



Marine and Fisheries Agency
Annual Report and Accounts
for the financial year ended
31 March 2008

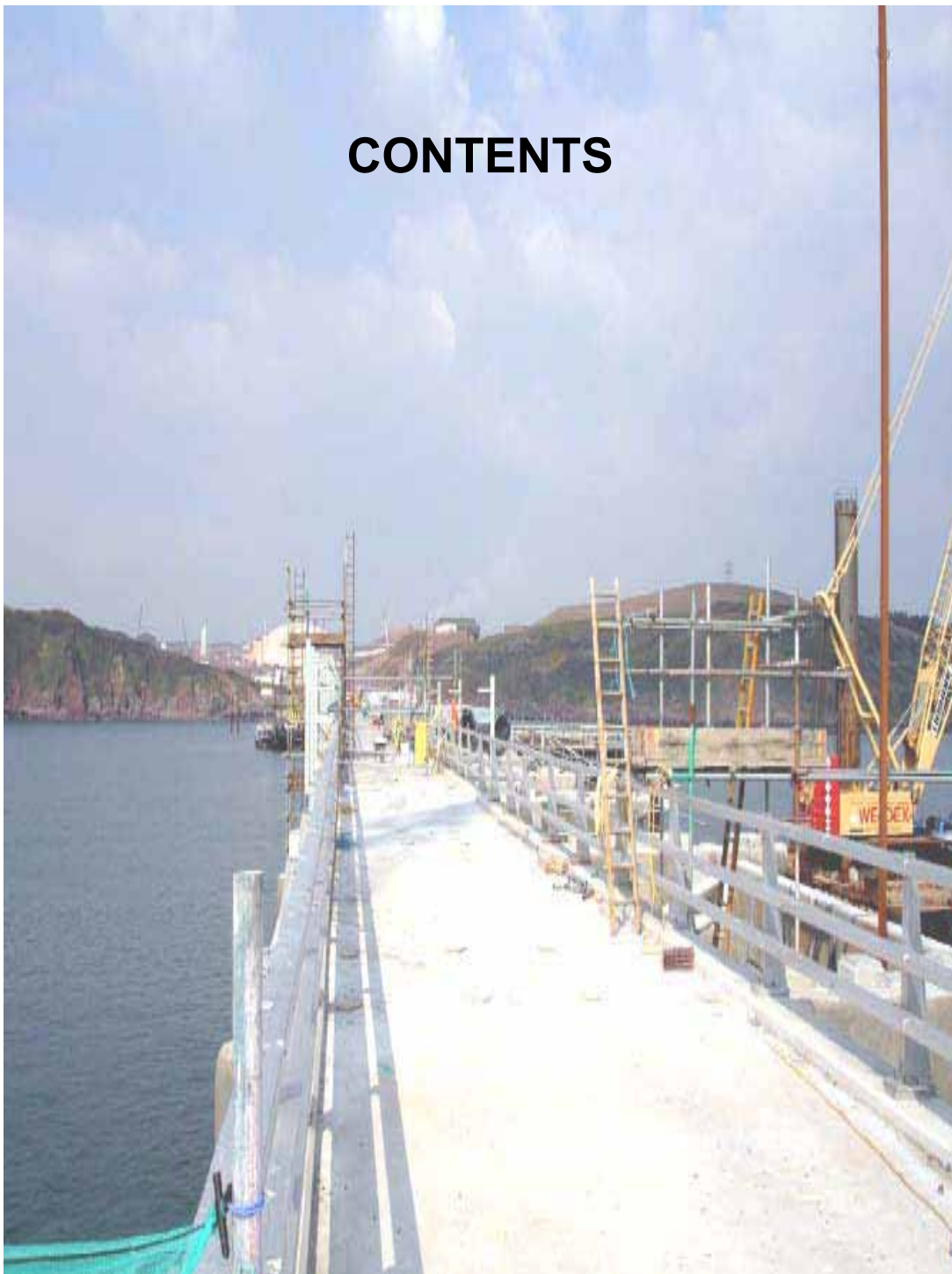
Marine and Fisheries Agency ¹
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for the financial year ended
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¹ Formerly the Marine Fisheries Agency

CONTENTS



The Agency's responsibilities now include regulating building works in the marine environment, including piers, jetties, harbours and bridges.

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Chief Executive's Foreword



The Agency's Fisheries Officers regularly inspect catches on board fishing vessels.

CHIEF EXECUTIVE'S FOREWORD

Welcome to our Annual Report and Accounts for 2007-08.

This has been an extremely busy and challenging year in which the Agency saw an expansion in its roles and responsibilities for protection of the marine environment.

At the start of the year I was delighted to welcome the transfer to us of the Marine Environment Consents Unit from Defra and the marine aggregate dredging work from the Department for Communities and Local Government.

In the summer we also took on monitoring, control and enforcement of the new Offshore Marine Conservation Regulations which extends the protection of important marine species and habitats under the Birds and Habitats Directive to offshore waters.

The new teams, roles and responsibilities integrated extremely well into the Agency and presented us with real opportunities to provide efficient and effective delivery of our services in these important areas.

Sea fisheries continued to present significant challenges for us as we sought to deliver our management, monitoring and enforcement responsibilities and services against a background of highly dynamic and evolving policy and legislation, coupled with economic pressures facing many businesses in the fishing industry.

Our teams worked effectively with Defra and others in supporting and delivering Government policies. We achieved some real successes.

Some examples include: the creation of a joint policy and delivery project team to deliver successfully UK obligations on new European Structural Fund measures for fisheries; joint working between the Marine and Fisheries Agency, Defra, Maritime and Coastguard Agency and other agencies in responding to the beaching of the MSC Napoli and Ice Prince; joint working with other Member States on sea fisheries enforcement to support cod recovery measures in the North Sea; collaborative working to ensure the successful licensing of a new Wave Hub for offshore renewable power generation.

There are many other areas of our work where our people have made a real difference over the past year and I would like to take this opportunity to thank everyone in the Agency for their professionalism, enthusiasm, commitment and hard work.

Nigel Gooding

Chief Executive

16 June 2008

Management Commentary



One aspect of our role in managing the marine environment is to alert other authorities and support the Environment Agency and the Maritime and Coastguard Agency in dealing with wrecks and other marine emergencies. This flotsam from the wreck of the "Ice Prince" came ashore near Shoreham.

MANAGEMENT COMMENTARY**The Marine and Fisheries Agency in 2007-08****Geographical coverage and place of business**

The Marine and Fisheries Agency (MFA) is an Executive Agency established by the Department for Environment, Food and Rural Affairs (Defra). During 2007-08 the Agency provided fisheries and marine environment services to Defra in England, to the National Assembly for Wales in Wales under the MAFF:WAG² Concordat and occasionally to other territories by agreement with the relevant governments.

The Agency is accountable to Parliament through Ministers including the Rt.Hon. Hilary Benn MP (since 28 June 2007, previously David Miliband MP) the Secretary of State for Environment Food and Rural Affairs.

The Agency's operational activities during the period were carried out at our London HQ site (Whitehall Place, London SW1A 2HH), at 20 locations around the coast of England and Wales, at fish markets and premises of fish processors and traders, at coastal construction sites and at sea.

Principal activities

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

- Licensing and monitoring of coastal and marine developments and activities to protect the marine environment and secure benefits from its use,
 - marine consents and licensing of marine works, offshore renewables and marine minerals;
 - monitoring and enforcement of consented and unlicensed marine works and aggregate extraction;
 - approving chemical use at sea and on the shoreline to treat oil spills;
 - ensuring that those responding to maritime pollution incidents take marine fisheries and marine environmental impacts properly into account;
- Protection of rare and valuable marine species and habitats,
 - monitoring, control and enforcement of the Offshore Marine Conservation Regulations which 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,
 - monitoring and control of fishing activities under the Common Fisheries Policy;
 - enforcement of sea fisheries legislation - taking appropriate action where infringements in fishing activities have been detected (including the use of fixed administrative penalties when these are introduced);
 - management of fleet capacity, fishing vessel licensing and management of fisheries quotas;
 - implementation of EU marketing regime;
 - biological sampling of fish stocks;
 - helping to deliver the Fisheries Challenge Fund to fund one-off science projects suggested by stakeholders;
- Supporting the economic development and sustainability of marine fisheries industries, delivery, through the European Fisheries Fund and FIGG grants schemes, of a more sustainable and profitable industry and coastal communities;
 - ensure compliance with economic links provisions which ensures that fishing vessels registered in the UK contribute to economies of UK fishing communities;
- Management, recording and provision of data on fishing activities and catches,
 - Data Collection Regulation (EC) 1543/2000 and Regulation (EC)1999/2008 from 2009 onwards; and

² Ministry of Agriculture, Fisheries and Food (from which Defra was created in 2001) : Welsh Assembly Government

- Provision of advice and guidance to all areas of the fishing industry to encourage compliance with regulations.

These activities continue into 2008-09. Further information on our plans for 2008-09 and the resources we are applying to our activities is outlined in our Business Plan.

Behind the list of our activities, the breadth of the Agency's remit led to our involvement in some high-profile cases during the year.

The "Napoli"

The container ship *MSC Napoli* suffered flooding to the engine room during force 8 gales on Thursday 18 January 2007, some 40 miles south of Cornwall. With the risk of the vessel sinking, the decision was taken by the coastguard to beach the vessel in Lyme Bay.

A full salvage operation was conducted and although the vast majority of oil was pumped from the vessel (3,500 tonnes) some 150 tonnes did leak and was dispersed by approved chemicals.

The Agency's South-Eastern and South-Western Districts helped co-ordinate the multi-agency effort to manage the fall-out from the wreck. Fishery officers from Poole and Plymouth helped at the scene, reassured local fishermen that the environmental effects were being managed, provided briefing to colleagues in the Marine Environment and Enforcement Teams and advised Defra. The Marine Environment Team provided urgent advice and a licence for the use of suitable dispersants, and approved a licence under the Food and Environment Protection Act 1985 (FEPA) for piling to be installed to stabilise the vessel during the salvage work.

The majority of the 2,318 containers (159 of which contained hazardous material) were recovered. The marine environment in the area has been monitored since the wreck and no major adverse effects have been identified.

Wave Hub

The Wave Hub is an electrical grid connection point placed on an 8km area of the seabed approximately 10 nautical miles off the coast of St. Ives, Cornwall. It will provide a well-defined and monitored site with electrical connection to the onshore electricity grid for up to six wave energy converter devices.

Our Marine Environment Team was responsible for considering Wave Hub's application for a FEPA licence and worked closely with licensing counterparts in the Department for Business Enterprise and Regulatory Reform (BERR) responsible for consent under Section 36 of the Electricity Act.

There were some challenging issues to address when considering this particular development: the licence conditions cover a variety of areas including fish, marine mammals and marine archaeology. However, after detailed consideration in conjunction with BERR and our advisers in the Centre for Environment Fisheries and Aquaculture Science (CEFAS), we were satisfied that the conditions under which the FEPA licence was awarded would guide the applicants to avoid any negative impacts on the marine environment.

Joint Deployment Plans

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

Eight campaigns were planned for the second half of 2007 in various areas of the North Sea at times which statistically showed high incidence of Cod catches. All member states shared vessel monitoring system (VMS) data, inspectors were exchanged in port and on patrol vessels to allow vessels to work in any waters, and access to English territorial waters was granted to other member states' vessels.

The MFA was involved in a twelve day campaign in the central North Sea with The Netherlands, and two more ten day campaigns in the southern North Sea/East Channel with France, Belgium and The Netherlands were co-ordinated by France. MFA contributed ships, aircraft and shore-side inspectors to these campaigns.

The co-ordinated approach to tasking, the sharing of VMS data and the exchange of officers at sea greatly improved the effective use of resources and resulted in a higher infringement detection rate than normal. These initial campaigns were considered very successful and highlighted numerous issues of interpretation of regulations and inspection procedures which need addressing by CFCA to help achieve a level playing field.

Offshore Marine Regulations

The Offshore Marine Conservation (Natural Habitats etc.) Regulations 2007 (OMRs) came into force on 21 August 2007, extending the protection of important marine species and habitats under the Birds and Habitats Directives beyond UK territorial waters (out to 200nm). They also enable the designation and protection of areas that host certain important habitats and species in the offshore marine area.

Following discussions with Defra, MFA was given the monitoring and enforcement work in relation to the new OMRs and adopted a risk based programme to prioritise resources to those areas likely to bear the greatest risk of non-compliance or environmental damage. To undertake this work, all enforcement officers, including Royal Navy officers, were provided with detailed guidance and training in this new work area. They are now all warranted wildlife officers.

The Agency is also responsible for the administration and issuing of wildlife licences issued in the offshore marine area, under the OMRs. A wildlife licence issued in the offshore marine area will permit someone to do something that would otherwise be an offence under the new regulations. MFA wildlife officers will be responsible for ensuring that conditions associated with these wildlife licences are complied with, and will undertake any investigation work/prosecutions associated with problem cases as they currently do under FEPA.

The 10m-and-under fishing fleet

During the course of 2007-08, MFA made strenuous effort to build and improve on liaison with the inshore fishing fleet of vessels of 10m or less in length. A number of meetings were held with representatives of the inshore fleet and a series of regional quota management review meetings were arranged involving - variously - vessel owners, MFA staff from HQ and coastal offices, producer organisations and other interested stakeholders. This would be followed by the first ever national quota management review meeting bringing together these industry interests in April 2008.

A new system was introduced for the setting of catch limits for the inshore fleet in a clearer and more transparent way - to provide the industry with a greater degree of certainty of their fishing opportunities for the year. In addition, a revised quota leasing scheme was announced and put in place for 2007, 2008 and 2009 in recognition of the continued pressures facing the fleet and this forms part of a wider package of measures which Ministers are considering to ensure a sustainable future for this part of the industry.

Performance Report



Fisheries Officers' training includes practical experience of sea riding and boarding fishing vessels from rigid inflatable boats.

Performance Report

The Fisheries Minister (Ben Bradshaw, who was succeeded by Jonathan Shaw on 28 June 2007) announced our targets for the year on 23 May 2007 (Hansard col.78WS)

The targets are periodically updated to provide a clear indication of our performance and the achievement of our targets is audited annually by Defra's Internal Audit Division.

The targets were assessed as Met, not Met or Partially Met (applied when the major element or elements of a target have been fulfilled), as summarised in the table below.

Business activity	Ministerial Target (Defra)	Performance in 2007-08	Performance in 2006-07
Fishing Vessel Licensing	Issue 100 per cent. of over 10-metre licences biennially by 23 March and 100 per cent. of under 10-metre licences biennially by 30 June.	N/A (Biennial)	Met
Fisheries quotas	No overfishing of quota stocks by vessels or groups for which MFA has management responsibilities and which results in EU deduction or infraction proceedings against the UK.	Met	Met
Fisheries enforcement	Deploy enforcement resources in line with risk weightings on land and risk and intelligence based tasking plans at sea.	Partially met	Met
Fishing industry grants	Process 90 per cent. of claims within eight weeks of receipt of all necessary information.	Met	Met
Fisheries Data	Enter 90 per cent. of information on catches and fishing activity onto the fisheries database within five working days of receipt of all necessary information.	Met	Met
Marine Environment	Deploy inspection resources in line with risk weightings.	Not met	N/A
Marine Environment Licensing	Issue 65 per cent. of FEPA licences in 12 weeks and 80 per cent. in 15 weeks (excluding offshore renewable licences).	Partially met	N/A

Observations

The target on Vessel Licences is measured every two years. Except for new licences or approved variations for specific vessels, there was no reportable activity on this target in 2007-08. The target was met in respect of new licences and specific variations.

Renewable Energy applications are not counted in the FEPA target: due to the additional environmental investigations required and the need for extensive input from other authorities, renewable energy projects such as wind farms are usually more complex to deal with than most other FEPA licences. Therefore Defra has accepted that these licence applications cannot reasonably be processed within the same timeframes.

The Agency achieved its targets except in the following areas of activity:

Fisheries Enforcement

- Inspections of high-risk and low-risk activity were delivered in excess of the target level. Inspection of medium-risk activity only covered 21% of relevant activity, against a target of 30%. Primarily this was due to greater attention being devoted to high-risk activity, and partly due to staff changes in the Operations Directorate.
- The planned changes are expected to have bedded-down in 2008-09, and should result in improved performance in this area.

Marine Environment

- The Agency was unable to deploy inspection resources to marine environment projects fully in accordance with the risk weightings. This was primarily due to the greater than

expected level of vacancies in the Marine Environment Team (and – to a degree - in the coastal teams), but also derived from gaps in management information systems.

- The Agency issued 64.5% of FEPA licences by the 12 week milestone (initial target 65% viewed as met) and 74.5% within 15 weeks (target of 80% not met). The shortfall was primarily due to carrying a much greater level of vacancies than expected in the Marine Environment team during the year.
- The team has been restructured to improve internal processes and additional staff have been recruited to ensure effective delivery in future.

The Marine Environment Team was part of Defra's Marine Environment Division in 2006-07 and had no separate published targets, therefore no comparative data has been presented.

Operations: Inspectorate and Marine Environment

The Agency carried out 144 inspections on licensed and unlicensed marine construction activities and no inspections under the new Offshore Marine Regulations.

Responsibility for ensuring compliance with EU and national fisheries regulations, continued to remain the main enforcement challenge. Our focus being on monitoring, inspection and controlling fishing activities to achieve a high level of compliance with the regulations and ensuring that fish stocks are exploited in a sustainable way.

Sea Fisheries Operations

The Agency retained the services of the Royal Navy Fisheries Protection Squadron as its main sea-going arm, and also used aircraft supplied by Directflight Limited to cover areas where RN vessels are not available.

Sightings and Inspections at Sea

ICES Area (approximate geographical area)	Sightings		Inspections		Total
	Aerial Sightings	RN Sightings	Infringement Reported	No Infringement	
IV a (NE of Scotland)	0	11	0	0	0
IV b (Northern North Sea)	1,393	621	29	220	249
IV c (Southern North Sea)	863	267	8	91	99
VI a (West of Scotland)	0	1	0	1	1
VII a (Northern Irish Sea)	1,200	195	16	97	113
VII d (English Channel – East)	1,386	249	11	98	109
VII e (English Channel - West)	2,068	573	16	236	252
VII f (North Devon & Cornwall)	344	155	7	73	80
VII g (Southern Irish Sea)	599	198	3	100	103
VII h (Western Approaches)	120	116	6	63	69
VII j (Fastnet)	52	121	2	70	72
VIII d (Bay of Biscay)	3	18	0	12	12
VIII e (West of Bay of Biscay)	0	2	0	0	0
Total	8,028	2,527	98	1,061	1,159

The Agency introduced an automated cross checking system for fisheries activities in January 2007, and now has a full year's experience of working with this information system. This system provides cross-checks of logbooks, landing declaration and sales notes data with satellite monitoring and fishing vessel sightings. Irregularities or indications that an infringement may have occurred are highlighted by the system and investigated; and this resulted in an increase in the detection of offences.

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

Land-based inspections

District Name	Number of Landings	Vessel Inspections		Transport Checks	Catch Inspections
		Infringement	Monitoring		
Central	16,346	3	459	180	603
Eastern	11,712	4	190	30	994
Northern	18,499	8	338	125	1,096
South Eastern	37,610	22	571	100	101
South Western	23,297	9	369	57	1,163
Wales	14,321	12	403	44	15
Western	27,485	29	218	49	710
Total	149,270	87	2,548	585	4,682

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

Court Cases

A number of significant fisheries investigations have concluded with successful prosecutions in court this year. In two notable cases, substantial confiscation orders totalling almost £2m were secured against defendants by the Assets Recovery Agency under the Proceeds of Crime Act. The Act allows for confiscation of assets obtained from general criminal conduct by defendants who committed a crime and identified as having a 'criminal lifestyle'. These cases have been widely publicised and will act as a clear deterrent to those who may consider similar offending in the future.

Substantial fines and costs were also secured in three successful prosecution cases taken against UK flagged fishing vessels illegally fishing in more distant parts of the world. MFA maintains a proactive stance in tackling IUU (Illegal, Unreported and Unregulated) fishing wherever it occurs in the world. We have created a new specialist post to help with this IUU commitment.

During the year, the Agency successfully prosecuted 210 fisheries offences and none for contravention of licensing requirements under FEPA. A total of £773,823 fines and costs were awarded by the courts for fisheries offences (nil under FEPA). No offences under the Offshore Marine Regulations were detected during the year.

Marine Environment Team

The most significant change to the Operations Directorate was to welcome the Marine Environment Team. The former staff of Defra's Marine Consents and Environment Unit and the Department of Communities and Local Government's (CLG's) Minerals and Dredging team attended a conference at Congress House to meet their new colleagues in March 2007. The new team brought together CLG and Defra responsibilities for marine works licences issued under the Food and Environment Protection Act 1985 and the Coast Protection Act 1949 under the control of one authority. Over the past year they have received a total of 299 applications for FEPA licences, and brought an additional £2.21m of annual funding and £1.3m of income to the Agency.

Marine and Fisheries Agency Grants, Effort Management and Statistics

Grants

The headline objective on 'processing 90% of claims within 8 weeks of receipt of all necessary information' arises from the running of the EU fisheries funding scheme. We achieved over the year a success rate of 96% against the 90% target. We injected £4.7m national funding into all sectors of the industry and attracted a further £7m of EU money which together represented a public investment of £11.7m. The outcomes covered a wide range of areas including improving port facilities, modernising fishing vessels, safety

training for fishermen and conducting trials for the collective benefit for the fishing industry, e.g. trialling the use of biofuels in fishing boats.

In 2007-08 preparations were started for the launch in 2008-09 of the new grant scheme: the European Fisheries Fund. Also a "Business in the Community" project based in North Shields, and supported by the Agency, started to improve connections between the fishing industry and wider business communities.

As part of an internal restructuring of the Agency in 2008, to deliver more effective services to the industry, the Grants team has been restructured and renamed the "Business Relationship Team" and transferred to the Corporate Services Directorate on 1 April 2008. Its responsibilities now include management and delivery of the new European Fisheries Fund, the Fisheries Challenge Fund (a new function assigned to the Agency by Defra on 1 April 2008) and business relationship issues and lessons learnt from the Business in the Community project in North Shields.

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 supported negotiations to ensure the satisfactory resolution of three apparent cases of overfishing in 2007 by UK vessels for which MFA has licensing responsibility. At the end of the financial year, it remained possible that two cases which were being reviewed with the Commission might result in action being taken against the Department (as UK fisheries authority), but the third case was not expected to result in further action.

Statistics

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

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

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

The state of the fishing industry

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

During the financial year, there were 3,026 English-registered fishing vessels (553 over 10 metres long, 2,473 10m-or-under); of which over half (281 / 1345) 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 5,702 full-time and 1,414 part-time fishermen – compared to just over 29,000 in 1938 (i.e., before World War II). Throughout the year, the smaller vessels which focus on pelagic species (mackerel, herring) proved relatively profitable, while larger vessels concentrating on whitefish, nephrops and flatfish – particularly those with heavy fuel consumption – have fared less well.

Landings into English and Welsh ports by district during the period

District	Number of landings	Quantity (tonnes live wt.)	Value (£)
Central (Mersey& Fylde) ³	1,863	2,866	5,517,554
Central (Humber)	18,230	24,145	40,521,418
Eastern	13,924	11,308	10,264,417
Northern	22,590	10,380	17,925,609
South Eastern	48,133	16,043	25,435,441
South Western	27,765	31,371	41,610,697
Wales	16,697	14,190	26,248,971
Western	30,642	13,473	28,454,149

Further information on English and UK fisheries may be found in our annual publication of Fisheries Statistics (available on-line through the Agency's website www.mfa.gov.uk/statistics or from the Statistics team, Area 6e, MFA, 3-8 Whitehall Place, London SW1A 2HH).

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

³ During 2007-08 the Agency restructured its districts to improve alignment with Sea Fisheries Committees and better to reflect the distribution of activity in the industry. The Central District was divided in two – the west coast of the District became Merseyside & Fylde District, and the east coast area has been renamed Humber District.

Organisational Development



To learn more about the industry, staff from our Grants, Effort Management and Statistics teams visited Billingsgate fish market in East London.

Organisational Development

The Agency took on new areas of work with the transfer of Defra's Marine Consents and Environment Unit, and CLG's Marine Minerals and Dredging Team. These were brought together in the Agency as our new Marine Environment Team - part of the Operations Directorate.

The Agency continued to develop, with the recruitment of additional staff to posts in Finance (financial reporting, purchasing) and Corporate Services (website management, human resources management). We have also made progress during the year in filling operational posts dealing with Fisheries Enforcement (coastal teams, Investigations Team, Fishery Officer Training) and, more recently, with filling vacant posts in the Marine Environment Team.

Though the Agency was excluded from the Voluntary Early Severance / Early Retirement scheme funded by the Department, the Agency met its targets under Defra's headcount plans.

For the future, the Agency is gearing up for the impact of the Marine Bill – which is expected to receive its first reading in Parliament in 2008-09.

The Agency is expected to form the core of the delivery organisation (Marine Management Organisation) proposed under the Bill. We are recruiting a project team to manage the continued development of the Agency, mindful of its probable transition to the MMO. The Agency and Defra will be working in close collaboration to ensure successful delivery of this high-profile and important work.

Sustainable Operations and Procurement

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

The Agency is still developing its internal processes to manage all its operations in a way that minimises the adverse impact on the environment. We face particular challenges due to the nature of our work:

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

The measures adopted by the Agency in 2007-08 are mainly those based on central services provided by Defra, including:

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

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

Financial Review



Newlyn Harbour. Staff from MFA HQ and Defra policy teams regularly visit coastal districts to hear the views of fishermen and to explain policy changes to the Agency's stakeholders in the fishing industry and coastal communities.

Financial Review

The Agency receives funding from the Department to cover its gross expenditure on salaries, contractors, operational programmes (net of income from the Welsh Assembly Government for aerial surveillance), services and consumables, and grants.

Budgets for capital charges, depreciation and central services provided by Defra in 2007-08 were not delegated to the Agency, but retained within the core-Department. Such charges are reported in these accounts, in accordance with FReM, so that users of the accounts may understand the full cost of the activities delivered by the Agency.

The Department delegated to the Agency a cash budget of £24,534k (net of EU income offsetting EU-funded grants), equivalent to a gross budget of £31,523k before notional non-cash charges.

The Agency's out-turn against budget was:

2007-08	£000
Gross Operating Costs	31,928
Less Operating Income	(1,477)
Net total per Operating Cost Statement	30,451
Less EU-funding for Grants	(7,006)
Less Non-Cash costs	(3,350)
Net Out-turn on budget	20,095
Budget	24,534
Variance	(4,439)

The Agency underspent by £4,439,000 (net) on the budgets delegated by Defra.

We overspent marginally on staff costs overall: though the Agency carried a number of vacancies during the year, we also spent more than expected on temporary and contract staff. This effect was offset by higher than expected income from marine environment licences.

The overall underspend is primarily due to reduced expenditure on FIG grants. In part this is due to a slowing down of the programme as it nears closure, but was also influenced by delivery of the Decommissioning Scheme for the South-West beam trawler fleet at less total cost than planned. A further small underspend arose late in the year due to unavailability of one of the patrol vessels in the Fisheries Protection Squadron.

We advised the Department during the year that grants were likely to be underspent. The Department asked us to retain the budget while it considered measures to relieve wider pressures on the fishing industry. It did not prove possible to introduce the new schemes within the financial year, however, so this budget remained unspent at the year-end.

Relations with Suppliers

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

The Agency paid 93% of invoices by their due date in 2007-08 (94% in 2006-07). The Agency paid £30 (nil in 2006-07) in respect of claims under the Late Payment of Commercial Debts (Interest) Act 1998.

The small increase is largely attributable to an increase during the year in the number of suppliers not previously used by the Agency, and delays in registering them on our accounting systems. Though this element will stabilise now that the new suppliers are

registered, we will review our wider financial procedures and aim to reduce the level of late payments in 2008-09 to less than 5%.

Pensions

Details of the Pension Schemes used by the Agency's staff, and the Agency's pension costs, are in the Remuneration Report (page 18).

Directors' Interests

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

The Comprehensive Spending Review

HM Treasury has advised Ministers of the settlement awarded to Defra under the Comprehensive Spending Review, covering the financial years from 2008-09 to 2010-11. Budgets for 2008-09 have been established and agreed with Defra Directors-General, and will be devolved to delivery bodies before the summer. The Department's Finance teams are also looking to provide indicative budgets to delivery bodies for 2009-10 and 2010-11, though the detailed amounts allocated to the Agency for these periods may vary to cater for the emerging costs of the Agency's development into the Marine Management Organisation.

Audit of the Agency's Accounts

The Accounts and parts of the Remuneration Report are subject to statutory external audit under the terms of the Government Resources and Accounts Act 2000. This audit is carried out by the Comptroller and Auditor General (C&AG), who reports to Parliament. The National Audit Office delivers this work on behalf of the C&AG, at a notional cost estimated as £50,000 for the 2007-08 accounts.

No remuneration was paid by MFA to the auditors, who performed no non-audit work for the Agency.

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

The C&AG's Certificate & Report on the Accounts is at pages 30-31 of this Annual Report.

Nigel Gooding
Chief Executive
16 June 2008



MFA staff at an exhibit at the “Marine Day” exhibition hosted by Defra, to advise our stakeholders on the impact on MFA of the proposed Marine Management Organisation.

REMUNERATION REPORT

The staff of the Marine and Fisheries Agency

During the financial year, the Agency employed an average of 182 staff and an average of 21 temporary staff and contractors. These staff were based in the Agency headquarters in Whitehall Place, London and at twenty offices around the coast of England and Wales. Of these, half are based in London.

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

On 1 April 2008, the Welsh Assembly Government assumed responsibility for fisheries management in Welsh waters. Accordingly the six fisheries officer posts⁴ in Wales were transferred to the employment of the National Assembly for Wales. As this arose after the Balance Sheet date, their costs remain reflected in these accounts for 2007-08.

Employment policies

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

Employment of disabled persons

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

Diversity and Equality

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

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

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

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

⁴ The administrative staff were already employed by the Welsh Assembly Government.

Employee involvement

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

Achievements and initiatives carried forward during the period include:

- The Agency supported the establishment of its own Trades Union group to represent administrative staff, independent of Defra, to ensure the needs of the Agency's staff are adequately represented; and
- Management and staff representatives continued to meet regularly in several fora, including Agency "Whitley" Agreement meetings and annual conferences.

Directors

Executive Directors of the Agency

Chapter 7 of the FReM requires public bodies to report on the remuneration and rewards paid to the officers holding positions equivalent to executive directors during the financial year. During the year, the Agency's Executive Directors were:

- Chief Executive
- Grants, Effort Management & Statistics Director
- Operations Director
- Finance and Corporate Services Director
- Nigel Gooding
- Kevin Williamson
- David Holliday
- Charles Lewis⁵

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

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

The other Directors are not in the SCS, but are on permanent contracts with no specified end date other than the normal retirement date which, since 1 October 2006, may be extended by agreement. Officers below SCS grades are appointed by the Chief Executive in line with existing Departmental policies.

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

Non-Executive Directors

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

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

In the year ended 31 March 2008, the fees payable to non-executive directors were:

- Mr J Ballard (Audit & Risk Committee Chairman) £1,230 (2006-07, £1,500)
- Mr JW Smith £1,230 (2006-07, £1,500)

⁵ Charles Lewis has been absent ill since 29 October 2007. His work was covered jointly by his team leaders to 31 March 2008. From 1 April, the Chief Executive restructured the Directorate into Corporate Services (acting director Vanessa Key) and Finance (jointly David Williams & Colin Heath).

Pay Bargaining and Remuneration

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

During 2007-08, the salaries and other emoluments paid to the Agency's Directors were as indicated in the table below: ⁶

Officer	Role	2007-08			2006-07		
		Salary £000 (£5k)	Bonuses £000 (£5k)	Benefits in kind £	Salary £000 (£5k)	Bonuses £000 (£5k)	Benefits in kind £
Nigel Gooding	Chief Executive	65-70	10-15	Nil	60-65	5-10	Nil
Kevin Williamson	Grants Effort Management & Statistics	60-65	0-5	Nil	55-60	5-10	Nil
David Holliday	Operations	60-65	Nil	Nil	25-30	0-5	Nil
Charles Lewis	Finance & Corporate Services	60-65	Nil	Nil	25-30	0-5	Nil

Salary includes basic pay, overtime and other allowances.

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

Retirement and Pensions

Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) or through other schemes outside the PCSPS.

From 1 October 2002, civil servants participating in the PCSPS may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic Plus). The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover past and present employees.

Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Agencies and other bodies covered by the PCSPS meet the cost of the pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate statement for the PCSPS as a whole. In respect of defined contribution schemes, the Agency recognises the contributions payable for the year. Pension contributions in respect of the MFA's employees, as reported to the Department by the Pensions Authority during 2007-08, amounted to £947,820. Further costs of £18,072 were incurred by the Agency in respect of staff on secondment from Communities and Local Government. Total pension contributions by the Agency (see Note 3 to the Accounts) amounted to £965,892.

Directors' Pensions

The Directors are members of the Principal Civil Service Pension Scheme, and held no Partnership Pension accounts. The Pension Benefits accruing to the Senior Management

⁶ The information in this table is subject to audit. Salary information for 2006-07 for Charles Lewis and David Holliday relates to service in MFA only, though both worked in core-Defra April to October 2006.

Committee members during 2007-08, and value of accrued Pension at 31 March 2008 were: ⁷

Name of 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	1	4	27	82	465	556	987	23
Kevin Williamson	1	3	21	63	299	363	1,634	16
David Holliday	1	2	24	73	447	522	943	11
Charles Lewis	1	1	30	89	595	682	943	7

Early departure costs

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

Though Defra operated a new scheme of Voluntary Early Severance and Early Retirement during 2007-08, the majority of staff employed by the Agency were excluded from this scheme. One officer on secondment from the Department retired early. Early departures in 2007-08 were:

Early severance (normally applies to staff aged under 50 years whose posts become redundant):

- Departmental Scheme: None (0 in 2006-07)
- Other: None (0)

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

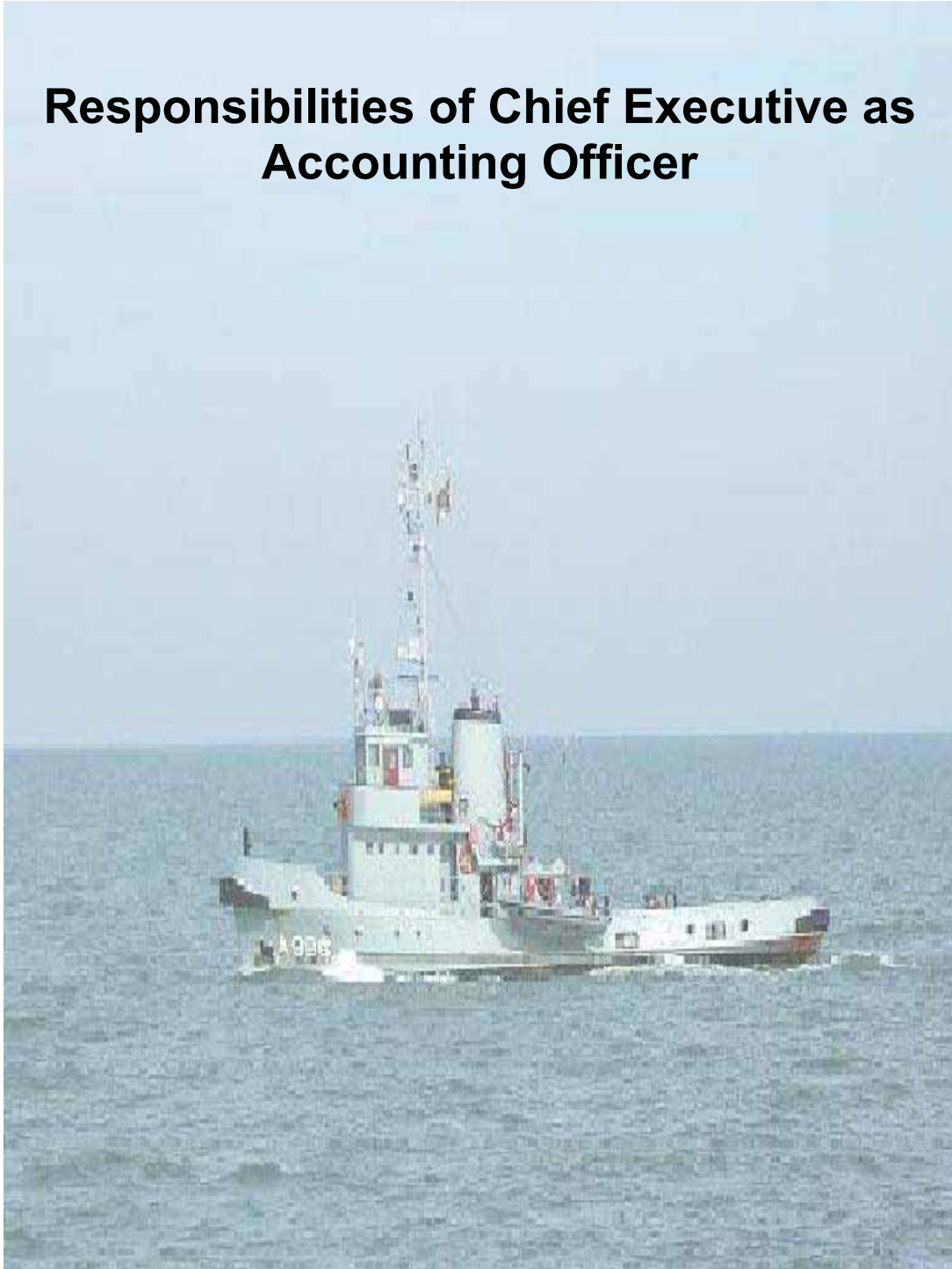
- Departmental scheme: 1 (3 in 2006-07)
- Other: None (0)
- Ill-health: None (0)

Further details of Staff Costs may be found in Note 3 to the Accounts.

Nigel Gooding
Chief Executive
16 June 2008

⁷ The information in this table is subject to audit

Responsibilities of Chief Executive as Accounting Officer



Belgian (and French) fishery protection patrol vessels worked alongside MFA and Royal Navy fisheries officers in a number of joint deployment exercises during the year.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE AS ACCOUNTING OFFICER

Under the Government Resources and Accounts Act 2000, the Marine and Fisheries Agency is required to prepare accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Marine and Fisheries Agency during the year.

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, the income and expenditure, the recognised gains and losses, and cash-flows for the financial year.

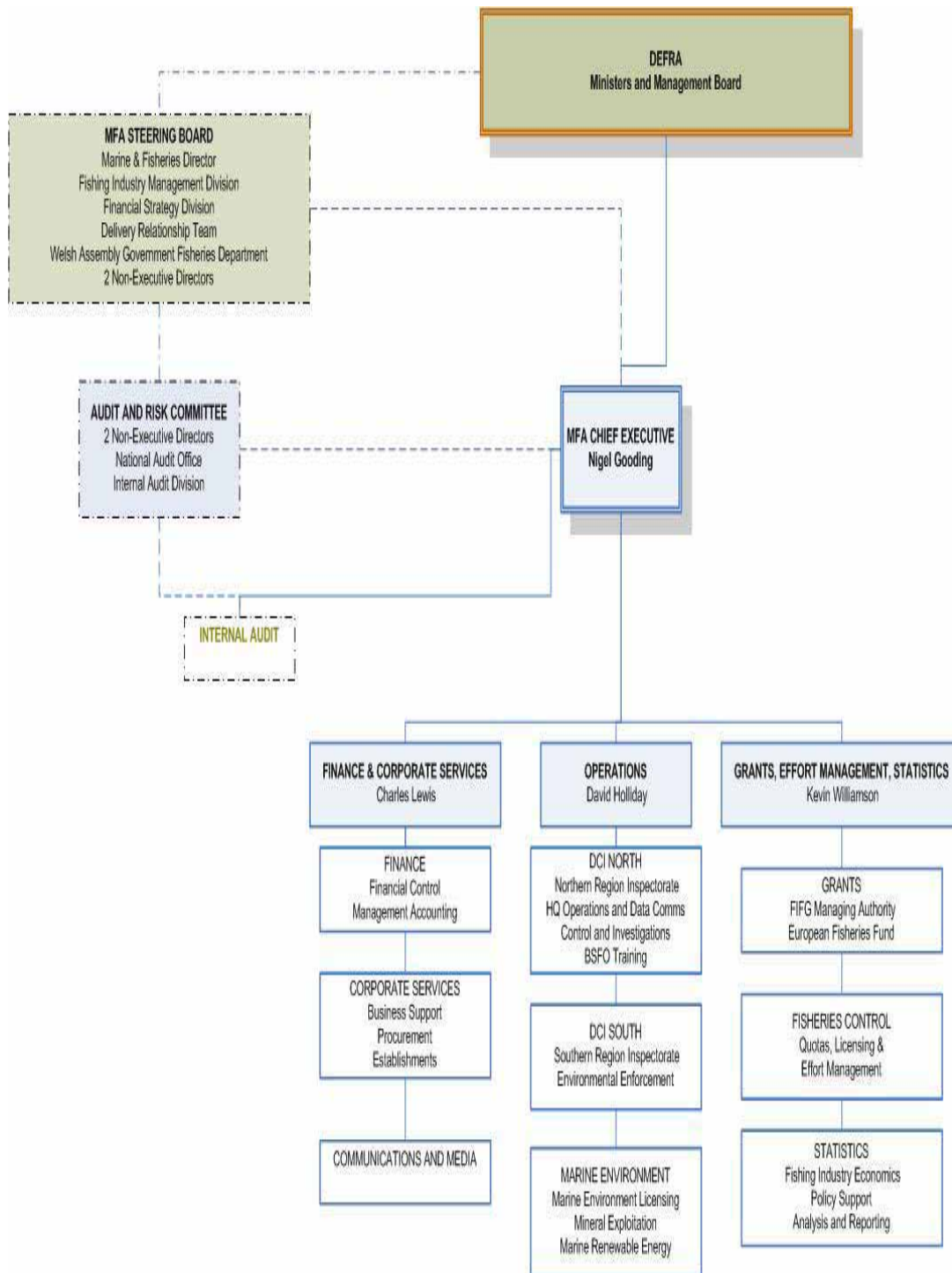
HM Treasury has appointed the Chief Executive of the Marine and Fisheries Agency as Accounting Officer of the Agency, with responsibility for preparing the Agency's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Financial Reporting Manual prepared by HM Treasury and, in particular, to:

- observe 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 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 responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money (formerly "Government Accounting").

Statement on Internal Control



The Agency's Control Structure in 2007-08

STATEMENT ON INTERNAL CONTROL**Scope of responsibility**

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

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

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

I am supported in my oversight of the effectiveness of internal controls by the Agency's Audit and Risk Committee, comprising two non-executive directors and representatives of our external auditors (NAO) and internal auditors (Defra IAD, or their appointed contractors). The non-executive chairman of the Agency's Audit and Risk Committee corresponds regularly with the chairman of the Defra committee, and both NAO and IAD are also represented on the Defra committee.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Marine and Fisheries Agency for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk and control framework**The nature of risk to the Marine and Fisheries Agency**

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

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

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

The control framework in the Marine and Fisheries Agency

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

The governance structure of the Agency consists of:

- [Steering Board](#);
- [Management Committee](#);
- [Directors, Team Leaders and teams](#); and
- [Audit and Risk Committee](#).

The Steering Board comprises two Non-Executive Directors with experience of public sector finance, policy and financial representatives from Defra⁸ and the Agency's corporate sponsor. The Board meets quarterly to review the Agency's performance against its operational objectives, to consider the Agency's ability to sustain its performance, and to set the strategic direction of the Agency.

The Audit and Risk Committee comprises the two Non-Executive Directors, and meetings are also attended by representatives of the National Audit Office and our Internal Auditors. The ARC advises me on the governance of the Agency, on my response to reports from Internal and External Auditors, on the suitability of the audit strategy adopted by Internal and External Auditors, and on the presentation for audit of the Annual Report and Accounts.

The Agency's Risk Register is a standing item for both the Audit and Risk Committee and the Steering Board, thus affording our non-executive directors and stakeholders an insight into the steps we are taking to ensure the Agency delivers its operational objectives in the risk environment faced by the Agency.

The Agency's Directors oversee the performance of the teams within their Directorates, and meet with me every Monday to discuss operational issues and take executive decisions.

The Agency's Management Committee is attended by the MFA Directors and HQ Team Leaders. The Committee meets monthly to review the nature and present state of risks which may have an adverse impact on the Agency's staff, finances, assets, information, or operational performance; and to agree the Agency's response. The Committee also reviews the Agency's Issues Log – addressing adverse events whose impact has materialised.

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

[Capacity to handle risk](#)

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

All members of staff are recruited on the basis of competence-based selection, and their ability to demonstrate evidence of competence in generalist and specialist behaviours relevant to the needs of their work. As a result, specialist posts (fisheries, finance, statistics, human resource management, marine environment) are staffed with people who are competent in identifying and dealing with the daily risks and challenges of their work.

All members of staff review their training needs for their present role and expected future roles with their line manager at least three times a year. Training in risk management, or in dealing with specific risks arising in specific roles, is provided to MFA staff as required.

Not all risks faced by the Agency, on its own or its customers' behalf, are within the capacity of the Agency to manage. If I identify risks or potential risks to the Department, or risks to the Agency which are beyond our control, I consult senior officials and Ministers on the contribution that can be made by MFA 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.

⁸ [And the Welsh Assembly Government up to 31 March 2008](#)

Review of effectiveness of Internal Control

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

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

- Applying appropriate risk management techniques to individual projects;
- Continuing regularly to review risks, and the Agency's response, with the Management Committee, Audit & Risk Committee, and Steering Board;
- Continuing with the planned programme of Internal Audits.

Where the Agency has implemented significant internal projects in 2007-08 (for example - reorganising the Marine Environment Team, and assessing the specialist skills and training needs of the Agency's staff with finance responsibilities) the project manager prepared a risk register for the project and has met with me (or a nominated Director) at intervals during the project to ensure that controls established and actions taken are sufficient to ensure delivery of the project on time and on budget.

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

The Agency receives an Internal Audit service from Defra Internal Audit Division which assures me, over a period of three years, that the controls I established (within the Agency or through its sub-contractors in Defra) are efficient, economical and effective in managing the material risks faced by the Agency. During the year, Defra has sub-contracted much of its work in the Agency to Bentley-Jennison Ltd. I agreed to retain the service provided jointly by Defra IAD and its sub-contractors as this offers me an effective audit service at reasonable cost. The conclusions reached by Internal Audit and the auditors' view of the Agency's response to recommendations are summarised in an Annual Report to me by the Department's Internal Audit Director.

An internal audit of Enforcement, completed shortly after the end of the financial year, has raised some concerns over the development and local implementation of enforcement strategy. I will review the audit findings with the Operations Directorate and address the control weaknesses during the summer.

In addition to the information from the various sources noted above, I have reviewed the condition of the Agency's internal control systems with my Directors to identify opportunities for system improvements and to ensure that the efforts of Internal Audit are directed effectively.

During the year, like other public bodies, the Agency has reviewed its handling of sensitive and personal data. In accordance with Government policy promulgated by the Cabinet Office, updated instructions have been issued to staff and contractors working in the Agency to ensure that personal and sensitive data is managed correctly and securely.

Most written information and computer data used by the Agency is held securely, but there are instances (particularly in the course of fieldwork by operational staff) when it is impracticable to provide secure physical storage for potentially sensitive information. Accordingly, I am considering – in consultation with relevant advisers – the use of encrypted devices for gathering and temporary storage of sensitive data.

Conclusion

I have concluded that the Internal Control System in the Agency remains in a state of development but is largely fit for the Agency's purposes.

Future action on Internal Controls

Where actual or potential weaknesses in control remain, I will establish new procedures or recruit competent staff to establish a more effective control over the business. For example, to address the risk posed to the Agency's existing business and future direction by the development over the next two years of the "Marine Management Organisation" NDPB⁹, I have:

- Established an Executive Committee of the Agency's corporate customer, non-executive directors, and internal directors which will meet every two months to maintain strategic oversight and the drive to delivery of the existing business of the Agency; and
- Recruited a senior Project Manager to lead the team that will build the new organisation and lead on transforming the MFA. She will be supported by secondment of experienced staff from Defra and MFA, and specialist external contractors as required.

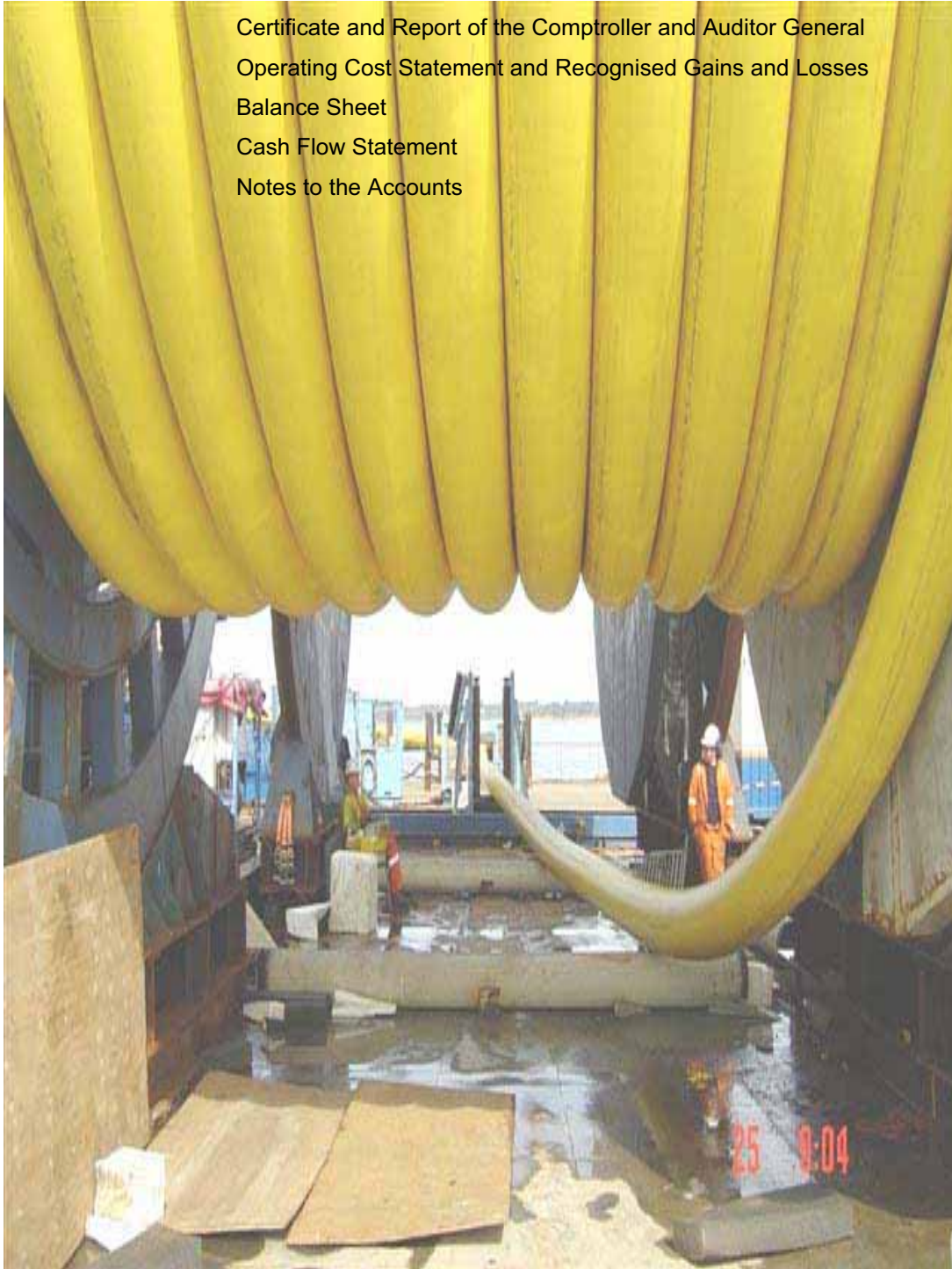
I anticipate that the development of the new organisation will also require greater specialist leadership and decision-making on Personnel and Estates issues. I have, therefore, divided the role of Finance and Corporate Services Director into two posts: retaining the existing post as Finance Director, and establishing a new post of Corporate Services Director with effect from 1 April 2008.

Nigel Gooding
Chief Executive
16 June 2008

⁹ Non-Departmental Public Body

ACCOUNTS OF THE MARINE AND FISHERIES AGENCY 2007-08

Certificate and Report of the Comptroller and Auditor General
Operating Cost Statement and Recognised Gains and Losses
Balance Sheet
Cash Flow Statement
Notes to the Accounts



MFA licenses marine works such as laying of pipelines and cables, and coastal fishery officers inspect the works in progress.

Marine and Fisheries Agency**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 2008 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and auditor

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

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

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

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

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

I read the other information contained in the Annual Report (the Chief Executive's foreword and the unaudited parts of the Remuneration Report) and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or

error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2008, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the management commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

24 June 2008

Marine and Fisheries Agency

Operating Cost Statement for the Financial Year ended 31 March 2008

		2007-08		2006-07
	Staff Costs	Other Costs	Income	restated
Note	£000	£000	£000	£000
Programme Costs				
Staff Costs	3	7,002		6,866
Programme Costs	4		24,926	18,377
Income	5		(1,477)	(1,256)
		7,002	24,926	23,987
NET OPERATING COST			30,451	23,987

Statement of Recognised Gains and Losses

There were no significant gains or losses in the reporting period (none in 2006-07).

The notes to the accounts on pages 35-49 form part of these accounts

Marine and Fisheries Agency

Balance Sheet at 31 March 2008

	Note	31 March 2008		31 March 2007	
		£000	£000	£000	£000
					restated
Fixed Assets					
Tangible Assets	6	74		102	
Intangible Assets	7	<u>18</u>		<u>32</u>	
			92		134
Debtors falling due after more than one year	8		0		5
Current Assets					
Debtors	8	152		162	
Cash at Bank and in Hand	9	<u>628</u>		<u>7,505</u>	
			780		7,667
Creditors falling due within one year	10	<u>(6,720)</u>		<u>(3,682)</u>	
Net Current Assets			<u>(5,940)</u>		<u>3,985</u>
Total Assets less Current Liabilities			(5,848)		4,124
Creditors falling due after more than one year	10	0		0	
Provisions for Liabilities and Charges	11	<u>(494)</u>		<u>(250)</u>	
			(494)		(250)
Net Assets / (Liabilities)			<u>(6,342)</u>		<u>3,874</u>
Taxpayers Equity					
General Fund	12		<u>(6,342)</u>		<u>3,874</u>
			<u>(6,342)</u>		<u>3,874</u>

The notes to the accounts on pages 35-49 form part of these accounts

Nigel Gooding
Chief Executive
16 June 2008

Marine and Fisheries Agency**Cash Flow Statement**

for the financial year 1st April 2007 to 31st March 2008

		2007-08	2006-07
	Note	£000	restated £000
Net cash outflow from operating activities	13a	(26,369)	(24,860)
Capital expenditure and financial investment	13b	(14)	(23)
Financing	13c	19,506	25,473
Increase / (decrease) in Cash in the period	13d	(6,877)	590

The notes to the accounts on pages 35-49 form part of these accounts

Notes to the Accounts

Note 1: Accounting policies

a) Requirement to prepare accounts

These accounts have been prepared in response to the direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The accounts have been prepared in accordance with generally accepted accounting principles for the UK public sector, in line with HM Treasury's Financial Reporting Manual (FReM).¹⁰ Any exceptions to UK GAAP or the FReM are reported in these Notes.

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

b) The scope of the Marine and Fisheries Agency

These are the accounts and annual report of the Marine and Fisheries Agency for the financial year 2007-08. These accounts include comparative financial information for 2006-07 which relates to the former Marine Fisheries Agency, certain functions of Defra's Marine Environment Division, and the Dredging and Minerals Licensing Team formerly based in the Department for Communities and Local Government (CLG). The impact of the merger of the former Agency with the new teams from Defra and CLG is outlined at Note 2 to these accounts.

The accounts of the Marine and Fisheries Agency exclude any charges or gains relating to functions undertaken by Defra or other authorities, except to the extent that they represent debtor or creditor balances between those authorities and MFA. The Balance Sheet is prepared on the same basis as those of limited liability companies in the private sector, reflecting the condition at the Balance Sheet date of the fixed and current assets, less liabilities, for which the Agency has responsibility - and their funding by accumulated reserves and the General Fund invested in the Agency by the taxpayer.

c) Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets where material, at their value to the Agency by reference to their current costs. Transactions reported in these accounts have been recognised on an accruals basis, though certain income in respect of FEPA and CPA licences is recognised when an invoice is raised for the relevant licence fee since this may differ materially from that apparently due under the terms of the initial application.

d) Staff Costs and Pensions

The Agency accounts for staff costs and pension contributions in the periods for which they are payable, except in respect of bonus payments which are recognised when paid. The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. The Agency is unable to identify its share of the underlying assets and liabilities. The scheme administrators carry out actuarial valuations of the scheme and prepare full accounts for the scheme. These may be found at www.civilservice-pensions.gov.uk

The Agency recognises in its accounts those costs collected from it by the scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as "Pension Costs".

¹⁰ The FReM can be found at www.financial-reporting.gov.uk

e) Grants and Subsidies

Payments of grants to end recipients are recorded as expenditure on an annual basis.

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

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

f) Tangible fixed assets

The Agency has no freehold nor long leasehold property. Other tangible assets have been stated at modified historical cost (equivalent to current cost) using appropriate indices provided by the Office for National Statistics¹¹.

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

Stage payments on assets in the course of construction are recognised as "Construction in Progress" (CIP).

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

g) Depreciation

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

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

h) Intangible fixed assets

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

i) Stocks and work in progress

The Agency has no trading stocks nor work-in-progress. A small stock of stationery and other consumable items is retained in each office, but the volume and value is not material.

¹¹ On 1 April 2008, this became the UK Statistics Authority

j) Administration and programme expenditure and income

The Operating Cost Statement in Defra's Departmental (Consolidated) Resource Accounts is analysed between administration and programme costs.

All expenditure and income of the Agency, except where it relates to fixed assets owned (or effectively controlled) by the Agency, meets the definition of Programme Cost expenditure.

Expenditure is recognised where the Agency has received goods or services into their intended use, or where an unavoidable obligation to meet a liability has been established.

Operating income is income which relates directly to the operating activities of the Agency. Except for ad-hoc receipts for copies of reports or small service projects, the Agency receives income from two sources:

- Fees for licences and consents awarded under the Food and Environment Protection Act ¹² in respect of dredging, construction and disposals of waste material in the marine environment. Income is recognised in accordance with published scheme regulations, on production of an invoice to the licensee – though this may arise after the Agency has received funds in respect of the initial application; and
- The Agency receives a contribution of 6% from the Welsh Assembly Government towards the cost of aerial surveillance of fishing activity in English and Welsh waters. Income is recognised on an accruals basis.

k) Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction.

l) Value Added Tax (VAT)

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

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

m) Non-Cash Charges and Gains

Defra and other bodies incur costs on behalf of the Agency, the nature and extent of which are determined by decisions taken within the Agency. To comply with the FReM and FRS5, the value of this expenditure is notified to the Agency by these bodies and is recognised as Operating Cost expenditure of the Agency. The amounts relating to non-cash expenditure are disclosed in Note 4 to these accounts.

Non-cash gains may arise where the Agency's balance sheet contains fewer assets (excluding cash) than liabilities, and the calculation of the Cost of Capital Charge results in a credit to the Agency (see Note 21 to these accounts). Any cost of capital "credit" is recognised as negative expenditure alongside non-cash charges (Note 4), rather than as Income (Note 5), as there is no realisable gain to the Agency.

n) Contingent liabilities and remote liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12 (see Note 16), the Agency discloses, for Parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote – unless disclosure of those remote liabilities is itself believed likely to increase the possibility

¹² Fees are not charged for consents under the Coast Protection Act.

of the liability being accrued, or the value of these remote liabilities is not material. All such liabilities are reported internally to the Department.

The Agency had no remote liabilities in 2007-08 (none in 2006-07).

o) Provisions

The Agency provides for the estimated future liability arising from decisions made by the Agency's Directors in previous accounting periods. These provisions are drawn down as the resulting liability is met, or surrendered to the Department if unused.

p) Prior Year Adjustments

The values reported for prior year comparison may be re-stated if there is a material change in the substance of the business, or if a fundamental mistake arose in compilation of the prior year accounts such that retaining that presentation would now be recognised as not presenting a true and fair view of the business in that period.

The substance of the Agency's business changed at 1 April 2007, and now includes functions transferred from other authorities. As described in Note 2 to these accounts, and in accordance with FRS 6, the values reported in the Agency's accounts in 2006-07 have been re-stated.

Note 2: Transfer of Functions

The Marine Fisheries Agency was established on 1 October 2005.

On 1 April 2007, the Secretary of State directed that the functions of the Marine Consents and Environment Unit should transfer from Defra to the Agency, where it has now been established as the MFA's Marine Environment Team. Certain functions relating to dredging and marine minerals previously undertaken by the Department for Communities and Local Government (CLG) were also transferred into the MFA at this date. The resource consumption of these functions in 2006-07 was previously reported in Defra's Resource Accounts and CLG's, respectively.

With the acquisition of these functions, the Secretary of State determined that the name of the Agency should change to "Marine and Fisheries Agency", to reflect that its responsibilities were now wider than those relating exclusively to sea fisheries.

Compared with the position at 31 March 2007, as reported in the Marine Fisheries Agency's accounts for 2006-07, the MFA took on the equivalent of an additional 22 full-time staff.

At 31 March 2007, the Marine Environment team had no material fixed assets, debtors or creditors. As a business area within Defra, the Marine Environment Team had no separate cash balance from that of the Department. The Agency has recognised no transfer of net assets or General Fund balance arising from the transfer of functions.

The 2006-07 comparative figures for the Agency's Operating Cost Statement have been re-stated to reflect the activity in the former Defra and CLG teams which occurred in that period, as follows:

Effect of the Transfer on MFA's Operating Cost Statement	Reported in MFA accounts 31 March 2007	Reported in CLG	Reported in Defra	Restated 31 March 2007
	£000	£000	£000	£000
Staff Costs	5,963	165	738	6,866
Programme Costs	16,899	10	1,468	18,377
Operating Income	(124)	0	(1,132)	(1,256)
Net Operating Cost	22,738	175	1,074	23,987

Note 3: Staff Numbers And Costs

	2007-08			2006-07
	Permanently employed staff	Others	Total	Restated total
Programme costs	£000	£000	£000	£000
Wages and salaries	5,097	516	5,613	5,467
Social Security Costs	391	2	393	397
Pension Costs	966	0	966	953
Other staff costs	30	0	30	49
Total Staff Costs	6,484	518	7,002	6,866

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

	2007-08			2006-07
	Permanently employed staff	Others	Total	Restated total
By programme objective				
Protect and improve environment	25	0	25	25
Sustainable food supply	10	8	18	11
Sustainable management and prudent use of resources	147	13	160	133
Total	182	21	203	169

Note 4: Programme Costs

	2007-08	2006-07 restated
	£000	£000
Frontline Services - Programme costs:		
Surface Surveillance	6,056	6,199
Aerial Surveillance	2,025	1,910
IT for Fisheries Enforcement	181	765
IT for Marine Environment	51	0
Travel, Subsistence and Hospitality	467	443
Satellite Surveillance	155	125
Marine Science Advice single pot	0	1,394
Voted DEL European Union Aid	73	0
Estate Management	168	164
Rentals payable under operating leases	172	168
Other Support Costs	288	208
IT Support Costs	18	19
SFPA Designated Port Scheme	87	74
Telecommunications	48	17
Vehicles	11	17
Equipment and Equipment Hire	35	39
Training	75	106
Other costs	3	0
Sub Total Front Line Programme Costs	9,913	11,648
EU Grants		
FIFG - EU Commission	7,006	3,826
FIFG - National Contributions	4,657	1,476
Sub Total – Grants	11,663	5,302
Non cash items:		
Notional charges for Defra shared services	686	789
Notional charges for MET CEFAS single pot	1,871	0
Notional charges for Ops & Stats CEFAS single pot	600	0
Provisions added / utilised	244	250
Depreciation	39	38
Downward revaluation	3	9
Auditor's remuneration	50	50
Impairment loss	0	5
Amortisation	14	13
Cost of capital charge / (credit)	(186)	0
Early Retirement	29	273
Sub Total - Non Cash Items	3,350	1,427
Total programme expenditure	24,926	18,377
Analysis of EU Grants by recipient		
Private Expenditure	7,556	2,537
Public Expenditure	4,107	2,765
Total	11,663	5,302

Note 5: Income

	2007-08	2006-07 restated
	£000	£000
Programme Income		
EU Funding - Data Collection	55	8
Aerial Surveillance	120	115
M.E.T.	1,297	1,132
Other	5	1
Total	1,477	1,256

Note 6: Tangible Fixed Assets

	Scientific Equipment £000	IT £000	Office Equipment £000	CIP £000	Total £000
Cost or valuation					
Cost or valuation at 1st April 2007	4	168	10	5	187
Additions	0	14	0	0	14
Disposals	0	0	0	0	0
Reclassifications	0	5	0	(5)	0
Revaluations	0	(7)	1	0	(6)
At 31st March 2008	4	180	11	0	195
Depreciation					
Depreciation at 1st April 2007	(1)	(82)	(2)	0	(85)
Charged in year	(1)	(36)	(2)	0	(39)
Reclassifications	0	0	0	0	0
Revaluations - backlog depreciation	0	3	0	0	3
At 31st March 2008	(2)	(115)	(4)	0	(121)
Net Book Value at 31st March 2007	3	86	8	5	102
Net Book Value at 31st March 2008	2	65	7	0	74
Assets financing					
Owned	2	65	7	0	74
Finance leased	0	0	0	0	0
Net Book Value at 31st March 2008	2	65	7	0	74

Note 7: Intangible Fixed Assets

	£000
Cost or valuation at 1st April 2007	67
Additions	0
Disposals	0
Transfers	0
Reclassification	0
Assets written off	0
+Revaluation	0
At 31st March 2008	<u>67</u>
Amortisation at 1st April 2007	(35)
Charged In Year	(14)
Disposals	0
Transfers	0
Reclassification	0
Amortisation written off	0
Revaluation	0
At 31st March 2008	<u>(49)</u>
Net Book Value at 31st March 2007	<u>32</u>
Net Book Value at 31st March 2008	<u>18</u>

Note 8: Debtors

a) Analysis by type

	2007-08	2006-07
	£000	£000
Amounts falling due within one year		
VAT	54	105
Payroll advances	24	24
Other debtors and prepayments	73	32
Travel imprests	1	1
Total due within one year	<u>152</u>	<u>162</u>
Amounts falling due after more than one year		
Time recording system prepayment	0	5
Total due after more than one year	<u>0</u>	<u>5</u>
Total debtors	<u>152</u>	<u>167</u>
b) Intra-Government Balances		
Balances with other central government bodies	79	155
Subtotal: intra-government balances	<u>79</u>	<u>155</u>
Balances with bodies external to government	73	12
Total Debtors at 31st March 2008	<u>152</u>	<u>167</u>

Note 9: Cash at bank and in hand

	2007-08	2006-07
	£000	£000
Balance at 1 April	7,505	6,915
Net change in cash balances	(6,877)	590
Balance at 31st March	628	7,505

The following balances at 31st March 2008 are held at:

Commercial banks and Cash-in-Hand	33	0
Office of HM Paymaster General	595	7,505
Balance at 31st March	628	7,505

Note 10: Creditors

	2007-08	2006-07
	£000	£000
10 (a) Analysis by Type		
Amounts falling due within one year		
Surface Surveillance	2,756	1,400
Aerial Surveillance	256	250
FIFG Creditors	1,599	950
Defra Group Creditors & Accruals	878	818
EC Data Collection creditors	828	0
Other	151	16
Trade Creditors & Accruals	103	0
Other Accruals	149	248
Total due within one year	6,720	3,682
Total due after more than one year	0	0
Total creditors	6,720	3,682
10(b) Intra-Government Balances		
Balances with other central government bodies	4,916	3,066
Balances with local authorities	609	210
Subtotal: intra-government balances	5,525	3,276
Balances with bodies external to government	1,195	406
Total Creditors at 31st March	6,720	3,682

Note 11: Provisions

	2007-08	2006-07
	£000	£000
Balance at 1 April	250	0
Provided in the year	250	250
Provisions utilised in year	(6)	0
Balance at 31st March	494	250

Note 12: General Fund

	2007-08	2006-07 restated
	£000	£000
Balance at 1 April	(3,874)	(1,156)
Net Parliamentary Funding:		
Drawn Down	(19,506)	(25,473)
2004-05 harbour grant accrual not required	0	(120)
Net Transfer from Operating Activities:		
Net Operating Cost	30,451	23,987
Non Cash Charges:		
Cost of Capital	186	0
Early retirement costs	(29)	(273)
Auditor's remuneration	(50)	(50)
Defra notional charges	(686)	(789)
Defra notional charges - CEFAS single pot	(2,471)	0
FIFG payments to SEERAD & WAG on behalf of Defra	2,321	0
Balance at 31st March	6,342	(3,874)

Note 13: Notes to the Cash Flow Statement

		2007-08	2006-07 restated
		£000	£000
13(a) Reconciliation of operating cost to operating cash flows	Note		
Net operating cost		(30,451)	(23,987)
Adjustment for non-cash transactions	4	3,350	1,427
Adjustments for movements in working capital:			
(Increase)/Decrease in Debtors		15	9
Increase/(Decrease) in Creditors		3,038	(2,429)
<i>less movements in creditors relating to items not passing through the OCS</i>		0	120
		(24,048)	(24,860)
FIFG payment to SEERAD & WAG ¹³		(2,321)	0
Net cash outflow from operating activities		(26,369)	(24,860)
13(b) Analysis of capital expenditure and financial investment			
Tangible fixed asset additions	6	(14)	(23)
Net cash outflow from investment activities		(14)	(23)
13(c) Analysis of financing			
From Consolidated Fund (Supply): current year		19,506	25,473
Net financing		19,506	25,473
Net cash requirement			
13(d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash			
Net Cash Requirement		(26,383)	(24,883)
From Consolidated Fund (Supply): current year		19,506	25,473
Increase/(decrease) in cash		(6,877)	590

¹³ This amount is recognised net of contributions from the Agency's assets to meet Defra liabilities, but where the Department has underwritten the funding requirements of the Agency.

Note 14: Capital and other financial commitments**a) Capital Commitments at 31 March 2008**

The Agency has no commitments for capital expenditure at the Balance Sheet date.

b) Financial Commitments at 31st March 2008

The Agency has financial commitments for the following periods, with an annual value of:

Property operating leases	2007-08
	£000
Expiry within 1 year	23
Expiry within 2-5 years	85
Expiry thereafter	74
Total	182

The Agency occupies one London HQ office and 20 coastal offices, but owns no freehold or long leasehold property.

Fisheries surveillance, enforcement, and marine advice	2007-08
	£000
Expiry within 1 year	2,138
Expiry within 2-5 years	5,920
Expiry thereafter	2,471
Total	10,529

Note 15: Losses and Special Payments

	2007-08	2006-07
	£000	£000
Constructive Loss	1	0
Total	1	0

During 2007-08, the Agency lost £505 as a member of staff was unable to attend a conference for which the booking had already been processed. There were no other reportable losses.

Note 16: Contingent Liabilities

	2007-08	2006-07
	£000	£000
EC FIFG grant	72	0
Total	72	0

The Agency has identified one instance where a payment of grant may not have been correctly applied to its intended purpose. Investigations are continuing but if this grant is proved to have been overpaid and cannot be recovered from the beneficiary, the UK would be obliged to return to the European Commission any funding provided by the EC to support the original.

Note 17: Contingent Gains

	2007-08	2006-07
	£000	£000
Liverpool Crown Court	179	0
Newcastle Crown Court	149	0
Total	328	0

The Assets Recovery Agency has succeeded in obtaining Court orders under the Proceeds of Crime Act 2006, from which the Agency may receive a share as noted above. Any receipts by the Agency would be applied to the benefit of the fishing industry or marine communities, in consultation with Ministers. These assets are recognised as contingent, since there is material uncertainty as to the timing and amount which will be received by the Agency.

Note 18: Financial Instruments and Investments

The Agency held no financial investments at the balance sheet date, nor any financial instruments other than as stated on the Agency's Balance Sheet. (None in 2006-07.)

Foreign Currency transactions are converted into Sterling, usually through the Bank of England, and are recognised at the exchange rate prevailing on that date.

The Agency's funding consists of income from applicants for FEPA and CPA licences, from the Welsh Assembly Government for part of the cost of aerial surveillance, from the European Commission and other bodies for statistical work and, principally, from the Exchequer through budgets delegated to the Agency by Defra.

Note 19: Events occurring after the Balance Sheet Date**The Marine Management Organisation**

The Minister of State (Jonathan Shaw) announced on 3 April 2008 the terms of a draft Marine and Coastal Access Bill. In addition to reforming the existing Sea Fisheries Committees and consolidating legislation on the marine environment, the Bill seeks Parliamentary approval for the establishment of a new Non-Departmental Public Body (provisionally known as the Marine Management Organisation). Under the current proposals, the MFA is expected to be merged into the new organisation, and its existing functions and establishment will form the majority of the new body from April 2010 or 2011.

The draft Regulatory Impact Assessment which was published alongside the draft Bill indicates that at least forty new posts will be created alongside the existing MFA complement, and that a project to develop the new organisation will be undertaken by Defra and MFA at an estimated cost of £2.71m. The precise details of this project (including staffing, updated estimates of funding requirements, and working methods for the project team) will be developed during the 2008-09 financial year and submitted to the Fisheries Minister for approval.

Defra is expected to provide all necessary funding for the project additional to normal operating requirements of the Agency, so no future liabilities have been recognised in these accounts as accruing to the Agency or requiring Provision in the Agency's Balance Sheet.

The additional costs of the development of the new organisation will, where material and identifiable separately from other costs, be noted in the Agency's accounts in 2008-09 and 2009-10.

Fisheries and Marine Environment work in Wales

Defra Ministers and the National Assembly for Wales have agreed that from 1 April 2008 responsibility for the Marine Fisheries regulations in Welsh waters will pass to the Welsh Assembly Government. To support this, the six fisheries officers posts based in Wales were transferred from the Agency to the Welsh Assembly Government at that date.

Defra and National Assembly for Wales Ministers have also proposed that responsibility for regulating the Marine Environment will pass to the Welsh Assembly Government during 2008-09. No agreement has yet been reached on the precise terms of that transfer, though the financial effect will be reported in the Agency's accounts for 2008-09.

Note 20: Transactions with Related Parties

The Marine and Fisheries Agency is an Executive Agency of the Department for Environment Food and Rural Affairs (Defra).

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

- Centre for Environment Fisheries and Aquaculture Science
- Environment Agency, and
- SeaFish Industry Authority.

In addition, MFA has had a various material transactions with other government departments and other central government bodies. Most of these transactions have been with:

- Ministry of Defence (re Surface Surveillance provided by the Royal Navy);
- Welsh Assembly Government (re contributions to MFA for Aerial Surveillance);
- Scottish Executive Environment and Rural Affairs Department; and
- Scottish Fisheries Protection Agency.

No Director, key manager or other parties related to them has undertaken any material transactions with MFA or with the organisations listed above, except in respect of salaries and other personnel transactions as reported in these accounts.

Note 21: Cost of Capital

Over the year, the Agency had net liabilities (excluding cash) of £5.3m, representing a notional net benefit to the taxpayer of the Agency holding assets not funded by the Exchequer. Therefore in 2007-08 the Agency's Operating Cost Statement includes notional income of a Cost of Capital Credit of £186,000 – being the interest notionally earned at the Treasury's discount rate of 3.5% on the net liabilities and assets (excluding cash) held by the Agency.

The estimated notional credit in 2006-07 (£164,000) was not reported as there was uncertainty at the time as to the correctness of recognising a notional income which did not give rise to any asset in the Agency's hands. As this represented only a notional, and not substantive, gain the comparative figures have not been re-stated in this respect.

Laying of Accounts

The Accounts are to be submitted to the Department and authorised for issue on 24th June 2008, for laying in the House of Commons as paper HC 620 on 26th June 2008.



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