



Marine  
Management  
Organisation

# Annual Report and Accounts

## 1 April 2017 to 31 March 2018

HC 1343

# **Marine Management Organisation**

## **Annual Report and Accounts for the financial year ended 31 March 2018**

Presented to Parliament pursuant to Schedule 1,  
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Access Act 2009

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HC 1343



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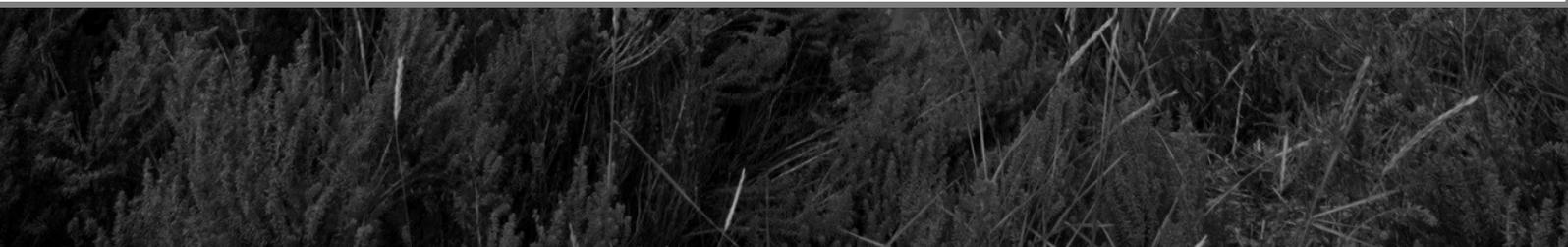
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More information on our work can be found on our website at <https://www.gov.uk/government/organisations/marine-management-organisation>.



# 1. Performance Report



# 1.1 Overview

The Overview should help you understand the Marine Management Organisation, our purpose, the key risks that we face in achieving our objectives, and how we have performed during the year.

## 1.1.1 Chair and Chief Executive Officer's Statement

This year was an important year for the marine environment, with the launch of Government's 25 Year Environment Plan, programmes such as Blue Planet and campaigns on marine plastics raising awareness of our seas and highlighting the need to manage and protect them. As Government's experts in marine management, the Marine Management Organisation (MMO) has focussed on developing and delivering three important areas to help achieve this – marine planning, fisheries management and marine licensing.

Marine planning is an essential part in ensuring activities take place at the right time, in the right place and in the right way. In 2017/18, significant progress was made towards achieving the next key milestone in marine planning - the adoption of the South Marine Plan. In addition the next stage of developing the North East, North West, South East and South West marine plans was completed, including a comprehensive programme of engagement with our stakeholders. This has provided a clear understanding of local and national needs and how they could be supported through the respective marine plans.

Central to the effective management of our seas is marine licensing, providing opportunities for growth of the marine economy which are balanced with the need to protect important marine habitats and species. This year we continued to work closely with industry to help improve our processes and the services we provide, including a new fast track licencing system for low risk applications. This work helped us ensure that 92 per cent of licence applications were successfully determined within 13 weeks, contributing to £9bn of investment into the marine economy since 2010.

In fisheries management, we have worked closely with industry to enable the sustainable management of fish stocks and provide support around the introduction of landing obligations. Fishing quota allocations were successfully managed to ensure that there were no closures to major economic stocks, enabling an active fishing fleet to target fish stocks in line with demand and market opportunity so that the fishing industry can be compliant and viable. Our work in fisheries management has also helped over 1,500 inshore fishers generate £12.4 million of income from quota species.

As well as achieving our key objective of maintaining fishing opportunities we have also supported Government in preparing for the UK's exit from the EU, leading on a number of projects to help shape the future of fisheries management.

As the UK managing authority and England's delivery body for the European Maritime and Fisheries Fund, MMO have also been able to award over £18.6 million in grant funding to over 530 projects this year. This means that 735 projects have been supported with a total of £51.6 million since the scheme began in 2016. A further £3.6 million of EMFF funding has also been allocated to six Fisheries Local Action Groups (FLAGs), providing funding for community led projects.

Funding pressures and reduction in our Grant in Aid have meant that achieving our successes in 2017/18 have not been without challenge. We have worked to identify and develop initiatives to provide alternative income opportunities to enable us to continue to deliver the current range and quality of services. It has also meant that we have prioritised delivering our core services with minimal change.

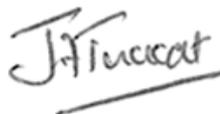
However we have also begun work on several important programmes of work which contribute to Government's ambition to leave the environment in a better state than we found it. These are the Control and Compliance Programme (CCP); the Foreign and Commonwealth Office and Defra led Conflict, Stability and Security Fund (CSSF) International Blue Belt Programme; and the Marine Pioneer Programme. Through CCP we are developing and improving technology solutions to ensure the England remains compliant with the Common Fisheries Policy. Working with our partners, the Centre for Environment, Fisheries and Aquaculture (Cefas) on the CSSF Blue Belt programme, we will help protect over four million square kilometres of marine environment across the UK Overseas Territories. And the new marine pioneer programme will develop and coordinate a number of demonstration projects in North Devon and Suffolk that will introduce a natural capital approach and improve joint working within marine management.

Our professional and highly-skilled people have provided support, dedication and expertise to all of these activities, supported by continued investment in our people so that MMO is a great place to work. We endeavour to improve our services, so that we are increasingly efficient, cost-effective and making sure that the customer stays the focus of our delivery.

Next year will bring further change and challenge, particularly given our commitments to meet reductions in Grant in Aid and increase revenue through new or increased fees and charges, and in the context of continuing to support Government, MMO and its stakeholders as the UK prepares to exit the EU. We have every confidence that the commitment, professionalism and expertise of MMO will ensure that we continue to influence and shape the future of marine management, increasing investment and improving the marine environment.



**Hilary Florek**  
Chair  
Marine Management Organisation



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

## 1.1.2 Purpose and activities of the Organisation

### About Marine Management Organisation (MMO)

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

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

MMO fulfils its statutory duties that contribute to the broader Defra strategy; which includes a shared vision to Create a Great Place for Living; supported by a set of strategic objectives to 2020. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan.

The Action Plan for 2017/18 set out how MMO planned to contribute to the achievements of the Defra strategic objectives, delivering the MMO strategic purpose of enabling sustainable growth in the marine area and supporting coastal communities, whilst protecting and enhancing the marine environment for current and future generations.

### MMO's role

MMO is tasked with delivering the Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas. This is achieved through:

Marine planning
Licensing activities in the marine area
Fisheries management
A regulator of marine industries
Protecting and enhancing the marine environment
Making European funding available to the fisheries and aquaculture sector
Providing UK statistical information to support data analysis
Preventing worldwide illegal, unregulated and unreported fishing
Promoting biodiversity
Co-managing the Conflict Stability and Security Fund (CSSF) Blue Belt Programme

### How MMO fulfils its role

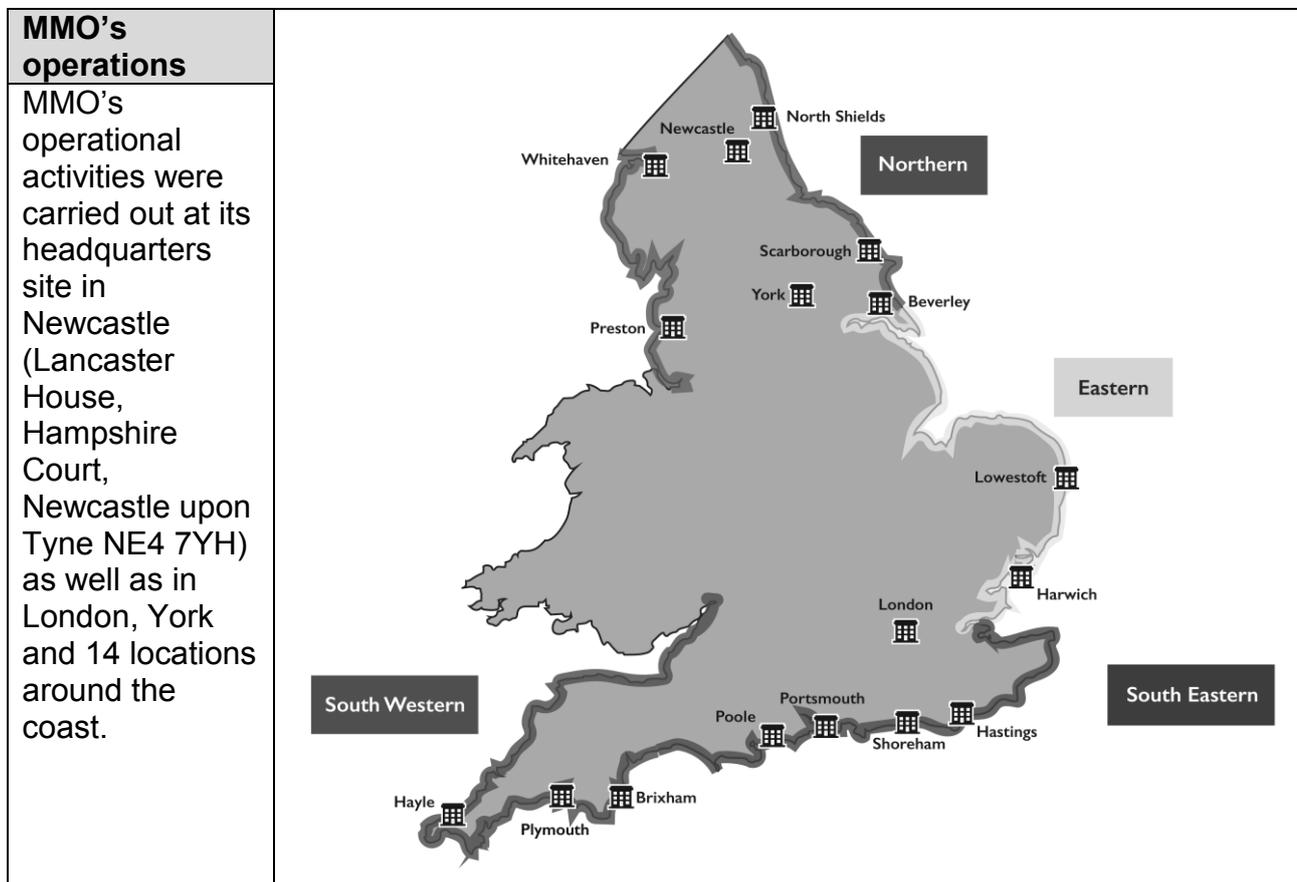
The UK Marine Policy Statement (2011) provides a framework for MMO's activities in the marine area. This key piece of national policy sits alongside important European legislation, such as the Marine Strategy Framework Directive, the Water Framework Directive, the Common Fisheries Policy, the Habitats Directive and Wild Birds Directive, the Environmental

Impact Assessment Directive and the Renewable Energy Directive. National policy statements for ports, energy, renewable energy, gas supply infrastructure and oil pipelines, electricity networks infrastructure and nuclear power are all taken into account when decisions are made.

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

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

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



**MMO’s people**

At 31 March 2018, MMO employed an average full time equivalent of 314 people (31 March 2017: 299); primarily delivering the front line operations of implementing plan-led marine management, licensing marine works, administering European funding, fisheries compliance and enforcement, managing UK fishing fleet capacity and quotas and co-managing the CSSF Blue Belt programme on behalf of the Foreign and Commonwealth Office (FCO) and Defra.

## MMO's customers

MMO serves a wide range of customers from a variety of sectors including the fishing industry, licence applicants such as developers, those seeking funding from the European Maritime and Fisheries Fund (EMFF) and coastal communities, amongst others. MMO is committed to being a transparent and accountable organisation, dedicated to providing a high level of customer service, as well as using customer feedback to improve services.

### 1.1.3 Key issues and risks

MMO operates a structured risk and control framework which enables the identification, prioritisation and escalation of strategic and operational risks and issues. During 2017/18, four risks (see table below) were identified as having the potential to affect MMO's business success, credibility and relationships with delivery partners.

There is a risk that key ICT assets may not be developed and supported in the future, becoming out of date and fail leading to impacts upon the delivery of core functions
There is a risk that the loss of suitably qualified and experienced staff may impact upon resources and organisational resilience
There is a risk that failure to implement the entirety of the Control Regulation may lead to infraction
There is a risk that the MMO may not be operationally ready to meet the challenges posed by exiting the EU

To mitigate and manage these risks, action plans are in place, with responsible Executive Directors as named leads. See page 30 (Governance Statement) for more information.

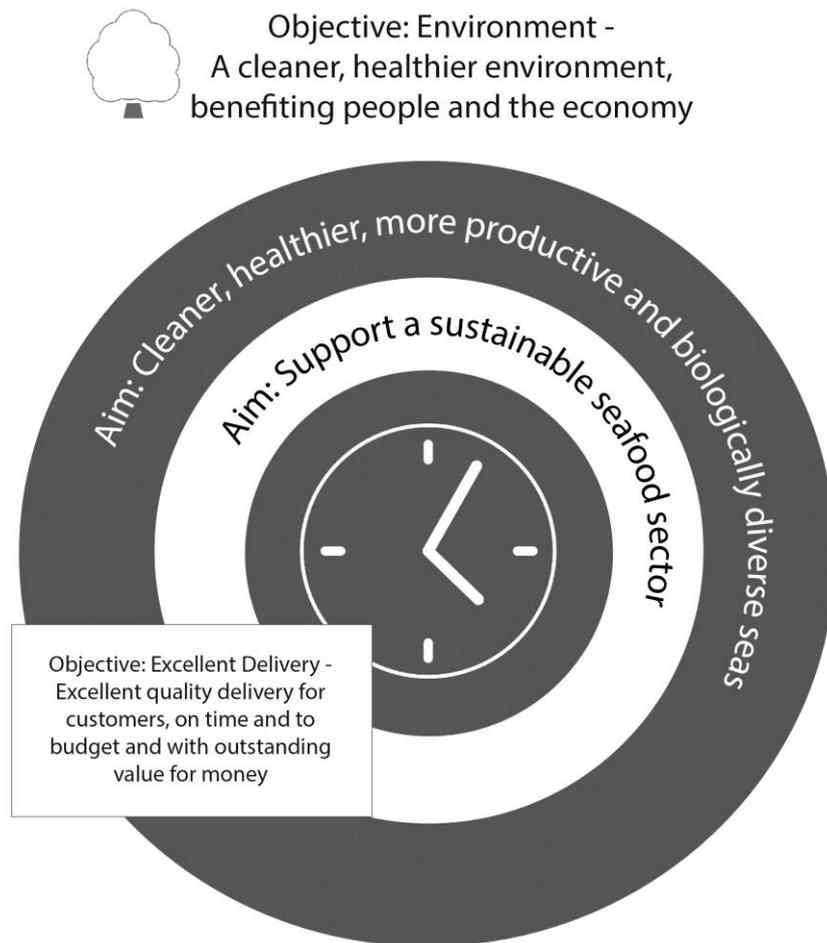
### 1.1.4 Going concern statement

MMO's accounts have been prepared on a going concern basis. In common with other Non-Departmental Public Bodies (NDPBs) within the Defra Group, the future financing of the MMO's liabilities is to be met by future supplies of Grant in Aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2018/19 has already been given and there is no reason to believe that future approvals will not be forthcoming. As part of Government's commitment to increase transparency and accountability of public services, Defra completed its Triennial Review of MMO in 2013, which confirmed that MMO's functions are necessary and should continue to be delivered by a NDPB, and that MMO is best placed to carry out these functions.

### 1.1.5 Performance summary

MMO's contribution to Government's vision for clean, healthy, safe, productive and biologically diverse oceans and seas is set out in an Action Plan for 2017/18. The Action Plan describes how MMO contributes to the achievement of the Defra strategy and the strategic objective of Environment: A cleaner, healthier environment, benefiting people and the economy. MMO supports the delivery of this strategic objective by contributing to relevant underpinning aims, along with a supplementary organisational strategic objective of Excellent Delivery: Excellent quality delivery for customers, on time and to budget and with outstanding value for money. MMO's strategic objectives and aims are modelled in figure one overleaf:

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



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

### **Ensuring delivery of MMO Action Plan for 2017/18**

For the year ending 31 March 2018, MMO established and described a range of measures to track delivery of the Action Plan. These measures are categorised as key performance indicators which enable MMO to monitor and measure performance in support of the strategic objectives. During 2017/18, performance of the Action Plan was regularly assessed through MMO's Delivery Review Group (DRG). The MMO Board considered performance at each meeting along with finance, general conduct and propriety of affairs of MMO to ensure that it is an economic, efficient and effective organisation. Detailed analysis of MMO's performance in supporting the delivery of the strategic objectives is provided in the following section (1.2 Performance Analysis).

# 1.2 Performance Analysis

## 1.2.1 Detailed Performance Analysis

**Aim: Cleaner, healthier, more productive and biologically diverse seas**

### Marine Planning

MMO is leading the development and implementation of marine planning for England's seas. Marine planning will help manage the significant demands on space in and around our seas by ensuring that activities take place at the right time, in the right place and in the right way. This will lead to England being one of the first countries in the world to introduce a comprehensive and integrated approach to the management of its marine area. By 2021, there will be eleven marine plans that will guide users to make informed choices for activities or development in the marine area. By setting a vision and objectives for the marine area, marine plans will address key issues through policies in support of decision-making.

In 2014, a key milestone in marine planning was achieved through the adoption of England's first marine plans for the East marine area. During 2017/18, significant progress has been made towards achieving the next key milestone, the adoption of the South Marine Plan. Marine plans for the North East, North West, South East and South West marine areas are also in development, focussing on producing draft visions and options for these evolving marine plans.

Underpinning the development and success of all marine plans is prioritisation of active and regular engagement with a broad range of sectors, and the ability to foster strong stakeholder relationships achieved by working in close partnership with local and national stakeholders. This, alongside learning from developing the East Marine

Plans and the 12 stage marine planning process, will help ensure that the marine plans are robust, evidence based and local. This has included hosting a number of workshops in the North East, North West, South East and South West marine areas, which were attended by over 360 stakeholders, providing an in-depth understanding local and national issues and needs and how they could be supported through the marine plans.

MMO is also working to ensure that the marine plans are accessible to all stakeholders, including how they are prepared and presented. This has included ensuring that as many stakeholders as possible have the opportunity to take part in engagement activity including 'hard to reach' groups, and undertaking user research to identify the best way to produce Marine Plans, including new digital options that build on MMO's Marine Information System.

To make sure that the East Marine Plans remain relevant and current for regular utility in decision making, MMO have undertaken and published a three year review in accordance with Section 61 of the Marine and Coastal Access Act 2009. The report reviewed the progress made from 2 April 2014 to 1 April 2017 towards achieving the objectives set out in the East Marine Plans and the high level objectives set out in the UK Marine Policy Statement. The report concluded that overall the East Marine Plans objectives remain relevant and expected outcomes were consistent with anticipated progress.

## Marine Licensing

MMO has a key role in supporting sustainable development; since 2010, marine licensing applications approved by MMO will contribute to the £9 billion of economic activity of the marine economy. In terms of performance, during 2017/18 92 per cent of marine licence applications were successfully determined within 13 weeks together with 98 per cent of variations to marine licences, providing applicants with increased certainty. The number of licenses applied for and determined over the year has also increased by almost 30 per cent since 2016/17. The table overleaf (figure 2) sets out licence determination performance.

To improve customer's experience, in July 2017 MMO introduced a new customer led, self-service licensing system. This, alongside a series of process improvements and internal reorganisation, have contributed to the performance improvement noted above. The new system has seen double the number of low complexity 'Band 1' cases applications, indicating increased awareness of, and compliance with marine licensing

requirements. The self-service system has received excellent feedback, which is monitored to ensure that the quality of system generated licences remains at a high standard.

The Licensing Improvement Project has delivered further efficiencies including streamlining internal processes to make them more efficient with an aim of improving the quality of service. Engagement with a diverse range of customers is ensuring that internal improvements focus on the customer experience, reducing effort, decreasing determination times and ensuring enhanced value for money for the customer.

To ensure consistency across licensing decision making, improved engagement with key stakeholders and to provide support to other Government Departments, dedicated resource focus on developing a new training framework, including establishing quality standards and management of commercial arrangements for external advice.

## Marine Conservation

MMO has continued to work with Defra and the Inshore Fisheries and Conservation Authorities (IFCAs) to deliver a well-managed network of Marine Protected Areas (MPAs). Where MMO is the lead regulator, 90 per cent of designated inshore sites have been assessed, with management measures in place or identified within two years. During 2017/18 work has focussed on developing management measures for West of Walney Marine Conservation Zone in preparation for the formal consultation on proposed measures commencing in May 2018. MMO has worked with Defra and the IFCAs to implement new and innovative technology to improve monitoring.

To identify potential threats earlier and protect sensitive and threatened marine

species, MMO has improved service provision and compliance work through streamlined wildlife licence processes.

The quality assurance role MMO provides for IFCA byelaws has resulted in the processing of 100 per cent of submitted byelaws within the mandated timescale enabling ten byelaws to be formally approved by Ministers and become law.

To support the reduction of environmental damage from marine accidents and refine its preparedness for emergency oil/chemical spill incidents at sea, three national exercises have been held with MMO officers to ensure an effective response to an out of hours incident.

## Contribution to broader environment objectives

Domestically, the Marine Pioneer Programme is focused on how to manage use of the marine environment so that it becomes healthy again and stays healthy for generations. Marine Pioneer was created to inform delivery of Government's 25 Year Environment Plan. During 2017/18, MMO has been focused on setting up the Programme that has been operating for just over a year, this includes coordinating activities and providing oversight to local projects based in Suffolk and North Devon. Objectives have been agreed with all the organisations and people involved, along with ten demonstration projects developed and being delivered in these areas. These projects will provide lessons on using a 'Natural Capital' approach, integrating planning and delivery, developing more innovative funding mechanisms and

increasing stewardship for the marine environment.

Internationally, MMO has been working to deliver Government's commitment to protect over four million square kilometres of ocean around the UK Overseas Territories (OTs). In 2016, Government pledged funding from the Conflict Stability and Security Fund (CSSF), a joint project between Defra and the Foreign and Commonwealth Office to create a Blue Belt of marine protection around the UK OTs. During 2017/18 MMO, working with the Centre for Environment, Fisheries and Aquaculture Science (Cefas), has developed a programme for seven of the OTs and has commenced implementing the various aspects of the Programme. The Programme is set to deliver on Government's commitments by 2020.

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

			Band 1	Band 2	Band 3	Rejected	Total	
2017/18	Determined within 13 weeks	Marine Licence Applications	230	149	96	11	486	782
		Marine Licence Variations					296	
	Total Determined	Marine Licence Applications	230	160	125	11	526	829
		Marine Licence Variations					303	
	% Determined within 13 weeks	Marine Licence Applications	100%	93%	77%	100%	92%	94%
		Marine Licence Variations					98%	
2016/17	Determined within 13 weeks	Marine Licence Applications	116	152	89	20	377	
	Total Determined		116	159	122	20	417	
	% Determined within 13 weeks		100%	96%	73%	100%	90%	
2015/16	Determined within 13 weeks	Marine Licence Applications	94	141	91	14	340	
	Total Determined		94	174	152	14	434	
	% Determined within 13 weeks		100%	81%	60%	100%	78%	

**Table one** – Band overview

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

## Aim: Support a sustainable seafood sector

### Fisheries Management

MMO, in collaboration with Fish Producer Organisations (POs), performs a key role in supporting a sustainable seafood sector in England. This is achieved through regular review of data and activity to maximise the use of fishing quotas. During 2017/18, MMO achieved the key objective of maintaining fishing opportunities by ensuring no closures of major economic stocks and supporting an active fishing fleet to target fish stocks in line with demand and market opportunity.

The success of maintaining fishing opportunities has been supported by industry engagement to enable inshore fishers to work in partnership with MMO on decisions about how and when fishing quotas are released. This has meant that over 1,500 active inshore fishers in England have generated income from quota species only (e.g. many species are not subject to quotas) of £12.4 million, a small increase from the £12.3 million achieved in 2016.

In addition to managing quota, MMO has managed effort schemes (initiatives designed to limit the catching capacity and time at sea of certain fleet elements) so that the sustainability of various fish stocks was maintained. Through our approach to fisheries management, fishing effort uptake in the various management schemes were all within limits set for both the English and

UK fleet. This enabled MMO to flex restrictions in-year when appropriate to reflect activity and uptake levels.

This year, MMO has maintained focus on ensuring compliance with Common Fisheries Policy, initiating a number of projects designed to assess and implement changes to increase the efficiency and effectiveness of fisheries management and control activities in England. In addition, MMO has delivered on the commitment to replace and upgrade the electronic catch and sales reporting systems under the 'Proteus' Programme of work to support fishing and trading in fish.

MMO has continued to collaborate effectively in partnership with other organisations, such as the IFCA, Cefas, Royal Navy, Natural England, and the Devolved Administrations. To support intelligence, compliance and monitoring activities and the traceability of fish, MMO has strengthened its working with other partners such as the UK Border Force and the Food Standards Agency. Additionally, MMO has continued work with the National Maritime Information Centre (NMIC) and the Joint Maritime Operations Co-ordination Centre (JMOC) to support opportunities for improved at sea operations and closer operational collaboration

### European Funding

Overall, the European Maritime and Fisheries Fund (EMFF) programme in England has now approved 735 projects, committing £26.6 million in grant support with a total (project) value of £51.6 million for the fisheries and aquaculture sectors. During 2017/18, 530 projects were approved, with an EMFF award value of £18.6 million (total project value of £33.6 million). A further 210 applications have been submitted to MMO,

with a grant value of £15.7 million if approved, resulting in the scheme being almost fully subscribed after only two years of operation. The impact of these projects completing successfully will realise economic benefits such as maintaining jobs in these sectors, helping businesses to grow their turnover, ensure the long term sustainability and viability of operators.

MMO has allocated a further £3.6 million of EMFF support to six Fisheries Local Action Groups to take forward their local development strategies to benefit and develop fisheries, coastal communities and the wider supply chain infrastructure.

MMO has successfully integrated new elements of the EMFF scheme related to the collection of fisheries data and improving the

capability to support control and enforcement activities, applicable to the reformed CFP. MMO's plans for making effective use of control funding will be further developed and implemented over 2018/19. England Intermediate Body has ensured the timely approval of claims from applicants (the highest level in the UK), to safeguard against de-commitment of funds.

## Objective 5: Excellent Delivery

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

### People

To be recognised as a highly effective Public Body, during 2017/18 MMO significantly increased investment into staff development, commencing delivery of both a Leadership Development Programme and a Management Skills Programme to improve consistency, capability and effectiveness of MMO staff so that they are equipped to deliver better services. To enable flexibility of staff in service delivery, MMO has revised a number of policies and processes to improve continuity of service. This has included a refined performance management approach that tailors development to each individual and a more efficient recruitment and selection process to ensure the right

behavioural and technical skills base are introduced to the organisation.

MMO staff participate in an annual Civil Service Survey, which took place in October 2017. This year there has been marginal improvement overall, with an increasing number of staff feeling engaged with the MMO and its activities and positive in the area of Inclusion and Fair Treatment. The survey has identified some areas in which MMO need to continue progress to address, such as the way staff perceive management of change and the extent to which staff feel their ideas are valued.

### Customers and public engagement

During 2017/18, priority has been given to seeking feedback from all MMO customers and stakeholders by listening to issues that affect them. This has helped inform the improvement and delivery of services, such as improving how low risk marine licence applications are processed or how regulatory changes can be communicated more effectively, including publishing tailored guidance. MMO continues to receive good feedback on the attitude, politeness and customer service skills of its staff.

MMO's media relationships continued to improve with the majority of media coverage being positive or neutral after facts have been established, balancing the view of journalists. MMO's blog is one of the most subscribed to in Government, with subscribers reading about the seas around England and how they are managed. MMO has increased activity on social media increasing reach and opportunity for the users of its services and the wider public to comment and feedback on a range of marine-related subjects.

### Change

To ensure that the wide range of change activities happening in MMO are managed effectively, a number of programmes and projects were established. These have been developed using best practice and in support of appropriate governance and decision making, providing an effective platform for success. The number of programmes and

projects being managed in MMO will increase in 2018/19, reflecting changes needed to adapt to exiting the EU and the recovery of costs for services provided.

To enable increasingly efficient and effective regulation, MMO has published a 'Service Design Framework' that embeds principles

outlined in the Government Digital Service (GDS) standards. This framework ensures an approach that puts the customer at the

heart of services by exploring customer needs so that MMO can continue to improve services.

## Evidence and Data

During 2017/18, so that decisions are supported by a robust evidence base, MMO has continued to implement its Evidence Strategy and deliver prioritised evidence requirements through engagement with external partners. Extensive collaboration within the Defra Group and academia has enabled the significant realisation of external resources. Consequently, MMO is now involved in developing many external partnerships with the academic community. Whilst the exact value of these partnerships has yet to be quantified, it is estimated to be

in excess of £1 million of external funds. MMO's Evidence Strategy has been validated by the fact that a similar approach is being adopted by marine bodies within the Defra Group.

MMO continues to publish data and evidence on data.gov.uk to ensure wider accessibility and transparency to support informed choices. MMO has delivered a MEDIN (Marine Environmental Data and Information Network) compliant Master Data Catalogue for Marine Data and Evidence to support decision making.

## EU Exit

The decision for the UK to leave the EU has driven a need to review and revise the delivery of operational services from MMO to make sure sufficient capability is in place to assure operational readiness after EU exit. This has included the provision of MMO subject matter expertise to influence and shape the negotiating strategy and

legislative change agenda. In addition, MMO is leading projects to deliver appropriate operational capability to facilitate continued trade in sea fisheries product and to make sure sufficient control can be exerted both at sea and ashore to assure the sustainable exploitation of sea fisheries resources.

## Financial Review

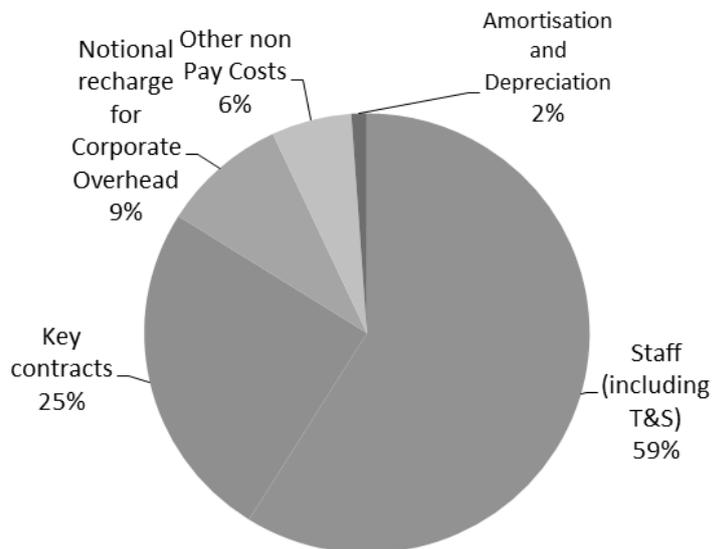
Comprehensive Net Expenditure for 2017/18 of £18.2 million represents an increase of 1 per cent from previous year (2016/17: £17.9 million). For 2017/18 MMO received additional Grant In Aid funding to support the delivery of the CSSF Blue Belt programme and in support of preparations for the UK's exit from the EU, which increased overall comprehensive net expenditure in comparison to 2016/17.

MMO's net expenditure in relation to core activities has reduced, in line with our commitment to deliver our obligations as part of Spending Review 2015 (SR15), of which 2016/17 was the first financial year. The broad approach to delivery of the SR15 commitments has been to achieve these savings and efficiencies through:

- Maximising opportunities for cost recovery and access to European funding streams to ensure we can make the best use of available funding.
- Reviewing key contracts and identifying opportunities to drive down cost whilst maintaining service delivery.
- Continued focus on improved governance, procurement and compliance information for all budget holders which will enable all staff to support the delivery of the strategic objectives through better resource planning. This included scrutiny over expenditure through the spending gateway for all procurements over £25,000.
- Better regulation commitments to reform services through the licensing improvement project.
- Investment in digitising of services.

This has created capacity to deliver the reductions required but also created opportunity for investment in the delivery of our frontline services. The recruitment of temporary and seconded staff resource to support delivery of the challenging budget savings in the final years of SR15. This has also facilitated continued investment (supported by EC funding) in the refresh our fisheries systems infrastructure, prioritising those processes that manage fisheries data to reduce costs, reduce burdens on stakeholders, improving quality and accuracy.

The chart below shows how we have allocated our gross resources by area of expenditure.



## Long term expenditure trends

Over the eight years since vesting, our Comprehensive Net Expenditure has reduced from £29.0 million (2010/11) to £18.2 million (2017/18) with an obligation to achieve further challenging savings over the remaining two years of SR15. The commitments made within SR15 will be achieved through maximising opportunities for cost recovery and through changes to our operating model to incrementally reduce the burden on Grant in Aid whilst ensuring a sustainable and targeted approach to delivery. In practice this means reforming how we deliver our services and the underlying financial structure. This will place greater emphasis on reducing the regulatory burden, greater collaborative partnerships and cost recovery to achieve outcomes.

## 1.2.2 Sustainability Report

During 2017/18 the MMO's environmental performance is assessed by measuring contribution to the targets set out in the Greening Government Commitments (GGC). The MMO has continued to work under the GGC framework during 2017/18 in line with other Government Departments and performance against these targets has been disclosed within this report.

Carbon emissions measured in tonnes of carbon dioxide emissions (tCO<sub>2</sub>e) are categorised within three scopes, which are as follows:

- **Scope one: Direct impacts** – This relates to the emissions from consumption of fuel from vehicles in the MMO Lease Car Fleet on official travel undertaken by MMO staff.
- **Scope two: Indirect Impacts** – This relates to the emissions from the consumption of gas and electricity through the MMO Estate.
- **Scope three:** This relates to the emissions from business travel undertaken by MMO staff.

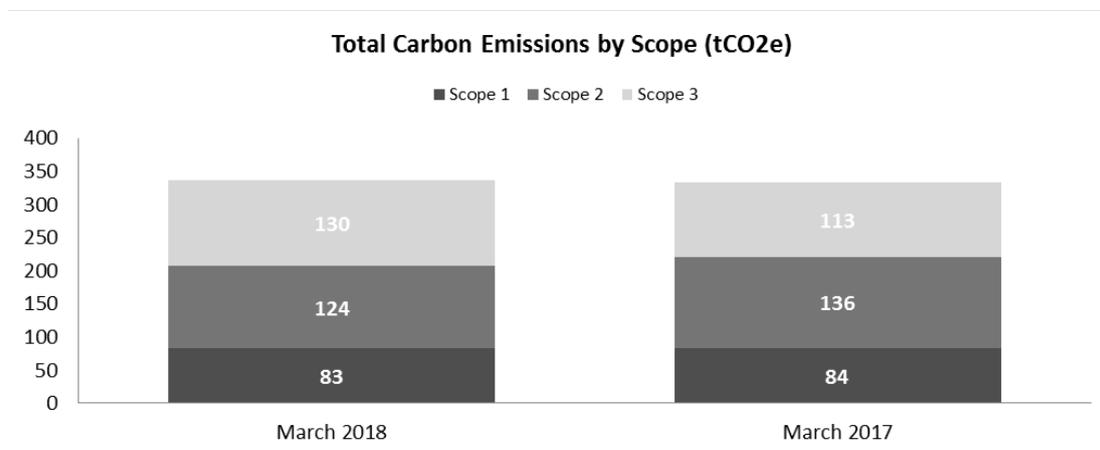
The table below shows a summary of the MMO's performance during 2017/18 compared to 2016/17:

MMO Greenhouse Gas Emissions		2017/18	2016-17 (Restated)
<b>Non-financial indicators (tCO<sub>2</sub>e)</b>	<b>Total Gross Emissions for Scope 1,2 &amp; 3</b>	<b>337</b>	<b>333</b>
	Total Net Emissions for Scope 1,2 & 3 (i.e. less reductions e.g. green tariffs)	337	333
	Gross emissions from Scope 1 (Direct Impacts)	83	84
	Gross emissions from Scope 2 (Indirect Impacts)	124	136
	Gross emissions from Scope 3 (business travel)	130	113
<b>Related energy consumption (thousand KWh)</b>	Electricity	245	253
	Gas	212	253
<b>Financial Indicators (£'000)</b>	Expenditure on energy	N/A	N/A
	CRC Licence Expenditure (2011 onwards)	0	0
	CRC Income for recycling payments	0	0
	Expenditure on accredited offsets - Woodland Trust Enterprise	0	0
	Expenditure on official business travel	575	463

At the time of preparing the final report for 2016/17, an estimate of consumption was used for the last quarter of the financial year due to lags in receiving actual information. Actual data is now available, which means that 2016/17 figures have been restated resulting in an increase of 16 tCO<sub>2</sub>e for Scope 2 emissions. Similarly, an estimate of consumption for quarter four has been used for 2017/18 until final data is received.

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

Overall, total carbon emissions of 337 tCO<sub>2</sub>e have increased by four tCO<sub>2</sub>e when compared to 2016/17 with an increase in Scope 3 emissions (business travel) being offset by a reduction in Scope 2 emissions (estates) The breakdown of emissions by scope is shown in figure one below:



During 2017/18 to support achievement of strategic outcomes, staff and stakeholder engagement related travel has increased significantly when compared to last year, increasing Scope 3 emissions (business travel). Examples included increased engagement in developing the remaining four marine plans and the Leadership Development Programme and the Management Skills Programme (ref: Performance Analysis 1.2.1). The ongoing implementation of the Defra Group Estates strategy has started to realise impacts in utility costs and consumption, reducing Scope 2 emissions (estates) in comparison to 2016/17.

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

Waste for Head Office		2017/18	2016/17 (Restated)
Non-financial indicators (t)	Total Waste	26	27
	Non-hazardous landfill	1	5
	Non-hazardous reused/recycled	15	15
	Non-hazardous incinerated	10	7
Finite Resource Consumption - Water		2017/18	2016/17 (Restated)
Non-financial indicators (m <sup>3</sup> )	Water Consumption	1,121	1,409

### Performance against GGC Targets

GGC Target (Against 2009/10 baseline)	Target	2017/18	Status
Reduce Greenhouse gas emissions by 25% from a 2009/10 baseline from the whole estate and business related transport	404 tCO <sub>2</sub> e	337 tCO <sub>2</sub> e	Achieved
Reduce the number of domestic flights by 30% by 2020.	161 flights	409 flights	Not Achieved*
Continue to improve our waste management by reducing the overall amount of waste generated	<27 tonnes	26 tonnes	Achieved

<b>GGC Target (Against 2009/10 baseline)</b>	<b>Target</b>	<b>2017/18</b>	<b>Status</b>
Continue to further reduce water consumption	<1,409m <sup>3</sup>	1,121m <sup>3</sup>	Achieved
Report on office water use against best practice benchmark	N/A	N/A	Achieved (see below)

\* The total number of domestic flights (409) recorded in 2017/18 represents a 93 per cent increase on the 2009/10 baseline. The challenge of operating across a wide geographical area, often in locations with poor mainland transport links, is evident in these results. Whilst the MMO continues to place greater use of technology and more coordinated meeting/travel arrangements to minimise reliance on domestic flights, this will continue to represent a challenge. It is necessary to balance business need, total cost of travel, staff time and wellbeing, with the impacts of delivering services to customers and stakeholders.

### Office water use against best practice benchmark

<b>Best practice benchmarks</b>	<b>Current performance against benchmarks</b>
Sites with best performance (<4m <sup>3</sup> /FTE)	0%
Sites with Good performance (4-6m <sup>3</sup> /FTE)	25%
Sites with Poor performance (>6m <sup>3</sup> /FTE)	75%

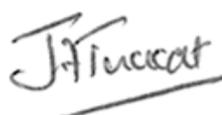
### Sustainable Procurement

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

### Environmental Management System

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

The Accounting Officer authorised this Performance Report on 4 July 2018.



### John Tuckett

Chief Executive Officer and Accounting Officer  
Marine Management Organisation



## **2. Accountability Report**



## 2.1 Corporate Governance Report

The Corporate Governance Report explains the composition and organisation of MMO's governance structures and how they support the achievement of its strategic objectives.

### 2.1.1 Directors' Report

#### Responsibility for the direction of the MMO

##### Non-Executive Board Members

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

At 31 March 2018, there were nine Non-Executive Board members in post. The following appointments were made during the year:

- Sir William Callaghan was re-appointed from 30 October 2017 to the 8 February 2018, formally ending his term of appointment as Chair on 8 February 2018;
- Hilary Florek was appointed as a Board Member on 1 January 2018; and appointed MMO Chair on the 8 February 2018;
- Robert James and Derek Langslow were re-appointed on the 31 January 2018 to the 30 April 2018; and
- Jayne Scott was re-appointed on the 31 January 2018 to the 31 July 2018.

The composition of the Board is as follows:

<b>Non-Executive Board Member</b>	<b>Role</b>	<b>Appointment date</b>	<b>End date</b>
Sir William Callaghan	Chair	01/05/2011	08/02/2018
Hilary Florek	Chair	08/02/2018	07/02/2021
Hilary Florek	Non-Executive Board Member	01/01/2018	08/02/2018
Jayne Scott	Non-Executive Board Member	01/02/2010	31/07/2018
Derek Langslow	Non-Executive Board Member	01/02/2010	30/04/2018
Robert James	Non-Executive Board Member	01/02/2010	30/04/2018
Nigel Reader	Non-Executive Board Member	01/02/2010	31/01/2019
Robin Teverson	Non-Executive Board Member	18/02/2013	31/01/2019
Andrew Wells	Non-Executive Board Member	18/02/2013	31/01/2019
Anthony Delahunty	Non-Executive Board Member	01/02/2017	31/01/2020
Terence Jagger	Non-Executive Board Member	01/02/2017	31/01/2020

The Audit and Risk Assurance Committee members are Jayne Scott (Chair), Terence Jagger and Robin Teverson.

The Remuneration Committee members are Andrew Wells (Chair), Anthony Delahunty and Robert James.

## **Interests**

During the reporting period to 31 March 2018, there were no significant interests held by any of the Non-Executive Board Members which may conflict with their responsibilities. A register of Non-Executive Board Members' interests is published on the MMO's website. Related party disclosures can be seen in note 12 to the Accounts.

## **Executive Directors**

The Chief Executive Officer and Directors have authority and responsibility for directing the activities of the MMO. The following appointments were made during the period:

- John Tuckett was re-appointed as Chief Executive Officer from 19 January 2018 to the 18 January 2019;
- Selina Stead was appointed as Chief Scientific Advisor on the 1 June 2017;
- Paul Gilliland was appointed as Acting Chief Planning Officer on the 1 July 2017 until 31 March 2018; and
- Terry Robertson was appointed as Director of Planning on the 19 March 2018.

The composition during the reporting period is as follows:

<b>Executive Member</b>	<b>Most Current Role</b>	<b>Appointment date</b>	<b>End date</b>
John Tuckett	Chief Executive Officer	19/01/2018	18/01/2019
	Chief Executive Officer	19/01/2015	18/01/2018
Steve Brooker	Chief Planning Officer	05/03/2013	30/09/2017
Michelle Willis	Director of Finance and EU	18/02/2013	-
Phil Haslam	Director of Operations	01/12/2016	-
Trudi Wakelin	Director of Marine Licensing	06/02/2017	-
Andrew Wareing	Director of Business Development and Transformation	05/12/2016	-
Selina Stead	Chief Scientific Advisor	01/06/2017	-
Paul Gilliland	Acting Chief Planning Officer	01/08/2017	31/03/2018
Terry Robertson	Director of Planning	19/03/2018	-

## **Interests**

During the reporting year to the 31 March 2018 the Chief Executive Officer/Accounting Officer and Directors held no interests outside of the MMO relating to the MMO's business.

## **Personal data related incidents**

During the reporting year to the 31 March 2018 there have been no incidents of data loss involving personal information over the reporting period that required formal reporting to the Information Commissioner's Office.

## 2.1.2 Statement of Accounting Officer's Responsibilities

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

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

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

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

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

### Disclosure of audit information to auditors

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

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

## 2.1.3 Governance Statement

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

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

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

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

### Governance within the Marine Management Organisation

As a Non-Departmental Public Body (NDPB) within the Defra Group, MMO is led by a Non-Executive Board that is responsible for setting the overall strategic direction for MMO in delivery of its strategic objectives and evaluating performance. Over the reporting period, Sir Bill Callaghan and Hilary Florek have chaired the MMO Board, with responsibility for ensuring MMO activities support the wider policies of the Secretary of State (SoS) and decisions comply with statute and any direction given by the SoS. At the 31 March 2018, the MMO Board comprised nine Non-Executive Board Members. A full list of Non-Executive Board Members is included at page 27.

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

MMO has in place financial and non-financial Schemes of Delegation, with guidance on regularity and propriety, including an Anti-Fraud and Bribery Policy and Disclosures in the Public Interest (Whistleblowing) Policy and Procedure to comply with the Public Interest Disclosure Act 1998.

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

Scientific Advisor on matters of science and evidence.

## **MMO Board and Committee activity including performance**

### **MMO Board**

The MMO Board considers standard agenda items which include the approval of previous MMO Board minutes, updates on actions; reports from myself and Directors, including health, safety and wellbeing; reports detailing performance in delivering the Action Plan; financial reporting and risk management, complemented with reports from Sub-Committees.

During 2017/18, the MMO Board considered a number of corporate matters including staff survey results; marine licensing; marine pioneer; compliance and enforcement; and fisheries statistics. In addition, a key feature of MMO Board discussion has been in relation to transformation in Defra and EU exit, whilst also considering wider strategic matters including the MMO Framework Document; future financial planning; strategic partnerships to address marine management needs; the 25 Year Environment Plan; the Conflict, Stability and Security Fund (CSSF) Blue Belt Programme; and the General Data Protection Regulation (GDPR). 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 conflicts of interest have arisen, the Chair has initiated protocols for managing sensitivities. During the year, any conflicts considered to be prejudicial in nature have been reported to the Chair in advance to allow impartial discussions and decision making to be upheld. A full register of interests is maintained and reviewed following each MMO Board meeting.

During 2017/18, the MMO Board undertook a review of its effectiveness that concluded that they were operating effectively with a small number of improvement actions identified. Additionally in quarter four, our Internal Auditor reviewed MMO Board effectiveness, governance and risk management by focussing on aspects of Leadership; Effectiveness; Accountability; and the Remuneration Committee. The audit identified a number of areas of good practice, concluding with a moderate assurance level. This reflects that there are areas for further development which will be captured in a small number of recommendations that will be delivered and monitored for completion during 2018/19.

Sir William Callaghan, MMO Chair until 8 February 2018, completed performance reviews of all Non-Executive Board members during the reporting period, taking account of performance and reflecting on individual portfolios of responsibility and discussing priorities for the future.

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

The ARAC comprises three Non-Executive Board members. The MMO Board and Accounting Officer receive ARAC minutes and reports from the ARAC Chair concerning the work of the Committee.

The ARAC provides an independent view on the appropriateness and adequacy of MMO governance, risk management and assurance processes. It provides constructive challenge and advice, taking account of risks, on the effectiveness of the MMO's control environment. The principal focus for activities is documented in its Terms of Reference, which were reviewed in April 2017.

During the reporting period, the ARAC considered a variety of items including the Internal Audit Programme; External Audit; corporate risks; risk management; the Annual Report and Accounts (interim and final); cyber security; Information and Communications Technology; and the European Maritime and Fisheries Fund.

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

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

### Remuneration Committee

The Remuneration Committee comprises three Non-Executive Board members. The Remuneration Committee met once during 2017/18. The objective of the Committee is to provide assurance to the MMO Board on the governance of Executive remuneration, contractual issues and compensation commitments: these are described in 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 MMO Board after every meeting and to produce a formal report on key business conducted at the end of each year.

### Attendance at meetings

Attendance at meetings of the MMO Board, ARAC and Remuneration Committee in 2017/18 was good.

Non-Executive Board member	Board		ARAC		Remuneration Committee	
	Meetings	Attended	Meetings	Attended	Meetings	Attended
Hilary Florek, Chair of Board from 9 February 2018		N/A		N/A		N/A
Sir William Callaghan, Chair of Board until 8 February 2018	7	7		N/A		N/A
Nigel Reader	7	6		N/A		N/A
Jayne Scott – Chair of Audit and Risk Assurance Committee	7	6	6	5		N/A
Anthony Delahunty	7	7		N/A	1	1
Robert James	7	7		N/A	1	1
Terence Jagger	7	7	6	6		N/A
Derek Langslow	7	6		N/A		N/A

Non-Executive Board member	Board		ARAC		Remuneration Committee	
	Meetings	Attended	Meetings	Attended	Meetings	Attended
Robin Teverson	7	7	6	6	N/A	
Andrew Wells, Chair of Remuneration Committee	7	6	N/A		1	1

### Data Quality to support the MMO 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 MMO Board for discussion are validated and approved by each Director for their area of responsibility; this ensures completeness, accuracy and quality so that the content of all papers is of a standard expected for MMO Board consideration. The MMO Board has not raised any specific concerns with the quality of the information provided.

### Compliance with the Corporate Governance Code

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 MMO 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 MMO Board and senior leadership; and scrutinise governance arrangements. The MMO Board is satisfied that the relevant assurance covering each of these aspects is obtained through myself and the Director of Finance and EU, supported by the Chair of the Remuneration Committee and the Audit and Risk Assurance Committee; consequently, it does not require a Nominations and Governance Committee.

### Risk, controls and compliance

MMO operates a structured risk and control framework which enables the identification, prioritisation and escalation of key strategic risks. The Delivery Review Group (DRG) is chaired by the Director of Business Development and Transformation. The DRG will scrutinise organisational progress on performance, risk management and financial management on a quarterly 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.

<p><b>Risk</b> - There is a risk that key ICT assets may not be developed and supported in the future, becoming out of date and fail leading to impacts upon the delivery of core functions</p>
<ul style="list-style-type: none"> <li>• This risk was focused on MMO business IT systems and identified to mitigate the potential for failure and to bring about capability for future improvement to meet business needs.</li> <li>• MMO is managing this risk by appointing a new Head of Marine Technology Services Management, together with identifying the single points of failure in the current mix of MMO ICT assets and shifting focus on to MMO ICT assets deemed key;</li> <li>• Additionally, we have worked to draw down from European structural funding to secure investment in key MMO ICT assets and explored business continuity with Cefas.</li> </ul>
<p><b>Risk</b> - There is a risk that the loss of suitably qualified and experienced staff may impact upon resources and organisational resilience</p>
<ul style="list-style-type: none"> <li>• This risk was focused on the MMO's people and it sought to mitigate the loss of people through increased staff retention and by being attractive as an employer.</li> <li>• This risk was managed in year by managing 'business critical' posts, analysing the motivation for staff leaving to better understand the issues and developing an MMO talent management approach;</li> <li>• Additionally, we have worked towards developing short term and medium term workforce plans; reviewed recruitment methods to reduce the time taken to recruit; and considered options for retention.</li> </ul>
<p><b>Risk</b> - There is a risk that failure to implement the entirety of the Control Regulation may lead to infraction</p>
<ul style="list-style-type: none"> <li>• This risk was focused on the MMO's responsibilities in implementing the Control Regulation and identified to mitigate the risk of potential infraction proceedings.</li> <li>• This risk was mitigated in year through the delivery of actions approved by the Commission, which has included publishing updated guidance and education for industry together with compliance checks being incorporated into local plans;</li> <li>• Additionally, our Control Capability Programme is helping to achieve Common Fisheries Policy (CFP) compliance by significantly improving the infrastructure (particularly IT systems) and the administration of the CFP in England.</li> </ul>
<p><b>Risk</b> - There is a risk that the MMO may not be operationally ready to meet the challenges posed by exiting the EU</p>
<ul style="list-style-type: none"> <li>• This risk was focused on EU exit activity linked to the MMO's remit and it sought to ensure the MMO's ability to understand and put in place procedures to meet the demands of leaving the EU.</li> <li>• MMO is addressing this risk through supporting Defra in their programme of work to take forward EU exit activity to help facilitate MMO capability, together with activities underway to coordinate people, systems and processes across the MMO as appropriate to build corporate capability;</li> <li>• Additionally, it will assess allocated funding and the impacts of the implementation period at the earliest opportunity.</li> </ul>

## Information risk management

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

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

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

Defra has been preparing for major changes to UK data protection law by revising policies, processes and systems for the handling of personal data. A central programme was responsible for overseeing readiness across the Defra group, tracking progress and working to ensure consistency. The group has a robust governance model in place, including the appointment of a joint group Data Protection Officer. The Permanent Secretary and the Defra Board have visibility of readiness and risk across the group. At an organisational level, MMO has worked to meet the requirements of the Data Protection Act 2018, and implement the Information Commissioner's Office's guidance in the context its unique systems and processes.

### **Ministerial direction**

Primary legislation relating to the domestic rollover of EU legislation will be effected through the passage of the EU (Withdrawal) Bill. The Bill will not, however, attain Royal Assent in time for Defra to begin work on building some of the new systems required to be ready for the UK's withdrawal from the EU in March 2019. To make sure this work can proceed, the Chief Secretary to the Treasury informed Parliament that departments which need to begin work early should seek a Ministerial Direction to cover the building of any 'new services', as defined under Managing Public Money. Defra, as one of the affected departments, requested and received a technical direction from the Secretary of State on 18 January 2018 to allow this implementation work to proceed for six specific projects.

### **Internal Audit**

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

### **External Audit**

There are no outstanding management issue(s) from the 2016/17 audit and all management actions were reviewed as part of the 2017/18 Interim Audit.

## **Whistleblowing**

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

## **Conclusion**

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

## **2.2 Remuneration and Staff Report (subject to audit)**

The Remuneration and Staff Report provides information on the people in MMO and sets out MMO's remuneration policy for Directors, reports on how the policy has been implemented and the amounts awarded to directors.

### **2.2.1 Remuneration Report**

#### **Terms of Reference for the Remuneration Committee**

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

The duties of the committee are to recommend to the MMO Board the policy for the remuneration and performance management of Executive Directors and the Chief Scientific Advisor. The objective of such policy is to provide Executive Directors 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 issues relating to the MMO Chief Executive Officer's remuneration are decided by the MMO Board following recommendations by the Chair. Proposals on Executive Directors' remuneration are made by the Chief Executive and considered by the Remuneration Committee, which makes a recommendation to the Board for decision. All decisions are made in accordance with the Senior Civil Service Pay Guidance issued by the Cabinet Office.

#### **Salary**

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. Bonus payments, benefits in kind and pension benefits are to be reported separately under Government Financial Reporting Manual 2017/18 guidance.

#### **Pension benefits**

##### **Cash equivalent transfer values (CETV)**

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

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

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

## Taxable expenses classified as benefits in kind

Taxable expenses classified as benefits in kind cover any business expenses incurred by the MMO to the extent that they are subject to UK taxation together with the associated tax. For 2017/18 this consists of costs of accommodation, travel and subsistence incurred by Non-Executive Board Members where the place of work in their contract is their home. MMO pay the benefit in kind for Non-Executive Board Members to HMRC as part of a PAYE settlement agreement.

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

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

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

Non-Executive Board Member	Role	Appointment date	End date	2017/18 Fee £'000	2016/17 Fee £'000	Taxable expenses classified as benefits in kind 2017/18, to nearest £100	Taxable expenses classified as benefits in kind 2016/17, to nearest £100
Hilary Florek	Non-Executive Board Member/ Chair from 08/02/18	01/01/2018	07/02/2021	10-15 (40-45 FYE)	0	100	0
Sir William Callaghan	Chair	01/05/2011	08/02/2018	30-35 (40-45 FYE)	40-45	1,400	1,700
Jayne Scott	Non-Executive Board Member	01/02/2010	31/07/2018	10-15	10-15	4,200	2,200
Derek Langslow	Non-Executive Board Member	01/02/2010	30/04/2018	10-15	10-15	1,300	2,100
Robert James	Non-Executive Board Member	01/02/2010	30/04/2018	10-15	10-15	2,400	2,600

Non-Executive Board Member	Role	Appointment date	End date	2017/18 Fee £'000	2016/17 Fee £'000	Taxable expenses classified as benefits in kind 2017/18, to nearest £100	Taxable expenses classified as benefits in kind 2016/17, to nearest £100
Nigel Reader	Non-Executive Board Member	01/02/2010	31/01/2019	10-15	10-15	2,100	2,500
Robin Teverson	Non-Executive Board Member	18/02/2013	31/01/2019	10-15	10-15	2,600	3,000
Andrew Wells	Non-Executive Board Member	18/02/2013	31/01/2019	10-15	10-15	1,000	2,000
Anthony Delahunty	Non-Executive Board Member	01/02/2017	31/01/2020	10-15	0-5 (10-15 FYE)	2,200	500
Terence Jagger	Non-Executive Board Member	01/02/2017	31/01/2020	10-15	0-5 (10-15 FYE)	1,900	300

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

## Notes

- A. Remuneration Committee members are Andrew Wells (Chair), Anthony Delahunty and Robert James.
- B. Audit and Risk Assurance Committee members are Jayne Scott (Chair), Terence Jagger and Robin Teverson.
- C. Hilary Florek was appointed MMO Board Member on the 1 January 2018; and MMO Chair on 8 February 2018.
- D. The fixed term appointment of Sir William Callaghan ended on 8 February 2018.
- E. The fixed term appointment of Jayne Scott ended on 31 January 2018, and was subsequently renewed until 31 July 2018.
- F. Fixed term appointments of Derek Langslow and Robert James ended on 31 January 2018 and were subsequently renewed until 30 April 2018.
- G. No additional paid work was carried out on behalf of the MMO by any Non-Executive Board member.

## **H. Directors' remuneration (subject to audit)**

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

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

Director	Current Role	Appointment date	End date	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
				2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
John Tuckett	Chief Executive Officer	19/01/2015	18/01/2019	120-125	120-125	5-10	5-10	0	0	50	47	180-185	175-180
Michelle Willis	Director of Finance and EU	18/02/2013		80-85	75-80	0	5-10	0	0	36	36	115-120	115-120
Phil Haslam	Director of Operations	01/12/2016		85-90	25-30 (80-85 FYE)	0-5	0	0	0	34	11	120-125	35-40
Trudi Wakelin	Director of Marine Licensing	06/02/2017		80-85	10-15 (75-80 FYE)	0	0	0	0	32	5	110-115	15-20
Andrew Wareing	Director of Business Development and Transformation	05/12/2016		80-85	20-25 (80-85 FYE)	0	0	0	0	4	6	85-90	25-30
Terry Robertson	Director of Planning	19/03/2018		0-5 (FYE 80-85)	0	0	0	0	0	1	0	0-5	0
Selina Stead	Chief Scientific Advisor	01/06/2017		10-15 (80-85 FYE)	0	0	0	0	0	5	0	15-20	0
Paul Gilliland	Acting Chief Planning Officer	01/08/2017	31/03/2018	40-45 (65-70 FYE)	0	0	0	0	0	62	0	105-110	0
Steve Brooker	Chief Planning Officer	05/03/2013	30/09/2017	50-55 (80-85 FYE)	45-50 (75-80 FYE)	0	0-5	0	0	21	19	70-75	70-75
Stuart Rogers	Chief Scientific Advisor	01/04/2016	31/03/2017	0	(70-75 FYE)	0	0	0	0	0	0	0	0

Director	Current Role	Appointment date	End date	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
				2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Craig McGarvey	Director of Business Development and Transformation (secondment)	08/06/2015	08/12/2016	0	50-55 (75-80 FYE)	0	0	0	0	0	0	0	50-55

<b>Band of highest paid executive disclosed in remuneration report (£'000)</b>	130-135	125-130
<b>Median total remuneration (£)</b>	28,133	27,557
<b>Ratio</b>	4.6	4.6

## **Fair Pay Disclosure (subject to audit)**

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

The remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and cash equivalent transfer of pensions. The banded remuneration of the highest-paid Director in the MMO in financial year 2017/18 was £130,000 to £135,000 which is higher than last year (2016/17: £125,000 to £130,000). In addition to this the median total remuneration of £28,133 has increased from last year (2016/17: £27,577) due to the effect of a one per cent increase in pay awarded to all MMO staff in July 2017 and non-consolidated performance payments. The ratio of the highest paid executive compared to the median total remuneration is 4.6 (2016/17: 4.6). The median salary used in the fair pay disclosure has been calculated using salaries for all MMO staff and an annual equivalent remuneration paid to interim staff based on the grade of post they are covering. All salaries were in a range from £18,956 to £196,560, with two staff receiving an annual equivalent salary in excess of the highest paid director.

Overall performance has been assessed against work objectives, the MMO core competence framework and role profiles. Bonus payments for each of the performance years have been made as a non-consolidated pay award where an individual has been awarded an exceeded mark. Bonuses awarded in the 2017/18 year are in respect of performance in the 2016/17 year.

### **Notes**

- A.** Steve Brooker, Chief Planning Officer, left the MMO on 30 September 2017.
- B.** Paul Gilliland was appointed acting Chief Planning Officer from 1 August 2017 to 31 March 2018.
- C.** Selina Stead was appointed Chief Scientific Advisor on 1 June 2017.
- D.** Terry Robertson was appointed Director of Planning on 19 March 2018.

## Directors' Pension benefits (subject to audit)

Executive Group Member	Real increase in pension (£'000)	Real increase in lump sum (£'000)	Value of pension at 31/03/2018 (£'000)	Value of lump sum at 31/03/17 (£'000)	CETV at 01/04/17 (£'000)	Real increase in CETV (£'000)	CETV at 31/03/18 (£'000)
John Tuckett	2.5 - 5	0	5 - 10	0	108	41	156
Phil Haslam	0 - 2.5	0	0 - 5	0	7	16	30
Steve Brooker	0 - 2.5	0	10 - 15	0	154	13	176
Michelle Willis	0 - 2.5	0	20 - 25	0	264	17	300
Trudi Wakelin	40 - 42.5	0	40 - 45	0	3	0	638
Andrew Wareing	0 - 2.5	0 - 2.5	30 - 35	90 - 95	610	3	654
Selina Stead	0 - 2.5	0	0 - 5	0	0	3	3
Terry Robertson	0 - 2.5	0	5 - 10	0	58	0	59
Paul Gilliland	2.5 - 5	5 - 7.5	20 - 25	60 - 65	353	44	425

## Pensions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS).

## 2.2.2 Staff Report

### Staff Costs and Numbers (subject to audit)

	2017/18 Permanently employed £'000	2017/18 Others £'000	2017/18 Total £'000	2016/17 Total £'000
Wages and salaries	9,635	1,388	11,023	9,913
Pension costs	1,958	0	1,958	1,753
Social security costs	971	0	971	889
<b>Total Staff Costs</b>	<b>12,564</b>	<b>1,338</b>	<b>13,952</b>	<b>12,555</b>

All of the MMO's permanently employed staff are public servants. Others include staff on inward secondments from other government departments and temporary agency staff. Temporary staff are appointed for short term work through the Crown Commercial Framework Agreements. Expenditure on consultancy is not reflected in the numbers above which in 2017/18 was nil (2016/17: nil) as shown in note 3 on page 67 of the financial statements.

Average Number of Full Time Equivalent Staff	2017/18 Number of people	2016/17 Number of people
Directly Employed	294	280
Inward Secondments	2	6
Interim Managers/Specialist Contractors	8	5
Temporary Agency Staff	10	8
<b>Total</b>	<b>314</b>	<b>299</b>

### Pensions

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

From 1 April 2017 to 31 March 2018, employers' contributions of £1,916k were payable to the PCSPS (2016/17: £1,765k) at one of four rates in the range of 20.0 per cent to 24.5 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 the period under review, to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £10k were paid to one or more of the

panel of three appointed stakeholder pension providers (2016/17: £9k). Employer contributions are age-related and range from eight per cent to 14.75 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £1k, under 1 per cent 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 (2016/17: none). Ill health retirements are met by the pension scheme and are not included in the table above.

### Staff composition

The composition of MMO staff at 31 March 2018 is shown in the table below:

	<b>Male FTE</b>	<b>Female FTE</b>	<b>Total FTE</b>
CEO (SCS 2 level or equivalent)	1	0	1
Director (SCS 1 level or equivalent)	3	2	5
Other Staff	160	136	296
<b>Total</b>	<b>164</b>	<b>138</b>	<b>302</b>

### Sickness absence data

During the period to 31 March 2018 the average number of sickness days for our staff was 4.5 days (2016/17: 3.5 days).

### Equality and Diversity

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

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

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

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

## Other employee matters

The MMO is accredited at Disability Confident Level 2 and are working towards Level 3 accreditation. We have reported our gender pay gap in line with national requirements and have instigated an action plan to address the relatively small published gap.

The MMO participates in the annual Civil Service People Survey and has an employee forum to address opportunities to increase employee engagement.

The MMO is committed to health, safety and wellbeing of all workers and holds regular initiatives, including health drop in centres, mental health support teams, and has an employee assistance programme. In addition a quarterly programme board is held and sponsored by an MMO Director.

The MMO has a constructive and proactive relationship with our recognised Trade Unions (TU) supported by a partnership agreement, and a quarterly partnership forum. The MMO regularly consults with TU in employment matters.

The MMO participates in Defra group and government talent schemes for example positive action pathways, including significant investment in leadership and management training over the past 12 months and continues to utilise apprenticeship funding streams to enhance career development and social mobility.

The MMO pay policy complies with government pay remit guidelines.

## Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 are effective the 1 April 2017 and require the MMO to publish information in relation to Trade Union Facility Time for 2017/18.

### Table 1

#### Relevant union offices

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	<i>Full-time equivalent employee number</i>
5	5

### Table 2

#### Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	2
1-50%	3
51%-99%	0
100%	0

**Table 3****Percentage of pay bill spent on facility time**

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time (£'000)	14
Provide the total pay bill (£'000)	13,952
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.1%

**Table 4****Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0%
--	----

**Off-payroll engagements**

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

<b>Off-payroll engagements as of 31 March 2018, for more than £220 per day and that last for longer than six months:</b>	<b>Total</b>
Existing at 31 March 2018	10
Existed for less than one year at the time of reporting	9
Existed for between one and two years at the time of reporting	1

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

## 2.3 Parliamentary Accountability and Audit Report

The Parliamentary Accountability and Audit Report brings together the key accountability documents, detailing the regularity of expenditure, so that Parliament can be assured that funds have been expended in the manner intended.

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

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

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

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

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

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

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

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

For the financial year to the 31 March 2018, the MMO can report that there were no losses, special payments or gifts incurred during the year to date which exceeded £300k.

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

Information in respect of Fees and Charges can be seen in note 4 to the Accounts.

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

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

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

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

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

Information in respect of long-term expenditure trends can be seen in the 'Financial Review' at pages 21-22.

The Accounting Officer authorised this Accountability Report on 4 July 2018.



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

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Marine Management Organisation for the year ended 31 March 2018 under the Marine and Coastal Access Act 2009. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Marine Management Organisation's affairs as at 31 March 2018 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 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Marine Management Organisation in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Marine and Coastal Access Act 2009.

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

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

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

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

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

## **Other Information**

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

## **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Marine and Coastal Access Act;
- in the light of the knowledge and understanding of the Marine Management Organisation and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

## **Report**

I have no observations to make on these financial statements.

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

**Date: 9 July 2018**

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



### **3. Financial Statements**



**Statement of Comprehensive Net Expenditure for the year ended  
31 March 2018**

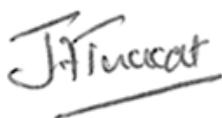
	<b>Note</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
<b>Expenditure</b>			
Staff Costs	2	13,952	12,555
Other Expenditure	3	11,412	11,129
<b>Total Expenditure</b>		<b>25,364</b>	<b>23,684</b>
<b>Income</b>			
Total Income	4	(7,119)	(5,753)
<b>Net Operating Expenditure</b>		<b>18,245</b>	<b>17,931</b>
<b>Other Comprehensive Net Expenditure</b>			
Net (Gain) / Loss on revaluation of Intangibles	5	(56)	0
<b>Comprehensive Net Expenditure</b>		<b>18,189</b>	<b>17,931</b>

The notes on pages 60 to 74 form part of these accounts.

## Statement of Financial Position at 31 March 2018

	Note	31 March 2018		31 March 2017	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment		130		12	
Intangible assets	5	579		764	
<b>Total non-current assets</b>			<b>709</b>		<b>776</b>
<b>Current assets:</b>					
Trade and other receivables	6	3,778		3,587	
Cash and cash equivalents	7	2,350		622	
<b>Total current assets</b>			<b>6,128</b>		<b>4,209</b>
<b>Total assets</b>			<b>6,837</b>		<b>4,985</b>
<b>Current liabilities:</b>					
Trade and other payables	8	(6,250)		(3,995)	
Provisions		(195)		(216)	
<b>Total current liabilities</b>			<b>(6,445)</b>		<b>(4,211)</b>
<b>Total assets less current liabilities</b>			<b>392</b>		<b>774</b>
<b>Non-current liabilities:</b>					
Other payables	8	0		0	
<b>Total non-current liabilities</b>			<b>0</b>		<b>0</b>
<b>Total assets less total liabilities</b>			<b>392</b>		<b>774</b>
<b>Taxpayers' equity and other reserves:</b>					
General reserve			348		711
Revaluation reserve			44		63
<b>Total equity</b>			<b>392</b>		<b>774</b>

The Accounting Officer authorised these Financial Statements on 4 July 2018.



**John Tuckett**  
**Chief Executive Officer and Accounting Officer**  
**4 July 2018**

The notes on pages 60 to 74 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2018

	Note	2017/18 £'000	2016/17 £'000
<b>Cash flows from operating activities</b>			
Net Operating Expenditure		(18,245)	(17,931)
Adjustment for notional corporate recharge	3	2,307	2,746
Adjustments for depreciation and amortisation	3	285	326
Adjustment for net gain on revaluations of PPE and Intangibles		(5)	0
Adjustments for non-cash transactions	3	0	(119)
(Increase)/decrease in trade and other receivables	6	(191)	(918)
Increase/(decrease) in trade payables and other liabilities	8	2,255	(1,271)
(Increase)/decrease in payables relating to IFRIC 12		0	205
Use of provisions		(21)	(264)
<b>Net cash outflow from operating activities</b>		<b>(13,615)</b>	<b>(17,226)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant and Equipment		(157)	(183)
<b>Net cash outflow from investing activities</b>		<b>(157)</b>	<b>(183)</b>
<b>Cash flows from financing activities</b>			
Grant from Defra		15,500	16,981
Capital element of payments in respect of finance leases		0	(71)
<b>Net financing</b>		<b>15,500</b>	<b>16,910</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	7	<b>1,728</b>	<b>(499)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>622</b>	<b>1,121</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>2,350</b>	<b>622</b>

The notes on pages 60 to 74 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	Note	General Reserve £'000	Revaluation Reserve £'000	Total £'000
<b>Balance at 31 March 2016</b>		<b>(1,091)</b>	<b>69</b>	<b>(1,022)</b>
<b>Changes in Taxpayers' Equity for 2016/17</b>				
Grants from parent department		16,981	0	16,981
Notional corporate recharges		2,746	0	2,746
Net gain / (loss) on revaluation of intangible assets		0	0	0
Transfers between reserves		6	(6)	0
Comprehensive Net Expenditure for the year		(17,931)	0	(17,931)
<b>Balance at 31 March 2017</b>		<b>711</b>	<b>63</b>	<b>774</b>
<b>Changes in Taxpayers' Equity for 2017/18</b>				
Grants from parent department		15,500	0	15,500
Notional corporate recharges	3	2,307	0	2,307
Net gain on revaluation of PPE and Intangible assets		0	56	56
Transfers between reserves		75	(75)	0
Comprehensive Net Expenditure for the year		(18,245)	0	(18,245)
<b>Balance at 31 March 2018</b>		<b>348</b>	<b>44</b>	<b>392</b>

The notes on pages 60 to 74 form part of these accounts.

## **Notes to the Accounts**

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

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

These accounts are for the year ended 31 March 2018 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 2017/18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marine Management Organisation (MMO) for the purpose of giving a true and fair view, has been selected.

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

#### **1.2 Accounting convention**

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

#### **1.3 Going concern**

The accounts have been prepared on a going concern basis. In common with other Non Departmental Public Bodies (NDPBs) within the Defra group, the future financing of the MMO's liabilities is accordingly to be met by future supplies of grant-in-aid and the application of future income, both to be approved annually by Parliament. Approval for amounts required for 2018/19 are to be confirmed and there is no reason to believe that future approvals will not be forthcoming. As part of the Governments' commitment to increase transparency and accountability of public services, Defra completed a review of its arm's length bodies in October 2010, and confirmed that the MMO will be retained as an executive NDPB, on the grounds of performing a technical function which should remain independent.

#### **1.4 Operating Segments**

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

## 1.5 Non-current assets

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

## 1.6 Revaluation

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

## 1.7 Depreciation and amortisation

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

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

## 1.8 Impairment

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

## 1.9 Employee benefits

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

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

legal or constructive obligation to make such payments, as a result of past events, exists and a reliable estimate can be made.

### **1.10 Grants and subsidies**

The MMO has a role designated by the Secretary of State as the UK European Maritime Fisheries Fund (EMFF) Managing Authority and the Intermediate Body for England. Through the management of this structural fund the MMO will carry out duties in the capacity as Agent for Defra, as the Principal. EMFF grant expenditure and the funding amounts reclaimed from the European Commission (EC) feature in Defra's Resource Accounts. The Defra Resource Accounts include only those transactions which are in relation to the activities of the England Intermediate Body. Cash payments from the England Intermediary Body to EMFF grant recipients are transacted through MMO and may therefore be included in Cash and Trade Payables balances at 31 March 2018 (note 7 and note 8).

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

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

### **1.11 Other Expenditure**

From April 2015 arrangements for paying corporate overheads moved to a notional recharge basis. The notional Corporate Overhead Recharge, which is calculated by Defra, includes expenditure relating to estates management and the elements of the IBM Service Concession Arrangement which were previously recognised separately in 'Other Expenditure'.

### **1.12 Income**

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

- 1) From 6 April 2014, fees and charges have been issued in accordance with the Marine Licensing (Application Fees) Regulations 2014, supported by powers on the MCAA 2009. This statutory instrument revised by Regulation allows charging for marine licence activity on a band basis, depending on the criteria of an application, as follows:

- i) Band 1, Band 2a and Band 2b are charged up to maximum fee caps, with fees payable in full in advance, and are recognised at the point of receipt.
  - ii) From July 2017 Band 1 was replaced by a Fast Track application process with the fixed fee rate of £50, payable in advance, which is recognised at the point of receipt.
  - iii) Band 2c, 2d and 2e are hourly fees charged up to maximum fee caps, invoiced in arrears, and are recognised on an accruals basis.
  - iv) Band 3 are uncapped hourly fees, invoiced in arrears and are recognised on an accruals basis.
- 2) The Public Bodies (Marine Management Organisation) (Fees) Order 2014 (made under section 4 of the Public Bodies Act 2011) sets out the charging regime for monitoring, variation and review of marine licences.
  - 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 and assessment of monitoring results income is recognised over the time period of the reviews.

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

In implementing the marine licensing fees regime, the MMO has set its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money", with the financial objective of recovering all recoverable costs of providing the service. Income note 4 reports the cost under recovery.

## **1.13 Provisions**

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

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

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

## **1.15 Contingent liabilities and remote liabilities**

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

## **1.16 Financial instruments**

### **1.16.1 Financial assets**

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

### **1.16.2 Financial liabilities**

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

### **1.16.3 Derivative financial instruments and hedging**

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

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

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

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

IFRS 15 – Revenue from Contracts with Customers. This is effective from the first accounting period after 1 January 2018, with public sector FReM implementation from 1 April 2018. This standard replaces all existing IFRS guidance on revenue recognition. An assessment of the impact of IFRS 15 on MMO’s revenue streams has been completed and the impact on the financial statements is not expected to be material.

IFRS 9 – Financial Instruments. This is effective from 1 January 2018, with public sector FReM implementation from the 1 April 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting. An assessment of the impact of IFRS 9 on MMO’s financial statements has been completed and is not expected to be material.

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

## Note 2 Staff numbers and related costs

	2017/18 Permanently employed £'000	2017/18 Others £'000	2017/18 Total £'000	2016/17 Total £'000
Wages and salaries	9,635	1,388	11,023	9,913
Pension costs	1,958	0	1,958	1,753
Social security costs	971	0	971	889
<b>Total Staff Costs</b>	<b>12,564</b>	<b>1,388</b>	<b>13,952</b>	<b>12,555</b>

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

Information relating to senior MMO staff salaries and other benefits in kind is disclosed within the Remuneration Report from page 37 of the Annual Report. Information relating to staff numbers and other staff information is included within the Staff Report from page 45.

### Note 3 Other expenditure

	Note	2017/18 £'000	2016/17 £'000
CEFAS Scientific Support for Marine Environment Work		2,468	3,180
Aerial, Surface and Satellite Surveillance		1,756	1,797
Travel, Subsistence and Hospitality		929	1,057
Technical Services		761	0
Other ICT		725	541
Data and Evidence		445	229
Shared Services (SSCL)		353	355
Training		338	177
Other Programme Costs		268	251
Audit Fees - Internal Audit (Defra)		183	103
Prosecutions and Legal Services		175	232
Rentals payable under operating leases		150	29
Data Collection Framework		141	147
Grant Expenditure		110	202
Audit Fees - External Audit (National Audit Office)		44	47
EU Aid		0	93
Consultancy Charges		0	0
<b>Non-cash</b>			
Corporate Overhead Recharge		2,307	2,746
Amortisation	5	246	302
Provisions provided for in period		90	0
Depreciation		39	24
Gain on revaluation		(5)	0
Utilisation of provision		(50)	(132)
Provisions not required and written back		(61)	(132)
IBM Service Concession Arrangement		0	(119)
<b>Total</b>		<b>11,412</b>	<b>11,129</b>

## Note 4 Income

	2017/18 £'000	2016/17 £'000
Marine Licences (Marine and Coastal Access Act 2009)	3,260	3,383
European Maritime Fisheries Fund	3,321	1,987
Other Income	538	12
Blue Belt Income	0	194
EU Data Collection	0	97
EU Aid for Fisheries Enforcement	0	60
Professional Training	0	13
Disposal Levy	0	7
<b>Total Programme Income</b>	<b>7,119</b>	<b>5,753</b>

### Fees and charges (recovered costs)

Financial objective 2017/18	Income £'000	Full Cost £'000	(Deficit) £'000
Marine Licences (Marine and Coastal Access Act 2009)	3,260	4,193	(933)
	<b>3,260</b>	<b>4,193</b>	<b>(933)</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.

From 6 April 2014, fees and charges have been issued in accordance with the Marine Licensing (Application Fees) Regulations 2014, supported by powers on the MCAA 2009. This statutory instrument revised by Regulation allows charging for marine licence activity on a band basis, using either a capped (Band 1, Band 2) or hourly charge (Band 3) depending on the criteria of an application.

In July 2017, Band 1 was replaced by Self Service licences at a fixed fee of £50 per licence; which enabled immediate access to licences for projects which met certain key criteria but were low risk and value.

All of the MCAA 2009 marine licensing income recognised in the period to 31 March 2018 relates to the implementation of the 2014 charging instrument and of this £192k related to navigational dredging and £654k for monitoring and varying marine licences under the new powers of Order to the Public Bodies Act 2011 effective from 1 October 2014.

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

The cost recovery deficit of £933k relating to MCAA 2009 marine licences has materialised because the cost of MMO undertaking these activities now exceed the fee rate set in

within the current statutory instrument which restrict MMO ability to recover all recoverable costs, where appropriate.

## Note 5 Intangible assets

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
<b>Cost or valuation</b>			
At 1 April 2017	4,015	183	4,198
Additions	0	0	0
Transfers (Completed / Capitalised CIP)	183	(183)	0
Revaluation	335	0	335
<b>At 31 March 2018</b>	<b>4,533</b>	<b>0</b>	<b>4,533</b>
<b>Amortisation</b>			
At 1 April 2017	3,434	0	3,434
Charged In period	246	0	246
Revaluation	274	0	274
<b>At 31 March 2018</b>	<b>3,954</b>	<b>0</b>	<b>3,954</b>
<b>Net Book Value at 1 Apr 2017</b>	<b>581</b>	<b>183</b>	<b>764</b>
<b>Net Book Value at 31 March 2018</b>	<b>579</b>	<b>0</b>	<b>579</b>

	Software & Licences £'000	Construction in Progress £'000	Intangible Assets £'000
<b>Asset Financing</b>			
Owned	579	0	579
On-balance sheet (SoFP) other service concession arrangements	0	0	0
<b>Net Book Value at 31 March 2018</b>	<b>579</b>	<b>0</b>	<b>579</b>

Internally generated intangible assets classified as construction in progress are development costs for new information systems. Development of new Marine Case Management System functionality was transferred into use during the period to 31 March 2018.

The last revaluation of intangible assets was carried out on 31 March 2018.

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

	<b>Software &amp; Licences £'000</b>	<b>Construction in Progress £'000</b>	<b>Intangible Assets £'000</b>
<b>Asset Financing</b>			
Owned	581	183	764
On-balance sheet (SoFP) other service concession arrangements	0	0	0
<b>Net Book Value at 31 March 2016</b>	<b>581</b>	<b>183</b>	<b>764</b>

## Note 6 Trade receivables and other current assets

	2017/18 £'000	2016/17 £'000
<b>Amounts falling due within one year</b>		
Trade Receivables	893	1,035
Bad Debt	(120)	(170)
Other taxation and social security	30	86
Prepayments and Accrued Income	1,107	1,202
Prepayments and Accrued Income (EU)	1,868	1,434
<b>Total due within one year</b>	<b>3,778</b>	<b>3,587</b>

There were no receivables falling due after more than one year at 31 March 2018 (31 March 2017: nil).

## Note 7 Cash and cash equivalents

	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April 2017</b>	<b>622</b>	<b>1,121</b>
Net changes in Cash and Cash Equivalent balances	1,728	(499)
<b>Balance at 31 March 2018</b>	<b>2,350</b>	<b>622</b>

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

£1,078k of the cash balance at 31 March 2018 relates to funding for European Maritime Fisheries Fund grant recipients (31 March 2017: £15k). An equivalent amount is also held within trade payables.

## Note 8 Trade payables and other current liabilities

	2017/18 £'000	2016/17 £'000
<b>Amounts falling due within one year</b>		
Trade Payables	1,286	342
Other taxation and social security	475	433
Accruals and Deferred Income	2,663	2,137
Other Payables:		
Defra Network	1,203	1,083
Aerial & Surface Surveillance	623	0
<b>Total due within one year</b>	<b>6,250</b>	<b>3,995</b>

There were no payables falling due after more than one year at 31 March 2018 (31 March 2017: nil).

## Note 9 Commitments under leases

### Operating leases

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

	31 March 2018 £'000	31 March 2017 £'000
<b>Buildings</b>		
Not later than one year	358	348
Later than one year and not later than five years	415	636
	<b>773</b>	<b>984</b>
<b>Other</b>		
Not later than one year	67	85
Later than one year and not later than five years	80	114
	<b>147</b>	<b>199</b>

As at 31 March 2018, 27 cars were leased over a period of four years which is reflected in the other operating lease commitments above.

## Note 10 Other financial commitments

The MMO entered into non-cancellable contracts (which are not leases or PFI contracts) as detailed below. The payments to which the MMO were committed at 31 March 2018, analysed by the period during which the commitment expires, are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	1,348	2,011
Later than one year and not later than five years	2,589	3,048
Later than five years	596	821
<b>Total present value of obligations</b>	<b>4,533</b>	<b>5,880</b>

The MMO's key commitments include contracts relating to the provision of aerial, surface and satellite surveillance services.

## Note 11 Contingent liabilities

The MMO has no contingent liabilities at 31 March 2018 (31 March 2017: Nil).

## Note 12 Related party transactions

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

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

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

Board Member / Senior Staff	Corporate Related Body	Role	Total payments made (Goods & Services) £'000	Total income received £'000	Amount owed by MMO at 31 March 2018 £'000	Amount owed to MMO at 31 March 2018 £'000	Bad Debt at 31 March 2018 £'000
Sir William Callaghan	Royal National Lifeboat Institute	Chair	0	26	0	13	0
Nigel Reader	Natural England	Board Member	12	0	0	0	0
Nigel Reader	Environment Agency	In receipt of pension	30	62	7	26	7
Nigel Reader	Department for Environment, Food and Rural Affairs	Audit and Risk Assurance Committee Member	57	61	50	47	0

No Non-Executive Board Member or member of the Executive Group has undertaken any material transactions with MMO constituting an interest which needs to be declared. Further information on Non-Executive Board Members and Directors can be found in the Remuneration Report from page 37.

## Note 13 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 2017/18, the MMO received fishing administrative penalties imposed by English or Welsh courts on owners of fishing vessels in accordance with Sea Fishing (Penalty Notices) (England) Order 2011 SI 2011 No 758. MMO acts as custodian, however, it has no direct beneficial interest, therefore these monies are not included in the Accounts and will be transferred to HM Treasury as consolidated fund extra receipts once they are six months old.

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

The amounts are set out in the table below:

<b>Monetary assets and monies on deposit</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Court Costs	132	142
Fishing Admin Penalties	22	120
Bonds	0	2
<b>Total</b>	<b>154</b>	<b>264</b>

#### **Note 14 Events after the reporting date**

There have been no events after the reporting date requiring an adjustment to the accounts. In accordance with the requirements of IAS 10, events after 31 March 2018 are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Comptroller and Auditor General's Audit Certificate.



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