises a liability and expense for all other employee benefits, including unused annual leave, accrued at the Statement of Financial Position date, provided these amounts are material in the context of the overall staff costs. IAS 19.17 states that the expected costs of bonus payments should be recognised when a legal or constructive obligation to make such payments, as a result of past events, exists and a reliable estimate can be made. The MMO has made an accrual to recognise the constructive obligation to make performance related bonus payments in 2012/13.

## Grants and subsidies

The MMO has a role designated by the Secretary of State as the UK European Fisheries Fund (EFF) Managing Authority and the Intermediate Body for England, carrying out duties in the capacity as Agent for Defra, as the Principal. The transactions of grant expenditure and the funding amounts reclaimed from the European Commission (EC) feature in Defra's Resource Accounts and not the MMO's Accounts. The Defra Resource Accounts include only those transactions which are in relation to the activities of the England Intermediate Body only.

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

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

### Inventories

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

### Income

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

1. From 6 April 2011, fees and charges are issued under the regulations made under powers in the MCAA 2009. This statutory instrument allows charging for marine licensing activities on a tier basis, depending on the criteria of an application. The MMO sets its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money", with the financial objective of recovering all chargeable costs.

The income recognition point for MCAA 2009 Tier 1 and 2 fixed fees is based on issuing the licence and fees are designed to recover the upfront administration costs of issuing. The deferred income accounting policy for MCAA 2009 marine licences is based on the MMO having 13 weeks to issue a new licence (previously 10 weeks to either issue or provide an application status update) and an estimate is made to measure the amount of work completed on licence applications progress. The most appropriate means of recognising deferred income is by reference to the 13 week period.

The income recognition point for MCAA Tier 3 licences is at the point of invoice, until such time activity is recorded, accrued and invoiced monthly in arrears. To recognise the commitment to proceed with a Tier 3 application and mitigate the risk of bad or doubtful debt, all Tier 3 applications require a deposit, payable upfront, which is in line with the size and scope of the foreseen activity. Deposits are held in the MMO bank account and recognised as a third party asset (see Note 19).

Income Note 5 reports the cost under recovery in 2012/13.

2. Fees for dredging licences issued under the Food and Environment Protection Act 1985 (FEPA) in respect of dredging, construction and disposals of waste material in the marine environment. The MMO sets its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money", with the financial objective of recovering the full costs of providing the service.

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

Income Note 5 reports the cost under recovery in 2012/13.

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

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

4. The MMO recognises income earned from the EC as a contribution to the MMO's expenditure on enforcing fisheries regulations (EU Aid) and preparing statistical reports on the condition of UK fisheries (EU Data Collection Regulations).
5. A contribution from the Welsh Government towards the cost of aerial surveillance of fishing activity in English and Welsh waters; and
6. All other programme income is recognised when the outcome is delivered to the customer.

### Foreign exchange

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

### Provisions

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

## Value Added Tax (VAT)

As an executive NDPB the MMO is unable to recover VAT on any non statutory services received, with the exception of the input tax recovered on the aerial surveillance taxable outputs charged to the Welsh Government. Because VAT is not recoverable on most of the activities, it is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

## Contingent liabilities and remote liabilities

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

At 31 March 2013 (2011/12: £ nil), the MMO had no contingent liabilities.

## Financial instruments

### Financial assets

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

### Financial liabilities

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

### Derivative financial instruments and hedging

The MMO is required to disclose the role that financial instruments had during 2012/13 in creating or changing the risks faced by the MMO in undertaking its activities.

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

### **Note 1.1 Impending application of newly issued accounting standards not yet effective**

All International Financial Reporting Standards (IFRS), Interpretations and Amendments to Published Standards, effective at 31 March 2013, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

The MMO has reviewed the IFRSs in issue but not yet effective, to determine if there is a requirement to make any disclosures, in line with IAS 8.30. None are thought to be of significant impact to the MMO and no disclosures have been made.

## Note 2 Analysis of net expenditure by segment

In accordance with IFRS 8 Operating Segments, the MMO is required to report financial information about its operating segments. These are reportable segments about which separate financial information is available and are the agreed strategic objectives. Generally, financial information is required to be reported on the same basis as it is used internally. For the MMO the Accounting Officer (CEO) and Executive Team evaluate performance regularly by Strategic Outcome to decide how to allocate resources and assess performance, and these figures are regularly presented to the Board.

Strategic outcome	Description	2012/13			2011/12		
		Gross expenditure £'000	Income £'000	Net expenditure £'000	Gross expenditure £'000	Income £'000	Net expenditure £'000
1	Marine resources are managed effectively and regulated proportionately	9,393	(2,070)	7,323	4,403	(1,405)	2,998
2	People and customers of our services are engaged and understand decisions which impact on marine plans	944	(3)	941	1,147	(132)	1,015
3	Marine biodiversity is protected and maintained	1,157	(37)	1,120	1,365	(658)	707
4	Fish and shellfish stocks are managed sustainably	15,343	(436)	14,907	16,544	(205)	16,339
5	European funding brings benefits to the fishing industry and coastal communities	1,339	(12)	1,327	864	0	864
6	Marine emergencies are responded to in a prompt and coordinated way	329	(11)	318	182	0	182
7	Decision-making is based on the best available evidence	560	0	560	894	(38)	856
8	Data and information are well managed and disseminated	727	(11)	716	301	(38)	263
9	Corporate services, governance and control procedures drive efficient use of resources	1,464	(2)	1,462	5,905	0	5,905
10	Staff and Board members are fully equipped to contribute to sustainable development of the marine area	2,078	(34)	2,044	1,551	0	1,551
<b>Total</b>		<b>33,334</b>	<b>(2,616)</b>	<b>30,718</b>	<b>33,156</b>	<b>(2,476)</b>	<b>30,680</b>

The MMO's statutory purpose, taken from the MCAA 2009, is to manage marine activities with the objective of making a contribution to the achievement of sustainable development, taking account of all relevant facts and matters, and in a manner which is consistent and co-ordinated. The 2012-2015 Corporate Plan sets out these measurable outcomes in order to achieve the MMO strategic aims.

### Note 3 Staff numbers and related costs

	2012/13 Permanently employed £'000	2012/13 Others £'000	2012/13 Total £'000	2011/12 Total £'000
Wages and salaries	9,060	342	9,402	8,473
Pension costs	1,614	0	1,614	1,327
Social security costs	724	0	724	586
<b>Total Staff Costs</b>	<b>11,398</b>	<b>342</b>	<b>11,740</b>	<b>10,386</b>

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments

In accordance with IAS 19 Employee Benefits, £337k (31 March 2012: £412k) has been included in staff salaries for annual leave accrued but not taken at 31 March 2013. This accrual includes an amount for employer's pension contributions.

Information relating to senior MMO staff salaries and other benefits in kind is disclosed within the Remuneration Report on page 35 of the Annual Report.

Average Number of Full Time Equivalent Staff	2012/13 Number of people	2011/12 Number of people
Directly Employed	287	227
Inward Secondments	16	26
<b>Total</b>	<b>303</b>	<b>253</b>

### Pensions

The PCSPS is an unfunded multi-employer defined benefit scheme, but the MMO is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

From 1 April 2012 to 31 March 2013, employers' contributions of £1,599k were payable to the PCSPS (2011/12: £1,295k) at one of four rates in the range of 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012/13, 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 £14k were paid to one or more of the panel of three appointed stakeholder pension providers (2011/12: £10k). Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £1k, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No employees have retired early on ill health grounds (2011/12: none). Ill health retirements are met by the pension scheme and are not included in the table above.

During 2012/13 there have been no redundancies or Voluntary Release Schemes (2011/12: none).

## Note 4 Other expenditure

	Note	2012/13 £'000	2011/12 £'000
Aerial, surface and satellite surveillance		8,385	9,684
CEFAS scientific support for marine environment work		3,916	3,651
Defra support charges		2,609	2,203
Travel, subsistence and hospitality		1,205	1,012
Data and evidence		640	512
Prosecutions and legal services		421	851
Business process review		0	741
Estate management		980	628
Training		260	336
Grant expenditure	4	167	271
Rentals payable under operating leases (Estates)		345	374
Rentals payable under operating leases (Office Equipment)		13	18
Rentals payable under operating leases (Lease cars)		101	17
Audit fees - external audit (National Audit Office)		60	65
Audit fees - internal audit (Defra)		72	98
Profit on disposal	6	(13)	(21)
Provisions provided for in year	12	71	279
Provisions not required and written back	12	(276)	(195)
Consultancy charges		168	45
Other programme costs		1,573	1,518
<b>Total</b>		<b>20,697</b>	<b>22,087</b>

Information technology costs within Defra Support Charges include payments of £1,979k (2011/12: £1,718k) that have been incurred in relation to the use of IT infrastructure assets supplied through a contract (finance lease) from IBM. Finance charges of the contract in 2012/13 are £39k (2011/12: £55k) and the capital element of payments in respect of the finance lease are £71k (2011/12: £63k). The balance of Defra support charges in 2012/13 includes amounts for the Shared Service Department for financial transactional processing, payroll and procurement services.

Non cash adjustments through other expenditure to reflect the change for the year in the IBM service concession asset and liability are £100k (2011/12: (£48k)).

CEFAS scientific support for marine environment work has been restated for 2011/12 as it included some expenditure relating to 'Other programme costs' and 'Data and evidence' gathering which have now been disclosed separately. The disclosures for each of these categories have therefore changed from the 2011/12 published figures with 'Cefas scientific support for marine environment work' previously published as £4,294 and now restated as £3,651k, 'Other programme costs' previously published as £1,387k and now restated as £1,518k and 'Data and evidence' gathering which was previously not disclosed now restated as £512k.

### Expenditure on EU policy

During the year the MMO spent £210k (2011/12: £237k) on the Data Collection Framework, a European Community framework for the collection, management and use of data in the fisheries sector and provides support for scientific advice regarding the Common Fisheries Policy (CFP). These amounts are included within Other programme costs.

### Expenditure on EU Aid

During the year the MMO spent £562k (2011/12: £194k) on EU Aid which is a programme which allows bodies enforcing CFP to claim for eligible expenditure. These amounts are included within other programme costs.

### Analysis of grant expenditure

Grant expenditure	2012/13 £'000	2011/12 £'000
Fisheries Challenge Fund	167	271
	<b>167</b>	<b>271</b>

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

Analysis of Grant expenditure by recipient	2012/13 £'000	2011/12 £'000
Private Sector	117	271
Public Sector	50	0
	<b>167</b>	<b>271</b>

## Note 5 Income

Programme Income	2012/13 £'000	2011/12 £'000
Marine licence (Marine and Coastal Access Act 2009)	1,513	1,006
Food and Environment Protection Act licence fees	540	1,166
Welsh Government Aerial Surveillance contribution	42	49
EU data collection	180	109
EU Aid for fisheries enforcement	306	124
Oil spill products	6	1
Other Income	29	21
<b>Total Programme Income</b>	<b>2,616</b>	<b>2,476</b>

Fees and charges (recovered costs)

Financial objective 2012/13	Income £'000	Full Cost £'000	(Deficit) £'000
Marine licence (Marine and Coastal Access Act 2009)	1,513	2,666	(1,153)
Food and Environment Protection Act licence fees	540	951	(411)
	<b>2,053</b>	<b>3,617</b>	<b>(1,564)</b>

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

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

On 6 April 2011, the MMO implemented a new fees and charging instrument, underpinned by the MCAA 2009. Fees are charged for licensing activities on a tier basis using either a fixed fee (Tier 1, Tier 2) or hourly charge (Tier 3) depending on the criteria of the application.

The MMO continued to receive annual instalments relating to Food and Environment Protection Act (FEPA) licence fees during 2012/13, and will do so until such arrangements mature.

Cost recovery deficit of £1,153k relating to MCAA 2009 marine licences has materialised due to limitations within the current statutory instrument which restrict MMO ability to recover all chargeable costs, where appropriate.

Cost recovery deficit of £411k relating to FEPA reflect that the legacy statutory instrument in its design was not able to recover full costs.

Increased volumes of E log book applicants for over 15 metre vessels were received in year for reimbursement to meet the December 2012 scheme end date. Consequently, income due from the EC in respect of EU Aid increased in year.

Other income includes amounts recharged for delivering courses to other central and local government departments in 2012/13.

## Note 6 Property, plant and equipment

	Information Technology £'000	Office Equipment £'000	Vehicles £'000	IBM Right of Use £'000	Total £'000
<b>Cost or valuation</b>					
<b>At 1 April 2012</b>	<b>45</b>	<b>27</b>	<b>197</b>	<b>988</b>	<b>1,257</b>
Disposals	(6)	0	(110)	0	(116)
Revaluations	5	1	4	(187)	(177)
<b>At 31 March 2013</b>	<b>44</b>	<b>28</b>	<b>91</b>	<b>801</b>	<b>964</b>
<b>Depreciation</b>					
<b>At 1 April 2012</b>	<b>37</b>	<b>26</b>	<b>177</b>	<b>673</b>	<b>913</b>
Disposals	(6)	0	(110)	0	(116)
Charged in period	7	0	20	85	112
Revaluations - backlog depreciation	4	1	4	0	9
<b>At 31 March 2013</b>	<b>42</b>	<b>27</b>	<b>91</b>	<b>758</b>	<b>918</b>
<b>Net Book Value at 31 March 2012</b>	<b>8</b>	<b>1</b>	<b>20</b>	<b>315</b>	<b>344</b>
<b>Net Book Value at 31 March 2013</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>43</b>	<b>46</b>

Disposals during 2012/13 were eight private user scheme cars with proceeds of £14k and a net gain on disposal of £13k. Of the eight disposals, at the point of disposal six cars were fully depreciated and two had a combined residual net book value of less than £1k. In addition to owned vehicles, MMO continues to adopt a policy of leasing cars rather than purchasing, further disclosure is included in Note 14.

Disposals of Information Technology relate to the disposal of a server which was no longer in use. The server was fully depreciated at the point of disposal.

Revaluations resulting from a change in the IBM Right of Use asset are reflected in net expenditure in line with all other changes in the service concession arrangement and not in the net gain / loss on revaluation of property, plant and equipment as disclosed in the Statement of Comprehensive Net Expenditure.

	Information Technology £'000	Office Equipment £'000	Vehicles £'000	IBM Right of Use £'000	Total £'000
<b>Asset financing</b>					
Owned	2	1	0	0	3
On-balance sheet (SoFP) other service concession arrangements	0	0	0	43	43
<b>Net Book Value at 31 March 2013</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>43</b>	<b>46</b>

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

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

## Note 7 Intangible assets

	Software & Licences £'000	Construction in Progress £'000	Total £'000
<b>Cost or valuation</b>			
<b>At 1 April 2012</b>	<b>2,514</b>	<b>746</b>	<b>3,260</b>
Additions	0	766	766
Transfers (completed / capitalised construction in progress)	411	(411)	0
Transfers to DEFRA	0	(198)	(198)
Revaluation	406	0	406
<b>At 31 March 2013</b>	<b>3,331</b>	<b>903</b>	<b>4,234</b>
<b>Amortisation</b>			
<b>At 1 April 2012</b>	<b>880</b>	<b>0</b>	<b>880</b>
Charged In period	785	0	785
Revaluation	123	0	123
<b>At 31 March 2013</b>	<b>1,788</b>	<b>0</b>	<b>1,788</b>
<b>Net Book Value at 31 March 2012</b>	<b>1,634</b>	<b>746</b>	<b>2,380</b>
<b>Net Book Value at 31 March 2013</b>	<b>1,543</b>	<b>903</b>	<b>2,446</b>

Internally generated intangible assets classified as construction in progress are development costs for a number of information systems. Most notable development costs this year relate to the Fisheries Information System (£659k), Electronic Reporting System (£17k) and the Stakeholder Consultation Database (£43k).

During 2012/13, development costs relating to five projects were transferred to the fixed asset register and capitalised. This included enhancements to the GIS (£204k), the DECC Licensing System (£90k), the Legal Case Management System (£12k), the release of the new Planning Portal (£67k) and MMO Intelligence Systems (£38k).

The EFF Database which is currently under development, and funded partially by EFF, will now be reported within the Defra Statement of Financial Position to be consistent with all other EFF accounting. Construction in progress costs of £198k reported within the 1 April 2012 opening balance have been transferred in year.

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

## Note 8 Financial instruments

As the cash requirements of the MMO are met through Grant-in-Aid provided by Defra, financial instruments play a more limited role in creating and managing risk than would normally apply to non-public sector bodies. The non trading nature of MMO's activities, and the way the MMO is financed, mean that it is not exposed to the degree of financial risk faced by other business entities. MMO has no powers to borrow or invest surplus funds, and financial assets and liabilities generated by the day to day operational activities are not held to change the risk faced in undertaking the activities.

### Liquidity risk

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

### Interest rate risk

There is no exposure to interest rate risk as the financial assets and liabilities are predominately none interest bearing.

### Foreign currency risk

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

### Credit risk

Under the legacy licensing fee charging regime the MMO mitigated the credit risk exposure by creating a bad debt provision for historic instalments billed to applicants from 2010/11 and until such time annual instalments mature.

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

Proactive debt recovery has substantially recovered much of the debt due from both legacy and new licence fee charging regimes, a bad debt provision is retained for all at-risk debts.

## Note 9 Total receivables and other current assets

	31 March 2013 £'000	31 March 2012 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	731	553
Deposits and advances	28	22
Prepayments and accrued income	857	807
<b>Total due within one year</b>	<b>1,616</b>	<b>1,382</b>
<b>Total</b>	<b>1,616</b>	<b>1,382</b>

There were no receivables falling due after more than one year at 31 March 2013 or 31 March 2012.

## Analysis by sector

	31 March 2013 £'000	31 March 2012 £'000
Other central government bodies	153	209
Bodies external to government	1,463	1,173
<b>Total</b>	<b>1,616</b>	<b>1,382</b>

Prepayments and accrued income of £119k relates to EU funding for the data collection framework (2011/12: £88k) and £409k relates to Licensing income (31 March 2012: £574k).

## Note 10 Cash and cash equivalents

	31 March 2013 £'000	31 March 2012 £'000
<b>Balance at 1 April</b>	<b>912</b>	<b>1,044</b>
Net changes in cash and cash equivalent balances	(713)	(132)
<b>Balance at 31 March</b>	<b>199</b>	<b>912</b>

Cash is held in accounts which are provided by Government Banking Services, the current provider is Citibank.

## Note 11 Trade payables and other current liabilities

	31 March 2013 £'000	31 March 2012 £'000
<b>Amounts falling due within one year</b>		
Trade payables	2,133	1,040
Other taxation and social security	242	206
Other payables:		
Defra network	4,604	5,700
Aerial & surface surveillance	1,628	2,463
Accruals and deferred income	2,416	3,755
<b>Total due within one year</b>	<b>11,023</b>	<b>13,164</b>
<b>Amounts falling due after more than one year</b>		
Other payables	238	324
<b>Total due after more than one year</b>	<b>238</b>	<b>324</b>
<b>Total</b>	<b>11,261</b>	<b>13,488</b>

### Analysis by sector

	31 March 2013 £'000	31 March 2012 £'000
Other central government bodies	6,616	8,848
Local authorities	2	0
Bodies external to government	4,643	4,640
	<b>11,261</b>	<b>13,488</b>

Included within Defra Network other payables is the finance lease relating to the future liability to pay for the 'right of use' assets to IBM. The current liability is £67k (31 March 2012: £68k) and the amount falling due after more than one year is £238k (31 March 2012: £324k).

## Note 12 Provisions for liabilities and charges

	Estates Relocations £'000	Bad Debt £'000	Legal Costs £'000	VMS £'000	31 March 2013 Total £'000	31 March 2012 Total £'000
<b>Balance at 1 April 2012</b>	<b>199</b>	<b>65</b>	<b>371</b>	<b>94</b>	<b>729</b>	<b>681</b>
Provided in the year	0	71	0	0	71	279
Provisions not required written back	(142)	(20)	(100)	(14)	(276)	(195)
Provisions utilised in year	(27)	(51)	0	(17)	(95)	(36)
<b>Balance at 31 March 2013</b>	<b>30</b>	<b>65</b>	<b>271</b>	<b>63</b>	<b>429</b>	<b>729</b>

Provisions relating to Estates Relocations were created in line with the MMO's planned reorganisation as part of the estates strategy. During 2012/13, £27k has been utilised and £142k has been written back for dilapidations no longer requiring provision.

Bad debt provisions at 1 April 2012, totalling £65k, relate to both FEPA instalments and MCAA marine licence fees. Of the doubtful debts, £20k (£18k relating to FEPA instalments) was written back during 2012/13 as invoices were settled and £51k (£16k relating to FEPA instalments) has been utilised. During the year a further £71k (£41k relating to FEPA instalments) of doubtful debt has been provided for invoices which are over six months old.

The legal provision is to enable the MMO to fund any successful applicants' costs in judicial review proceedings or other legal action against the MMO of high value or intensity of legal challenge (and costs). The figure is an estimate of the potential cost to the MMO in one year, and this has been provided as the likelihood of predicting such cases is difficult to determine. During 2012/13 £100k was written back as the MMO was successful in the case provided for.

The Vessel Monitoring System (VMS) provision recognises the MMO's statutory obligation to install VMS and Electronic Record Systems (ERS) on board all English registered UK fishing fleet vessels, over 12 metres in length. The MMO receive EU Aid for the majority (90 to 95 per cent) of the associated costs, the £63k provision reflects the MMO contribution only. The system installations have now commenced with £17k of the provision utilised during the year and £14k written back following an assessment of current outstanding work.

## Note 13 Capital commitments

Contracted capital commitments at 31 March 2013, not otherwise included in these financial statements, are as follows:

	31 March 2013 £'000	31 March 2012 £'000
Property, plant and equipment	0	0
Intangible assets	24	1,721
	<hr/> 24	<hr/> 1,721

The significant reduction in capital commitments is due to the transfer of the EFF Database to the Defra Statement of Financial Position, reducing the MMO's financial obligation.

## Note 14 Commitments under leases

### Operating leases

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

Obligations under operating leases comprise:	31 March 2013 £'000	31 March 2012 £'000
<b>Buildings</b>		
Not later than one year	383	421
Later than one year and not later than five years	504	752
Later than five years	21	77
	<hr/> 908	<hr/> 1,250
<b>Other</b>		
Not later than one year	124	102
Later than one year and not later than five years	146	176
Later than five years	0	0
	<hr/> 270	<hr/> 278

As at 31 March 2013, 30 cars were leased over a period of three to four years which is reflected in the other operating lease commitments above.

## Note 15 Commitments under PFI and other service concession arrangements contracts

Defra have a contract with IBM for the provision of IT services and infrastructure assets, of which MMO is a part. This contract was renewed on 1 February 2010. It aims to support the Department by providing a modernised IT infrastructure in line with the wider government IS strategy, which will give the Department, including MMO, access to cost effective IT services and infrastructure.

The contract falls within the scope of IFRIC 12 and is disclosed within the accounts as a service concession arrangement. A lease liability has been included by MMO to reflect the capital value payments to IBM to lease IT infrastructure assets by MMO throughout the duration of the eight year contract. A matching asset has been raised to reflect the benefit that the MMO will derive from having access to IBM's IT infrastructure assets.

During the life of the contract, MMO has the right to use assets owned by IBM and IBM are obliged to provide a consistent level of performance as set out in the contract. This includes underlying IT product developments commissioned.

The contract prices are subject to an annual incremental increase, applied from 1 April. This increase is based on the consumer price index (CPI) as at the end of January in the previous financial year.

There is flexibility in terms of termination providing the option to end the service or key aspects thereof. The financial penalty for termination is on a sliding scale depending on several factors, including time left on the contract. There are no beneficial entitlements at the end of contract, although the Department, including MMO, has the option to purchase specified assets at net book value on exiting the contract. This gives the Department, including MMO, control of the assets during the life of the contract.

<b>Total obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:</b>	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Not later than one year	72	74
Later than one year and not later than five years	302	346
Later than five years	0	96
	<hr/>	<hr/>
	374	516
Less interest elements	(69)	(124)
<b>Present value of obligations</b>	<hr/> <b>305</b>	<hr/> <b>392</b>

<b>Present Value of obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprise:</b>	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Not later than one year	67	69
Later than one year and not later than five years	238	263
Later than five years	0	60
	<hr/>	<hr/>
<b>Total present value of obligations</b>	<hr/> <b>305</b>	<hr/> <b>392</b>

## Note 16 Other financial commitments

The MMO entered into non-cancellable contracts (which are not leases or PFI contracts) as detailed below. The payments to which the MMO were committed during 2012/13, analysed by the period during which the commitment expires, are as follows:

Other Financial Commitments:	31 March 2013 £'000	31 March 2012 £'000
Not later than one year	9,236	13,626
Later than one year and not later than five years	17,873	13,135
Later than five years	1,975	3,322
<b>Total present value of obligations</b>	<b>29,084</b>	<b>30,083</b>

During 2012/13, the MMO negotiated an extension to the contract with the Ministry of Defence in relation to surface surveillance. The contract has been extended for three years beyond the original end date of 31 March 2013, and will now expire on 31 March 2016. The new contract accounts for £2,000k of commitments less than one year and for £4,000k later than one year and not later than five years.

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

The contract with IBM for the provision of IT services and infrastructure assets accounts for £2,045k of commitments less than one year and £7,608k of commitments later than one year and not later than five years.

The contract with Interserve for the provision of facilities management services accounts for £329k of commitments under one year, £1,317k of commitments later than one year and not later than five years and £1,975k of commitments later than five years.

## Note 17 Contingent liabilities

The MMO has no contingent liabilities within the meaning of IAS37 at 31 March 2013 and had none at 31 March 2012.

## Note 18 Related party transactions

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

Defra provided shared services support for information technology infrastructure, estates and accommodation, procurement, HR, the internal audit function, secondees and other services. Transactions during the year totalled £5,383k, with an outstanding payable at 31 March 2013 of £1,863k.

During the same period, the MMO delivered the catch quota trials on behalf of Defra for which £402k was reimbursed by Defra.

Cefas, an Executive Agency of Defra, provided scientific research and advisory work to the MMO. Total transactions during the year were £3,918k with an outstanding payable at 31 March 2013 of £3,541k.

The Sea Fish Industry Authority is a Defra NDPB working across all sectors of the seafood industry. It provides surveys and statistics on UK fish processing and the UK fishing fleet for use in the EU Data Collection Framework. Total transactions during the year were £213k with an outstanding payable of £70k at 31 March 2013.

In addition, the MMO had various material transactions with other government departments and other central government bodies, most notably the Ministry of Defence (MoD) and Marine Scotland who provided fishery enforcement services. Total MoD transactions during the year in relation to the Royal Navy protection squadron were £6,750k with an outstanding payable at 31 March 2013 of £1,583k. Total transactions with Marine Scotland during the year were £990k with an outstanding payable at 31 March 2013 of £143k. Total transactions with Department for Energy and Climate Change (DECC) were £206k with no outstanding payable at 31 March 2013.

Professor Richard Birmingham is a Non-Executive Board member and is Head of the School of Marine Science and Technology at Newcastle University. During the year one grant relating to a research project totalling £48k was awarded to a colleague by the MMO although Richard had no personal involvement. Richard Birmingham's contract ended on 31 January 2013.

Jane Ryder OBE is Non-Executive Board member and also holds position of Deputy Chair on SFIA Board and Chair of their Audit and Risk Committee. There have been financial transactions between MMO and Seafish as disclosed above, however Jane had no personal involvement in these transactions.

Nigel Reader CBE is a Non-Executive Board member and also chairs the MMO Audit and Risk Assurance Committee. Nigel holds a position on the Board of both Natural England (NE) and Natural Resources Wales (NRW) and also chairs the Audit and Risk Committee of both organisations. There have been no financial transactions between NE and MMO or NRW and MMO during the year.

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

## Note 19 Third-party assets

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

During the year the MMO received financial administrative penalties imposed by English or Welsh courts on owners of fishing vessels in accordance with Sea Fishing (Penalty Notices) (England) Order 2011 SI 2011 No 758. These are not MMO assets and are not included in the Accounts and will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

During the year the MMO received money from the sale of fish which was confiscated from vessels by MMO officers as it was illegally caught. The money will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

Funds received from Home Office through the Proceeds of Crime Act are a share of penalties imposed by the courts following the successful prosecution of offenders by the MMO during the year. Funds are held as a third party asset until the timescales for utilisation can be confirmed with Home Office.

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

Legal advice is currently being sought regarding the validity of the MMO charges for disposal levy income. During the year, £164k was received in relation to this, however, until the legal position can be confirmed these amounts will not be included within income but held as a third party asset.

As at 31 March 2013, the balance outstanding relating to Tier 3 applicants which had not yet been fully utilised for marine licence activity was £121k.

EU Aid represents grant funding for IT development work on fisheries systems, clarification from HM Treasury is currently being sought on whether MMO can retain the funds.

The amounts are set out in the table below:

Monetary assets and monies on deposit	31 March 2012 £'000	Gross inflows £'000	Gross outflows £'000	31 March 2013 £'000
Court costs	56	462	(502)	16
Fishing administration penalties (Fisheries)	25	30	(9)	46
Sales of confiscated fish	0	2	0	2
Proceeds of crime incentivisation from Home Office	0	80	0	80
Bonds	652	148	(735)	65
Disposl levy income	137	164	0	301
Tier 3 marine licence deposits	68	60	(7)	121
EU Aid	0	214	0	214
<b>Total</b>	<b>938</b>	<b>1,160</b>	<b>(1,253)</b>	<b>845</b>

#### Note 20 Impairments

During the year there were no impairments to MMO assets (2011/12: None).

#### Note 21 Losses and special payments

No special payments were made during 2012/13 and losses of £51k were incurred due to the write off of bad debt (2011/12: none).

#### Note 22 Events after the reporting date

There were no events after the reporting date.

#### Note 23 Authorised date of issue

IAS 10 requires MMO to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General. The authorised date for issue is 3 July 2013.

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