



Marine and Fisheries Agency

Annual Report and Accounts

for the financial year ended 31 March 2010

**Marine and Fisheries Agency
Annual Report and Accounts
for the financial year ended
31 March 2010**

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

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Chief Executive's Foreward



Welcome to the Marine and Fisheries Agency (MFA) Annual Report and Accounts for 2009-10.

This is the final report of the MFA as its functions have now been incorporated into those of the Marine Management Organisation (MMO). The MMO began operating in April 2010, immediately exercising the functions allocated to it under

the Marine and Coastal Access Act 2009 and taking forward the policy interests of a wide range of Government Departments.

The preparation to ensure the successful vesting of the MMO on 1 April 2010 was the culmination of a challenging and eventful year. Practical activity included relocation to the new headquarters in Newcastle whilst ensuring that robust plans were in place to maintain high standards to all our customers. In the new headquarters and throughout our 18 coastal offices we continued to deliver a wide range of services and functions, as well as recruiting new staff and setting up the new organisation.

This Annual Report demonstrates the achievements and challenges faced by the MFA in delivering activities whilst meeting targets and standards. I would like to take this opportunity to thank Nigel Gooding, Chief Executive of the MFA, the MFA staff and the many people and organisations who supported the MFA for their professionalism, commitment and hard work.

Steven Gant

Chief Executive Officer

5 July 2010

Management Commentary

The Marine and Fisheries Agency in 2009-10

Geographical coverage and place of business

The Marine and Fisheries Agency (MFA) was an Executive Agency established by the Department for Environment, Food and Rural Affairs (Defra). During 2009-10 the Agency provided fisheries and marine environment services to Defra in England, marine environment services to the Welsh Assembly Government in Wales, and services occasionally to other territories by agreement with the relevant governments.

The Agency was accountable to Parliament through Ministers including the Rt. Hon. Hilary Benn MP the former 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 (Ergon House, Horseferry Road, London SW1P 2AL) and later in the year at the new relocated Headquarters site in Newcastle (Lancaster House, PO Box 1275 Newcastle upon Tyne, NE99 5BN), 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 was at the heart of the Government agenda for the marine environment and sea fisheries management pending the implementation of the Marine and Coastal Access Act 2009 which set up the new Marine Management Organisation (MMO). Our functions helped 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, including relocation to a new Headquarters in Newcastle upon Tyne and transition to become the core of a new Non-Departmental Public Body - the Marine Management Organisation.

Principal delivery functions

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 - marine works, offshore renewable 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 extends 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:

- Fishing vessel licensing; the management of fleet capacity and fisheries quotas; and the monitoring and control of fishing activities under the Common Fisheries Policy
- Enforcement of sea fisheries legislation and taking appropriate action where infringements have been detected. Provision of advice and guidance to all to encourage compliance with regulations
- Implementation of the EU marketing regime
- Ensuring compliance with economic links provision which ensures that fishing vessels contribute to economies of UK fishing communities
- Delivering a grants scheme aimed at a more sustainable and profitable industry and coastal communities via the European Fisheries Fund; and delivering the Fisheries Challenge Fund to fund one-off scientific projects suggested by stakeholders
- Management, recording and provision of data on fishing activities and catches; undertaking biological sampling of fish stocks (until 31 December 2009, when this function was taken on by Cefas) and data collection under regulation (EC) 199/2008.

Further information was given in our Business Plan for 2009-10. These functions will be delivered by the new Marine Management Organisation from 1 April 2010.

Highlights of the main activities and successes during the year

In addition to normal activities the Marine and Fisheries Agency undertook a series of major undertakings to deliver Government's objectives for the marine management.

- The Agency worked closely with Defra to support the passage of the Marine and Coastal Access Act through Parliament which received Royal Assent in November 2009.
- The Agency undertook a lead role in working with Defra on a range of activities in planning for and implementing the provisions of the Marine and Coastal Access Act and the establishment of a new Non Departmental Public Body - the Marine Management Organisation, which was vested on 1 April 2010 and took over management responsibilities for the marine area from the Marine and Fisheries Agency.
- In February 2009, the former Marine and Fisheries Minister, Huw Irranca Davies announced that the headquarters of the Marine and Fisheries Agency would be relocated to Tyneside and that it would form the headquarters of the new Marine Management Organisation. Lancaster House in Newcastle was

chosen as the new headquarters building and the Agency undertook a major transition programme to: relocate those Agency staff that agreed to relocate to the new HQ; recruit, train and handover to new staff with the right sets of skills and competencies to replace Marine and Fisheries Agency staff that did not relocate; redeploy those MFA staff who did not relocate; and recruit new staff needed for the new Marine Management Organisation.

- The relocation of the Agency's HQ to Newcastle was completed on time and within budget. The new HQ was fully operational and able to hand over to the new Marine Management Organisation ready for vesting. A key priority for the Agency during this period of major change was to ensure continuity of the Agency's business and to continue to deliver functions and services to all its customers. Detailed contingency arrangements were put in place. All targets were met and there was no interruption to services.

Marine Environment Team (MET)

The key change for the Marine Environment Team during 2009-2010 was its relocation along with other Head Office functions to Newcastle. In practice this provided an opportunity to re-structure the team in preparation for the Marine Management Organisation which involved recruitment, training and handover to the new team by existing London based MET staff. For the period from October through to March teams were operating in tandem in London and Newcastle with new staff taking on increasing casework while existing staff managed handover and took an increasing role in developments made in preparation for the MMO.

As well as relocation and restructuring, preparations were made for handover of new functions the MMO is taking on. Specifically, development of:

- capacity to undertake Harbour Revision Order work (a function transferred to MMO from the Department for Transport), and;
- development of capacity for licensing of offshore energy installations with a generating power of 100 megawatts and below under the Electricity Act 1989 and to declare safety zones around those installations using powers in the Energy Act 2004 in UK offshore waters (apart from the Scottish zone & adjacent areas of the continental shelf) (transferred from the Department of Energy and Climate Change - DECC) and in the territorial sea and internal waters adjacent to England and Wales.

In addition to this, transfer of Food and Environment Protection Act (FEPA) casework to the Welsh Assembly Government (WAG) was affected. This is a devolved function which had been undertaken by MFA on behalf of WAG. The transfer involved provision of training, liaison and ultimately handover of ongoing casework.

Further activities undertaken included:

- Preparation for the MMO's role as statutory consultee for Nationally Significant Infrastructure Projects, now regulated by the Infrastructure Planning Commission (IPC) under the planning Act 2008
- A review of fees for its licensing functions, including a public consultation. New fees were introduced from 1 March 2010.

Throughout the period, MFA staff collaborated closely with the Defra policy teams on development of a new licensing regime and provided support and briefing material during the passage of the Marine and Coastal Access Act.

Notable Project: London Gateway

The MFA issued licences under the Food and Environment Protection Act 1985 for the construction of 2,700m of quay wall and the reclamation of 92 hectares of land from the River Thames as part of the London Gateway Port development, the largest port development in England. The licences contained conditions to protect the marine environment, while allowing the development of the new port. The MFA also issued Tidal Works Approvals for the dredging of the channel and berthing pockets on behalf of the Secretary of State for the Environment as part of the requirements of London Gateway Ports Ltd Harbour Empowerment Order. As part of the environmental mitigation package the MFA also assessed and licensed aspects of the managed realignment package known as Site A.

Fisheries Enforcement

The MFA was committed to ensuring high compliance with fisheries regulations and measures designed to conserve fish stocks. The aim being to detect and prevent offences by carrying out effective monitoring, control and surveillance activity on land and sea, supported by aerial surveillance and satellite monitoring.

Enforcement systems were highly integrated and risk and intelligence based systems were deployed to target enforcement resources to best effect. This included physical inspection of fish catches and fishing gear, documentation checks and verification and analysis of fish data collected for buyers and sellers transactions. Appropriate enforcement action was taken, including application of financial administrative penalties and prosecution before the courts, where offences are detected. Detail of inspection activity is set out in the table below.

Activity	Number
Land	
Inspections in Port	2,237
- Full inspections of vessels, catch and gear	
- Inspections of catch on landing	4,745
Inspections of Vehicles	345
Official Written Warnings	25
Verbal / Written re-briefs (minor offences)	151
Sea	
Inspections at sea	1,200
Sightings at sea	3,373
Vessels detained for further investigation	6
Statements forwarded for further investigation	48
Financial Administrative Penalties	7-£16,000
Official Written Warnings	31
Verbal/ Written re-briefs (minor offences)	242
Air	
Aerial surveillance sightings	8,763
Prosecutions	
All Fisheries Offences Successfully Prosecuted	175
Penalties applied by Courts (excluding costs)	£77,821

Enforcement of fisheries and marine nature conservation in the offshore area was undertaken by the Royal Navy Fisheries Protection Squadron under an agreement with the MFA. 3 River Class vessels were deployed on fisheries surveillance task for a total of 670 days in 2009/2010.

Aerial surveillance of fishing activity was undertaken under contract by a private company, Directflight Ltd. In addition to being tasked by the MFA operations team in London, these vessels and aircraft also took part in several Joint Deployment Plans where member states shared assets and fishery enforcement officers, vessels and aircraft were permitted to operate in other member states waters and airspace. More cooperation of this sort is envisaged in the future and is being actively encouraged by the Community Fisheries Control Agency.

Enforcement and the Marine and Coastal Access Act

The Act introduced in 2009, streamlined and modernised enforcement powers in numerous regulations into a core set of 'common' powers. These powers will be used for a range of legislation including sea fisheries, marine nature conservation and marine licensing. Marine Enforcement Officers will enforce these powers from 1 April 2010 and a comprehensive training programme was carried out towards the end of the year to ensure that MFA and other enforcement officers fully understand the new powers.

Electronic Reporting System (ERS)

A secure web based Electronic Reporting System (ERS) www.fishregister.gov.uk was introduced on the 14 September to meet requirements of Council Regulation 1966/2006. This will enable registered buyers or sellers to enter and submit individual sales notes electronically. It will benefit those submitting records electronically by giving them the ability to access and download all records they have submitted.

Following this launch, work has continued and by March 2010, five different ways of submitting sales note data electronically had been developed, to better suit the range of different methods senders require to fit in with their current practices and systems.

Electronic Logbooks

A significant amount of work has also been done in the development of an electronic logbook system which will eventually replace the paper logbook system for larger fishing vessels starting with the over 24m fleet in 2010.

IUU (Illegal Unreported and Unregulated) fishing

A new Council Regulation (EC) 1005/2008 came into force on the 1 January 2010 bringing with it a raft of implementing legislation. This is designed to prevent illegal catches by third country fishing vessels from being imported to the EU market. Achieving a smooth introduction in the UK required extensive preparation in 2009 and the Marine and Fisheries Agency specialist IUU unit worked closely with our UK delivery partners to achieve this transition. These partners included: Defra, Port Health officers at container ports and airports, HMRC and the devolved administrations, and externally with the European Commission and the Community Fisheries Control Agency.

The MFA's main stakeholders were fish importers, large fish processing businesses, and UK fish exporters. During 2009 the engagement of delivery partners with representatives of these industries has meant that there has been very little interruption in critical trade flows. In terms of introducing a complex and potentially disruptive regulation requiring extensive cross government working, the UK implementation of this regulation has been acknowledged by stakeholders as a success.

Working with Defra and the Devolved Fisheries Administrations (DAs)

The MFA maintained a close working relationship with Defra policy and the DAs to ensure that new regulations were sound and practical to enforce. Despite MFA dealing with work involved in the transition to the MMO and working on the Marine and Coastal Access Bill, work was completed on the new fisheries control regulation and significant

work was done in relation to the technical control regulation.

The MFA coastal teams contributed their knowledge and expertise and worked closely with fishing industry stakeholders to make sure their views were taken into account when decisions were made and that any guidance produced was helpful and easy to understand.

Grants

During the year a wide range of projects were funded by the European Fisheries Fund to help put the industry on a more sustainable and profitable basis. These ranged from improvements to individual boats to improve safety and quality, work on trawl modifications to reduce discards, merging existing businesses in East Anglia to a purpose built new processing site, a major port refurbishment at North Shields through to a national programme of safety training run by Seafish.

In addition we funded the Fishing for Litter project in the South West. Fishermen were encouraged to bring litter ashore that has been caught in their nets; it was put into hard wearing durable bags taken to sea, with the rubbish being subsequently either recycled or disposed of responsibly. The scheme has now been extended to 6 harbours in the South West with over 75 vessels signed up.

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 set up international quota swaps during the year to increase fishing opportunities for the UK fleet and as part of ensuring that the UK had no instances of exceeding its quotas. The new headquarters team also established closer working links with MFA coastal staff and with the industry around the coast of England.

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 supporting the new headquarters Effort Management Team during their induction into the MFA and during the transition of work to the new Newcastle HQ.

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, the management of fishing effort under the Cod and Sole recovery regimes, 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 oversaw the current state and development of sea-fisheries activities in England. The teams continued 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) were rewarded by improved opportunities to fish.

As at 31 March 2010 there were 3,056 English-registered fishing vessels administered by the MFA (534 over 10 metres long, 2,522 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 4,715 full-time and 1,034 part-time fishermen-compared to just over 29,000 in 1938 (i.e. before World War II). Throughout the year, the smaller vessels focused 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 period

District	Number of landings	Quantity (tonnes live wt.)	Value (£m)
Merseyside & Fylde	897	1,343	2.73
Humber	16,264	9,513	16.77
Eastern	6,055	2,761	10.10
Northern	17,790	9,465	14.78
South Eastern	41,546	19,478	29.71
South Western	22,692	32,115	40.20
Wales	9,312	15,226	24.23
Western	19,988	12,833	27.12

(Note - Details for Humber exclude landings by third country carrier vessels - these totalled 13,322 tonnes live weight 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 Marine Management Organisations web-site: <http://www.marinemanagement.org.uk/fisheries/statistics/annual.html> or from the MMO Statistics team:

Area 4A,
Ergon House,
Horseferry Road,
London
SW1P 2AL.

Communications

The MFA continued its pro-active communications strategy in 2009-10. Its aims were to inform and explain its work to both stakeholders and the public while seeking to enhance the professional reputation of the organisation. It also kept staff informed of what was happening internally during a difficult period of relocation and transition.

Press and Media

Early in the year the MFA was featured favourably and quoted in the Times, Independent, Mail and Express. Throughout the year the MFA continued to be a regular source of news to their stakeholders and general regional publications, news broadcasters and web-sites.

The MFA was featured and mentioned positively a total of eight times by national network broadcasters in 2009-2010 including: BBC 1 television, ITV 1, National Geographic Channel, Channel 5, BBC Wales, and Radio 5 Live.

Web-sites

The MFA's external web-site continued to flourish in 2009-10 with stakeholders increasingly using the public site both as a vital source of up-to-date information and forms. The MFA web site recorded 17,000 individual users in one month.

MFA's own Intranet played an important role informing staff on matters relating to the transition to the Marine Management Organisation with dedicated pages branded MFA Mercury. The weekly situation report from coastal district inspectors kept staff, senior managers, and key Defra policy colleagues up to date with issues arising on the coast.

Exhibitions

The MFA communications team facilitated successful stands at two major exhibitions- the International Fishing Show in Glasgow, and the Workboat Show in Southampton. Staff also gave up their weekends to man stands at smaller regional events round the coast.

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 (Cefas) provided 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 was provided to the Agency through a High Level Agreement which Cefas has with Defra.

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

Risks

The Agency faced 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 had a risk

management strategy and risks were listed in the risk register. Further details of these risks are contained in the Statement on Internal Control. The Agency also adopted a risk-based approach to much of its work, including inspection and enforcement. Operational risks were also supported by the Agency's comprehensive Health & Safety policies.

The staff of the Marine and Fisheries Agency

During the financial year, the Agency employed an average of 212 permanent staff and also employed a total of 112 temporary staff and contractors during the year. These staff were based in the Agency's headquarters and coastal offices. 10 staff relocated from London to Newcastle, 104 new staff were recruited to the new headquarters in Newcastle and 80 staff were redeployed within Defra.

Just under half of the staff of the Agency were qualified British Sea Fisheries Officers (BSFO) who enforced 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 acted as BSFOs.

Employment policies

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

Employment of disabled persons

The Agency followed the Civil Service Code of Practice on the Employment of Disabled People which aimed to ensure that there was no discrimination on the grounds of disability and that access to employment and career advancement with the Agency was based solely on ability, qualifications and suitability for the work. In addition, the department and Agency also operated the "Two Ticks" scheme whereby disabled job applicants were guaranteed an interview if they met the minimum criteria for that job.

Diversity and Equality

The Agency encouraged staff involvement in the day-to-day running of its activities through normal line management contacts. Both the intranet and regular office notices were used to disseminate information.

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

It was both Agency and Departmental policy that there should 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 was solely on merit. Precisely the same standards applied in the assessment of men and women regardless of marital status, domestic responsibilities, ethnicity or national origin.

Staff who worked reduced hours were 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 had a designated Equal Opportunities Officer, who participated in a network of Equal Opportunities Officers set up throughout Defra.

Employee involvement

The Agency recognised the very large part that its' staff had 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 Directors were kept informed of practical issues in time to take action. In the period leading up to relocation of the headquarters weekly meetings were held to provide headquarters staff with regular updates and to receive comment and feedback. A MMO Integration Group was set up with representative staff from coastal offices and headquarters to inform and provide feedback on the relocation and transition processes.

The Agency continued to support its own trade union groups to represent all staff, independent of Defra, to ensure the needs of the Agency's staff are adequately represented. Management and staff representatives met regularly in several forums, 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 7.9 days (2008-9, 7.3days).

Performance Report

The former Fisheries Minister, Huw Irranca-Davies, announced the MFAs targets for the year to Parliament in 2009. The achievement of our targets was audited by Defra's Internal Audit Division.

The targets for 2009-10 were all assessed as either being met or were not applicable in 2009-10, a significant achievement during this year of major change. Details of the targets are as follows:

[Licensing and monitoring of coastal and marine developments and activities to protect the marine environment and secure benefits from its use.](#)

Marine Works

Target 1: Provide an initial response to 75% of 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. 93% of cases met the schedule.

Marine Minerals

Target 2: Issue a screening determination on 80 per cent of marine mineral applications within six weeks of receipt of the application.

This target was not applicable in 2009-10. It related to the potential need, under legislation, for all aggregate companies to conduct an impact assessment prior to commencing an operation. MFA were required to carry out a screening determination on whether such an assessment would actually be required for specific operations. No determinations were required in 2009-10.

Renewables

Target 3: Confirm with applicants, in writing, when the negotiation stage of the renewable FEPA licensing progress had concluded and inform them of the licence decision within six weeks of the correspondence date.

There was only one case in 2009-10 and this was completed to time. However, given the lack of cases in 2009-10 this target was considered as not applicable to 2009-10.

[Effective management and regulation of sea fisheries to secure a sustainable future](#)

Fishing Vessel Licensing

Target 4: Issue 100% of over 10 metre licences biennially by 23 March and 100% of under 10 metre licences biennially by 30 June.

The issue of licences is biennial, staggered during the issuing year between the under and over 10 metre vessels in the UK fleet. The issue of both types of licence was made

in 2008-09 and therefore there was no issue done in 2009/2010.

Target therefore not applicable.

Quota Management

Target 5: 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 one or two minor over-fishes in some areas, compensated for by under quota fishing in others. End year efforts to 'swap in' quotas had ensured that all quotas were within limits and no EU deductions or infractions are expected.

Sea Fisheries Enforcement

Target 6: Deploy enforcement and inspection 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. Around 60% of land inspections and 63% of sea inspections were targeted at categories deemed high risk.

Value for Public Money

Target 7: Deliver the MFA transition programme and relocation within the resources allocated working in collaboration as appropriate with DEFRA and other network delivery partners.

Met. MMO was launched to schedule in the new HQ office in Newcastle and did so with no additional budget received from Defra. The relocation costs were funded from business savings.

Capability and Capacity

Target 8: Ensure that the agency maintains the capacity to deliver its services during the relocation of the HQ to Tyneside and to develop its new and existing people through a comprehensive training and development programme working as appropriate in collaboration with Defra and other network delivery partners.

Met. As mentioned above in the previous target, the transfer from MFA to MMO and the move from London to Newcastle was successfully completed. The project was achieved working closely with (among others) CEFAS. There was a comprehensive and well received training and development programme for new entrants. Marine Enforcement Officer training to meet requirements brought in by the Marine & Coastal Access Act 2009 was completed on time. The performance overall in the business conducted by MFA was at least maintained during the project.

Sustainable Development

The Agency's Sustainable Development Action Plan 2009 set out how the Agency contributed to Sustainable Development, both as part of the work we did and the way in which we did it. As described above, we enforced measures aimed to secure greater sustainable development and encouraged others to do so, for example through Grant

Scheme projects that promoted sustainable development. We also looked at ways to reduce our carbon footprint. Examples included:

- Booking official travel through Defra's contracted supplier provides carbon offsetting for the travel involved
- Reducing the degree of paper publications by making more available electronically
- Waste recycling areas were introduced at HQ offices and this was extended to the coastal offices
- Procurement and contracts followed Defra's framework agreements which incorporated criteria to be achieved on sustainability
- The introduction in 2009-10 of the electronic submission of data from the fishing industry (electronic sales notes). This will reduce the amount of paper reports produced as well as saving staff resources for industry and the Agency and thus reducing consumables at offices involved in data entry. The agency also worked on the introduction of electronic logbooks, which would have a similar impact. Both these developments were EC requirements
- Improved facilities for holding video and telephone conferences were introduced in Lancaster House, the new headquarters building.

Travel usage was not collected centrally for use as a baseline going forward as the year would not be representative since we were dealing with relocation, recruitment and training of new staff, and the transition to the MMO, which will be a larger body. New staff joining the Agency were made aware of the Sustainable Development Action Plan as part of their induction.

Financial Review

The Agency was 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 2009-2010 totalled £30.85m. This was a net decrease of £3.12m on 2008-2009. The key components of this are outlined below:

- The absence of grant expenditure incurred relating to the Financial Instrument for Fisheries Guidance Programme, which closed to applicants at the end of the 2005-06 year and whose end date for claims passed on 31 March 2009. Total expenditure incurred in relation to this programme in 2009-10 was £36k (2008-09 £6.59m)
- The expiry of the Under 10 metre fleet decommissioning programme. In 2009-10 the remaining £18k provision was reversed giving a saving (cost in 2008-09 £4.97m)
- European Fisheries Fund grant expenditure began to increase in 2009-10, having commenced as a scheme in late 2008-09. Total expenditure for the year was £3.16m (2008-09 £27k)
- Other costs incurred as a result of establishing the Marine Management Organisation, (MMO), which vested on 1 April 2010 and in relation to its relocation to Newcastle, were £5.4m. No specific budget transfer for these costs was made from Defra and therefore all costs incurred were sourced from savings elsewhere in the business.

Relations with Suppliers

Standard contractual terms of payment required that valid invoices were paid within 30 days of satisfactory receipt of goods and services or an agreed invoice. If this was later, where determined by specific terms of supplier contract or a grant scheme, the specific terms took precedence.

The Agency paid 99.8%% of invoices by their due date in 2009-10 (2008-09, 97%). In line with a wider government commitment to pay suppliers within 10 days of a correctly rendered invoice, the Agency worked closely with Defra's Shared Services Directorate to ensure that payment processes respond to the government commitment. In 2009-10 the Agency paid 99.94% of its suppliers within the 10 day directive (2008/9-no comparative available).

Pensions

Details of the Pension Schemes used by the Agency's staff and the Agency's pension costs are set out in the Staff Costs Note.

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. The Comptroller and Auditor General (C&AG) is the appointed statutory external auditor and reports to Parliament. The notional cost of the external audit for 2009-10 is £60,000 (2008-09 £55,000). In addition, the audit of the implementation of International Financial Reporting Standards carried a notional cost of £10,000 (2008-09 £5,000).

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 and Report on the Accounts is on pages 31 and 32 of this Annual Report.

Steven Gant

Chief Executive Officer

5 July 2010

Remuneration Report

DIRECTORS

Executive Directors of the Agency

Chapter 7 of the Government Financial Reporting Manual (FRm) 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 Officer	Nigel Gooding	Left 14 March 2010
Chief Executive Officer	Steven Gant	From 1 February 2010
Chief Operating Officer	Eddie Routledge	From 6 April 2009
Grants, Effort Management and Statistics Director	Kevin Williamson	
Operations Director	David Holliday	
Corporate Services and HR Director	Vanessa Key	Left 12 February 2010
Interim Finance Director	Richard Penney	Left 22 December 2009
Interim Finance Director	Wendy Powell	From 23 November 2009
Interim IT and Data Director	Sergio Vettese	From 20 April 2009
Interim Chief Information Officer	Adrian Orchard	From 18 February 2010
Interim Implementation Director	Gillian Tuson	Left 31 March 2010
Interim Business Continuity Director	Lindsay Murray	From 1 July 2009
Interim Project Director	Stephen Hunter	From 1 April 2009
Interim Programme Director	Judith Toland	From 19 October 2009

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 were appointed by the Secretary of State with the advice of the Cabinet Office. Nigel Gooding was a member of the Senior Civil Service (SCS), and was on a permanent contract with Defra. Steven Gant was also a member of the SCS on a permanent contract with the MFA.

The other Directors were not in the SCS. Those directors with permanent contracts

had no specified end date (other than as indicated above) and other than the normal retirement date, which may have been extended by agreement. Some of the directors were on interim contracts with specified end dates. Officers below SCS grades were appointed by the Chief Executive in line with existing Departmental policies.

Non-Executive Directors

The Agency had two non-executive directors: neither was an employee of the Agency. The non-executive directors attended the Steering Board, and received a daily fee payable by Defra Marine and Fisheries Directorate. Both also attended the Agency's Management Board and Audit and Risk Committee, and were paid by the Agency for their attendance at these meetings, unless the dates of more than one meeting coincided.

In the year ended 31 March 2010, the fees payable to non-executive directors were (subject to audit)

Mr. J Ballard (Chair of Audit and Risk Committee)	£2,224 (2008-09, £2,193)
Mr. J W Smith	£3,495 (2008-09, £2,193)

PAY BARGAINING AND REMUNERATION

The Agency continued to participate in Defra collective bargaining on pay and conditions of service. This included 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 had no separate arrangements for review of senior management salaries, nor for the salary of the Chief Executive.

Bonuses were awarded periodically, in line with Defra departmental procedures and rates, to staff whose performance was assessed by their line managers as exceptionally good during all or part of the reporting period, and where the payment of bonuses was approved by the Agency's Directors. As the value of end of year bonuses was not determined until after the end of the staff report period, such bonuses were recognised on a cash basis. Amounts paid in 2009-10, therefore include bonuses payable for the previous financial year.

SALARY, PENSION AND BENEFITS IN KIND (SUBJECT TO AUDIT)

Officer	Role	2009-10		2008-09	
		Salary (as defined below) £000	Benefits in kind £	Salary (as defined below) £000	Benefits in kind £
Nigel Gooding	Chief Executive (to 28 Feb 2010, left 14 Mar 2010)	85-90*	Nil	75-80	Nil
Steven Gant	Chief Executive (from 1 Feb 2010)	15-20**	Nil	Nil	Nil

Kevin Williamson	Grants Effort Management & Statistics Director	65-70	Nil	65-70	Nil
David Holliday	Operations Director	70-75	Nil	60-65	Nil
Vanessa Key	HR & Corporate Services Director (to 12 Feb 2010)	55-60	Nil	55-60	Nil
Eddie Routledge	Chief Operating Officer	75-80	Nil	Nil	Nil
Gillian Tuson	Implementation Director (from 12 May 2008)	60-65	Nil	50-55	Nil
Stephen Hunter	Interim Project Director (from 1 Apr 2009)	75-80	Nil	Nil	Nil

Salary includes gross pay, performance bonuses and other allowances.

* Full-year cost £91k-£95k. Nigel Gooding returned to a permanent post in Defra on 14th March 2010, half of his March salary has been paid for by Defra.

** Full-time equivalent salary £100k-110k.

The following interim directors are excluded from the above table as their services were provided via a third party. The total cost to MFA including VAT and travel and subsistence of their services is indicated along with the periods to which this relates.

Name	Role	Contract period, this financial year	Total payment including VAT, current year £	Total payment including VAT, 2008-09 £
Richard Penney	Interim Finance Director	From 01 Mar to 22 Dec 2009	148,407	109,000
Wendy Powell	Interim Finance Director	From 23 Nov 2009 to 31 Mar 2010	68,159	0
Sergio Vettese	Interim IT and Data Director	From 20 Apr 2009 to 31 Mar 2010	206,399	0
Adrian Orchard	Interim Chief Information Officer	From 18 Feb 2010 to 31 Mar 2010	23,794	0
Lindsay Murray	Interim Director of Business Continuity	From 1 Jul 2009 to 31 Mar 2010	117,345	0
Judith Toland	Interim Programme Director	From 19 Oct 2009 to 31 Mar 2010	125,281	0

PENSION BENEFITS (SUBJECT TO AUDIT)

Officer	Real increase in pension (£000)	Real increase in lump sum (£000)	Pension at ED (£000)	Lump sum at ED (£000)	CETV at SD (nearest £000)	CETV at ED (nearest £000)	Employee contrib'ns and transfers - in (£)	Real increase in CETV funded by employer (nearest £000)
Nigel Gooding	7	21	37	110	571	751	1	144
Steven Gant	0	0	0	0	0	0	1	0
Kevin Williamson	2	5	24	72	372	424	2	26
David Holliday	2	5	27	82	527	596	1	35
Vanessa Key	1	3	16	48	279	322	1	21
Eddie Routledge	4	12	36	106	650	757	1	81
Gillian Tuson	0	0	12	0	103	112	2	0
Stephen Hunter	1	4	19	58	349	397	1	25

RETIREMENT AND PENSIONS**(FURTHER DETAILS CAN BE FOUND IN NOTE 4 TO THE ACCOUNTS)****Pensions**

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS) or through other schemes outside the PCSPS. No directors retired in the year to 31 March 2010.

Early departure costs

The Agency was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. No directors retired early in the year ended 31 March 2010 (2008-09-1). Additional costs paid in relation to retirement due to ill-health in 2009-10 were nil (2008-9 £97k).

Steven Gant
Chief Executive Officer
5 July 2010

Statement of 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, changes in Taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual 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, together with the previous Accounting Officer, Nigel Gooding, I had responsibility for maintaining a sound system of internal control that supported 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 was personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. The Marine and Fisheries Agency ("the Agency") was an Executive Agency of Defra. I took over the role of Accounting Officer and its associated responsibilities from Nigel Gooding on 1 March 2010.

My predecessor and I worked with former Defra Ministers, policy officials, and officials in Defra service teams to ensure that the risks faced by the Agency in meeting Ministerial targets were properly managed and mitigated by appropriate controls. Where new policies or programmes were developed, we advised senior officials to ensure that the briefing they provided to Ministers addressed 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.

We were supported in our 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 Defra's Audit & Risk Committee.

The purpose of the system of internal control

The system of internal control was 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 was 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 was in place in the Marine and Fisheries Agency for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accorded with Treasury guidance.

Capacity to handle risk

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

All members of staff were 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) were staffed

with people who were competent in identifying and dealing with the daily risks and challenges of their work. The Agency continued to work closely with Defra and other UK agencies on best practice elsewhere-for example in its enforcement and management approaches where it had regular engagement with other UK marine organisations as well as those from other EU Member States.

All members of staff reviewed their training needs for their roles with their line manager on a regular basis. Training in risk management, or in dealing with specific risks arising in specific roles, was provided to staff as required.

Not all risks faced by the Agency, on its own or its customers' behalf, were within the capacity of the Agency to manage. As my predecessor and I identified risks or potential risks to Defra, or risks to the Agency, which were beyond our control, we consulted senior officials and former Ministers on the contribution that could 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.

The risk and control framework

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

- delivery of outcomes sought by former Ministers;
- legal obligations including EU compliance;
- performance of MFA operations; and
- internal management of the organisation (including risks to information assets and staff). In line with Defra policy, we reminded staff of procedures for holding and handling information. The MMO will look to implement its own protocol in relation to the effective holding and handling of information and to ensure that all staff receive appropriate training.

The nature of specific controls and mitigating action varied according to the nature of the risk and the Agency's resources. When considering risk, the Agency considered whether or not - in the context of its operational targets and capacity - each risk could be avoided or controlled. If a risk could neither be avoided nor controlled, then the Agency developed contingency plans for business continuity so that the adverse impact created as little long-term damage as possible. The Agency managers may have chosen to accept a risk if the rewards to outcomes or operational performance were worthwhile and the impact could be controlled.

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

The governance structure of the Agency consisted of:

- Steering Board;
- Management Board;
- Management Committee;

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

The Steering Board comprised two non-executive directors with experience of public sector finance, policy and financial representatives from Defra and the Agency's corporate sponsor. The Board met 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 was an executive committee consisting of a representative of the Agency's corporate sponsor (Fishing Industry Management), 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 met to maintain strategic oversight of the delivery of the existing business of the Agency, whilst preparing for transition.

The Management Committee was attended by the executive directors and headquarters team leaders. The Committee met monthly to review the nature and present state of risks which may have had 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 comprised the two non-executive directors, and meetings were also attended by representatives of our external auditors. This committee met four times during the year to advise both myself and my predecessor on the governance of the Agency, on responses 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 oversaw the performance of the teams within their directorates. This senior management team met on a weekly basis to discuss operational issues and take executive decisions.

The advice and guidance of these boards and committees was documented and this was taken forward by the Directors through their lines of command. There was an established programme of regular meetings of administrative and operational marine and fisheries staff across the Agency, which I and my predecessor attended and which provided us with information on key risks and issues to enable risk based decisions to be taken as appropriate. Through our risk management arrangements staff were asked to manage risks and reduce or mitigate against them where appropriate. The appetite for managing the top risks within the Agency was undertaken centrally through the Management Committee and senior team meetings where decisions were taken on how and to what extent risks and issues were to be addressed. Further action to ensure there was a shared understanding on risk appetite issues was identified during the year and taken forward in conjunction with Internal Audit.

Review of effectiveness

As Accounting Officers, my predecessor and I had responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the

executive managers within the Agency who had 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.

During the past year, my predecessor and I 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 including further work on risk appetite.

As part of the Agency's Risk Management Strategy, we collated and assessed what senior management deemed the most significant / top risks for the Agency. These top risks were reviewed at monthly Management Committee meetings and meetings of the Audit and Risk Committee.

The Agency was involved in some major change projects in 2009-10. These included the relocation of the headquarters from London to Newcastle and the creation of the Marine Management Organisation which took over the Agency's responsibilities on 1 April 2010. These projects were delivered successfully. In each case the project manager prepared a risk register which was reviewed at Project Board meetings or through meetings with relevant Agency or Defra officials to ensure that controls established and actions taken were sufficient to ensure delivery of the project on time and on budget. New recruits to the Agency were advised of the Agency's risk management strategy and the need for effective risk management as part of their training and induction programme. Defra internal audit also reviewed the arrangements to ensure that effective processes were being followed to deliver the programme and ensure business continuity. The conclusions reached by them were that the controls in place were adequate.

The Agency received an internal audit service from Defra IAD which assured both my predecessor and myself, that the controls established (within the Agency or through its sub-contractors in Defra) were both effective and efficient 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 were summarised in an annual report to me by IAD. The Audit and Risk Committee received updates from Internal Audit on action on recommendations and sought additional assurance and action where appropriate, e.g. ensuring outstanding actions on Enforcement were being carried forward and completed. Progress was regularly reviewed and monitored monthly at the Management Committee.

The condition of the Agency's internal control systems was reviewed with my executive directors in a structured workshop facilitated by IAD. No weaknesses of significance were identified. Some recommendations were made that would help to improve internal controls further and these will be taken forward as part of ongoing business. These recommendations included:

- continuing to address and mitigate industry concerns about a burden on industry which could result from transition and relocation;

- outlining processes to prevent failure in meeting EU reporting deadlines;
- reflecting on the extent change had to be managed to ensure successful transition from MFA to MMO.

However, audit work undertaken during the year by IAD, identified some weaknesses in the Agency's organisation structures and processes involved in the collection, collation and reporting of statistical and data returns to the European Union. A programme of action was then taken forward to address these concerns and new, more robust processes will be built into the organisation design for the new Marine Management Organisation that will take over responsibility for this activity from 1 April 2010.

I have also welcomed and supported the decision of the MMO's Chairman to commission two members of the MMO Audit and Risk Committee to conduct a "due diligence" review of the key risks around the Agency's legacy. Their report which has been endorsed by the MMO Board, will help to identify generic issues of process, accountability and management checks, which I will use to inform a comprehensive programme of improvements.

As at 31 March 2010, there was considerable work-in-progress in respect of IT systems development - in particular a Geographical Information system (GIS). Whilst project and programme management had clearly improved around these developments towards the end of the year, the MMO senior leadership team has now implemented the DEFRA and OGC Prince2 based methodology for project and programme management, introduced a gated review process and appointed project and programme managers to lead the delivery of these projects. I intend to conduct a review early in 2010-2011 to ensure that what has already been developed is fit for purpose and that future development is informed by a full understanding of strategic context and operational needs and is subject to adequate controls.

We incurred no specific Data Handling incidents during the year. All data was held and handled in accordance with Defra policies.

During the year, the Agency's Business Continuity Plan was updated and issued to all staff including specific arrangements relevant to individual offices, as appropriate. During the latter part of the financial year our staff moved into the new headquarters building - Lancaster House, Newcastle, which is shared with the Rural Payments Agency. A Business Continuity Plan for the Lancaster House HQ has been identified for early delivery under the MMO Change Programme within the newly vested organisation.

The Agency used Defra's Shared Services Directorate (SSD) for its core transaction processing. I am not aware of an issue in relation to the service provided directly to the Agency and the quality of services provided by SSD has been satisfactory during the financial year. However, the following issue requires disclosure. Payments to suppliers of the Marine and Fisheries Agency were made on our behalf by Defra's Shared Services Directorate. In May 2010 SSD advised us that two payments that were intended to be made in March 2010 to an authorised supplier on behalf of one of their customer organisations were diverted and paid into a 3rd party bank account. SSD initially suspended further payments, although payments were subsequently resumed on a weekly basis, subject to additional manual controls agreed with Defra Internal Audit and the NAO. The matter has been referred to the police whose enquiries are continuing.

Controls

Future action on internal control will be the responsibility of the new Marine

Management Organisation which took over from the Marine and Fisheries Agency with effect from 1 April 2010. A dossier of control documents was prepared to hand over to the new Marine Management Organisation which will help inform them of future internal controls actions.

Significant internal control issues

Towards the end of the year, I became aware of several issues of concern to me. Firstly shortcomings in the management of the European Fisheries Fund by the Agency were identified. These related to a technical issue with the database which led to revisions to claims not being accepted in revised calculations within the spreadsheet and inadequate updating of the database to reflect progress of claims. In addition, I observed a lack of adequate performance management in relation to the European Fisheries Fund administration in general. A full file review by the Director of Finance and a review of the management of EFF grants was undertaken by the Chair of the incoming MMO Audit and Risk Committee. Their resulting recommendations will be taken forward by the Marine Management Organisation as part of ongoing business improvements.

In addition, there emerged an issue concerning the timely invoicing of Licence Fee income within the Agency. This was linked to a database issue, involving the Marine Coastal Management system used to manage licences. There had also been a breakdown in the "notification of payment" process between finance and the licensing team which had resulted in the database not being updated in a timely manner. Additional control processes have been implemented to ensure that future licence fee income is billed in a timely and accurate manner and all files identified as having potentially missing income have been reviewed and income outstanding relating to financial years 2007-8 onwards, has been invoiced.

Lastly it was brought to my attention, following receipt of a letter issued as a result of an audit by the European Commission, that a potential issue existed involving the eligibility of an application for European Union Aid, related to spend incurred in 2006. The Commission had requested detailed supporting documentation from the MFA, in relation to a previous submission for EU Aid. Representatives of the MFA along with other staff from Defra Procurement division attended a meeting with the EC in Brussels. All relevant documentation was supplied and positively received and we await formal confirmation from the EC that they are content with our submission.

As a consequence of the above identified issues, which came to light following their overall audit opinion, Defra Internal Audit moderated their adequate controls opinion to reflect their consideration of these issues. I have commissioned two project reviews of the end to end processes for both Licence Fees and European Fisheries Fund grant applications which aim to address all of the issues identified. In addition significant review work has already been undertaken in relation to both areas and resulting adjustments have been made to the financial accounts in order to ensure they are accurate.

Taking into account all of the issues identified, I have concluded that the Internal Control System in the Agency was largely, although by no means completely, fit for the Agency's purposes and that all significant internal control issues have been identified in the transition to the MMO and, are in the process of being addressed. (in so far as it is within MFA and subsequently MMO control).

Steven Gant
Chief Executive Officer
5 July 2010

Accounts of the Marine and Fisheries Agency 2009-10

Blyth North Wind Farm & Harbour



Accounts of the Marine and Fisheries Agency 2009-10

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Marine and Fisheries Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Marine and Fisheries Agency; and the overall presentation of the financial statements.

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

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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Marine and Fisheries Agency's affairs as at 31 March 2010 and of its net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given in the Chief Executive's Foreword, Performance Review and Financial Review and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
9 July 2010*

Operating Cost Statement for the year ended 31 March 2010

		2009-10	2008-09
	Note	£'000	Restated £'000
Programme Costs			
Staff Costs	4	9,599	7,598
Grant Expenditure	5	3,303	11,764
Other Operating Costs	6	20,146	17,009
Gross Expenditure		33,048	36,371
Income	7	(2,195)	(2,400)
Net Operating Cost		30,853	33,971

The notes on pages 37 to 57 form part of these accounts.

Statement of Financial Position as at 31 March 2010

		31 March 2010		31 March 2009	31 March 2008
	Note	£'000	£'000	Restated £'000	Restated £'000
Non-Current Assets:					
Property, Plant & Equipment	8	1,590		558	671
Intangible Assets	9	1,447		20	66
			3,037	578	737
Current Assets:					
Trade and Other Receivables	10	1,456		1,812	1,049
Cash and Cash Equivalents	11	7		529	628
Total Current Assets			1,463	2,341	1,677
Total Assets			4,500	2,919	2,414
Current Liabilities:					
Trade and Other Payables	12	(11,215)		(9,675)	(7,436)
Provisions	13	(932)		(2,410)	(100)
Total Current Liabilities			(12,147)	(12,085)	(7,536)
Non-Current Assets less Net Current Liabilities			(7,647)	(9,166)	(5,122)
Non-Current Liabilities:					
Provisions	13	0		(581)	(394)
Trade and other Payables	12	(1,320)		(309)	(464)
Total Non-Current Liabilities			(1,320)	(890)	(858)
Assets less Liabilities			(8,967)	(10,056)	(5,980)
Taxpayers' Equity:					
General Fund			(8,979)	(10,057)	(5,981)
Revaluation Reserve			12	1	1
Total Taxpayers' Equity			(8,967)	(10,056)	(5,980)

The notes on pages 37 to 57 form part of these accounts.

Steven Gant
Accounting Officer
5 July 2010

Statement of Cash Flows for the year ended 31 March 2010

		2009-10	2008-09
	Note	£'000	Restated £'000
Cash Flows from Operating Activities			
Net Operating Cost		(30,853)	(33,971)
Adjustments for Non-Cash transactions		1,714	5,268
(Increase)/Decrease in Trade and Other Receivables	10	355	(762)
Increase in Trade Payables and Other Liabilities	12	2,551	2,733
Less movements in payables relating to IFRIC 12 not passing through OCS		(1,039)	(335)
Use of Provisions	13	(2,171)	(186)
Net Cash Outflow from Operating Activities		(29,443)	(27,253)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	8	(0)	(27)
Purchase of intangible assets	9	(1,441)	0
Net Cash Outflow from Investing Activities		(1,441)	(27)
Cash Flows from Financing Activities			
Financing received from Defra		30,569	27,367
Capital element of payments in respect of finance leases	6	(207)	(186)
Net Financing		30,362	27,181
Net decrease in Cash and Cash Equivalents in the period		(522)	(99)
Cash and Cash Equivalents at the beginning of the period	11	529	628
Cash and Cash equivalents at the end of the period	11	7	529

The notes on pages 37 to 57 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2008		(5,981)	1	(5,980)
Changes in Taxpayers' Equity for 2008-09				
Non-Cash Charges - Cost of Capital	6	(303)	0	(303)
Non-Cash Charges - Auditor's Remuneration	6	60	0	60
Non-Cash Charges - Notional Charges	6	2,771	0	2,771
Net Operating Cost for the year		(34,161)	0	(34,161)
Total Recognised Income and Expenses for 2008-09		(31,633)	0	(31,633)
Funding from Parent		27,367	0	27,367
Restated balance at 1 April 2008		(5,981)	1	(5,980)
Balance at 31 March 2009		(10,247)	1	(10,246)
Changes in accounting policy				
FEPA Licence fees Deferral (accounting policy)	3	267	0	267
FEPA Licence fees (omitted from prior year)	3	528	0	528
Bad Debt Provision	3	(528)	0	(528)
Change in accounting basis on holiday accruals 08-09	3	(77)	0	(77)
Depreciation on right of use assets (IFRIC 12)	3	(186)	0	(186)
IBM charges to reflect change of liability (IFRIC 12)	3	186	0	186
Restated balance at 1 April 2009		(10,057)	1	(10,056)
Changes in Taxpayers' Equity for 2009-10				
Revaluation of property, plant & equipment		1	11	12
Non-Cash Charges - Cost of Capital	6	(342)	0	(342)
Non-Cash Charges - Auditor's Remuneration	6	70	0	70
Non-Cash Charges - Notional Charges	6	1,633	0	1,633
Net Operating Cost for the year		(30,853)	0	(30,853)
Total Recognised Revenue and Expenses for 2009-10		(29,491)	11	(29,480)
Funding from Parent		30,569	0	30,569
Restated balance at 1 April 2009		(10,057)	1	(10,056)
Balance at 31 March 2010		(8,979)	12	(8,967)

The notes on pages 37 to 57 form part of these accounts

Notes to the Accounts

Note 1. Statement of accounting policies

Requirement to prepare accounts

These accounts are for the year ended 31 March 2010 and have been prepared according to the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context and comply with guidelines issued by the International Finance Reporting Interpretations Committee (IFRIC).

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

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 property, plant and equipment non-current assets. Transactions reported in these accounts have been recognised on an accruals basis unless otherwise stated in these Notes to the Accounts.

Going Concern

The accounts of the Agency have been prepared on a going concern basis. In common with other executive agencies and NDPB's of Defra, the future financing of MFA's liabilities (Marine Management Organisation from 1 April 2010) is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2010-11 has already been given and there is no reason to believe that future approvals will not be forthcoming.

Non-current assets

Tangible non-current assets: Property, plant and equipment

Where the Agency had significant influence over, or dependence upon, the risks and rewards arising from a property asset its value was recognised as a fixed asset of the Agency. The value of such assets was periodically reviewed by Defra Estates Division, in conjunction with the Valuation Office Agency. The updated value of the property-excluding the value of attached land - was depreciated over the period for which the property was expected to provide economic benefits to the Agency. Other property was held on lease terms which were not sufficient to confer a significant portion of the risks and rewards associated with the asset upon the Agency, and were therefore treated as operating leases.

During 2009-10, the Agency held no freehold property in its own control, but occupied 20 properties where the freehold was held by Defra or private landlords. Where these constituted non-current assets, they were reported in the accounts of Defra.

All tangible non-current assets other than freehold and leasehold property were revalued annually using indices provided by the Office of National Statistics, and their value - less disposal costs - was depreciated over the periods in which they contributed net benefits to the business.

Property, Plant and Equipment were capitalised by the Agency where the purchase cost was £2,000 or more and where there was an expected useful economic life of more than one year. On initial recognition they were measured at cost, including any additional expenditure such as installation directly attributable to bringing them into working condition.

The Agency had no heritage or infrastructure assets.

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

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

Intangible non-current assets

The Agency held a number of software licences, and title to a suite of bespoke software applications. The cost of these assets was amortised over their useful life. Internally generated intangible assets were recognised as CIP and will be amortised from the month after they are brought into beneficial use. Treatment of development costs complied with the criteria noted in IAS38 (Intangible Assets).

Impairment

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

Implied leases

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

Employee benefits

The Agency accounted for staff costs and pension contributions in the periods for which they were payable, except in respect of bonus payments which were recognised when paid. The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. The Agency has been 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 recognised in its accounts those costs collected from it by the scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as "Pension Costs".

The Agency recognised a liability and expense for all other employee benefits, including unused annual leave, accrued at balance sheet date, provided these amounts were material in the context of the overall staff costs. IAS 19.17 states that the expected costs of bonus payments should be recognised when a legal or constructive obligation to make such payments as a result of past events exists and a reliable estimate can be made. The Agency had not completed its review of eligible staff and a reliable estimate could not be made at accounts preparation date so bonuses were recognised on a cash basis. This is consistent with previous years.

Grants and subsidies

For each of the grant schemes administered by the Agency an accrual point was established according to the applicable scheme rules and regulations. Where an obligation was identified to fall on or before the year end date, it was shown within accounts payable in the current year's financial statements. European Fisheries Fund claims that had been approved for payment by 31 March 2010 but not yet claimed were accrued and any material claims received in the period between year end and preparation of the accounts were accrued. This is a change in accounting policy from last year as detailed in Note 3 Accounting Policies.

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

Inventories

The Agency had no trading stocks or 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 related to fixed assets owned (or effectively controlled) by the Agency, met the definition of Programme expenditure.

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

Income related directly to the operating activities of the Agency. The Agency recognised 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 set its licence fees with due regard to HM Treasury's Fees, Charges and Levies guidance in "Managing Public Money";
2. the Agency recognised 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 was recognised when the outcome was delivered to the customer.

The income recognition point for FEPA fees was upon issue of the licence and the fees were designed to recover the upfront administration costs of issuing. The deferred income accounting policy changed in the year ending 31 March 2010 and was based upon the Agency having 12 weeks to issue a licence and an estimate was made to measure the amount of work completed on licence applications in progress. The most appropriate means of recognising deferred income was by reference to the 12 week period. This change in policy resulted in a restatement to last years financial statements as detailed in Note 3 Changes in Accounting Policies.

Non cash charges and gains

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

Capital charge

A charge, reflecting the notional cost of capital utilised by the Agency, is included in operating costs. The charge was calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- property, plant and equipment and intangible assets where the cost of capital charge was based on opening values, adjusted pro rata for in-year:
- additions at cost;
- disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal),
- impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure) and
- depreciation of property, plant and equipment and amortisation of intangible assets; and

The Agency had a net liability in the statement of financial position, so attracted a negative charge (i.e. a credit).

Foreign exchange

Transactions which are denominated in a foreign currency were 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 were converted at the exchange rate applicable at that date.

Provisions

The Agency provided for the estimated future liability arising from decisions made in previous accounting periods. These provisions were drawn down as the resulting liability was 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 were outside the scope of VAT. In general output tax did not apply and input tax on most purchases was not recoverable. Irrecoverable VAT was charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

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

Contingent liabilities and remote liabilities

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

Financial assets and liabilities

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

Derivative financial instruments and hedging

The Agency was required to disclose the role that Financial Instruments had during the year in creating or changing the risks faced by the Agency in undertaking its activities.

The non trading nature of the Agency’s activities, and the way that the Agency was financed, meant that the MFA was not exposed to the degree of financial risk faced by other business entities. MFA had no powers to borrow or invest surplus funds and financial assets and liabilities generated by day to day operational activities were not held to change the risks which faced the Agency in undertaking its activities.

Liquidity risk: no significant exposure given the Agency’s net resource requirement was financed through resources voted annually by Parliament.

Interest rate risk: no exposure as the Agency’s main financial assets and liabilities carried nil or fixed rates of interest.

Foreign currency risk: MFA minimised this risk by trading in Sterling, Euros and Dollars. Regular reviews were carried out on bank balances.

Credit risk: the Agency did not have a significant credit risk as the majority of its activities were for Government entities.

Working capital was managed to ensure that cash requirements from Defra were kept to a minimum. New commercial customers were reviewed for credit worthiness and appropriate trading terms agreed.

Note 2. First-Time adoption of IFRS

First-time adoption of IFRS based accounting policies resulted in three principle adjustments to the Agency's UK GAAP accounts as follows:

1. The Agency accrued for staff annual leave and flexible working time costs in its accounts in accordance with IAS 19 Employee Benefits.
2. The adoption of IAS 16 Property, Plant and Equipment by the Agency led to a reclassification of application software from Tangible Fixed Assets to Intangible Fixed Assets.
3. Adoption of IAS 38 Intangible Assets and reclassification of fixed assets under IAS 16 led to an increase in amortisation from the amount charged under UK GAAP.

The effect of first-time adoption of IFRS based accounting policies was as follows:

	General Fund	Revaluation Reserve
	£'000	£'000
Taxpayers' Equity at 31 March 2009 under UK GAAP	(10,043)	0
Adjustments for:		
Restated Equity for 2007-08	(157)	
IAS 19 Employee Benefits	(50)	0
IAS 16 Property, Plant and Equipment	32	0
IAS 38 Intangible Assets	(28)	0
Transfers between General Fund and Revaluation Reserve	(1)	1
Taxpayers' Equity at 1 April 2009 under IFRS	(10,247)	1
		£'000
Net Operating Cost for 2008-09 under UK GAAP		34,120
Adjustments for:		
IAS 19 Employee Benefits		50
IAS 16 Property, Plant and Equipment		(32)
IAS 38 Intangible Assets		28
Cost of Capital changes		(5)
Net Operating Cost for 2008-09 under IFRS		34,161

Consideration was given to all International Financial Reporting Standards, Interpretations and Amendments to published standards effective at 31 March 2010 and have been adopted for the first time in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

As this is the final set of financial statements for the Marine and Fisheries Agency we have not considered IFRSs, IFRIC Interpretations and Amendments that become effective in future financial years. These will be considered in the first set of Marine Management Organisation financial statements.

Note 3. Changes in Accounting Policies

The Agency changed its accounting policy and restated the accounts retrospectively in accordance with IAS 8 Accounting Policy, Estimates and Errors.

FEPA licence fee income had previously been deferred on an assumed one year calendar year basis to match the income with the time period that the licence related to, along with the assumption that the licence was issued twelve weeks after receipt of income. The Agency changed its policy to recognise the full income upon issue of the licence matching to the administration costs involved and deferring a portion of income received in the twelve weeks before year end which had not been issued as licences. Recalculating the deferral for 2008-09 resulted in a deferred amount of £208k retained at 31 March 2009 and a release back to income on the Operating Cost Statement of £267k.

A review of FEPA licences issued in prior years identified fees that had not been invoiced relating to the financial years 2007-08 and 2008-09. The Agency accrued this missed income in the year end 31 March 2010. As a result of this the prior year financial statements were restated and income for 2008-09 was increased by £528k. The Agency took a prudent view and created a bad debt provision to fully provide for the old debt which matched the increase in income.

The accrual for staff annual leave in 2008-09 used 365 working days for the basis of the calculation. The agreed number of working days after excluding holidays and weekends was 260 days. As this was viewed as a change in measurement basis it was treated as a change in accounting policy and prior year restatement was made. The Net Operating Cost was increased by £77k.

The Agency was dependent on its sponsor department, Defra, to provide details on its contract with IBM for the provision of IT services and infrastructure assets. The contract fell under the scope of IFRIC12 and prior year figures were provided to record depreciation costs of £186k, and charges to reflect the change of liability, a credit of £186k.

The Agency changed its accounting policy on accruing for EFF grant schemes. Where an obligation was identified to fall on or before the year end date, it was shown within accounts payable in the current year's financial statements. Claims that had been approved for payment by 31 March 2010 but not yet claimed were accrued and any material claims received in the period between year end and preparation of the accounts were accrued. This is a change in accounting policy from last year. No restatement has been made to previous year figures as the scheme began towards the end of 2008-09 and comparable values in 2008-09 were negligible.

	Restated
Operating Cost Statement	£'000
Net Operating Costs for the year to 31 March 2009	34,161
Adjustments for:	
FEPA Licence fee income deferral accounting policy	(267)
FEPA licence fees missed from prior year	(528)
Bad Debt Provision for prior year FEPA fees	528
Change in accounting basis on holiday accruals 08/09	77
Depreciation on right of use assets (IFRIC12)	186
IBM charges to reflect change of liability (IFRIC12)	(186)
Restated Net Operating Cost for the year to 31 March 2009	33,971

	Restated
Statement of Financial Position	£'000
General Fund balance at 31 March 2009 as previously stated	(10,247)
Adjustments for:	
FEPA Licence fee income deferral accounting policy	267
FEPA licence fees missed from prior year	528
Bad Debt Provision for prior year FEPA fees	(528)
Change in accounting basis on holiday accruals 08/09	(77)
Depreciation on right of use assets (IFRIC12)	(186)
IBM charges to reflect change of liability (IFRIC12)	186
Restated General Fund balance as at 31 March 2009	(10,057)

MFA restated 2008-09 Operating Cost Statement and supporting notes following a change in presentation using Agency Pink guidance for the following:

Consultants moved from staff costs to other operating cost.

Recruitment charges have been identified individually as seen as a significant item in 09/10.

Note 4. Staff numbers and related costs

	2009-10	2009-10	2009-10	2008-09
	Permanently employed staff	Others	Total	Restated
	£'000	£'000	£'000	£'000
Wages and salaries	6,889	912	7,801	6,063
Pension costs	1,250	1	1,251	1,074
Social security costs	533	13	546	436
Other staff costs	1	0	1	25
Total Staff Costs	8,673	926	9,599	7,598

The majority of the Agency's staff were permanent civil servants and employees of the Department for Environment Food and Rural Affairs. These staff held permanent contracts, with no specified end-date. Staff on permanent contracts who left the Agency, other than voluntarily or for disciplinary reasons, may have received compensation for loss of employment.

On 1 April 2010, the staff of the Marine and Fisheries Agency was transferred to the Marine Management Organisation on terms set out in the Cabinet Office Statement of Practice (COSOP) which put into practice the principles of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). This meant that they transferred with the contractual terms and conditions applying at the time of transfer.

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit pension scheme but Marine and Fisheries Agency was unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2009-10, employers' contributions of £1,090k were payable to the PCSPS (2008-09 £1,046k) at one of four rates in the range 16.7 to 24.3 per cent (2008-09 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7 to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to pensioners.

Employees can opt to open a partnership pension account; a stakeholder pension with an employer contribution. Employers' contributions of £9,150 (2008-09 £8k) were paid to one or more of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £826, 0.8 per cent (2008-09 £520, 0.8 per cent) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Early departure costs

The Agency was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Agency would have provided in full for this cost where any planned retirement scheme was announced, and was binding on the Agency. The Agency may, in certain circumstances, have settled 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 has been shown net of any such payments. No persons retired early on ill-health grounds (2008-09, 1)

Average Number of Full Time Equivalent Staff

The average number of whole-time equivalent persons employed during the year was as follows:

	2009-10	2008-09
Permanent	212	182
Non-Permanent	34	14
Total	246	196

Note 5. Grant Expenditure

	2009-10 £'000	2008-09 £'000
Financial Instrument for Fisheries Guidance:		
EU Funding	22	6,101
UK Funding	14	490
European Fisheries Fund:		
Under 10 metre fleet decommissioning-EU Funding	0	1,236
Under 10 metre fleet decommissioning-UK Funding	0	1,853
Under 10 metre fleet decommissioning-provision	0	1,882
Other-EU Funding	2,067	11
Other-UK Funding	1,079	16
Fisheries Challenge Fund	113	159
Fishing for Litter	8	16
Total Grant Expenditure	3,303	11,764

Grant expenditure of £2,089k (2008-09 £7,348k) included above was claimed from the EU under the Financial Instrument for Fisheries Guidance and European Fisheries Fund schemes and income is recognised in Defra's Resource Accounts.

Analysis of EU Grants by recipient	£'000	£'000
Private Sector	2,965	7,121
Public Sector	338	4,643
Total	3,303	11,764

Note 6. Other Operating Costs

	2009-10	2008-09
	£'000	Restated £'000
Frontline Services-Programme costs:		
Aerial, Surface and Satellite Surveillance	8,269	8,293
Consultancy Charges	2,878	992
Scientific Support for Marine Environment Work*	2,834	0
Defra Support Charges	1,049	773
Recruitment Charges	995	87
Travel, Subsistence and Hospitality	981	550
Information Technology Costs	596	382
Estate Management	202	838
Training	113	96
Rentals payable under Operating Leases	26	878
Other Programme Costs	695	734
Sub Total Frontline Services Programme Costs	18,638	13,623
Notional Charges from Defra and its Agencies:		
Scientific Support for Marine Environment Work	0	2,094
Operations and Statistics Support	17	677
Notional rents payable under Operating Leases **	608	0
Estates charges **	1,008	0
Sub Total Notional Charges	1,633	2,771
Non Cash items:		
Provisions added	113	801
External Audit	70	60
Depreciation	221	196
Fair value adjustment	0	6
Amortisation	20	41
IBM charges to reflect change of liability	(207)	(186)
Cost of capital credit	(342)	(303)
Sub Total-Non Cash Items	(125)	615
Total Other Operating Costs	20,146	17,009

Expenditure relating to the set up of the Marine Management Organisation and relocation to Tyneside in the year ending 31 March 2010 was £4,187k (including staff costs was £5,381k)

Information Technology costs within Defra Support Charges include payments of £530k (2008-09 £297k) that have been incurred in relation to the use of IT infrastructure assets supplied under contract with IBM. We have not been able to separate the finance and service charge elements of these costs.

* Notional cost in 2008-09

** Actual costs in 2008-09

Note 7. Income

	2009-10	2008-09
		Restated
	£'000	£'000
Programme Income		
Food and Environment Protection Act licence fees	1,790	1,923
EU Data Collection	111	206
Aerial Surveillance	122	122
Marine Works Regulations licence fees	33	95
EU Aid for Fisheries Enforcement	136	30
Exchange Gains	1	23
Other Income	2	1
Total Programme Income	2,195	2,400

Note 8. Property, Plant & Equipment

	IT £'000	Office Equipment £'000	IBM Right of Use £'000	Property, Plant & Equipment £'000
Cost or valuation				
Cost or valuation at 1 April 2008	24	14	650	688
Additions	18	9	0	27
Revaluations	(2)	0	57	55
At 31 March 2009	40	23	707	770
Depreciation				
Depreciation at 1 April 2008	11	6	0	17
Charged in year	6	4	186	196
Revaluations-backlog depreciation	(1)	0	0	(1)
At 31 March 2009	16	10	186	212
Net Book Value at 31 March 2008	13	8	650	671
Net Book Value at 31 March 2009	24	13	521	558
Cost or valuation				
Cost or valuation at 1 April 2009	40	23	707	770
Additions	0	0	0	0
Revaluations	10	2	1,246	1,258
At 31 March 2010	50	25	1,953	2,028
Depreciation				
Depreciation at 1 April 2009	16	10	186	212
Charged in year	8	5	208	221
Revaluations-backlog depreciation	4	1	0	5
At 31 March 2010	28	16	394	438
Net Book Value at 31 March 2009	24	13	521	558
Net Book Value at 31 March 2010	22	9	1,559	1,590

Note 9. Intangible Assets

	Software Licences	CIP	Intangible Assets
	£'000	£'000	£'000
Cost or valuation at 1 April 2008	208	0	208
Additions	0	0	0
Revaluation	(14)	0	(14)
At 31 March 2009	194	0	194
Amortisation at 1 April 2008	142	0	142
Charged In Year	41	0	41
Revaluation	(9)	0	(9)
At 31 March 2009	174	0	174
Net Book Value at 31 March 2008	66	0	66
Net Book Value at 31 March 2009	20	0	20
	Software Licences	CIP	Intangible Assets
	£'000	£'000	£'000
Cost or valuation at 1 April 2009	194	0	194
Additions	8	1,433	1,441
Revaluation	50	0	50
At 31 March 2010	252	1,433	1,685
Amortisation at 1 April 2009	174	0	174
Charged In Year	20	0	20
Revaluation	44	0	44
At 31 March 2010	238	0	238
Net Book Value at 31 March 2009	20	0	20
Net Book Value at 31 March 2010	14	1,433	1,447

The intangible assets held by the Agency at 31 March 2010 are Vessel Monitoring Software and licences supplied by Saffire Software.

The internally generated intangible assets recognised as construction in progress (CIP) were development costs for the Geographical Information System, a tool to support the creation, analysis and exploitation of spatial data, and the new Licensing and Planning system, developed to improve controls over the issuing of FEPA licences.

Note 10. Trade Receivables and Other Current Assets

	31 March 2010	31 March 2009	31 March 2008
		Restated	
	£'000	£'000	£'000
Amounts falling due within one year			
Trade Receivables	118	243	8
Deposits and Advances	14	17	65
Prepayments and Accrued Income	1,228	1,453	922
VAT	96	99	54
Total due within one year	1,456	1,812	1,049

Total receivables included £149k due from central government bodies (31 March 2009 £845k) and £nil from local authorities (31 March 2009 £4k).

Prepayments and Accrued income included accrued income of £373k (31 March 2009 £316k) related to EU funding.

Note 11. Cash and Cash Equivalents

	31 March 2010	31 March 2009
	£'000	£'000
Balance at 1 April	529	628
Net changes in Cash and Cash Equivalent balances	(522)	(99)
Balance at 31 March	7	529

The following balances were held at:

	31 March 2010	31 March 2009
	£'000	£'000
Office of HM Paymaster General	7	421
Commercial Banks	0	108
Balance at 31 March	7	529

Note 12. Trade Payables and Other Current Liabilities

	31 March 2010	31 March 2009	31 March 2008
		Restated	Restated
	£'000	£'000	£'000
Amounts falling due within one year			
Trade Payables	304	224	103
Accruals and Deferred Income	4,477	1,437	865
Other Payables:			
Defra Group	3,440	2,473	878
Under 10 metre fleet decommissioning	0	3,089	0
Aerial & Surface Surveillance	2,943	1,864	3,012
Financial Instrument for Fisheries Guidance	0	497	1,599
Other	41	91	979
Commercial Banks overdraft	10	0	0
Total due within one year	11,215	9,675	7,436
Amounts falling due after more than one year			
Other Payables	1,320	309	464
Total due after more than one year	1,320	309	464
Total	12,535	9,984	7,900

Payables included £6,152k due to other central government bodies (31 March 2009 £4,259k) and £nil due to local authorities (31 March 2009 £88k).

Included within finance leases is the future liability to pay for the 'right of use' assets to IBM. The current liability is £240k (2008-09 £212k) and the amount falling due after more than one year is £1,320k (2008-09 £309k).

Note 13. Provisions

	Under 10 metre	Office/Staff Relocations	Bad Debt	31 March 2010	31 March 2009 Restated	31 March 2008
	Fleet Scheme			Total	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	1,882	581	528	2,991	494	250
Provided in the year	0	82	30	112	2,683	250
Provisions not required written back	(18)	0	0	(18)	0	0
Provisions utilised in year	(1,864)	(289)	0	(2,153)	(186)	(6)
Balance at 31 March	0	374	557	932	2,991	494

Provisions at 31 March 2009 relating to the Under 10 metre Fleet Scheme were utilised by 31 March 2010, and £18k un-utilised provision was written back.

Provisions at 31 March 2010 related to Office/Staff Relocations of £374k and were made up of £56k Fleetwood provision, £236k Brixham provision and £82k Additional housing cost allowance for staff who have relocated to Tyneside.

Provisions at 31 March 2010 relating to bad debt were for a specific debt Adecco £30k overpayment dated July 2008. Restatement of 2008-09 includes £528k provisions for bad debts relating to FEPA fees accrued income in 2009-10 but relating to previous years. Both income and provision have been included in 2008-09 figures.

Note 14. Capital Commitments

Contracted capital commitments at 31 March 2010 not otherwise included in these accounts.

	31 March 2010	31 March 2009
	£'000	£'000
Intangible assets	93	0

Note 15. Commitments under Leases

15.1 Operating Leases

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

	31 March 2010	31 March 2009
		Restated
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	333	860
Later than one year and not later than five years	908	3,111
Later than five years	194	10,439
	1,435	14,410

The minimum lease payments due in respect of obligations under Operating Leases (buildings) included non recoverable VAT at 17.5% of £213,757.

Other

Not later than one year	18	23
Later than one year and not later than five years	9	21
Later than five years	0	0
	27	44

15.2 Finance Leases

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

	31 March 2010	31 March 2009
		Restated
	£'000	£'000
Obligations under service concession arrangements:		
Not later than one year	230	212
Later than one year and not later than five years	918	309
Later than five years	576	0
	1,724	521

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

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

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

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

Note 16. Other financial commitments

The Agency entered into non-cancellable contracts (which were not leases or PFI contracts) detailed below. The payments to which the Agency was committed during 2009-10, analysed by the period during which the commitment expires are as follows:

	31 March 2010	31 March 2009
	£'000	Restated £'000
Not later than one year	14,093	11,732
Later than one year and not later than five years	21,031	19,052
Later than five years	3,191	423
	38,315	31,207

Note 17. Contingent Liabilities

	31 March 2010	31 March 2009
	£'000	£'000
Relocation of Headquarters	0	3,712
Financial Instrument for Fisheries Guidance (FIFG)	0	72
Total	0	3,784

Following the decision by the Minister of State, the Agency completed its relocation to Tyneside at the end of 2009.

In the year ended 31 March 2008, an instance was identified whereby a payment of a FIFG grant may not have been correctly applied for its intended purpose. Following the closure of the FIFG scheme to applicants in April 2009 the contingent liability was transferred to Defra's accounts in 2009-10.

Note 18. Losses and special payments

The agency incurred losses or special payments in the year to 31 March 2010 of £2,186 (2008-09 £5k).

The Agency completed a review of FEPA licences and identified amounts relating to prior years that have been accepted as losses, with 65 cases totalling £5k relating to 2008-09, 32 cases totalling £2k relating to 2007-08, 3 cases for 2005-06 £18k and 3 cases for 2004-05 £18k.

Note 19. Financial Instruments

There were no financial instruments at 31 March 2010 other than those stated on the Agency's statement of financial position. The Agency did not face significant medium to long term financial risk from these financial instruments.

Note 20. Related Party Transactions

The Marine and Fisheries Agency was an Executive Agency of Defra. Defra is regarded as a related party. During this year the Agency had a significant number of material transactions with the Department and with other government departments and other central government bodies, notably:

Defra provided shared services customer support, legal services, internal audit, IBM information technology infrastructure and recharged scientific work to the Defra family. Total expenditure during the year 2009-10 was £4,507k with an outstanding payable at 31 March 2010 £3,301k.

The Centre for Environment, Fisheries & Aquaculture Science (CEFAS) provided scientific research and advisory work to MFA. Total expenditure during the year 2009-10 was £648k with an outstanding payable at 31 March 2010 £92k

The Sea Fish Industry Authority is a Defra Non Departmental Public Body working across all sectors of the seafood industry. It provides surveys and statistics on UK fish processing used in the EU Data Collection Framework. Total expenditure during 2009-10 was £266k with an outstanding payable at 31 March 2010 £47k.

In addition, the Agency had various material transactions with other government departments and other central government bodies. Most of these transactions were with the Ministry of Defence who provided fishery enforcement services from the Royal Navy protection squadron. Total expenditure during the year 2009-10 was £5,930k with an outstanding balance at 31 March 2010 £2,713k.

No board member, key manager or other related parties had undertaken any material transactions with the Agency during the year.

Note 21. Third-party assets

During the period, the Agency received financial administrative penalties imposed by English or Welsh courts on owners of fishing vessels in accordance with The Sea Fishing (Enforcement of Community Measures) (Penalty Notices) Order 2008 SI 2008 No. 984. These are not Agency assets and are not included in the Accounts and will be transferred to Treasury within six months. They are set out in the table below:

	31 March 2009	Gross Inflows	Gross Outflows	31 March 2010
	£'000	£'000	£'000	£'000
Monetary assets, bank balances and monies on deposit	10	27	23	14

Note 22. Events after the reporting period

On 1 April 2010, the Marine and Fisheries Agency (MFA) ceased to exist as an Executive Agency of Defra, and all of its functions and responsibilities transferred to a new Non-Departmental Public Body, the Marine Management Organisation (MMO), with the exception of licensing activities in Wales, which transferred to the Welsh Assembly Government.

Non-adjusting post balance sheet events

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that MFA (MMO from April 2010) provides to employees.

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 9 July 2010.



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