



Marine and Fisheries Agency

**Annual Report and Accounts**

for the financial year ended 31 March 2009



**Marine and Fisheries Agency  
Annual Report and Accounts  
for the financial year ended  
31 March 2009**

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# Contents

## Newlyn Harbour



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## Chief Executive's Foreword



### **Welcome to our Annual Report and Accounts for 2008-09.**

The Marine and Fisheries Agency (MFA) is one of the Department for Environment, Food and Rural Affairs' (Defra) main delivery bodies for achieving its strategic priorities for the marine environment and sea fisheries. We are at the heart of the Government's agenda for marine environment and sea fisheries as regulator and delivering frontline services to our wide range of customers.

This past year has been extremely busy, challenging and eventful. A key priority for the Agency has been to work closely with Defra and our delivery network partners on the development of a new Marine and Coastal Access Bill which was introduced to Parliament

in December 2008. This is an important and significant development for the MFA which impacts across our delivery responsibilities and introduces new functions. The Bill creates a new framework for management of the seas, based on marine planning, that balances conservation, energy and resource needs. It also seeks to modernise and strengthen the way fisheries are managed; simplify and streamline the regulation and licensing of marine activities; improve marine nature conservation; and create a new Non-Departmental Government Body – the Marine Management Organisation (MMO).

It is intended that the MFA will form the core of the new MMO and will build on our work to make a unique contribution to sustainable development. It will do this by bringing together the delivery of many marine functions of the UK Government within a single independent body including strategic planning, fisheries management, marine licensing and nature conservation enforcement.

Much of the past six months was focused on preparing for the establishment of the new MMO and implementation of those parts of the Bill that would be delivered by the new body. An important aspect of this work was to ensure there will be a smooth transition to the new organisation, building on our skills, people and systems to deliver what is required now and for the future.

In February, it was announced that the MFA headquarters would be relocated from London to Tyneside and, subject to the passage of the Bill, the new headquarters will also form the headquarters for the new MMO. We have been working hard to deliver on this important change for the Agency. A key priority for us is to ensure that we maintain high standards of service to all our customers during this important time and the latter part of the year has focused on putting in place robust plans to ensure this happens.

In our headquarters and throughout our 18 offices around the coast we continued to deliver across our wide range of services and functions. This Report highlights many of our important activities and the challenges we faced. There are many other areas of our work where our people have made a real difference over the past year and I would like to take this opportunity to thank everyone in the Agency for their professionalism, enthusiasm, commitment and hard work.

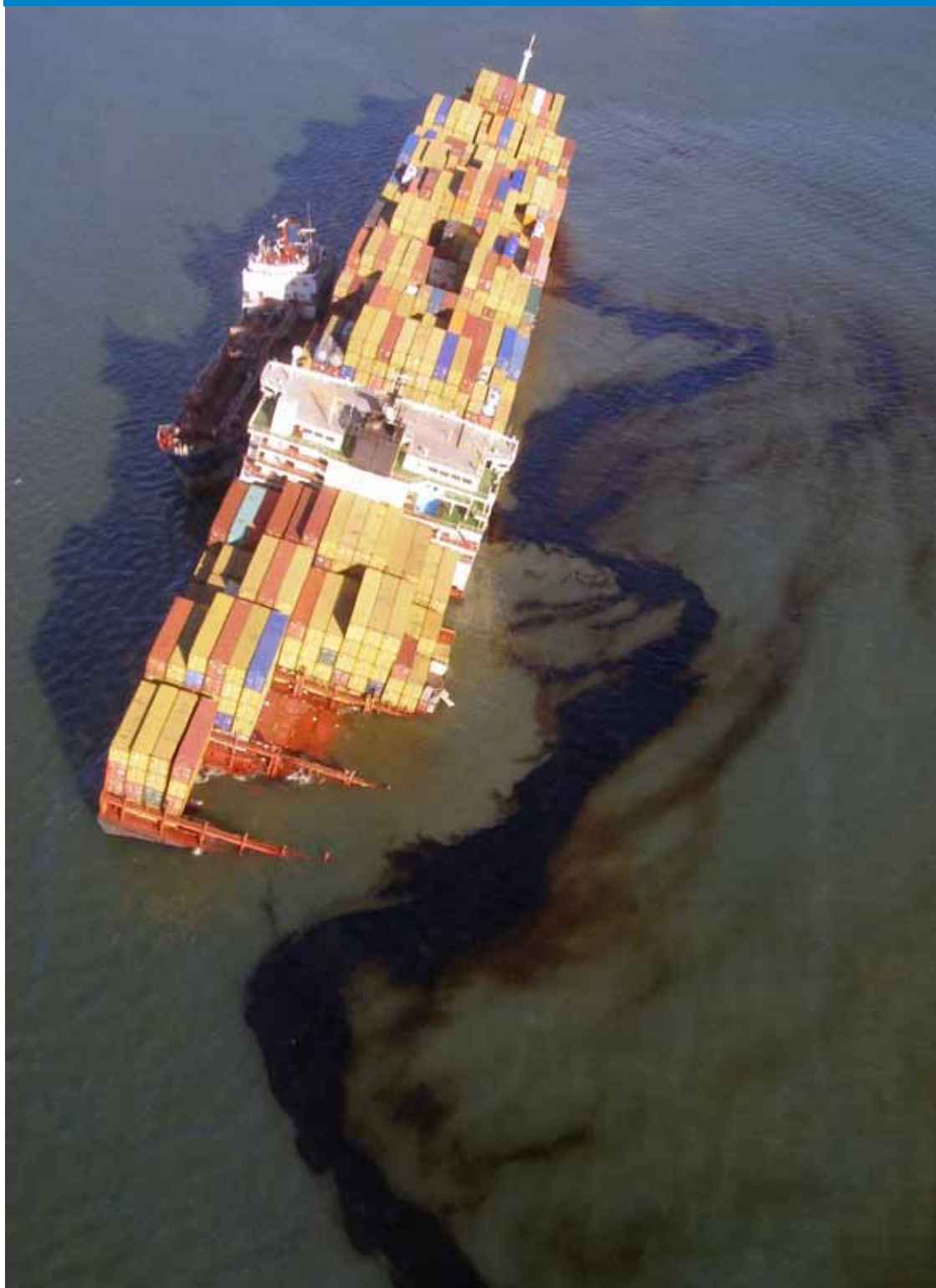
I have been immensely proud to lead the Marine and Fisheries Agency since 2005. We have tremendously talented and dedicated people who work incredibly hard to deliver the Government's objectives for the marine environment and sea fisheries and to provide effective services to our customers. These qualities will provide a firm basis for the successful management and delivery of marine and sea fisheries in the future.

Nigel Gooding  
Chief Executive  
24 June 2009



# Management Commentary

## The Wreck of HMS Napoli





## MANAGEMENT COMMENTARY

The Marine and Fisheries Agency in 2008-09

### Geographical coverage and place of business

The Marine and Fisheries Agency (MFA) is an Executive Agency established by the Department for Environment, Food and Rural Affairs (Defra). During 2008-09 the Agency provided fisheries and marine environment services to Defra in England, to the National Assembly for Wales in Wales under the MAFF:WAG<sup>1</sup> Concordat and occasionally to other territories by agreement with the relevant governments.

The Agency is accountable to Parliament through Ministers including the Rt. Hon. Hilary Benn MP the Secretary of State for Environment, Food and Rural Affairs.

The Agency's operational activities during the period were carried out at our London headquarters site (Whitehall Place, London SW1A 2HH), at 18 locations around the coast of England, at fish markets and premises of fish processors and traders, at coastal construction sites and at sea.

The Agency is at the heart of the Government agenda for the marine environment and sea fisheries management. We are one of Defra's main delivery bodies for achieving its strategic priorities for the marine environment and sea fisheries. The Agency is a key partner in helping Defra to achieve its vision for "clean, healthy, safe, productive and biologically diverse seas."

This report highlights some of the principal activities and functions undertaken by the Agency in fulfilling its responsibilities towards helping Government achieve its direction and vision.

### Principal delivery functions

The main delivery functions of the Agency during the financial year were:

- Licensing and monitoring of coastal and marine developments and activities to protect the marine environment and secure benefits from its use,
  - marine consents and licensing of marine works, offshore renewables and marine minerals;
  - monitoring and enforcement of consented and unlicensed marine works and aggregate extraction;
  - approving chemical use at sea and on the shoreline to treat oil spills;
  - ensuring that those responding to maritime pollution incidents take marine fisheries and marine environmental impacts properly into account;
- Protection of rare and valuable marine species and habitats,
  - monitoring, control and enforcement of the Offshore Marine Conservation Regulations which extend the protection of important marine species and habitats under the Birds and Habitats Directive beyond UK territorial waters;
- Effective management and regulation of sea fisheries to secure a sustainable future,

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<sup>1</sup> Ministry of Agriculture, Fisheries and Food (from which Defra was created in 2001); Welsh Assembly Government

- monitoring and control of fishing activities under the Common Fisheries Policy;
- enforcement of sea fisheries legislation – taking appropriate action where infringements in fishing activities have been detected (including the use of fixed administrative penalties when these are introduced);
- management of fleet capacity, fishing vessel licensing and management of fisheries quotas;
- implementation of EU marketing regime;
- biological sampling of fish stocks;
- helping to deliver the Fisheries Challenge Fund to fund one-off science projects suggested by stakeholders;
- Supporting the economic development and sustainability of marine fisheries industries,
  - delivery, through the European Fisheries Fund and Financial Instrument for Fisheries Guidance (FIFG) grants schemes, of a more sustainable and profitable industry and coastal communities;
  - ensure compliance with economic links provisions which ensures that fishing vessels registered in the UK contribute to economies of UK fishing communities;
- Management, recording and provision of data on fishing activities and catches,
  - National co-ordination of Data Collection Regulation (EC) 1543/2000 (before 1 January 2009) and Regulation (EC)199/2008 (from 1 January 2009); and
- Provision of advice and guidance to all areas of the fishing industry to encourage compliance with regulations.

These functions continue into 2009-10. Further information on our plans for 2009-10 and the resources we are applying to our activities is outlined in our Business Plan.

#### Highlights of the main activities and successes during the year.

##### Monitoring and control of sea fisheries

The MFA has been proactive in ensuring that fish stocks are being fished in a sustainable way and that the industry is complying with fishery regulations. This has been achieved by trying to work with the industry on solutions as well as through enforcement when required. In November 2008 the MFA introduced new measures to protect sole stocks in the Western Channel. Skippers of vessels holding special sole permits and using beam trawls now have to decide whether they want to fish inside or outside the International Council for the Explorations of the Seas (ICES) sole recovery area VIIe, in the Western Channel, on any individual trip. The MFA considers that the new licence condition is necessary to safeguard this stock and to ensure that catches of sole caught in the Western Channel are fully recorded to the correct sea area. The new measures are being kept under review.

##### Administrative Penalties

A new Fixed Penalty system was introduced in April 2008 which offers fishermen and owners a penalty notice instead of criminal prosecution in the courts for EU fishery offences. British Sea Fishery Officers now have powers in England and Wales to issue penalty notices on the decision of the Marine and Fisheries Agency. Penalty notices are designed to be a quicker, simpler alternative to criminal proceedings, and to reduce the administrative burdens on businesses with effective inspection and enforcement. The penalty notices – ranging from £250 - £2,000 for a first offence - apply to owners, masters and or charterers of all British fishing vessels wherever they are, and to foreign vessels

within British Fishery Limits. Fishermen will still have the right to maintain their innocence or make other representations about their case at a criminal court and have their case judged according to the usual rules of criminal procedure and evidence.

### Joint Deployment Plans

The Community Fisheries Control Agency (CFCA – the European Union's fisheries enforcement organisation) was charged by the European Commission to introduce a Joint Deployment Plan (JDP) for cod in the Cod Recovery Area, to co-ordinate the use of resources of the Member States and improve the effectiveness of enforcement of the cod regulations.

Eleven campaigns were planned for 2008 in various areas of the North Sea at times which statistically showed high incidence of cod catches. All member states shared satellite vessel monitoring system (VMS) data, inspectors were exchanged in port and on patrol vessels to allow vessels to work in any waters, and access to English territorial waters was granted to other member states' patrol vessels.

The MFA was involved in three of these twelve day campaigns in the central North Sea and East Channel, contributing ships, aircraft, sea-going and shore side inspectors. The UK became the co-ordinating centre for the first time during October 2008, tasking assets from The Netherlands, France and Belgium together with the UK assets.

Five joint operations have been agreed for the first six months of 2009. The MFA will supply assets together with Belgium, France and The Netherlands for a joint operation under the co-ordination of France. Discussions are ongoing regarding campaigns in the latter half of 2009.

The first joint operations in the Irish Sea began early in 2009 with the MFA taking the lead as the co-ordinating centre utilising assets from Northern Ireland, the Republic of Ireland, Scotland, Wales, Belgium and England, followed quickly with a second campaign co-ordinated by the Republic of Ireland. The MFA played a vital role in the discussions of joint enforcement in the Irish Sea which led to both campaigns being successful.

The co-ordinated approach to tasking, the sharing of VMS data and the exchange of officers at sea greatly improved the effective use of resources. These continuing campaigns are considered very successful and highlight areas for developing a consistent approach to the interpretation of regulations and inspection procedures across member states.

### The 10 metre-and-under fishing fleet

During the course of 2008-09, MFA continued to build and improve on liaison with the inshore fishing fleet of vessels of 10m or less in length. A number of meetings were held with representatives of the inshore fleet and a series of regional quota management review meetings was arranged involving vessel owners, MFA staff from headquarters and coastal offices, producer organisations and other interested parties. These were followed by several national quota management review meetings bringing together these industry interests at meetings in London. The objective was to manage the quota available to the fleet in the most effective way, this included the provision of quota leasing opportunities in recognition of the continued pressures facing the fleet. The MFA also worked closely with Defra in setting up an under 10 metre decommissioning and licence capping scheme as part of a package of measures announced by Ministers to try and ensure a more sustainable future for this part of the industry.

### Offshore Marine Regulations

The MFA is responsible for enforcement and monitoring work associated with the Offshore Marine Conservation (Natural Habitats, &c) Regulations 2007 which came into

force in 2007. Its enforcement officers are appointed as wildlife officers for this purpose. The regulations provide protection for a range of marine species, including whales and dolphins, and for habitats which are covered by the EC's Habitats and Wild Birds Directives. They apply in the area of sea extending from the UK territorial waters' 12 mile limit out to the continental shelf limit and 200 mile British Fishery Limits. The regulations also enable the designation and protection of areas that host certain important habitats and species in the offshore marine area.

The MFA did not encounter any compliance problems during the year in relation to the regulations, while conducting at-sea operations in the offshore marine area. However, the regulations have provided a useful insight into the subject of marine nature conservation work for the MFA, which will be useful as marine nature conservation work continues to expand.

### Environmental Damage Regulations

On 1 March 2009, just before the end of the reporting year, the MFA gained a new responsibility as the enforcing authority for cases of environmental damage to vulnerable species and habitats in the sea. This responsibility arises from the Environmental Damage (Prevention & Remediation) Regulations 2009, which implement the requirements of the EU's Environmental Liability Directive. The regulations apply to commercial activities (whether private or public) and can impose liability on operators for causing, or threatening to cause, serious environmental damage. They are based on the 'polluter pays' principle and the enforcing authority can require operators to take action to remediate any damage caused. During the coming year, the MFA will work with other interested parties and partners to develop its working arrangements for dealing with any serious cases that may arise.

#### The "Napoli"

The container ship MSC Napoli suffered flooding to the engine room during bad weather in the Channel in January 2007. With the risk of the vessel sinking, the decision was taken by the coastguard to beach the vessel in Lyme Bay. The Marine Environment Team in headquarters, together with the Agency's South-Eastern and South-Western Districts, helped coordinate the multi-agency effort to deal with the wreck. During 2008 work continued to cut up the vessel in situ and the Agency gave advice and approved a licence under the Food and Environment Protection Act 1985 (FEPA) to use explosives to help dismantle the engine. Work will continue in 2009 to finish cutting up the vessel.

#### The "Ice Prince"

In January 2008 the Ice Prince's cargo of timber (5,260 tonnes) shifted in heavy seas 35 miles off the Devon coast and the crew were taken off. The vessel was carrying 123 tonnes of marine gas oil and 14,000 litres of lubricant. All of the timber on the deck and that in the hold was washed overboard and ended up on beaches along the south east coast. The Marine Pollution Team in headquarters helped co-ordinate the environmental response through the Maritime and Coastguard Agency Environment Group which was attended by the Agency's South Eastern district. The wood was removed from the surf line using machinery to prevent it washing back out to sea and then transported off the beaches. However the vessel sank 26 miles off Portland Bill still containing the oil and work will be undertaken in 2009 to remove this.

#### The "Riverdance"

The MFA has had a busy year working on one of the largest maritime salvage operations ever to have taken place on a UK beach. The dismantling of Riverdance – the ferry that ran aground in February 2008 on Blackpool's North Shore – was completed in November 2008. The MFA's Marine Pollution Team and the MFA Blackpool office worked alongside

the Maritime and Coastguard Agency, the Environment Agency and Natural England to try to release the vessel, but decided the only option was to dismantle it.

Riverdance weighed 6,041 tonnes and was 116 metres long. It had to be cut into pieces and transported off the beach to be recycled. This was a potentially dangerous operation especially as the contractors had to work with the changing tides. The operation ran smoothly with little environmental impact and no health and safety incidents.

### The Gateway Gas Storage Project

The Gateway Gas Storage project is the construction of a £600m sub-sea gas storage facility located approximately 15 miles offshore from Barrow-in-Furness. This is a novel project being the first large scale off-shore sub-sea gas storage facility in England, designed to hold around 1.136 billion cubic metre of gas. It will comprise 20 gas storage caverns which will be created in the salt strata approximately 750 metres below the seabed by injecting sea water into the salt layer and pumping out the resultant brine into the sea.

Our Marine Environment Team (MET) was responsible for considering Gateway Storage Company's application for a Food and Environment Protection Act (FEPA) licence and Coast Protection Act (CPA) consent for part of the pipeline and cable systems and the construction of the storage caverns and associated infrastructure. In addition, the MET approved the initial injection of gas into the caverns to displace water and the subsequent injection of gas for storage prior to the facility being commissioned for operational use<sup>2</sup>. The MET worked closely with the Department for Energy and Climate Change (DECC) who were responsible for consenting a pipeline works authorisation for the offshore section of the pipeline and cable systems connected to the monopod towers under Part III of the Petroleum Act 1998 and for issuing CPA consent. A separate planning consent was issued from the local council for the works on land.

A variety of organisations were consulted on the application and comments were also received from members of the public. A number of issues were raised including the effect on the Common Scoter and Red-throated Divers in Liverpool Bay pSPA, (proposed Special Protection Area) of the brine discharge on fish, the loss of fishing grounds through cumulative impacts and safety to navigation. A number of conditions were attached to the various licences/consents to ensure that MET was satisfied there would be no significant effect on the marine environment.

### Service Providers

The Agency took many of its control and support services from Defra and its Shared Services Directorate.

The Centre for Environment, Fisheries & Aquaculture Science provides a range of services including specialist management of enforcement systems as well as statutory advice on part of the Agency's marine licensing work. This is provided to the Agency through a High Level Agreement with Defra.

Other significant service providers include the Ministry of Defence for provision of monitoring and enforcement at sea by the Royal Fisheries Protection Squadron, Direct Flight Ltd for aerial surveillance and Bluefinger Ltd for provision of satellite monitoring systems for fishing vessels.

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<sup>2</sup> Approvals for the on-going operational use of the facility will be the subject of a gas storage licence under the new Energy Bill regime.

## Risks

The Agency faces a range of risks in the operation of its day to day business and in fulfilling its wide range of functions and responsibilities. The Agency has a risk management strategy and the Agency's risks are listed in the risk register. The Agency also adopts risk based approaches to much of its work including its inspection and enforcement responsibilities. Operational risks are also backed up by the Agency's comprehensive Health and Safety policies.

## The staff of the Marine and Fisheries Agency

During the financial year, the Agency employed an average of 182 permanent staff and 24 temporary staff and contractors. These staff were based in the Agency headquarters in Whitehall Place, London and at 18 offices around the coast of England. Of these, half are based in London.

Just under half of the staff of the Agency are qualified British Sea Fishery Officers (BSFO) who enforce UK and EU fisheries and marine legislation. Trained officers of the Royal Navy Fisheries Protection Squadron and a number of local authority Sea Fisheries Committee inspectors also act as BSFOs.

## Employment policies

The Agency retains the employment policies and conditions of service of the Department for Environment, Food and Rural Affairs.

## Employment of disabled persons

The Agency follows the Civil Service Code of Practice on the Employment of Disabled People which aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement with the Agency is based solely on ability, qualifications and suitability for the work. In addition, the Department and Agency also operate the 'Two Ticks' scheme whereby disabled job applicants are guaranteed an interview if they meet the minimum criteria for that job.

## Diversity and Equality

The Agency encourages staff involvement in the day-to-day running of its activities through normal line management contacts. Both the intranet and regular Office Notices are used to disseminate information.

The Agency encourages personal development and follows an equal opportunities policy for fair and open recruitment of permanent staff regardless of age, disability, sex or ethnic origin. The staff have access to welfare facilities, trade union membership and representation. In addition, there are several staff networks that help develop policy and inform staff of the Department's diversity and equality policies, which the Agency follows.

It is both Agency and Departmental policy that there shall be no discrimination against staff on grounds of colour, race, ethnic, national origins (subject to Civil Service rules), religion, sex, sexual orientation, marital status, age or disability. Employment and promotion is solely on merit. Precisely the same standards apply in the assessment of women and men regardless of marital status, domestic responsibilities, ethnicity or national origin.

Staff who work reduced hours are assessed on exactly the same basis as those working full-time and without regard to part-time status, subsequent availability or availability of posts. The Agency has a designated Equal Opportunity Officer, who participates in a network of Equal Opportunity Officers set-up throughout Defra.

### Employee involvement

The Agency recognises the very large part that its staff have to play in the development of the organisation. We continued to hold regular conferences for administrative and inspectorate staff and within teams. This ensured that technical knowledge and operational experience was shared, and that the Directors were kept informed of practical issues in time to take action.

The Agency continued to support its own trades union groups to represent all staff, independent of Defra, to ensure the needs of the Agency's staff are adequately represented; and

Management and staff representatives continue to meet regularly in several fora, including Agency "Whitley" Agreement meetings and annual conferences.

### Sickness Absence

The average number of sickness absence days for the Agency's staff during the year was 7.3.

### Social and Community Issues

Although our principle role is that of a regulatory nature, where the opportunity arises social and community issues are taken into consideration as part of our work. Examples of this include the Agency's role in relation to the management and payment of EU grant aid under the European Fisheries Fund and our work with Defra to support the North Shields Business in the Community project aimed at working with the local fishing community for a sustainable future.



# Performance Report

## Windfarm off Scroby Sands



## PERFORMANCE REPORT

The Fisheries Minister, Jonathan Shaw, (who was succeeded by Huw Irranca-Davies in October 2008) announced our targets for the year on 3 July 2008 (Hansard col, 56WS). The achievement of our targets is audited annually by Defra's Internal Audit Division.

The targets for 2008-09 were assessed as Met, Not Met, Partially Met (when the major element or elements of a target have been fulfilled) or Not Applicable (if there was no activity required during the year), as summarised below. Explanatory comments are included where appropriate.

### Licensing and monitoring of coastal and marine developments and activities to protect the marine environment and secure benefits from its use

#### Marine Works

**Target one:** Deploy inspection resources in line with risk weightings.

Not Met. The MFA achieved an inspection rate of 75% against a target of 80% of high and medium priority construction and disposal operations. The target was not met primarily because of the absence of an electronic alert system to identify where sites required inspection during the licence period.

An electronic alert system will be in place early in 2009-10 which will significantly improve performance against target for the future.

**Target two:** Provide an initial response to applications within 12 weeks of the receipt of completed applications summarising the responses to the consultation process and listing any replies still outstanding for which an extended response date has been agreed.

Met. The MFA achieved 76% against a target of 75%.

#### Marine Minerals

**Target three:** Issue a screening determination on 80% of marine mineral applications within 6 weeks of receipt of the application.

Not Applicable. This target relates to a potential need, under legislation, for all aggregate companies to conduct an impact assessment prior to starting an operation. MFA is required to carry out a screening determination on whether such an assessment would actually be required for specific operations. No applications for which a screening determination is necessary were made during the year.

#### Renewables

**Target four:** Confirm with applicants, in writing, when the negotiation stage of the renewable FEPA licensing progress has concluded and inform them of the licence decision within 6 weeks of the correspondence date.

Met. The original targets were set for the Agency even though they were dependant on the co-operation of another Government department. It was subsequently decided to set the target against the Agency's own capability to achieve rather than against an action dependant on the action of others. Subsequently MFA performed to target.

#### Marine Pollution Incident

**Target five:** Decision to use oil spill treatment product made within one hour of request.

Not Applicable. No requests were made in 2008-09.

### Effective Management and regulation of sea fisheries to secure a sustainable future

Fishing vessel licensing

**Target six:** Issue 100% of over 10 metre licences biennially by 23 March and 100% of under 10 metre licences biennially by 30 June.

Met.

Quota Management

**Target seven:** No over-fishing of quota stocks by vessels or groups for which MFA has management responsibility which results in EU deduction or infraction proceedings against the UK.

Met. There were two recorded cases of over-fishing by UK vessels in 2008-09 but neither of the incidents are likely to trigger EC proceedings.

Sea Fisheries Enforcement

**Target eight:** Deploy enforcement resources on land in line with risk weightings and undertake monitoring, control and surveillance activities leading to an inspection regime based on risk and intelligence.

Met.

Fisheries Data

**Target nine:** Enter 90% of information on catches and fishing activities on to the fisheries database within 5 working days of receipt of all necessary information.

Met. 92% of data was recorded within the target time limits.

Value for Public Money

**Target ten:** Implement new requirements for administrative penalties system and electronic reporting system from within existing resources.

Met.

Capability and Capacity

**Target eleven:** Improve the Agency's capacity to deliver its services and develop its people through a comprehensive training and development programme.

Met. MFA completed and published a full Training Needs Assessment, employed dedicated resource producing a Learning and Development Strategy and Plan. The Agency organised Change Management workshops, bespoke language training for operational staff (required for often complex negotiations and conversations with overseas fishermen and colleagues) and specialised finance training. In addition MFA continues to use Defra standard training and development resources.

Sightings and Inspections at Sea

ICES Area (approximate geographical area)	Sightings		Inspections at Sea	
	Aerial Sightings	Royal Navy Sightings	Inspections Completed	Infringements Reported
IV a (NE of Scotland)	0	1	1	0
IV b (Northern North Sea)	1,268	428	178	26
IV c (Southern North Sea)	891	298	130	17

VI a (West of Scotland)	1	0	0	0
VII a (Northern Irish Sea)	2,250	366	111	12
VII d (English Channel – East)	1,683	355	136	9
VII e (English Channel – West)	3,086	736	279	13
VII f (North Devon & Cornwall)	757	208	76	3
VII g (Southern Irish Sea)	830	233	67	7
VII h (Western Approaches)	94	126	68	5
VII j (Fastnet)	45	95	52	7
VIII d (Bay of Biscay)	0	2	2	0
VIII e (West of Bay of Biscay)	0	0	0	0
<b>Total</b>	<b>10,905</b>	<b>2,848</b>	<b>1,100</b>	<b>99</b>

The Agency operates an automated cross checking system for fisheries activities. This provides cross-checks of logbooks, landing declaration and sales notes data with satellite monitoring and fishing vessel sightings. Irregularities or indications that an infringement may have occurred are highlighted by the system and investigated.

The Agency undertook inspections at fish markets, industry premises, individual fishing vessels in port and marine construction project sites – both to ensure that the regulations were followed and to assist the industry in interpreting the regulations.

#### Inspections in Port

District	Vessel Inspections – Report type			Transport checks	Catch inspections
	Infringement	Monitoring	Total		
Wales	11	265	276	60	1,390
Eastern	2	344	346	91	698
Humber	1	302	303	17	106
Merseyside & Flyde	1	30	31	63	1,496
Northern	7	416	423	76	189
South Eastern	8	554	562	37	512
South Western	8	537	545	28	5
Western	16	278	294	18	693
<b>Total</b>	<b>54</b>	<b>2,726</b>	<b>2,780</b>	<b>390</b>	<b>5,089</b>

Our policy is to investigate and take appropriate enforcement action when infringements are detected. We undertake a stepped approach to sanctions, depending on the scale and nature of the infringement. MFA will investigate fully and prosecute through the courts where it considers the offending to be of a more serious nature, that there is a realistic prospect of conviction and where it is in the public interest to do so.

#### Court Cases

During the year, the Agency successfully prosecuted 220 fisheries offences and 14 offences for contravention of licensing requirements under FEPA. A total of over £500,000 fines and costs were awarded by the courts for fisheries offences and approximately £40,000 for FEPA offences. These amounts are recognised in the Accounts of Defra or surrendered to the Consolidated Fund. No offences under the Offshore Marine Regulations were detected during the year.

In April 2008, a system of Financial Administrative Penalties (FAPs) was introduced in relation to European fisheries legislation to complement the existing criminal system and permit a wider range of enforcement actions. FAPs allow a more proportionate response to the type of offending, which warrants more than a written warning but is not in the public interest to take to court.

Official Warnings and FAPs are only offered where evidence of offending is to the criminal standard. Masters and owners have 28 days to decide whether or not to pay the FAP offered. If they refuse to pay the FAP offered, the Agency would take the matter to court. FAPs range from £250 to a maximum of £4,000.

The Agency offered FAPs to 13 vessel owners and masters for 15 infringements during the year. All offers of FAPs, totaling £27,000, were accepted and paid.

Current legislation does not permit MFA to offer FAPs for UK legislative offences but this will be resolved through the Marine Bill. Other penalty systems will also be introduced for Nature Conservation and Marine Consents licensing.

### Marine Environment Team

The Marine Environment Team (MET) underwent some significant changes during the year including the recruitment and training of a number of new case officers and restructuring to improve licence delivery and management. As part of the restructure, a Project Team has been put in place to embed project management techniques within MET including establishing a new caseload management system.

During 2008-09 MET finalised the handover of aggregate extraction licensing from the Department for Communities and Local Government's (CLG) Minerals and Dredging team. One of the key tasks for the new MET Aggregates Team this year was a full review of current licence conditions with stakeholders to ensure that they continue to be enforceable and robust.

MET made important progress towards becoming a recognised leader in offshore wind farm construction licensing. Building on work to share marine construction licensing experience with the US Federal Government's Minerals Management Service (MMS), MET arranged a secondment for one of their marine biologists. The main aim of the secondment was to exchange more detailed information but it was also a useful opportunity to gain some insight into current marine construction licensing processes. A report is being drafted to summarise areas where MET and MMS can work together to resolve some of the information/evidence gaps. Officials are discussing ways of taking this work forward.

### Grants

The headline objective on processing 90% of claims within 8 weeks of receipt of all the required information was met with an achieved response of 98%. During the year, the EU grants programmes provided £4.4m of national funding and £7.3m of EU funding, a total of £11.7m public investment. This was directed at a wide range of areas throughout the sector including aquaculture such as improving port facilities, modernising vessels, safety training and pilot projects.

The European Fisheries Fund which succeeds the previous EU fisheries programme was launched in September 2008 and the two grants panels held in the year offered £2.2m for projects aimed at helping the industry to re-structure to increase sustainability and competitiveness. In addition, a decommissioning scheme for under 10 metre vessels in England was run towards the end of the year which successfully removed 65 vessels permanently from the fleet thus releasing much needed quota for remaining boats. The

Business in the Community project, based around North Shields, continued and is due to conclude in the coming year.

The Agency operated the Fisheries Challenge Fund which provides funds for short term projects aimed at improving fisheries management and also had responsibility, on a UK basis, for the EU Aid for Fisheries Enforcement scheme which allows funds to be drawn down for improved enforcement of the Common Fisheries Policy.

### Effort Management

All Vessel Licences were issued in line with targets.

The headline target for Quota Management for fisheries in waters regulated by MFA was met.

The Agency also worked to ensure international swaps took place such that for 2008-09 the UK had only two cases of over-fishing. This was found to be due to the illegal activity of one vessel, which is the subject of investigation and possible enforcement proceedings against the vessel and its operator.

### Statistics

Fisheries Data entered by port office staff were recorded within target times.

The majority of required reports were supplied to the European Commission by the due dates, but some dates were missed due to pressures of work. For example, during the year, the team was heavily engaged in developing new, more transparent assessment and enforcement tools for use in managing the activity of inshore fishing vessels under MFA's remit. This included working with Defra policy colleagues to develop possible measures to relieve the pressure on the operators of fishing vessels of 10 metres or less in length.

MFA statisticians also supported on-going development of the UK IT systems used by fisheries administrations as day-to-day operational tools, and have been involved in supporting a range of areas of the wider work of the Agency: for example contributing to the assessment of proposals for Marine Protected Areas, and to the introduction of requirements for the electronic submission of sales notes.

### The state of the fishing industry

Together, the Statistics and Effort Management teams oversee the current state and development of sea-fisheries activities in England.

During the financial year, there were 3,093 English-registered fishing vessels administered by the MFA (514 over 10 metres long, 2,579 10 metres or under); of which one-third operated mainly from ports covered by the Agency's South-Western and Western Districts (Brixham, Newlyn and Plymouth), which remain the ports with the highest turnover (value of fish sold) in England. Around 60% of the quota available for use by these English-registered vessels was owned by overseas operators, principally in Spain, the Netherlands and Iceland.

The industry in England employs 4,897 full-time and 897 part-time fishermen – compared to just over 29,000 in 1938 (i.e. before World War II). Throughout the year, the smaller vessels which focus on pelagic species (mackerel, herring) proved relatively profitable, while larger vessels concentrating on whitefish, nephrops and flatfish – particularly those with heavy fuel consumption – have fared less well.

## Landings into English and Welsh ports by district during the year

District	Number of landings	Quantity (tonnes live wt.)	Value (£m)
Merseyside & Fylde	1,654	1,765	3.48
Humber	15,566	9,016	17.61
Eastern	12,727	11,525	9.90
Northern	21,181	8,435	15.53
South Eastern	48,851	18,801	25.24
South Western	27,186	31,187	37.94
Wales	15,211	19,898	26.43
Western	29,162	13,163	25.85

*(Note – Details for Humber exclude landings by third country carrier vessels – these totalled 10,559 tonnes of fish in the period, representing a significant quantity of fish landed in the district and also a significant level of enforcement work to monitor and oversee the landings)*

Further information on English and UK fisheries may be found in our annual publication of Fisheries Statistics (available on-line through the Agency's website [www.mfa.gov.uk/statistics](http://www.mfa.gov.uk/statistics) or from the Statistics team, Area 4A, MFA, Ergon House, Horseferry Road, London SW1P 2AL).

The teams continue to have lengthy discussions with the EU on how best to reach a viable agreement on fisheries management, particularly in recovery zones, so that improved environmental practices proposed by the industry (e.g. reduced discards, better fuel efficiency) are rewarded by improved opportunities to fish.



## Organisational Development

### Checking the Catch



## ORGANISATIONAL DEVELOPMENT

The Agency continued to strengthen and re-prioritise its resources to meet the considerable challenges it faced during the year, including a demanding portfolio of frontline delivery and operational functions as well as supporting Defra in relation to work on the Marine and Coastal Access Bill.

The Marine and Coastal Access Bill aims to ensure clean, healthy, safe, productive and biologically diverse oceans and seas, by putting in place modern and improved systems for delivering sustainable development of our marine and coastal environment. It was published in draft in April 2008 and introduced to Parliament in December 2008.

The Bill includes provisions for the establishment of a new Non-Departmental Public Body, the Marine Management Organisation (MMO). The MMO will be built around the Marine and Fisheries Agency which will continue to deliver its existing functions until the MMO is created.

The Agency took a lead role in work on a range of activities in relation to planning for implementing provisions of the Bill that would be delivered by a new MMO including marine planning, licensing, enforcement and marine nature conservation. Other key activities included developing the organisational design of the new MMO and working with Defra on the new Government Sponsorship arrangements and recruitment of the new Chair and CEO as designates so that they can contribute to the design of the MMO before formal launch.

To lead on the delivery of all this work the Agency recruited a Marine Management Organisation Implementation Team at the start of the year. This team grew during the year as work gathered pace and was staffed mainly from loans and secondments from Defra as part of our close collaboration working with the Department to ensure successful delivery of this high profile and important work. Subject to the successful passage of the Bill, the MFA will form the core of the new MMO and considerable work was undertaken by the team and others in MFA as part of the preparations and planning for this.

In February 2009, the Marine and Fisheries Minister, Huw Irranca-Davies announced that the headquarters of the Marine and Fisheries Agency would be relocated to Tyneside and, subject to the passage of the Bill, would also form the headquarters of the new MMO.

Work commenced on a major transition programme to deliver the relocation of the headquarters. This included the appointment of new specialist resources to support the resettlement of staff who would not be relocating and the redeployment of MFA staff who would be moving to the new headquarters. Considerable support was provided to staff whatever their decision on whether or not to relocate and specialist welfare resource was brought in to help staff through that difficult process.

Detailed plans were developed for the recruitment of new staff and for ensuring continuity of the MFA business during the transition period. This work will continue and accelerate during 2009-10.

The above work is being undertaken in accordance with full Programme and Project Management principles and was supported by a Programme Management Office to oversee and monitor progress on the various work streams and ensure that appropriate programme and project milestones were delivered to agreed targets.

### Sustainable Operations and Procurement

The Agency is part of the Defra network, and is therefore looking to put in place measures to record, review and reduce its carbon footprint in line with Departmental policies promoted by Defra's Sustainable Development Unit.

The Agency has its own a Sustainable Development Action Plan (SDAP) which has been developed and approved by the Sustainable Development Commission. The targets set out in the action plan are reviewed regularly including the Government Estate targets (SOGES) which are considered annually. We face particular challenges due to the nature of our work:

- we are guardians of the marine environment; but many of our operational activities cannot be delivered without significant travel by ship, aircraft, or motor vehicle (particularly at night) – which inevitably results in consumption of fossil fuels and carbon dioxide emissions.

The measures adopted by the Agency in 2008-09 are mainly those based on central services provided by Defra, including:

- Annual reviews of the carbon emissions generated by official travel and accommodation usage;
- Consideration, with Defra procurement advisers, of the sustainability measures adopted by suppliers when considering tenders for major contracts; and
- Consistent internal guidance to use public rather than private transport, or to use video conferencing and telephone in preference to travelling, wherever this is appropriate.

We will continue to develop our monitoring systems and to apply sensible measures to reduce our consumption of fossil fuels as we move towards the Marine Management Organisation.



# Financial Review

## Northumberland Dunes



## FINANCIAL REVIEW

The Agency is funded by Defra and the overall financial position is shown in the Taxpayers Equity section of the Balance Sheet by means of the General Fund.

The Net Operating Costs of the Agency in 2008-09 totalled £34.12m. This is a net increase of £3.76m on 2007-08, which reflects changes in certain activities during the year, including:

- the £4.97m cost in funding the Under 10 metre decommissioning scheme announced in December 2008;
- increased activities to assess the impact of and support the impending changes to the Agency arising from the Marine and Coastal Access Bill (including the anticipated creation of the Marine Management Organisation);
- property charges of £1m not previously levied by Defra for headquarters occupancy in Whitehall, London;
- additional cost of scientific expertise provided by the Centre for Environment, Fisheries & Aquaculture Science (Cefas), an Executive Agency of Defra; and
- initial costs relating to the decision made during the year to relocate the London headquarters in 2009-10.

The above increases in net operating costs are partly offset by a £5m reduction in grant expenditure under the closing FIG scheme.

During the year the Agency operated within the budgeted funding limits set by Defra.

### Relations with Suppliers

Standard contractual terms of payment require that valid invoices are paid within 30 days of satisfactory receipt of goods and services or an agreed invoice, if that is later; where determined by specific terms of supplier contract or a grant scheme the specific terms will take precedence.

The Agency paid 97% of invoices by their due date in 2008-09 (93% in 2007-08). In line with a wider recent government commitment to pay suppliers within 10 days of a correctly rendered invoice, the Agency has been working closely with Defra's Shared Services Directorate to ensure that payment processes respond to this commitment.

### Pensions

Details of the Pension Schemes used by the Agency's staff and the Agency's pension costs are set out in the Remuneration Report.

### Directors' Interests

The Directors held no interests outside the Agency relating to the Agency's business.

### Audit of the Agency's Accounts

The Accounts and parts of the Remuneration Report are subject to statutory external audit under the terms of the Government Resources and Accounts Act 2000. This audit is carried out by the Comptroller and Auditor General (C&AG), who reports to Parliament. The National Audit Office (NAO) delivers this work on behalf of the C&AG, at a notional cost estimated at £55,000 for the 2008-09 accounts (2007-08 £50,000). In addition, the NAO delivered audit work in readiness for International Financial Reporting Standards at a notional cost of £5,000 (2007-08 £nil).

No remuneration was paid by the Agency to the auditors in respect of non-audit work.

I have taken all reasonable steps to make myself aware of the information required for the audit of the Agency's accounts, and there is no relevant accounting or other information which has not been disclosed to the auditors.

The C&AG's Certificate & Report on the Accounts is on pages 38 and 39 of this Annual Report.

Nigel Gooding  
Chief Executive  
24 June 2009

# Remuneration Report

## On Patrol with HMS Severn



© Daily Express



## REMUNERATION REPORT

### Directors

Executive Directors of the Agency:

Chapter 7 of the Government Financial Reporting Manual (FReM) requires public bodies to report on the remuneration and rewards paid to the officers holding positions equivalent to executive directors during the financial year.

During the year, the Agency's Executive Directors were:

Chief Executive	Nigel Gooding
Grants, Effort Management & Statistics Director	Kevin Williamson
Operations Director	David Holliday
Corporate Services & HR Director	Vanessa Key
Finance Director (retired 29 September 2008)	Charles Lewis
Interim Finance Director (from 28 July 2008)	Richard Penney
Implementation Director (from 12 May 2008)	Gillian Tuson

Details of the salaries and bonuses paid to Directors in the financial year, and their pensions, are reported below.

Managers at Senior Civil Service rank are appointed by the Secretary of State with the advice of the Cabinet Office. The Chief Executive, Nigel Gooding is a member of the Senior Civil Service (SCS), and is on a permanent contract with Defra.

The other Directors are not in the SCS. All are on permanent contracts with no specified end date other than the normal retirement date which may be extended by agreement, with the exception of Richard Penney whose employment as a contractor is due to end on 29 June 2009. Officers below SCS grades are appointed by the Chief Executive in line with existing Departmental policies.

The majority of the Agency's staff, and all members of the senior management team, are permanent civil servants and employees of the Secretary of State for Environment Food and Rural Affairs. These staff hold permanent contracts, with no specified end-date. Staff on permanent contracts who leave the Agency, other than voluntarily or for disciplinary reasons, may receive compensation for loss of employment.

Non-Executive Directors:

The Agency has two non-executive directors: neither is an employee of the Agency.

The Non-Executive Directors attend the Steering Board, and receive a daily fee payable by Defra Marine and Fisheries Directorate. Both also attend the Agency's Management Board and Audit and Risk Committee, and are paid by the Agency for their attendance at these meetings, unless the dates of more than one meeting coincide.

In the year ended 31 March 2009, the fees payable to non-executive directors were:

Mr J Ballard	£2,193 (2007-08, £1,230)
Mr J W Smith	£2,193 (2007-08, £1,230)

Both non-executive directors have been re-appointed until 31 March 2010.

### Pay bargaining and remuneration

The Agency continues to participate in Defra collective bargaining on pay and conditions of service. This includes annual reviews of salary negotiated with Defra branches of civil service unions, with an effective date of 1 July. Details of the membership of the Defra Remuneration Committee are reported in the Department's Annual Report. The Agency has no separate arrangements for review of senior management salaries, nor the salary of the Chief Executive.

Bonuses are awarded periodically, in line with Departmental procedures and rates, to staff whose performance is assessed by their line managers as exceptionally good during all or part of the reporting period, and where the payment of bonuses is approved by the Agency's Directors. As the value of end of year bonuses is not determined until after the end of the staff report period, such bonuses are recognised on a cash basis.

### Salary, pension and benefits in kind (audited information)

Officer	Role	2008-09		2007-08	
		Salary (as defined below) £000	Benefits in kind £	Salary (as defined below) £000	Benefits in kind £
Nigel Gooding	Chief Executive	75-80	Nil	75-80	Nil
Kevin Williamson	Grants Effort Management & Statistics Director	65-70	Nil	65-70	Nil
David Holliday	Operations Director	60-65	Nil	60-65	Nil
Vanessa Key	HR & Corporate Services Director	55-60	Nil	Nil	Nil
Charles Lewis	Finance Director (until 29 September 2008)*	20-25	Nil	60-65	Nil
Gillian Tuson	Implementation Director (from 12 May 2008)**	50-55	Nil	Nil	Nil

Salary includes gross pay, performance bonuses and other allowances.

\* Following a period of absence, Charles Lewis retired early during the year due to ill-health (full-time equivalent salary £65-70k).

\*\* Full-time equivalent salary £60-65k.

Richard Penney, the interim Finance Director, is excluded from the above table as his services are provided via a third party. During the period from 28 July 2008 to 31 March 2009 payments totalling £109,000 (including VAT) were made to the third party in respect of his services.

### Pension benefits (audited information)

Officer	Real increase in pension (£000)	Real increase in lump sum (£000)	Pension at End date (£000)	Lump sum at End date (£000)	CETV** at Start date (nearest £000)	CETV** at End date (nearest £000)	Employee contrib'ns and transfers-in (£)	Real increase in CETV** funded by employer (nearest £000)
Nigel Gooding	0	1	29	87	522	569	1	5
Kevin Williamson	0	1	22	67	339	378	2	6
David Holliday	0	1	26	78	487	534	1	7
Vanessa Key	2	7	15	44	223	283	1	42
Charles Lewis	0	0	31*	91*	640	660*	0	3
Gillian Tuson	1	0	12	0	89	105	2	6

\*End date = 29 September 2008

\*\* Cash Equivalent Transfer Value

### Pension contributions

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPS). Members of staff who were members of the PCSPS before 1 October 2002 may be in one of three statutory defined benefit schemes (Classic, Premium or Classic Plus). Staff who joined the civil service between 1 October 2002 (and staff who joined the Agency after 1 April 2005) and 29 July 2007 could choose between membership of the Premium scheme or a defined contribution money purchase partnership pension. Staff who joined the civil service on or after 30 July 2007 may choose between membership of the Nuvos scheme or a defined contribution money purchase partnership pension.

Employer and employee PCSPS contributions are paid to the Treasury and PCSPS benefits, which are increased annually in line with changes in the Retail Price Index, are paid by monies voted by Parliament each year. The PCSPS schemes are therefore unfunded defined benefit schemes, and as a result of them covering many employers, the Agency is unable to identify its share of the Schemes' underlying assets and liabilities. The Schemes are subject to a full valuation every four years. The last full valuation took place on 31 March 2007, further details of which can be found in the Cabinet Office's Civil Superannuation Resource Accounts: ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). Copies can also be obtained from the Stationery Office.

For 2008-09, employer contributions of £1,046k were payable to the PCSPS (2007-08 £966k) at one of four rates in the range 17.1% to 25.5% of pensionable pay based on salary bands. The contribution rates reflect past experience of the scheme and the effect of benefits as they are accrued, not when the costs are actually incurred.

Employee contributions are set at the rate of 1.5% of pensionable earnings for the Classic scheme and 3.5% for the Premium, Classic Plus and Nuvos schemes. Benefits in the Classic scheme accrue at the rate of 1/80 of final pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. For the Premium scheme, benefits accrue at the rate of 1/60 of final pensionable salary for each year of service, the difference in the accrual rate replacing the lump sum. Premium scheme members may commute pension to provide a lump sum up to the Classic scheme accrual rate of 1/80. Classic Plus is essentially a variation on the Premium scheme, with benefits in respect of service before 1 October 2002 calculated broadly as the Classic scheme and benefits after 1 October 2002 calculated broadly as the Premium scheme. The Nuvos scheme provides a pension of 2.3% of pensionable earnings each year and members may commute pension to provide a lump sum.

Instead of joining the PCSPS, employees who joined The Agency on or after 1 April 2005 could opt to join a partnership pension account, or a stakeholder pension, with an employer contribution. Employer contributions for 2008-09 of £8k (2007-08 £nil) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0% to 12.5% of pensionable pay. Employer contributions of £91k (2007-08 £29k) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death-in-service and ill-health retirement of these employees. There is no limit to employee contributions for these schemes.

### Early departure costs

The Agency is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Agency provides in full for this cost where any planned retirement scheme is announced, and is binding on the Agency. The Agency may, in certain circumstances, settle some or all of its liability in advance by making a payment to HM Paymaster General's account at the Bank of

England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

Though Defra operates a scheme of Voluntary Early Severance and Early Retirement, the majority of staff employed by the Agency are excluded from this scheme. Early departures in 2008-09 were:

There were no instances of early severance during the year (0 in 2007-08).

Early retirement (normally applied to staff aged over 50 years, or who retire for personal reasons of ill-health):

Departmental scheme:	0	(1 in 2007-08)
Other:	0	(0 in 2007-08)
Ill-health:	1	(0 in 2007-08)

Further details of Staff Costs may be found in Note 4 to the Accounts.

Nigel Gooding  
Chief Executive  
24 June 2009

# Statement of the Accounting Officer's Responsibilities

## Fishing Boats at Hastings



## STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Marine and Fisheries Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Marine and Fisheries Agency and of its net operating cost, recognised gains and losses 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* and in particular to:

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

The Accounting Officer of Defra has appointed the Chief Executive as Accounting Officer of the Marine and Fisheries Agency. 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 and Fisheries Agency's assets, are set out in *Managing Public Money* issued by HM Treasury.

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Marine and Fisheries Agency, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The Marine and Fisheries Agency ("the Agency") is an Executive Agency of Defra.

I work with Defra Ministers, policy officials, and officials in Defra service teams to ensure that the risks faced by the Agency in meeting Ministerial targets are properly managed and mitigated by appropriate controls. Where new policies or programmes are developed, I advise senior officials to ensure that the briefing they provide to Ministers addresses the operational objectives to be achieved by the new work, the risks faced by the new operation, and the systems and procedures designed to manage those risks.

I am supported in my oversight of the effectiveness of internal controls by the Agency's Audit and Risk Committee, comprising two non-executive directors and representatives of our external auditors, the National Audit Office (NAO) and our internal auditors, Defra Internal Audit Division (IAD). Both NAO and IAD are also represented on the Defra's Audit & Risk Committee.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Marine and Fisheries Agency for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### The risk and control framework

#### The nature of risk to the Marine and Fisheries Agency:

The Agency considers its risks in terms of their impact on:

- delivery of outcomes sought by Ministers;
- performance of MFA operations; and
- internal management of the organisation (including risks to information, assets and staff).

The nature of specific controls and mitigating action vary according to the nature of the risk and the Agency's resources. When considering risk, the Agency considers whether or not – in the context of its operational targets and capacity – each risk can be avoided or controlled. If a risk can be avoided, then the Agency's managers may still choose not to avoid the risk if the rewards to outcomes or operational performance are worthwhile, and the impact can be controlled. If a risk can neither be avoided nor controlled, then the Agency develops contingency plans for business continuity so that the adverse impact creates as little long-term damage as possible.



### The control framework in the Marine and Fisheries Agency:

The Agency manages risk through its staff, its organisational structure, and through the physical, managerial and informational controls established by my staff and the Department in developing the Agency.

The governance structure of the Agency consists of:

- Steering Board;
- Management Board;
- Management Committee;
- Directors, Team Leaders and Teams; and
- Audit and Risk Committee.

The Steering Board comprises two non-executive directors with experience of public sector finance, policy and financial representatives from Defra and the Agency's corporate sponsor. The Board meets quarterly to review the Agency's performance against its operational objectives, to consider the Agency's ability to sustain its performance, and to set the strategic direction of the Agency.

The Management Board is an executive committee consisting of the Agency's corporate customer, executive and non-executive directors. Established to address the risk posed to the Agency's existing business and future direction by the developing transition to a new NDPB, the Marine Management Organisation ("MMO"), the Board meet every two months to maintain strategic oversight of the delivery of the existing business of the Agency.

The Management Committee is attended by the executive directors and headquarters team leaders. The Committee meets monthly to review the nature and present state of risks which may have an adverse impact on the Agency's staff, finances, assets, information, or operational performance; and to agree the Agency's response.

The Audit and Risk Committee comprises the two Non-Executive Directors, and meetings are also attended by representatives of NAO and our internal auditors. This committee meets a minimum of four times per year to advise me on the governance of the Agency, on my response to reports from internal and external auditors, on the suitability of the audit strategy adopted by internal and external auditors, and on the Annual Report and Accounts.

The Agency's executive directors oversee the performance of the teams within their directorates, and meet with me on a weekly basis to discuss operational issues and take executive decisions.

The advice and guidance of these boards and committees is documented and this is taken forward by the Directors through their line commands. There is an established programme of regular meetings of administrative and fisheries staff across the Agency, which I attend and which provide me with feedback on the condition of the Agency and its front-end operations.

### Capacity to handle risk

The capacity of the Agency to manage risk is supported by the quality of staff and managers recruited to the Agency and their training.

All members of staff are recruited on the basis of competence-based selection, and their ability to demonstrate evidence of competence in generalist and specialist behaviours

relevant to the needs of their work. As a result, specialist posts (fisheries, finance, statistics, human resource management, marine environment) are staffed with people who are competent in identifying and dealing with the daily risks and challenges of their work.

All members of staff review their training needs for their present role and expected future roles with their line manager on a regular basis. Training in risk management, or in dealing with specific risks arising in specific roles, is provided to staff as required.

Not all risks faced by the Agency, on its own or its customers' behalf, are within the capacity of the Agency to manage. If I identify risks or potential risks to Defra, or risks to the Agency, which are beyond our control, I consult senior officials and Ministers on the contribution that can be made by the Agency to responding to these risks and on how to bring such risks to the attention of the Department's governance structures – including Defra's Audit and Risk Committee.

#### Review of effectiveness of internal control

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Steering and Management Boards and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the past year, I have sought to manage risk by:

- applying appropriate risk management techniques to individual projects;
- continuing regularly to review risks, and the Agency's response, with the Steering Board, Management Board, Management Committee and Audit & Risk Committee; and
- continuing with the planned programme of internal audits.

In a review of our management of risk, IAD acknowledged evidence of risk management being applied but not in a consistent manner across the Agency. The lack of consistency identified the absence of a policy which communicates my expectations and preferred approach to managing risk. Risks related to ministerial targets and strategic priorities are captured, evaluated and managed effectively. However, the information on other risks is fragmented, reducing the degree of oversight of risk across the whole Agency.

As a result, we carried out a review of risk management processes, documentation and policies currently in place and developed a new Risk Management Strategy for the Agency. Involving the Management Committee, we have collated and assessed what senior management deem the most significant / top risks for the Agency. These top risks will be reviewed at monthly Management Committee meetings and meetings of the Audit and Risk Committee. I fully recognise that effective and robust risk management systems will be extremely important during the coming year as the Agency embarks on a relocation of its headquarters to Tyneside and the planned creation of the Marine Management Organisation. Although further testing by IAD of our revised strategy and systems could not be undertaken before year end, the work done this year on risk management should form a sound basis for moving forward.

Where the Agency has led on significant internal projects in 2008-09 (for example, scoping and planning the needs of the Agency on its transition to the anticipated MMO) the project manager prepared a risk register for the project and has met with me (or a

nominated Director) at intervals during the project to ensure that controls established and actions taken are sufficient to ensure delivery of the project on time and on budget.

The Agency uses Defra's Shared Services Directorate (SSD) for its core transaction processing. I understand Defra Internal Audit Division has alerted SSD to some continuing limitations in controls over its computerised accounting systems, and that SSD is implementing initiatives to further improve its control environment. There has been no adverse impact on the Agency; reconciliations carried out by my staff are designed to detect errors in time to take corrective action; and the quality of services provided by SSD to the Agency has, in general, continued to improve during the financial year. Therefore I do not consider that these findings materially affect the degree of reliance I place on Defra's internal controls.

The Agency receives an internal audit service from Defra IAD which assures me that the controls I established (within the Agency or through its sub-contractors in Defra) are efficient, economical and effective in managing the material risks faced by the Agency. The conclusions reached by IAD and the auditors' view of the Agency's response to recommendations are summarised in an annual report to me by IAD.

Last year's Statement of Internal Control reported control weaknesses regarding enforcement strategy. Progress has been made, although some of the agreed actions have yet to be implemented. I have reviewed this situation with the Operations Directorate and have agreed realistic dates for completion over the coming months.

In addition to the information from the various sources noted above, I have reviewed the condition of the Agency's internal control systems with my executive directors in a structured workshop facilitated by IAD. No weaknesses of significance were identified. Recommendations will be taken forward as part of ongoing business improvements and to ensure that the efforts of internal audit are directed effectively.

Following on from work carried out within the Agency in the previous year regarding the handling of sensitive and personal data, RSM Bentley Jennison completed a review in Autumn 2008 as to how the Agency complies with Defra and Cabinet Office Data Handling requirements. The conclusions overall were positive but we are currently in the process of implementing some specific recommendations around the need to:

- reinforce the behaviours we know we should adopt;
- re-establish formal controls where there appear to be informal controls in place; and
- maintain a culture at all levels that encourages people to work securely.

We incurred two specific Data Handling incidents during the year, involving the theft of two laptops. I understand that neither laptop contained any significant public data. Any residual risk is minimal as both laptops contained encrypted hard drives. The losses were reported to Defra's Departmental IT security team.

During the year, we produced and issued to all staff the Agency's Business Continuity Plan, including specific arrangements relevant to individual offices, as appropriate. I anticipate undertaking testing of the Plan in the coming year.

### Conclusion

I have concluded that the Internal Control System in the Agency is largely fit for the Agency's purposes.

### Future action on internal controls

As part of its transition to the anticipated MMO and to formalise certain existing processes around IT and data management and to develop further existing relationships with significant partners, I have appointed an IT and Data Director from April 2009 to support the Agency during the coming year.

To manage the process of relocating our headquarters from London to Tyneside and transition to the MMO, I have appointed a Senior Civil Servant as Project Director, with effect from April 2009.

To ensure that I can commit the right level of focus in supporting the work towards the new MMO, I have appointed a Chief Operating Officer to oversee the ongoing operations of the Agency, with effect from April 2009.

To provide me with additional assurance, I have commissioned IAD to undertake a substantial review of the implementation and transition arrangements as part of the 2009/10 internal audit programme.

The year ahead is a period of transition for the Agency. We will be managing the relocation of our headquarters (including the transfer of knowledge and operations to a changing workforce) and continuing the detailed work on our transition to the MMO. As a result, our appetite for risk is likely to be reduced as we ensure that the core activities of the Agency continue to be delivered successfully throughout this period.

Nigel Gooding  
Chief Executive  
24 June 2009

# Accounts of the Marine and Fisheries Agency 2008-09

## Wave Power





## ACCOUNTS OF THE MARINE AND FISHERIES AGENCY 2008-09

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

I certify that I have audited the financial statements of the Marine and Fisheries Agency for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### Respective responsibilities of the Agency, the Chief Executive and auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the "Management Commentary", the "Performance Report" and the "Directors" within the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the "Chief Executive's Foreword", "Organisational Development", "Financial Review" and the unaudited parts of the "Remuneration Report". I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements,



and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the "Management Commentary", the "Performance Report" and the "Directors" within the Remuneration Report, included in the Annual Report, is consistent with the financial statements.

### Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria, London  
SW1W 9SS  
29<sup>th</sup> June 2009

**Operating Cost Statement for the year to 31 March 2009**

		2008-09	2007-08
	Note	£'000	Restated £'000
<b>Programme Costs</b>			
Staff Costs	4	8,463	7,002
Grant Expenditure	5	11,764	11,663
Other Operating Costs	6	15,498	13,263
Gross Expenditure		<u>35,725</u>	<u>31,928</u>
<b>Income</b>	7	(1,605)	(1,563)
<b>Net Operating Cost</b>		<u><b>34,120</b></u>	<u><b>30,365</b></u>

All income and expenditure is derived from continuing operations.

There were no other gains or losses during the year to 31 March 2009 (2007-08 £nil).

The notes on pages 43 to 55 form part of these accounts.

**Balance Sheet as at 31 March 2009**

		31 March 2009		31 March 2008	
	Note	£'000	£'000	Restated	
				£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	8	53		74	
Intangible Assets	9	5		18	
			58		92
<b>Current Assets</b>					
Debtors	10	1,280		1,039	
Cash at Bank	11	529		628	
		1,809		1,667	
<b>Creditors falling due within one year</b>	12	(9,447)		(7,088)	
<b>Net Current Liabilities</b>			(7,638)		(5,421)
			(7,580)		(5,329)
<b>Provisions for Liabilities and Charges</b>	13		(2,463)		(494)
<b>Net Liabilities</b>			<b>(10,043)</b>		<b>(5,823)</b>
<b>Taxpayers Equity</b>					
General Fund	14		(10,043)		(5,823)
			<b>(10,043)</b>		<b>(5,823)</b>

The notes on pages 43 to 55 form part of these accounts.

Nigel Gooding  
Chief Executive  
24 June 2009

**Cash Flow Statement for the year to 31 March 2009**

	Note	2008-09 £'000	2007-08 £'000
Net Cash Outflow from Operating Activities	15a	(27,439)	(26,369)
Capital Expenditure and Financial Investment	15b	(27)	(14)
Financing	15c	27,367	19,506
<b>Decrease in Cash in year</b>	15d	<b>(99)</b>	<b>(6,877)</b>

The notes on pages 43 to 55 form part of these accounts.

## Notes to the Accounts

### Note 1. Accounting policies

#### Requirement to prepare accounts

These accounts are for the year ended 31 March 2009 and have been prepared in response to the direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The accounts have been prepared in accordance with generally accepted accounting principles for the UK public sector, in line with the FReM. Any exceptions to UK GAAP or the FReM are reported in this Note.

The accounts of the Agency are consolidated into the Departmental Consolidated Resource Accounts for the Department for Environment, Food and Rural Affairs (Defra).

#### Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets where material, at their value to the Agency by reference to their current costs. Transactions reported in these accounts have been recognised on an accruals basis unless otherwise stated in these Notes to the Accounts.

#### Staff costs and pensions

The Agency accounts for staff costs and pension contributions in the periods for which they are payable, except in respect of bonus payments which are recognised when paid. The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. The Agency 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 Agency 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".

#### Grants and subsidies

For each of the grant schemes administered by the Agency an accrual point has been established according to the applicable scheme rules and regulations. Where an obligation is identified to fall on or before the balance sheet date, it is shown as a creditor in the current year's financial statements. Similarly, any elements paid in advance of these accrual points are treated as prepayments.

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

#### Tangible fixed assets

The Agency has no freehold nor long leasehold property. Other tangible assets have been stated at modified historical cost (equivalent to current cost) using appropriate indices provided by the UK Statistics Authority.

The minimum level of capitalisation is £2,000. Tangible fixed assets are capitalised if the purchase cost equals or exceeds this threshold and where there is an expected useful economic life of more than one year.

Assets which are no longer of value to the Agency are treated as impaired, and any resulting loss of net book value charged to operating costs.

### Intangible fixed assets

The Agency holds software licences which are capitalised at purchase cost. Such assets are not revalued. They are amortised over their useful economic life, and reviewed annually for any impairment to ensure they are not carried in the balance sheet above their recoverable amounts.

### Depreciation

Depreciation is provided at rates calculated to write-off the valuation of tangible fixed assets by the straight line method over the estimated useful life of the asset and is charged in the month of disposal but not in the month of purchase. Depreciation is not charged on assets declared surplus to requirements and for sale, nor assets in the course of construction. Fixed asset lives are estimated on the basis of the period during which they are expected to provide positive benefits to the business, usually as defined by a contract with the supplier or estimated on the basis of our own intentions to replace or upgrade obsolete assets. Such lives will generally be within ranges:

- Scientific Equipment 5 to 15 years
- Information Technology 3 to 10 years
- Office Equipment 5 to 10 years
- Intangible Assets 2 to 20 years

### Stocks and work in progress

The Agency has no trading stocks nor work-in-progress.

### Administration and programme expenditure and income

The Operating Cost Statement in Defra's Departmental (Consolidated) Resource Accounts is analysed between administration and programme costs. All expenditure and income of the Agency, except where it relates to fixed assets owned (or effectively controlled) by the Agency, meets the definition of Programme expenditure.

Expenditure is recognised where the Agency has received goods or services into their intended use, or where an unavoidable obligation to meet a liability has been established. Except where the Agency earns income to offset its expenditure, all expenditure of the Agency is funded from gross budgets provided by Defra.

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

- (1) fees for licences issued under the Food and Environment Protection Act 1985 (FEPA) in respect of dredging, construction and disposals of waste material in the marine environment. The Agency sets its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money";
- (2) the Agency recognises income earned from the EU as a contribution to the Agency's expenditure on enforcing fisheries regulations (EU Aid) and preparing statistical reports on the condition of UK fisheries (EU Data Collection Regulations);
- (3) a contribution from the Welsh Assembly Government towards the cost of aerial surveillance of fishing activity in English and Welsh waters; and
- (4) all other programme income is recognised when the outcome is delivered to the customer.

### Non cash charges and gains

Defra and other bodies incur costs on behalf of the Agency, the nature and extent of which are determined by decisions taken within the Agency. To comply with the FReM and FRS5, the value of this expenditure is notified to the Agency by these bodies and is recognised as Operating Cost expenditure of the Agency. The amounts relating to non-cash expenditure are disclosed in Note 6 to these accounts.



Non-cash gains may arise where the Agency's balance sheet contains fewer assets (excluding cash) than liabilities. The resulting cost of capital credit, being the interest notionally earned at the HM Treasury's discount rate of 3.5% (2007-08 3.5%) on net liabilities, is recognised as negative expenditure, as there is no realisable gain to the Agency.

#### Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted at the exchange rate applicable at that date. Due to the change in accounting policy for income receivable from EU Aid for Fisheries Enforcement programmes mentioned in "Prior year adjustments" below, amounts ordinarily subject to exchange risk have been stated at the settled amount.

#### Provisions

The Agency provides for the estimated future liability arising from decisions made in previous accounting periods. These provisions are drawn down as the resulting liability is met, reversed as operating gains if unused in the period when they were created, or surrendered to Defra if unused.

#### Value Added Tax (VAT)

The activities of the Agency are outside the scope of VAT. In general output tax does not apply and input tax on most purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

Certain expenditure of the Agency relates to services which were formerly provided by the Crown. The input tax on these "contracted-out" services is allowed by HM Revenue and Customs to be treated as recoverable. Where output tax is charged or input tax is recoverable the amounts are stated net of recoverable VAT.

#### Contingent liabilities and remote liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12 (see Note 18), the Agency 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.

#### Financial assets and liabilities

The Agency classifies its non-derivative financial assets as loans and receivables. Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs).

#### Derivative financial instruments and hedging

The Agency does not use derivative financial instruments such as interest rate swaps or any other hedging facilities.

#### Change in format of annual accounts

The format of the Operating Cost Statement and Notes to the Accounts have been revised for 2008-09 to provide greater clarity. A number of categories of expenditure have been stated in different classifications from previous years. Comparative figures for 2007-08 have been stated in a manner consistent with the revised classifications.

### Note 2. Transfer of Function

As reported in last year's Annual Report and Accounts, the Welsh Assembly Government assumed responsibility for marine fisheries regulations in Welsh waters, with effect from 1

April 2008. The costs incurred by the Agency in the comparative period amounted to £176,000 and are not considered material to require the restatement of the prior year's results.

### Note 3. Changes in Accounting Policy

Income from EU Aid for Fisheries Enforcement programmes had previously been surrendered to Defra. Following discussions between the Agency and Defra in 2008-09 it was agreed that income receivable from these programmes can be retained by the Agency. The Agency has restated its accounts to include all income from EU Aid for Fisheries Enforcement receivable at 31 March 2009 to reflect this change in accounting policy.

Income receivable for licences awarded under the Food and Environment Protection Act 1985 (FEPA) had previously been recognised on production of an invoice to the licensee. The Agency has changed its accounting policy during the year and now matches income with the administration cost of processing each licence application.

The financial effects of the prior year adjustments are as follows:

	Restated £'000
<b>Operating Cost Statement</b>	
Net Operating Costs for the year to 31 March 2008, as previously stated	30,451
EU Aid Income previously surrendered to Defra	(131)
FEPA licence fee income	45
<b>Restated Net Operating Costs for the year to 31 March 2008</b>	<b>30,365</b>
<b>Balance Sheet</b>	
General Fund balance as at 31 March 2007, as previously stated	(3,874)
EU Aid Income previously surrendered to Defra	(756)
FEPA licence fee income	323
<b>Restated General Fund balance as at 31 March 2007</b>	<b>(4,307)</b>
General Fund balance as at 31 March 2008, as previously stated	(6,342)
EU Aid Income previously surrendered to Defra	887
FEPA licence fee income	(368)
<b>Restated General Fund balance as at 31 March 2008</b>	<b>(5,823)</b>

**Note 4. Staff Costs and Numbers**

	2008-09	2007-08
	£'000	£'000
<b>Permanent Staff</b>		
Wages and Salaries	5,588	5,097
Pension Costs	1,054	966
Social Security Costs	426	391
Other Staff Costs	25	30
Total Permanent Staff Costs	7,093	6,484
Non Permanent Staff Costs	1,370	518
<b>Total Staff Costs</b>	<b>8,463</b>	<b>7,002</b>

**Average Number of Full Time Equivalent Staff**

	2008-09	2007-08
Permanent	182	182
Non Permanent	24	21
<b>Total</b>	<b>206</b>	<b>203</b>

**Note 5. Grant Expenditure**

	2008-09	2007-08
	£'000	£'000
Financial Instrument for Fisheries Guidance:		
EU Funding	6,101	7,006
UK Funding	490	4,657
European Fisheries Fund:		
Under 10 metre fleet Decommissioning Scheme – EU Funding	1,236	0
Under 10 metre fleet Decommissioning Scheme – UK Funding	1,853	0
Under 10 metre fleet Decommissioning Scheme – provision	1,882	0
Other – EU Funding	11	0
Other – UK Funding	16	0
Fisheries Challenge Fund	159	0
Fishing for Litter	16	0
<b>Total Grant Expenditure</b>	<b>11,764</b>	<b>11,663</b>

Grant expenditure of £7,348k (2007-08 £7,006k) included above is claimed from the EU under Financial Instrument for Fisheries Guidance and European Fisheries Fund schemes and income receivable is recognised in Defra's Resource Accounts.

**Note 5. Grant Expenditure (continued)**

	2008-09	2007-08
	£'000	£'000
<b>Analysis of Grants by Sector</b>		
Private Sector	7,121	7,556
Public Sector	4,643	4,107
<b>Total</b>	<b>11,764</b>	<b>11,663</b>

**Note 6. Other Operating Costs****Frontline Services – Programme Costs**

Aerial, Surface and Satellite Surveillance	8,293	8,236
Rentals payable under Operating Leases	857	172
Estate Management	838	168
Defra Support Charges (notional in 2007-08)	773	0
Travel, Subsistence and Hospitality	550	478
Information Technology Costs	382	298
Training	96	75
Other Programme Costs	842	486
<b>Sub-total Frontline Services – Programme Costs</b>	<b>12,631</b>	<b>9,913</b>

**Notional Charges from Defra and its Agencies**

Scientific Support for Marine Environment Work	2,094	1,871
Operations and Statistics Support	677	600
Other Support Charges	0	686
<b>Sub-total Notional Charges</b>	<b>2,771</b>	<b>3,157</b>

**Non Cash Items**

Office Relocation	273	244
Auditor's Remuneration and Expenses	60	50
Depreciation	42	39
Downward Revaluation	6	3
Amortisation	13	14
Cost of Capital Credit	(298)	(186)
Early Retirement	0	29
<b>Sub-total Non Cash Items</b>	<b>96</b>	<b>193</b>

**Total Other Operating Costs**

<b>15,498</b>	<b>13,263</b>
---------------	---------------

**Note 7. Income**

	2008-09	2007-08
		Restated
	£'000	£'000
<b>Programme Income</b>		
Food and Environment Protection Act licence fees	1,128	1,252
EU Data Collection	206	55
Aerial Surveillance	122	120
Marine Works Regulations licence fees	95	0
EU Aid for Fisheries Enforcement	30	131
Exchange Gains	23	0
Other Income	1	5
<b>Total Income</b>	<b>1,605</b>	<b>1,563</b>

**Note 8. Tangible Fixed Assets**

	Plant, Equipment & IT £'000
<b>Cost or Valuation</b>	
Cost or Valuation at 1 April 2008	195
Additions	27
Revaluations	(14)
<b>At 31 March 2009</b>	<b>208</b>
<b>Depreciation</b>	
Depreciation at 1 April 2008	121
Charged in year	42
Revaluations – Backlog Depreciation	(8)
<b>At 31 March 2009</b>	<b>155</b>
<b>Net Book Value at 31 March 2008</b>	<b>74</b>
<b>Net Book Value at 31 March 2009</b>	<b>53</b>

All tangible fixed assets are owned by the Agency. The majority of tangible fixed assets is IT equipment with a net book value of £40k (2007-08 £65k).

**Note 9. Intangible Fixed Assets**

	Software Licences £'000
<b>Cost or Valuation</b>	
Cost or Valuation at 1 April 2008	67
<b>At 31 March 2009</b>	<b>67</b>
<b>Amortisation</b>	
Amortisation at 1 April 2008	49
Charged in year	13
<b>At 31 March 2009</b>	<b>62</b>
<b>Net Book Value at 31 March 2008</b>	<b>18</b>
<b>Net Book Value at 31 March 2009</b>	<b>5</b>

**Note 10. Debtors**

	31 March 2009	31 March 2008 Restated
	£'000	£'000
<b>Amounts falling due within one year</b>		
VAT	99	54
Other Debtors and Prepayments	1,181	985
<b>Total</b>	<b>1,280</b>	<b>1,039</b>

Debtors include £845k due from other central government bodies (2007-08 £79k) and £4k from local authorities (2007-08 £nil).

**Note 11. Cash at Bank**

	31 March 2009	31 March 2008
	£'000	£'000
Office of HM Paymaster General	421	595
Commercial Banks	108	33
<b>Total</b>	<b>529</b>	<b>628</b>

In addition to the above amounts, the Agency also held balances on behalf of Third Parties of £4k (2007-08 £nil) with the Office of HM Paymaster General and £6k (2007-08 £nil) with commercial banks. These are not Agency assets and are not included in the Accounts.



**Note 12. Creditors**

	31 March 2009	31 March 2008
	£'000	£'000
		Restated
<b>Amounts falling due within one year</b>		
Trade Creditors	224	103
Accruals and Deferred Income	1,210	517
Defra Group	2,473	878
Other Creditors:		
Under 10 metre fleet Decommissioning Scheme	3,089	0
Aerial and Surface Surveillance	1,864	3,012
Financial Instrument for Fisheries Guidance	497	1,599
Other	90	979
<b>Total</b>	<b>9,447</b>	<b>7,088</b>

Creditors include £4,259k due to other central government bodies (2007-08 £4,916k) and £88k due to local authorities (2007-08 £609k).

Defra Group creditors include £10k due to the Consolidated Fund (2007-08 £nil).

**Note 13. Provisions for Liabilities and Charges**

	Under 10 metre Fleet Scheme	Office Relocations	2008-09 Total	2007-08 Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>	0	494	494	250
Provided during the year	4,971	273	5,244	250
Provisions utilised during the year	(3,089)	(186)	(3,275)	(6)
<b>Balance at 31 March</b>	<b>1,882</b>	<b>581</b>	<b>2,463</b>	<b>494</b>

Provisions at 31 March 2009 relating to the Under 10 metre Fleet Scheme are anticipated to be utilised by 31 March 2010 and Office Relocations utilised by 31 March 2011.

**Note 14. General Fund**

	31 March 2009	31 March 2008
		Restated
	£'000	£'000
<b>Balance at 1 April</b>	5,823	(4,307)
Net Parliamentary Funding:		
Drawn Down	(27,367)	(19,506)
Net Transfer from Operating Activities:		
Net Operating Cost	34,120	30,365
Non Cash Charges:		
Defra Notional Charges	(2,771)	(3,157)
Cost of Capital Credit	298	186
Early Retirement Costs	0	(29)
Auditor's Remuneration	(60)	(50)
FIFG payments to SEED and WAG * on behalf of Defra	0	2,321
<b>Balance at 31 March</b>	<b>10,043</b>	<b>5,823</b>

\* Scottish Executive Environment Directorate and Welsh Assembly Government

**Note 15. Notes to the Cash Flow Statement**

		31 March 2009	31 March 2008
			Restated
	Note	£'000	£'000
<b>(a) Reconciliation of Operating Costs to Operating Cash Flows</b>			
Net Operating Cost		(34,120)	(30,365)
Adjustment for Notional Charges	6	2,771	3,157
Adjustment for Non Cash Transactions	5,6	1,978	193
Adjustment to opening General Fund balance	3	0	756
Adjustments for Movements in Working Capital:			
Increase in Debtors		(241)	(872)
Increase in Creditors		2,359	3,083
Use of provisions not passing through the Operating Cost Statement	13	(186)	0
		(27,439)	(24,048)
FIFG payments to SEED and WAG * on behalf of Defra		0	(2,321)
<b>Net Cash Outflow from Operating Activities</b>		<b>(27,439)</b>	<b>(26,369)</b>

**Note 15. Notes to the Cash Flow Statement (continued)**

		31 March 2009	31 March 2008
	Note	£'000	Restated £'000
<b>(b) Analysis of Capital Expenditure and Financial Investment</b>			
Tangible Fixed Asset Additions	8	(27)	(14)
<b>Net Cash Outflow from Capital Expenditure and Financial Investment Activities</b>		<b>(27)</b>	<b>(14)</b>
<b>Net Cash Requirement</b>		<b>(27,466)</b>	<b>(26,383)</b>
<b>(c) Analysis of Financing</b>			
Net Cash Requirement received from Defra		27,367	19,506
<b>Net Financing</b>		<b>27,367</b>	<b>19,506</b>
<b>(d) Reconciliation of Net Cash Requirement to Decrease in Cash</b>			
Net Cash Requirement		(27,466)	(26,383)
Net Financing		27,367	19,506
<b>Decrease in Cash in year</b>		<b>(99)</b>	<b>(6,877)</b>

\* Scottish Executive Environment Directorate and Welsh Assembly Government

**Note 16. Financial and Capital Commitments**

		31 March 2009	31 March 2008
		£'000	£'000
<b>(a) Financial Commitments</b>			
<b>Property Operating Leases</b>			
Expiry within 1 year		21	23
Expiry within 2-5 years		101	85
Expiry thereafter		61	74
<b>Total</b>		<b>183</b>	<b>182</b>
<b>Other Commitments</b>			
Expiry within 1 year		2,104	2,138
Expiry within 2-5 years		6,068	5,920
Expiry thereafter		2,946	2,471
<b>Total</b>		<b>11,118</b>	<b>10,529</b>

**Note 16. Financial and Capital Commitments (continued)****(b) Capital Commitments**

The Agency had no capital expenditure commitments at 31 March 2009 (2007-08 £nil).

**Note 17. Losses and Special Payments**

There were no losses nor special payments in the year to 31 March 2009 (2007-08 £1k).

**Note 18. Contingent Liabilities**

	31 March 2009	31 March 2008
	£'000	£'000
Relocation of the Agency's Headquarters	3,712	0
Financial Instrument for Fisheries Guidance	72	72
<b>Total</b>	<b>3,784</b>	<b>72</b>

The decision in February 2009 by the Minister of State to relocate the headquarters of the Agency to Tyneside may result in an initial one-off cost of up to £4m. The £3,712k contingent liability represents that element of the potential cost which has neither been expensed nor provided for by the year end.

In the year to 31 March 2008, an instance was identified whereby a payment of a grant may not have been correctly applied for its intended purpose. This case is now subject to legal proceedings. If proven overpaid and irrecoverable from the beneficiary, £72k may be required to be returned to the European Commission.

**Note 19. Contingent Gains**

	31 March 2009	31 March 2008
	£'000	£'000
Proceeds of Crime	0	328
<b>Total</b>	<b>0</b>	<b>328</b>

The Serious Organised Crime Agency (previously the Assets Recovery Agency) may obtain court orders under proceeds of crime legislation, from which the Agency may receive a share to be applied to the benefit of the fishing industry or marine communities (or surrendered to HM Treasury). There is increased uncertainty as to the amount that may be received by the Agency and its timing. As a result, such potential benefit is no longer considered a contingent gain.

**Note 20. Marine Management Organisation**

On 3 April 2008 the Minister of State announced a draft Marine and Coastal Access Bill which seeks Parliamentary approval for the establishment of a new Non-Departmental Public Body (the Marine Management Organisation). The existing functions and responsibilities of the Agency are expected to form the major part of the activities of the new organisation. During the year to 31 March 2009 costs of £860k (2007-08 £nil) were incurred by the Agency on the potential impact of enacting the draft Bill and the Agency's anticipated transition to the Marine Management Organisation.

**Note 21. Financial Instruments**

There were no financial instruments at 31 March 2009 other than those stated on the Agency's Balance Sheet. The Agency does not face significant medium to long term financial risk from these financial instruments.

#### **Note 22. Related Party Transactions**

The Marine and Fisheries Agency is an Executive Agency of Defra. Defra is regarded as a related party. During the year, the Agency has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department, viz:

Centre for Environment, Fisheries & Aquaculture Science

Environment Agency

Natural England

Sea Fish Industry Authority

In addition, the Agency has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with:

Ministry of Defence

Northern Ireland Executive

Scottish Government

Welsh Assembly Government

No Board member, key manager nor other related parties has undertaken any material transactions with the Agency.

#### **Note 23. Authorised Date for Issue**

The Agency's Financial Statements are laid before the House of Commons by the Secretary of State for Defra. The authorised date for issue is 29 June 2009.

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