

Food Standards Agency

**Annual Report and Consolidated
Accounts 2010/11**

Food Standards Agency
Annual Report and Consolidated Accounts 2010/11

(For the year ended 31 March 2011)

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Chief Executive's statement



I am pleased to lay before the Westminster Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, the Food Standards Agency Annual Report and Consolidated Accounts. This edition covers our performance and activities in 2010/11.

Times of change

During a year of considerable change, I am proud to say that we have continued our strong commitment to delivering safer food for consumers.

In 2010, as part of the machinery of Government changes, nutrition policy and nutrition labelling in England and Wales were transferred from the FSA to those countries' health departments. These activities were retained in Scotland and Northern Ireland. Responsibility for other non-safety-related food labelling and composition policy was moved to the Department for Environment, Food and Rural Affairs in England. The FSA continues to be responsible for these in Scotland, Wales and Northern Ireland.

These changes have allowed us to strengthen our core remit covering food safety policy and enforcement, and continue to improve food safety in the UK. During the past year, the FSA secured convictions in 20 prosecutions against businesses where we are the enforcement authority, showing that the FSA means business when taking action on food safety and fraud. In addition, the FSA took action on almost 1,600 national food and environmental contamination incidents, these ranged from counterfeit vodka to salmonella in bean sprouts.

Looking forward

In addition to ensuring that there is the appropriate legislation in place to protect consumers, the FSA is also committed to reducing burden on businesses and the economy. We have a strong history of delivering outcomes through alternatives to regulation, estimated to have saved the economy £151m per year during the past five years.

These non-regulatory activities have been among the key successes of the year and will continue to be our focus during the coming year. The launch of the Food Hygiene Rating Scheme in England, Wales and Northern Ireland and the Food Hygiene Information Scheme in Scotland mean that consumers are now able to easily check the hygiene standards of restaurants, takeaways and food shops. But in addition to giving consumers choice, the schemes also encourage businesses to improve standards. Across the UK there are more than 130 local authorities already signed up to the schemes, which includes almost 100,000 food businesses. As the schemes gain momentum during the year, they will give more consumers access to information about the hygiene of food businesses in their local area.

As well as providing consumers with more choice, the FSA's renewed Foodborne Disease Strategy to 2015 aims to tackle foodborne disease, by targeting the pathogens that have been identified as causing the greatest burden of disease. *Campylobacter* is the most common cause of food poisoning in the UK and is estimated to cost the economy more than £583m a year. The FSA, in partnership with Defra and the UK poultry industry, is therefore concentrating on tackling this food bug right across the food chain.

In response to the review of the E.coli outbreak in Wales in 2005, we have developed the Food Hygiene Delivery Programme. We have already published comprehensive guidance for food businesses on controlling cross-contamination, updated training for local enforcement,

introduced sense-checking of local authority inspections to ensure they are not an exercise in 'box ticking', developed a DVD to remind butchers about food safety management, consulted on extending the use of Remedial Action Notices to all food businesses, and carried out a review of legal powers and culture in food businesses. This enables us to push for change and will contribute to our overall strategic objective of safer food for the nation.

Another key policy for the FSA in the year ahead will be to review the subsidies given to industry for carrying out meat hygiene and animal welfare controls. The FSA has put in place a plan to begin a phased implementation of full cost recovery in April 2012, this will provide an incentive to industry to maximise efficiency and drive up compliance.

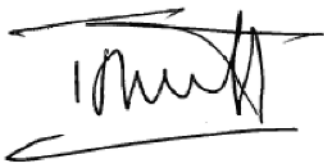
The FSA is also reviewing how food safety regulations are enforced in the UK. Budgetary pressures both on us and the bodies who deliver official controls make it timely to consider how best to secure efficiency, consistency, resilience and sustainability in this fundamental public health protection function.

Continued commitment

Our ability to adapt and change as an organisation, and still deliver the successes highlighted above, has enabled the FSA to deliver a 35% reduction in expenditure in real terms, with the net cost of the FSA falling from £139.2m to £89.9m.

This is a substantial achievement and I would like to recognise the dedication of all the staff who have worked at the FSA during the past year and their commitment to delivering the organisations objectives, and doing so under the expectation to deliver more for less.

This commitment will continue as we work towards delivering the Spending Review 2010 target for Westminster of a real terms saving of a further £28.8 million by 2014/15 (33% administration budget and 18% programme budget). The Efficiency Board has been established to ensure the organisation is well placed to meet these targets while protecting front line services and not putting at risk the delivery of our core objective to ensure food in the UK is safe to eat.



Tim J Smith
Chief Executive
Food Standards Agency
27 June 2011

The Food Standards Agency – who we are and what we do

The Food Standards Agency

The Food Standards Agency (FSA) is the national authority responsible for ensuring your food is safe to eat. Our strategic objective is 'safer food for the nation'.

Food safety is our concern from the time ingredients come into the country, or leave the farm, right through to when food is sold to you in shops or served to you if you are eating out.

If we become aware that food has been contaminated or adulterated, contains unsafe ingredients, or is labelled in a way that makes it unsafe for some people to eat, we will have it removed from sale. We do this in conjunction with other enforcement organisations, such as port health authorities, trading standards, and environmental health.

Our 'Safer food, better business' initiative ensures that good food hygiene is central to how food businesses operate. Our Food Hygiene Rating Scheme (and the Food Hygiene Information System in Scotland) lets you see the hygiene standards of catering establishments on our website food.gov.uk/ratings when you eat out or shop for food. These initiatives are delivered by our local authority partners.

FSA operations staff work in slaughterhouses and meat plants throughout England, Scotland, and Wales to ensure the meat you buy is safe. In Northern Ireland, this role is carried out by the Department of Agriculture and Rural Development. We also deal with the safety of animal feed.

In Scotland and Northern Ireland we are responsible for the nutritional aspects of diet. In England and Wales this responsibility now lies with the English and Welsh departments of health.

In the European Union, our legal experts and policy officials negotiate on behalf of the UK to ensure that EU law reflects the interests of UK consumers.

The hundreds of scientists on our staff and in our independent scientific advisory committees guarantee that all of our work – from day-to-day decision making to the assessment of emerging risks – is evidence-based.

The FSA was set up in 2000 as an independent government department. We are governed by a Board and can publish any advice we offer to Ministers.

Since 2000, there have been real improvements in food safety in the UK, and our regular consumer surveys, workshops and focus groups suggest that these improvements have been matched by increases in people's confidence in food. Our strategy has been updated to ensure that these improvements continue.

Our core principles

Our core principles are:

- putting the consumer first
- openness and transparency
- science and evidence-based
- acting independently
- enforcing food law fairly

Our Strategy to 2015

When our Strategy to 2015 was first published in December 2009, we made a commitment to review it annually to make sure it continues to protect public health. The first update of the Strategy, published in March 2011, reflects recent changes to the remit of the FSA, new information on allergens and, following the merger with the Meat Hygiene Service, a more extensive enforcement role for the FSA.

The Strategy sets out six outcomes we will work towards to ensure that food is safe, and that consumers can continue to have trust and confidence in the food they buy and eat. These outcomes reflect the work of the FSA at all stages of the food supply – from when food enters the UK to when it is sold by retailers and caterers.

The outcomes we aim to deliver through the revised Strategy to 2015 are:

- food produced or sold in the UK is safe to eat
- imported food is safe to eat
- food producers and caterers give priority to consumer interests in relation to food
- consumers have the information and understanding they need to make informed choices about where and what they eat
- regulation is effective, risk-based and proportionate, is clear about the responsibilities of food business operators, and protects consumers and their interests from fraud and other risks
- enforcement is effective, consistent, risk-based and proportionate, and is focused on improving public health

The Strategy to 2015 is written in a clear and concise way to help consumers understand it, and is shaped by our core principles of putting the consumer first, openness and transparency, and being science and evidence-based. The full text of the Strategy is available on our website **food.gov.uk**

A table – ‘Strategy to 2015: Performance measures table of successes and impacts’ – published with the Strategy sets out how we will know whether we and others are being successful. We are considering the need for specific performance measures to be developed, and we will report against them in future years.

Our Science and Evidence Strategy

To support the delivery of the updated strategy, we have updated our Science and Evidence Strategy 2010/2015, which sets out how we will use science and evidence to meet the challenges of delivering safer food for the nation.

The Science and Evidence Strategy re-iterates our commitment to using the best available science and evidence in an open and transparent manner. We will continue to be guided by independent scientific advice, and we will launch new research partnerships to further our understanding as we seek to manage risk to ensure food safety. The full text of our Science and Evidence Strategy is available on our website **food.gov.uk**.

Our activities and performance during 2010/11

We report here on progress against the outcomes and priorities in our original Strategy to 2015. From 2011/12 onwards, we will report against our Strategy to 2015 published in March 2011.

Outcome: food produced or sold in the UK is safe to eat.

Main priorities
Reduce foodborne disease using a targeted approach – tackling campylobacter in chicken as a priority
Increase horizon scanning and improve forensic knowledge of, and intelligence on, global food chains to identify and reduce the impact of potential new and re-emerging risks – particularly chemical contamination

Highlights of our activities and performance in 2010/11
<p>During 2010 we reviewed and refreshed our Foodborne Disease Strategy (FDS) to ensure there was a clear focus on delivery of a reduction in foodborne illness, one of our main priorities. The Strategy adopts a targeted approach by tackling two key foodborne pathogens, campylobacter and listeria, as an initial priority. We ran a full public consultation on the new FDS, and it was finalised by the end of 2010.</p> <p>As part of the FDS, we have worked closely with our partners (the British Poultry Council, the British Retail Consortium, and Defra) on the Joint Government/Industry Working Group on Campylobacter Reduction. We have agreed a joint action plan to test interventions to reduce campylobacter in chicken, on farm and in the slaughterhouse. Supported by modelling of the effect of different interventions, the Working Group has agreed a robust and achievable evidence-based target for reduction on carcasses, to be achieved by 2015 with initial results expected by 2013. The joint government and industry target was published in December 2010. Industry has put in place a voluntary harmonised monitoring programme, and we will put in place an independent quality assessment of this monitoring alongside a minimal programme of independent monitoring.</p> <p>We hosted a major two-day international conference in March 2010 on Campylobacter Reduction in Chicken. The meeting was attended by international regulators and experts, the UK poultry industry and retailers, the European Commission, and the European Food Safety Authority. The meeting considered strategies that had been effective in other countries, and the feasibility of, or barriers to, using them effectively in the UK. The proceedings of the meeting were published in June 2010¹.</p> <p>We agreed a five-year joint campylobacter research programme with the Biotechnology and Biological Sciences Research Council and Defra. It is the first time all three organisations have agreed a common set of objectives for campylobacter research. The joint strategy and initial calls for new research were published in July 2010².</p>

¹ food.gov.uk/multimedia/pdfs/campyloconf.pdf

² food.gov.uk/multimedia/pdfs/campylobacterstrategy.pdf

Also in relation to Campylobacter, the FSA in NI and Scotland together commissioned a study to evaluate training provided to Catching Teams in 2008, identifying effectors for good/poor practice in relation to bio-security implementation on poultry farms.

We issued guidance to clarify the steps food businesses need to take to control the risk of contamination from the food bug *E. coli* O157. Outbreaks of *E. coli* in Scotland in 1996 and Wales in 2005 resulted in serious illness or death for some affected individuals. The outbreaks were attributed to cross-contamination arising from poor handling of food. The new guidance reminds food businesses what they should be doing to protect their customers from the serious consequences of *E. coli* food poisoning. For example, key measures include identification of separate work areas, surfaces and equipment for raw and ready-to-eat food, and use of separate complex equipment, such as vacuum-packing machines, slicers, and mincers for raw and ready-to-eat food. Many businesses will already be following the steps in the guidance, but it is intended to provide reassurance that they are doing everything they can to prevent cross-contamination. We also expect local authorities to use the guidance when inspecting businesses in their areas.

There has been new data on the number of cases of illness due to norovirus, emphasising the importance of our current work on this organism. However, tackling campylobacter continues to be the main priority.

In 2010 the FSA in NI provided evidence and input into the Northern Ireland Executive (MacKenzie), and Agriculture and Rural Development Committee Reviews into the 2008 Dioxin Incident. Senior FSA officials met with the Head of the NI Civil Service and the Permanent Secretaries of DHSSPS, DARD and the Department of Enterprise, Trade and Investment (DETI) shortly after the MacKenzie review to take forward recommendations flowing from the Reviews. The FSA in NI has worked extensively to take account of the recommendations from the reviews and work continues to implement the action plan.

Outcome: imported food is safe to eat.

Main priorities
Work internationally to reduce risks from food and feed originating in non-EU countries
Ensure risk-based, targeted checks at ports, and local authority monitoring of imports throughout the food chain

Highlights of our activities and performance in 2010/11
<p>A key focus of the programme of work on imports has been implementing new arrangements for better controls on high-risk foods not of animal origin, for example, toxins from mould often found on imported nuts and dried fruit. Arrangements are now fully in place and helping to deliver more risk-based and targeted checks at ports.</p> <p>In parallel, we invested more in developing horizon scanning and intelligence capability about emerging risks and food fraud. The long-term importance of the work was identified in the analysis underpinning the development of the Strategy to 2015, particularly regarding emerging risks in food and feed from non-EU countries.</p> <p>Further work is required to understand global food chains and patterns of imports, placing much greater emphasis on the need for closer working and building intelligence links internationally to reduce problems at source. In the UK, greater pooling of information across regulatory authorities, and with the food industry, is needed to target official controls and own checks by industry to where the risks and issues are.</p>

Outcome: food products and catering meals are healthier.

Main priorities
Continue to achieve reductions in levels of saturated fat, salt, and calories in food products*
Encourage the development, promotion, and availability of healthier options when shopping and eating out*
Make sure that portion sizes appropriate for a healthy diet are available and promoted*

* Responsibility transferred from the FSA to the Department of Health in England and to the Welsh Assembly Government in Wales from 1 October 2010.

Highlights of our activities and performance in 2010/11
<p>We continued with one of the most successful and cost effective public health campaigns ever: the salt campaign. Our work with industry on reducing salt in processed foods has been a key success and this, along with an increased awareness of the dangers of salt, has contributed to people in the UK reducing their salt intake by nearly a gram a day and consequently saving more than 6,000 lives a year.</p> <p>Our work on saturated fat and calories campaigns has stimulated public debate that continues on a daily basis.</p> <p>Efforts to provide the evidence on advertising to children persuaded government to bring in regulations for television advertising.</p> <p>On 1 October 2010 responsibility for nutrition policy in England transferred to the Department of Health and in Wales to the Assembly Government. The FSA continues to advise and support Ministers in Scotland and Northern Ireland on nutrition policy.</p> <p>The FSA in Scotland supports the Scottish Government’s National Food and Drink Policy. The aim is to help improve Scotland’s diet by providing effective support and expert nutrition advice to ensure that there are consistent messages on all aspects of food policy, including production and catering.</p>

In Northern Ireland, within DHSSPS’ overarching Investing for Health Strategy, we have continued to work to deliver the outcomes identified for the FSA in ‘Fit Futures – Focus on Children and Young People’ and the Obesity Prevention Strategic Framework. We have been a key representative on the Obesity Prevention Steering Group (OPSG) and its sub groups, with the FSA’s Head of Engagement, Preparedness, Dietary Health and Standards in NI chairing its Food and Nutrition sub group. Strategically, we continue to work at a cross-departmental level to progress the recommendations from the Fit Futures report. Involvement in the Framework for Preventing and Addressing Overweight and Obesity in Northern Ireland 2011/2012 will be the focus of work for the future.

Assessment of emerging risks data shows continuing occurrence of food allergy incidents. Of particular interest is the extent of hospitalisations and associated data, with recording of the causative agents for severe allergic reactions providing firmer evidence of the number of such reactions caused by foods. These new data highlight the importance of our work in this area across the whole of the UK, and suggest the need for more emphasis on increasing provision of information about allergens. An obvious focus for this will be unpackaged foods, particularly in the catering sector, as a significant proportion of reactions occur when buying such products. We already have work under way and will review and assess this, concentrating on how it can help food businesses provide appropriate food allergy and food intolerance information to customers.

We continue to work in partnership with food businesses, consumer support organisations, health professionals, and regulators in the UK and internationally. The focus is to drive forward development of allergen management thresholds (action levels) to be used in the risk assessment of food allergy incidents, and to inform decisions on the use of allergen cross-contamination advisory warnings (such as ‘may contain’). This would bring increasing consumer confidence and trust in those warnings that are used.

Outcome: consumers understand about food and healthy eating, and have the information they need to make informed choices.

Main priorities
Improve public awareness and use of messages about healthy eating and good food hygiene practice at home
Increase provision of information to consumers on the hygiene standards of food premises when they choose where to eat
Increase the availability of information on calories in meals in catering establishments *
Promote the adoption of a single, simple and effective front-of-pack labelling approach *
Develop and promote integrated government advice for consumers on food issues *

* Responsibility transferred from the FSA to the Department of Health in England and to the Welsh Assembly Government in Wales from 1 October 2010

Highlights of our activities and performance in 2010/11

The national Food Hygiene Rating Scheme (FHRS) provides consumers with information on food hygiene standards to help them to choose where to eat out or shop for food. Food outlets, such as restaurants, takeaways, pubs and supermarkets, are inspected by local authority food safety officers to check that their hygiene standards meet legal requirements. The standards found at these inspections are rated on a scale ranging from 0 at the bottom to a top rating of 5. The aim is to encourage businesses to improve standards and reduce the incidence of foodborne illness.

The FHRS was launched on 30 November. A number of local authorities are already rolling out the scheme and publishing ratings at food.gov.uk/ratings. We are encouraging remaining authorities to follow the lead of these 'early adopters' and put the scheme in place as soon as they can. Lord Young of Graffham's report on the review of health and safety laws – *Common Sense Common Safety*³ – provided very strong support for this work. The aim is to have the FHRS established across England, Wales, and Northern Ireland in readiness for the 2012 Olympics and Paralympic Games. A similar scheme – the Food Hygiene Information Scheme – is being run in Scotland. Scottish local authorities that have already rolled out the scheme are publishing inspection results at food.gov.uk/ratings

Ministers agreed a different approach for front of pack labelling as part of the Food Information Regulation negotiations. They agreed a percentage guideline daily amount approach, with other forms of expression being permitted.

The cross-government funders agreed to close Integrated Advice to Consumers website project by the end of October 2010, by which time the following outputs were delivered:

- a project closure report that sets out the work undertaken and insights gained;
- a set of consumer messages drawn from the current evidence on sustainable diets;
- recommendations for structuring and presenting this information based on user research undertaken as part of the project.

We continue to track consumer awareness of the FSA and understanding of food hygiene issues, as it is essential that our work with consumers continues to be underpinned by trust and confidence in the FSA as a source of independent advice on food.

³ number10.gov.uk/wp-content/uploads/402906_CommonSense_acc.pdf

Outcome: regulation is effective, risk-based and proportionate, is clear about the responsibilities of food business operators, and protects consumers and their interests from fraud and other risks.

Main priorities
Secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk
Develop our knowledge of what works in driving up business compliance with regulations
Safeguard consumers by making it easier for businesses to comply with regulations, and minimise burdens on businesses
Secure more proportionate, risk-based and effective regulation by strengthening our engagement in the EU and in international forums
Work internationally to design a model for a new regulatory and enforcement regime for ensuring meat controls are effective

Highlights of our activities and performance in 2010/11
<p>The Report of the Public Inquiry into the outbreak of <i>E.coli</i> O157 in Wales in 2005 was published in March 2009. To address the recommendations from the report, the Food Hygiene Delivery Programme (FHDP) was established. It prioritises, directs, and measures progress in an ambitious and comprehensive programme of work to improve food hygiene delivery and enforcement across the UK, covering all foodborne pathogens and all food groups.</p> <p>The FHDP supports the Strategy to 2015 outcomes that food produced or sold in the UK is safe to eat and that regulation is effective, risk-based and proportionate. It complements the Foodborne Disease Strategy which is designed to deliver the strategic priority of reducing foodborne disease using a targeted approach.</p> <p>Key achievements in 2010/11 include:</p> <ul style="list-style-type: none"> • new guidance to food businesses and authorised officers on controlling <i>E. coli</i> cross-contamination; • enhanced training of more than 3,000 authorised officers on effective evaluation of food safety management systems; • improvements to the current legislation have been identified, with a consultation on extending the use of Remedial Action Notices (a key enforcement tool) running from February to May 2011; • an overhaul of the audit process and protocols FSA uses to audit local authorities; • a review of evidence to investigate the culture and behaviours in businesses and enforcement bodies, and the communication between individuals in these two groups; • the pursuit of the development of a common policy and approach move to full cost recovery for official controls in respect of meat hygiene.

We formed a new Operations Group on 1 April 2010 when the Meat Hygiene Service, formerly an executive agency, became a fully integrated part of the FSA. The group streamlines our approach to compliance with official food and feed controls; improves our effectiveness as a regulator; improves public health protection; and builds on and strengthens our relationship with our stakeholders.

We have UK responsibility for delivery of official controls (such as dairy hygiene, eggs, and shellfish) through other enforcement agencies, including the Department for Food and Rural Affairs, Animal Health, the Department of Agriculture and Rural Development Northern Ireland, and the Scottish Government's Rural Payments and Inspections Directorate.

We provide the essential vehicle for a cross-cutting approach to official controls delivery, contrasting with the product-specific delivery of controls under previous structures. The cross-cutting approach promotes greater consistency in official controls delivery and ensures proportionality across all food sectors. One example of this is the proposed change to official controls on dairy farms. We identified that three different risk-scoring regimes existed for setting official inspection frequencies on dairy farms. The frequency of inspection in England, Wales, and Northern Ireland was found to be excessive relative to other food businesses. In some instances dairy farms were being inspected as frequently as high risk food businesses handling raw and cooked meat for sale direct to the final consumer.

Amended official controls on dairy farms will be implemented in 2011. In Northern Ireland the controls will be phased in over a period of two years from July 2011. These will harmonise the risk rating schemes used on dairy farms with those used in assessing other food businesses. They will also acknowledge the additional assurance provided by pasteurisation, other processing and industry testing further down the milk production chain, and the inspection of dairy farms undertaken by the Assured Dairy Farm third-party certification scheme. The amended official controls regime will maintain consumer protection and deliver cost savings for the taxpayer and the industry.

The FSA Board agreed to a review of Official Controls Delivery in January 2011. Budgetary pressures on the many bodies involved in delivering food safety make it all the more important to ensure fundamental public health safeguards are resilient and sustainable.

The review will be overseen by an independent representative with the majority of work undertaken by FSA staff. The review will be principle-based and objective with no pre-determined outcomes. In addition to considering a more centralised model of delivery, the review will consider fully the scope for making improvements to the current system.

Formal enforcement action

In accordance with the requirements of the Food Standards Act 1999, we report each year on enforcement action taken.

Statutory notices may be served due to defects in hygiene, unsatisfactory structural matters, to stop the use of particular types of equipment, to impose conditions on the meat production process, to close down the operation completely, or to stop a particular practice that contravenes the hygiene provisions of the legislation. Statutory notices must accurately reflect the non-compliance, refer correctly to the relevant legislation, and be clearly legible and unambiguous in order to be legally valid.

Formal and informal enforcement action taken during 2010/11

Formal Action	Number of Notices 1 April 2009 – 31 March 2010	Number of Notices 1 April 2010 – 31 March 2011
Hygiene Emergency Prohibition Notice , served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006, giving an food business operator a day's notice of the intention to apply to a court for the granting of a Hygiene Emergency Prohibition Order which would result in an immediate cessation of business	Nil	Nil
Hygiene Improvement Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	186	133
Remedial Action Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	73	97

Formal Action	Number of Notices 1 April 2009 – 31 March 2010	Number of Notices 1 April 2010 – 31 March 2011
Written warning	1,997	2,103

Prosecutions

Following an investigation referral, prosecutions are taken by the relevant enforcement authority. In England and Wales, they are taken by the FSA except in animal welfare and some animal by-product and TSE cases where Defra or the Welsh Assembly Government is the prosecuting authority. In Scotland, the prosecutor is the relevant Procurator Fiscal.

Referrals for possible prosecution 2010/11

Legislation	Number of Referrals
Food Hygiene / Safety	107
Transmissible Spongiform Encephalopathies	22
Animal Welfare	30
Animal By-Products	3
Total	162

The timescales for prosecutions means that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the referrals investigated in 2010/11 have yet to be concluded, whilst some investigations undertaken in 2009/2010 were finalised in 2010/11.

However, it is possible to report on all those cases that were concluded during 2010/11. Overall, 26 cases (comprising a total of 230 individual charges) were brought before the courts by the FSA, Defra, or Procurators Fiscal during the year. The charges laid in these cases covered a total of 70 separate referrals. Convictions were secured in 24 of the cases. No cases resulted in acquittal, and proceedings were withdrawn in 2 cases.

Annual Report

Directors' report

The FSA is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to Ministers. The Board consists of a Chair, Deputy Chair and up to 12 members. The Chair and Deputy Chair were appointed by the Secretary of State for Health, Scottish Ministers, the National Assembly for Wales and Minister for Health, Social Services and Public Safety in NI on behalf of that Department. Two of the Board members are appointed by Scottish Ministers, one by the National Assembly for Wales, and one by the Minister for Health, Social Services and Public Safety in NI on behalf of that Department. The other eight members were appointed by the Secretary of State for Health.

The Board is responsible for the FSA's overall strategic direction, for ensuring that legal obligations are fulfilled, and for ensuring that decisions and actions take proper account of scientific advice as well as the interests of consumers and other stakeholders.

Day to day management of the FSA is exercised through the Executive Management Board (EMB).

In addition to the FSA Board, the FSA has advisory committees, chaired by Board members, in Scotland, Wales, and Northern Ireland. The role of the Committee in each country is to advise the Board. The Board is required by statute to take account of their advice in its work.

More information about our organisation and structure can be found on our website at food.gov.uk.

Details of Board members and Directors

The FSA Board

During the year, the membership of the non-executive FSA Board was:

Lord Jeff Rooker	FSA Chair
Dr Ian Reynolds	FSA Deputy Chair
Professor Graeme Millar CBE	Chair of the Scottish Food Advisory Committee (to February 2011)
Dr David Cameron	Chair of the Scottish Food Advisory Committee (from February 2011)
John W Spence	Chair of the Welsh Food Advisory Committee
Dr Henrietta Campbell CB	Chair of the Northern Ireland Food Advisory Committee (from September 2010)
Tim Bennett	
Chris Pomfret	
Clive Grundy	
Professor Sue Atkinson CBE	
Professor Maureen Edmondson OBE	Chair of the Northern Ireland Food Advisory Committee (to August 2010)
Michael Parker	
Nancy Robson	
Margaret Gilmore	
Dr James Wildgoose	(from March 2011)

Executive Management Board (EMB)

During the year, the membership of the EMB was:

Tim Smith	Chief Executive
Dr Andrew Wadge	Chief Scientist; Joint Director Food Safety (to October 2010)
Alison Gleadle	Acting Director, Corporate Services (to October 2010); Director, Food Safety (from October 2010)
Andrew Rhodes	Director, Operations (from August 2010)
Steve McGrath	Director, Operations (to August 2010)
Terrence Collis	Director, Communications, Planning, Security, and Estates
Rod Ainsworth	Director of Legal, International, Regulation, and Audit
Chris Hitchen	Finance Director
Lynne Bywater	Human Resources Director
Charles Milne	Director, FSA in Scotland
Gerry McCurdy	Director, FSA in Northern Ireland
Steve Wearne	Director, FSA in Wales; Joint Director Food Safety (to October 2010)

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners. Salary and pension details of the Board and the EMB are disclosed in the Remuneration Report.

FSA advisory committees

During the year, the membership of advisory committees was:

Northern Ireland	Scotland	Wales
Dr Henrietta Campbell CB – Chair from September 2010	Professor Graeme Millar CBE – Chair to February 2011	John Spence – Chair
Professor Maureen Edmondson OBE – Chair to August 2010	Dr David Cameron – Chair from February 2011	Kate Hovers
Tony McCusker	Dr Carrie Ruxton	Andrew Johnson
Dorothy Black	Christopher Trotter	Louise Fielding
David Mark	Amanda O'Donoghue	Katie Palmer
Barbara Livingstone (to July 2010)	Moyra Burns	Derek Morgan
Professor John Moore (to July 2010)	Professor Charlotte Maltin	Steve Bolchover
Michael Walker	Dr James Wildgoose	Sue Jones
Alan Bingham	Dr Lesley Ann Stanley	Dr Hugh Jones
Dr David McCleery	Bernard Forteach	
David Lindsey (from August 2010)		
Dr Brian Smyth (from August 2010)		

Audit Committee

The Audit Committee advises the Accounting Officer and Board about issues of control, governance, and assurance. The Chair of the Committee produces an annual report to the FSA Board on the work of the Audit Committee, and reports regularly throughout the year.

During the year, the membership of the Audit Committee was:

Chris Pomfret (Chair)	Tim Bennett
Margaret Gilmore	Clive Grundy
Michael Parker	Graeme Millar (to February 2011)

Risk Committee

The Risk Committee seeks to establish improved risk modelling and management across the organisation. This committee is chaired by a Board member, and includes a mix of executive and non-executive staff as members. The Chair of the Committee reports annually to the FSA Board on the work of the Risk Committee.

During the year, the membership of the Risk Committee was:

Non-executive Board members	Executive members
Margaret Gilmore (Chair)	Tim Smith
Chris Pomfret	Terrence Collis
Tim Bennett	Andrew Wadge
Graeme Millar (to February 2011)	Chris Hitchen
Michael Parker	
Nancy Robson	
Dr Henrietta Campbell CB (from February 2011)	

Management commentary**Preparation of accounts**

The FSA Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The consolidated accounts are laid before Parliament under Section 4 of the Food Standards Act 1999. The costs of the FSA offices in Scotland, Wales, and Northern Ireland are funded through the relevant devolved authority.

Supplier payment policy

It is the FSA's policy to pay all invoices not in dispute within 5 days of receipt. During 2010/11 80% of all invoices were paid within this target. This policy is likely to remain the same for 2011/12.

Financial instruments

The FSA has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits. All material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

Sustainability reports

Our remit is to protect the interests of consumers in relation to food, both now and in the future, with a focus on food safety. In doing so, we will take sustainable development into account in all of our activities and policy decisions.

We continue to be committed to sustainable policies and undertake to choose the most sustainable policy option. Only in exceptional circumstances will we not do so. In these cases the reasons will be clearly communicated and every effort made to minimise the resulting negative impacts.

Our Sustainable Development Action Plan (SDAP) 2010/11 aimed to support the principles of sustainable development. The main priority in our SDAP was to embed sustainable development in policy making and in particular into the Impact Assessment process and Board papers. The Sustainable Development Commission commended the FSA for its progress and recommended that other government departments look to the FSA as an example of embedding Sustainable Development into policy making.

In Spring 2010, the Coalition Government announced its focus on 'becoming the greenest Government ever' and the FSA is committed to this.

We are also committed to carbon reduction, energy efficiency, and recycling on our estate. All activities on our estate must comply with departmental and cross-government policies on sustainable development. Delivering a sustainable estate means adopting an approach to our work that respects all three elements of the sustainable development agenda – economic, social and environmental.

We are pleased once again to have been recognised for running our estate sustainably. The FSA (HQ) has exceeded government targets for reducing carbon emissions, waste and for increasing recycling. Although this is an excellent achievement we recognise there is room for improvement. Our main objective is to work towards having an Electronic Management System in place in 2011.

Further information can be found on our website at:

food.gov.uk/aboutus/how_we_work/sustainability/

Information on environment, social, and community issues

FSA staff raise money for a variety of charities on a voluntary basis. Staff are also encouraged to volunteer for work on local community projects. For example, in 2010 one divisional team devoted a day's voluntary work to FareShare, a national charity, which redistributes in-date surplus food from the food and beverage industry to homeless and vulnerable people. FSA in Scotland is in the process of initiating a small volunteering pilot with Aberdeen Foyer, who work with vulnerable young people, and Community Food Initiatives North East (CFINE), a charity that aims to improve health.

Employment of disabled persons

The FSA is committed to the employment and career development of people with disabilities. We guarantee an interview to anyone with a disability whose application meets the basic minimum criteria for the post.

The FSA is committed to providing equality of opportunity and encouraging diversity, eliminating all forms of discrimination, harassment and bullying and creating an environment where everyone is treated with dignity and respect at all times. It is further committed to helping and encouraging all employees to develop their potential, to ensure that the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

The FSA will avoid unlawful discrimination in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits, discipline and selection for redundancy. Decisions about recruitment and selection, promotion and training will be made objectively and without unlawful discrimination in line with the Civil Service Commissioners' Recruitment Principles. The FSA will monitor workforce data in accordance with the requirements of its Public Sector duty and will consider appropriate action to address any issues that may be identified as a result of the monitoring process.

Employee involvement

The FSA is committed to securing and promoting staff engagement and involvement. It values the opinions and views of staff and recognises that staff are able to contribute more effectively to the operation and development of the organisation when they know their duties and responsibilities; obligations and rights; FSA and Civil Service requirements; and have an opportunity of making their views known on issues that affect them.

The FSA is committed to maintaining effective employee relations with its staff and their union representatives. The FSA Recognition and Facilities Agreement, established in April 2011, seeks to develop and establish effective arrangements for formally and informally communicating, consulting and negotiating with staff and / or their union representatives with a view to:

- the FSA achieving its objectives;
- managing changes affecting staff in a positive, open and supportive manner;
- the promotion of equality of opportunity;
- improving the quality of the working conditions of staff;
- maintaining a stable workforce;
- improving organisational performance, management performance and decision making, and employee performance and commitment;
- facilitating greater openness, involvement and empowerment of staff; and
- engendering greater trust and increased job satisfaction.

The FSA considers that good employee relations and employee engagement are an important factor in achieving its values, behaviours and objectives. The FSA will continue to seek to ensure that staff and the trade unions are given the opportunity to contribute to the continued success of the FSA.

Reporting on Better Regulation

For devolved issues such as food, the Coalition Government's better/reducing regulation agenda applies to England only. However, as a UK-wide body the FSA is committed to delivering across the UK on the government's better/reducing regulation agenda and has made progress on both domestic and European legislation in a number of areas. In the early part of the year the FSA delivered a further £54 million administrative burdens savings. The FSA has also maintained a healthy One In, One Out (OIOO) balance, undertaken reviews of its stock of legislation, developed non-legislative approaches in partnership with stakeholders and been active at influencing action in Europe.

One In, One Out

The OIOO initiative, which started on 1 January 2011, requires that no regulatory measures of national origin that impose burdens on business or the third sector can be brought in without at least equivalent savings being found, such as from removal of legislation in whole or in part. Regulatory measures include legislation and guidance where there is a degree of legal force, such as Approved Codes of Practice. Savings do not need to be found for other guidance and voluntary initiatives. For devolved matters, such as food and feed, OIOO applies to England only, although there is clearly potential to impact on the devolved countries.

The FSA Board agreed at their October 2010 meeting that the FSA should participate. Between 1 January and 31 March 2011, the FSA had a nil balance with no 'ins' or 'outs' under the current methodology. In September 2010, the FSA delivered net annual savings to business of £34 million⁴, through changes to animal feed legislation.

Regulatory Policy Committee

As an independent regulator the FSA submits Impact Assessments (IAs) to the Regulatory Policy Committee for an opinion following formal consultation.

During the period of this report, the FSA submitted one IA to the Regulatory Policy Committee. The IA concerned a piece of European legislation introducing a ban on the use of polycarbonate feeding bottles manufactured using Bisphenol A (BPA) intended for infants of up to 12 months of age. In the Committee's view, the IA was not fit for purpose as it did not provide a full assessment of likely costs of prohibiting the manufacture and sale of polycarbonate feeding bottles manufactured using BPA. The FSA is discussing with the RPC the changes needed to the IA, subject to the availability of this information.

Stock reviews

The FSA reviewed all its legislation (domestic and European in origin) in May and June 2010. In addition, all domestic legislation underwent a process of internal peer review to identify areas for potential removal or simplification. Most of the legislation included in the peer review concerned food labelling and compositional standards. Responsibility for both moved to Defra in July 2010. A further review was started in November 2010. Information from both reviews will feed into the new round of reviews required for the Red Tape Challenge that the FSA is actively involved in during 2011/12.

Alternatives to regulation

The FSA has a strong history of delivering outcomes through use of alternatives to regulation. This is typically achieved through partnership working with industry and other stakeholders. The preceding section on our performance and activities during 2010/11 outlines two flagship policies delivered through alternatives to regulation: the Food Hygiene Rating Scheme and the target for reduction of *Campylobacter* in chicken.

EU regulations

The FSA maintains an active presence in Europe and had been successful in influencing the shape and scope of EU policies, for example:

⁴ The figure of £34 million has not yet been confirmed by the Regulatory Policy Committee.

- **Parasites in fish**

The FSA in Scotland commissioned research that found that the risks to human health from Anisakid nematodes in farmed Atlantic salmon are negligible⁵. This work was highlighted to the European Commission who requested that EFSA provided a scientific opinion. EFSA reached the same conclusion as the FSA in Scotland study⁶. The European Commission is now expected to adopt proposals introducing more proportionate and risk-based freezing controls for farmed fish later in 2011.

- **Non-animal based testing methods**

The UK continues to reduce the animal welfare burden of its algal toxins monitoring programme by extending the shellfish species tested by High Performance Liquid Chromatography (HPLC) for marine toxins responsible for paralytic shellfish poisoning as validated methods became available. Following a recent change to EU legislation, the UK is well placed to replace the mouse bioassay with a Liquid Chromatography-Mass Spectrometry (LC-MS) method for the toxins that cause diarrhetic shellfish poisoning. The legislation allows Member States until 2014 to introduce the LC-MS method but the UK expects to introduce this during 2011.

Gold-plating

Most food legislation from Europe is in the form of directly-applicable regulations, which reduces the possibility of gold-plating. We do not believe there is much, if any, in our legislation. We are currently undertaking an in-depth review of our stock of legislation, a key element of which is to identify any gold-plating and closely scrutinise any incidences with respect to the burdens they impose and additional consumer protection they may provide.

An example of where we have tackled gold-plating is in shellfish production. EU regulations stipulate that shellfish production areas closed due to levels of marine biotoxins above permitted regulatory limits should be re-opened only after two consecutive results below the regulatory limits, taken at least 48 hours apart. We are reviewing current policy in England and Wales that requires re-sampling to be carried out seven days apart. We introduced a pilot scheme in June 2010 for early re-testing of closed sites: sites that returned a first result below the regulatory limits could have a second sample taken after at least 48 hours of the first result being reported. While protecting public health, this enables a bed that has been temporarily closed to re-open earlier. We are evaluating the results of the pilot and will consult stakeholders before we decide whether to adopt the early retest approach formally.

FSA Better Regulation initiatives

Over the past five years, the FSA has delivered total administrative burden savings and revocations of £151 million per annum, without compromising consumer protection. The following initiatives are examples of successful reductions in administrative burden during the period of this report:

- **Animal Feed Guidance** – guidance for farmers on animal feed record keeping requirements – total admin burden savings of £44m
- **Meat Products Guidance** – guidance on labelling meat products that reduced the burden of compliance with domestic Meat Products Regulations – total savings £10m (Responsibility for this transferred to Defra in 2010 as a result of machinery of government changes)

⁵ Petrie, A, *et al.* A survey of Anisakis and Pseudoterranova in Scottish fisheries and the efficacy of current detection methods: Food Standards Agency in Scotland, Study S14008, 2007

⁶ efsa.europa.eu/en/efsajournal/pub/1543.htm

Comparison of outturn against Estimate

The operation of the FSA across the UK is funded by the UK Parliament, the Scottish Government, the Welsh Assembly Government, and the Northern Ireland Administration. On 1 April 2004 the FSA in Northern Ireland became for accounting purposes a Northern Ireland department in its own right. Prior to this date, for funding purposes, it was contained within the Department of Health, Social Services and Public Safety boundary.

Our financial results for the year represent continued strong performance despite the reduced funding from Treasury under the Comprehensive Spending Review 2007.

The comparison of actual resource expenditure to Estimate broken down between FSA HQ operations, Scotland, Wales, and Northern Ireland is shown below.

	2010/11 Estimate £m	Net Operating Cost £m
Total Westminster Funded FSA	125.4	68.9
FSA in Scotland	10.3	9.6
FSA in Wales	3.4	2.9
FSA in Northern Ireland	9.0	8.5
Total FSA	148.1	89.9

The net cost of the FSA was £89.9m against available funding of £148.1m to 31 March 2011. Total net expenditure was 39% lower than Estimate by £58.2m, resulting mainly from Westminster Funded FSA of £56.5m. The devolved authorities contributed £1.7m. The Westminster Funded FSA saving of £56.5m is due largely to an underspend of £35m programme expenditure through restrictions on advertising campaigns and publicity, reduced staff available for project management and £17.2m pension past service gain. There was a £4.3m administration saving on staff costs due to restructuring and Government restrictions on recruitment.

The comparative figures for 2009/10 are shown below:

	2009/10 Estimate £m	Net Operating Cost £m
Total Westminster Funded FSA	132.9	116.5
FSA in Scotland	10.4	10.2
FSA in Wales	3.6	3.4
FSA in Northern Ireland	9.4	9.1
Total FSA	156.3	139.2

Reconciliation of resource expenditure

The following includes figures pertaining to FSA Westminster and FSA in Northern Ireland which are both departments in their own right.

**Reconciliation of resource expenditure between Estimates, Accounts, and Budgets
(Westminster only)**

	2009/10 £000	2010/11 £000
Net Resource Outturn (Estimates)	116,456	68,891
<i>Adjustments to remove:</i>		
Provision voted for earlier years	–	–
<i>Adjustments to additionally include:</i>		
Non-voted expenditure in the OCS	–	–
Consolidated Fund Extra Receipts in the OCS	–	–
Reductions in planned spend unable to be included in the Estimate	–	–
Other adjustments	–	–
Net Operating Cost (Accounts)	116,456	68,891
<i>Adjustments to remove:</i>		
Capital grants to local authorities	–	–
Capital grants financed from the Capital Modernisation Fund	–	–
European Union income and related adjustments	–	–
Voted expenditure outside the budget	–	–
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	–	–
Resource consumption of non departmental public bodies	–	–
Unallocated resource provision	–	–
Other adjustments	–	–
Resource Budget Outturn (Budget)	116,456	68,891
<i>of which</i>		
Departmental Expenditure Limits (DEL)	132,871	125,407
Annually Managed Expenditure (AME)	–	–

Reconciliation of resource expenditure between Estimates, Accounts, and Budgets (Northern Ireland only)

	2009/10 £000	2010/11 £000
Net Resource Outturn (Estimates)	9,137	8,509
<i>Adjustments to remove:</i>		
Provision voted for earlier years	–	–
<i>Adjustments to additionally include:</i>		
Non-voted expenditure in the OCS	–	–
Consolidated Fund Extra Receipts in the OCS	–	–
Reductions in planned spend unable to be included in the Estimate	–	–
Other adjustments	–	–
Net Operating Cost (Accounts)	9,137	8,509
<i>Adjustments to remove:</i>		
Capital grants to local authorities	–	–
Capital grants financed from the Capital Modernisation Fund	–	–
European Union income and related adjustments	–	–
Voted expenditure outside the budget	–	–
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	–	–
Resource consumption of non departmental public bodies	–	–
Unallocated resource provision	–	–
Other adjustments	–	–
Resource Budget Outturn (Budget)	9,137	8,509
<i>of which</i>		
Departmental Expenditure Limits (DEL)	9,329	8,973
Annually Managed Expenditure (AME)	–	–

Departmental Core Tables – FSA Westminster only

The following five tables are included in the Annual Report and Consolidated Accounts from 2010/11. They are designed to allow users to review financial performance over past and future periods and currently provide information up until the end of the new Spending Review period. Tables are consistent in their presentation across government departments and allow users to make comparisons.

Table 1: FSA – Total departmental spending										£000
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans	Plans	Plans
Resource DEL										
Section A: Food Standards Agency Westminster DEL	124,537	130,037	132,919	124,165	117,498	85,474	113,826	108,145	103,140	98,448
Total Resource DEL	124,537	130,037	132,919	124,165	117,498	85,474	113,826	108,145	103,140	98,448
Resource AME										
Section B: Food Standards Agency Westminster AME	1,843	5,187	8,631	391	3,012	(12,717)	9,953	9,953	9,953	9,953
Total Resource AME	1,843	5,187	8,631	391	3,012	(12,717)	9,953	9,953	9,953	9,953
<i>Of which</i>										
Take up of provisions	2,163 (320)	5,883 (696)	8,976 (345)	2,405 (2,014)	3,931 (919)	(10,089) (2,628)	12,530 (2,577)	12,530 (2,577)	12,530 (2,577)	12,530 (2,577)
Total Resource Budget	126,380	135,227	141,550	124,556	120,510	72,757	123,779	118,098	113,093	108,401
<i>Of which</i>										
Depreciation ²	2,182	2,142	2,104	1,244	1,382	1,208	1,180	977	810	702
Capital DEL										
Section A: Food Standards Agency Westminster DEL	1,353	874	2,583	1,538	421	173	307	310	279	353
Total Capital DEL	1,353	874	2,583	1,538	421	173	307	310	279	353
<i>Of which</i>										
Net capital procurement ⁴	1,353	874	2,583	1,538	421	173	307	310	279	353
Total Capital Budget	1,353	874	2,583	1,538	421	173	307	310	279	353
Total departmental spending⁵	125,551	133,956	142,029	124,850	119,549	71,722	122,906	117,431	112,562	108,052
<i>Of which</i>										
Total DEL	123,708	128,769	133,398	124,459	116,537	84,439	112,953	107,478	102,609	98,099
Total AME	1,843	5,187	8,631	391	3,012	(12,717)	9,953	9,953	9,953	9,953
¹ Net of income from sales of goods and services										
² Includes impairments										
⁴ Expenditure of tangible and intangible fixed assets net of sales										
⁵ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation.										

Note – The Outturn figures above differ to the Annual Accounts' Statement of Comprehensive Net Expenditure due to a Machinery of Government change. Defra has transferred its budget to the FSA for certain checks on cattle slaughtered for human consumption aged over 30 months. In 2009/10 this is a difference of £4,066k and in 2010/11 £3,866k. This change is not reflected in the Annual Accounts as it was not effective until 1 April 2011, however the Core Tables data for all periods have been adjusted in line with Treasury guidance.

Reconciliation of Outturn to Annual Accounts net expenditure:

	2009/10	2010/11
	£000	£000
Net Operating Cost in Annual Accounts	£116,444	£68,891
Over Thirty Months MOG change	£4,066	£3,866
Total Resource Budget Outturn	£120,510	£72,757

Total Resource DEL has been steadily decreasing since 2007/08 with a significant reduction in 2010/11 mainly due to government spending restrictions. The majority of the 2010/11 £29m underspend to Budget is programme expenditure as a result of restrictions on advertising campaigns / publicity and reduced staff levels available for project management. The planned expenditure for 2011/12 is significantly higher than the reported Outturn for 2010/11, but is a reduction to the 2010/11 baseline budget figure of £116m and shows a trend of future spending reduction in line with government policy.

Total Resource AME has significantly increased in the Spending Review period. This is to reflect the introduction of the Clear Line of Sight initiative and the implications for reporting provisions. The FSA AME budget for 2010/11 £11,078k, was significantly higher than the Outturn credit of (£12,717k). This variance of £23,795k was caused by 2 key factors: firstly, the accounting change for retail price index to consumer price index for pensions uprating resulting in a (£17,133k) credit to 2010/11 Net Expenditure; secondly, the budget for Resource AME took into account the volatile nature of the FSA provisions particularly the LGPS pension deficit which is reported in accordance with actuarial valuations under the accounting standard IAS19. The plans for the spending review period also reflect the future uncertainty in creation of provisions.

Capital DEL expenditure has reduced significantly from 2009/10. This is following a prior period of significant investment in IT infrastructure and a review of our capitalisation policy which has resulted in less items being classified as capital expenditure.

	£000		
	2010/11 Original provision	2010/11 Supplementary estimate	2010/11 Final outturn
Resource DEL			
Section A: Food Standards Agency Westminster (DEL)	130,388	114,329	85,474
Total Resource DEL	130,388	114,329	85,474
Resource AME			
Section B: Food Standards Agency Westminster (AME)	1,247	11,078	(12,717)
Total Resource AME	1,247	11,078	(12,717)
<i>Of which</i>			
Take up of provisions	1,247	11,078	(10,089)
Release of provisions		(2,661)	(2,628)
Total Resource Budget	131,635	125,407	72,757
<i>Of which</i>			
Depreciation ²	1,861	1,861	1,208
Capital DEL			
Section A: Food Standards Agency Westminster (DEL)	601	601	173
Total Capital DEL	601	601	173
<i>Of which</i>			
Net capital procurement ⁴	601	601	173
Total Capital Budget	601	601	173
Total departmental spending⁵	130,375	124,147	71,722
<i>Of which</i>			
Total DEL	129,128	113,069	84,439
Total AME	1,247	11,078	(12,717)
¹ Net of income from sales of goods and services			
² Includes impairments			
⁴ Expenditure of tangible and intangible fixed assets net of sales			
⁵ Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation.			

Note – the supplementary estimate is adjusted for the Machinery of Government changes transferring the function of labelling to Defra and nutrition to the Department of Health (£16.1m).

In addition, an increase to the AME budget is to cover provision movement volatility, particularly the LGPS Pension deficit (£9.8m).

Table 3: Westminster Statement of Financial Position					
Assets and liabilities on the statement of financial position at end of year	2006/07 outturn	2007/08 outturn	2008/09 outturn	2009/10 outturn	2010/11 outturn
Assets					
Non-current assets					
Intangible	638	886	813	1,276	858
Property Plant and Equipment					
Of which:					
Land and buildings					
Plant and machinery					
Fixtures and fittings inc IT assets	2,591	3,359	3,651	2,129	1,408
Investments	-	-	-	-	-
Current assets	17,129	14,660	14,470	18,264	14,595
Liabilities					
Current (<1 year)	(34,703)	(37,142)	(26,477)	(32,078)	(17,815)
Non-current (>1 year)	(11,342)	(14,199)	(14,685)	(15,172)	(15,475)
Provisions	(47,982)	(31,671)	(48,488)	(107,268)	(51,723)
Total Capital Employed	(73,669)	(64,107)	(70,716)	(132,849)	(68,152)
Assets and liabilities on the statement of financial position at end of year	20011/12 outturn	2012/13 outturn	2013/14 outturn	2014/15 outturn	
Assets					
Non-current assets					
Intangible	836	822	788	819	
Property Plant and Equipment					
Of which:					
Land and buildings					
Plant and machinery					
Fixtures and fittings inc IT assets	1,094	858	681	548	
Investments	-	-	-	-	
Current assets	14,595	14,595	14,595	14,595	
Liabilities					
Current (<1 year)	(16,413)	(16,413)	(16,413)	(16,413)	
Non-current (>1 year)	(14,696)	(13,918)	(13,139)	(12,361)	
Provisions	(51,723)	(51,723)	(51,723)	(51,723)	
Total Capital Employed	(66,307)	(65,779)	(65,211)	(64,535)	

Note – Significant movement on Provisions from 2006/07 to 2010/11 is due to the LGPS pension deficit volatility which is reported in accordance with actuarial valuations under the accounting standard IAS19. The forecast plans period assumes no movement due to uncertainty in future actuarial assumptions.

Table 4: Administration budget – Westminster										
	£000									
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans	Plans	Plans
Section A: Food Standards Agency Westminster DEL	38,204	43,871	43,938	45,219	45,647	45,491	46,225	42,427	39,107	36,096
Total administration budget	38,204	43,871	43,938	45,219	45,647	45,491	46,225	42,427	39,107	36,096
<i>Of which:</i>										
Expenditure	59,798	66,321	44,145	44,706	47,113	48,892	50,816	47,126	43,922	41,043
Income	(21,594)	(22,450)	(207)	513	(1,466)	(3,401)	(4,591)	(4,699)	(4,815)	(4,947)
Adjusted FSA administration budget – Westminster										
	£000									
Adjustment (MHS admin cost)	7,951	9,130	9,144	9,411	9,500	-	-	-	-	-
Total administration budget adjusted	46,155	53,001	53,082	54,630	55,147	45,491	46,225	42,427	39,107	36,096

Note – Following the merger of the MHS into the FSA Operations group on 1 April 2010, and subsequent restructure of the FSA, certain Programme costs for MHS corporate services were reclassified as Administration costs. These consisted of; Staff costs £5.4m, Depreciation £0.2m, Amortisation £0.4m, Accommodation £1.4m, Administration £0.7m and IT costs £1.4m.

Adjusted figures assume the years prior to 2009/10 were pro rated in line with FSA figures for 2005/06 – 2007/08.

**Table 5:
Staff in post – Westminster**

The average number of whole-time equivalent persons employed were as follows.

	Average number of persons employed		
	2008/09	2009/10	2010/11
Permanent staff	1,748	1,406	1,276
Temporary	518	546	512
Board	13	12	12
TOTAL	2,279	1,964	1,800

Temporary staff include agency staff, consultants, contractors, casuals and staff on fixed term contracts.

Note – Permanent staff have reduced over the 3 year period in line with Government restrictions on recruitment and savings in positions through restructuring and efficiency measures. The increase in temporary staff from 2008/09 to 2009/10 is a result of additional corporate services agency staff being used during the FSA / MHS integration period.

Significant remote contingent liabilities

The FSA has no significant remote contingent liabilities.

Going concern

The FSA has significant net liabilities relating to the pension liabilities of staff who are members of the Local Government Pension Scheme (LGPS). The accounts, however, are prepared on a going concern basis since, as a government department, all liabilities are underwritten by the Treasury.

Pensions

Employees of the FSA are civil servants and most are members of the Principal Civil Service Pension Scheme (PCSPS). This is a Central Government unfunded pension scheme. Pension payments are made through the PCSPS resource account.

The FSA Board are not civil servants and are therefore not members of the PCSPS. However, some Board members have similar pension arrangements independent of the PCSPS.

Some staff are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared in respect of the whole Local Government Pensions Scheme.

Disclosure of Board members' interests

Board members are appointed to act collectively in the public interest, not to represent specific sectors.

Provisions for the declaration of interests and withdrawal from meetings are intended to prevent the Chair, Deputy Chair, and members being influenced, or appearing to be influenced, by their private interests in the exercise of their collective public duties.

All personal or business interests which may, or in the judgement of the member may, be perceived by a reasonable member of the public to influence their judgement, should be declared. Such interests will include, but will not be limited to, involvement in the agriculture, food, and related industries. A guide to the categories of interest that must be declared is included in the Code of Conduct for Board members.

Details of Board members, their register of interests, and the Code of Conduct can be found on our website **food.gov.uk**.

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with the Food Standards Act 1999. The audit fee for all of the FSA's accounts for the year was £117,000. I have taken all necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Reporting of sickness absence data

The provisional figure for staff absence as a result of physical and mental illness including injuries, disability or other health problems is approximately 5.9 days per employee compared with 5.8 and 5.8 for the previous two years.

Reporting of personal/sensitive data losses and/or incidents

There have been no material losses of either personal or sensitive data during the financial year. The FSA has put in place systems to minimise the risk of loss of this type of data, and the issue is discussed regularly at the Audit Committee.

Important events which have occurred since the end of the financial year

No events have occurred since the end of the financial year.

A handwritten signature in black ink, appearing to read 'Tim J Smith', enclosed within a rectangular box. The signature is stylized and cursive.

Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

Remuneration report

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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

The tables in the remuneration report are subject to audit.

Service contracts for Board members are listed below:

Name	1st Term of Appointment	Duration of 1st Term Contract	2nd Term of Appointment	Duration of 2nd Term of Contract
Lord Rooker	27 July 2009	4 years	–	–
Dr. Ian Reynolds	1 February 2007	4 years	1 February 2011	4 years
John W Spence	1 April 2007	3 years	1 April 2010	3 years
Tim Bennett	1 March 2007	3 years	1 March 2010	3 years
Michael Parker CBE	1 June 2006	3 years	1 June 2009	3 years
Nancy Robson	1 March 2007	2 years	1 March 2009	3 years
Clive Grundy	1 February 2008	3 years	1 February 2011	3 years
Margaret Gilmore	1 March 2008	3 years	1 March 2011	3 years
Professor Sue Atkinson CBE	1 February 2008	2 years	1 February 2010	3 years
Dr. David Cameron	1 February 2009	3 years	–	–
Dr. Henrietta Campbell CB	1 September 2010	3 years	–	–
James Wildgoose	1 March 2011	3 years	–	–

Board members may serve a maximum of two terms, and length of term may vary.

Salary and pension entitlements

The annual increase in Board members' remuneration is based on that recommended for office holders by the Senior Salaries Review Body. Senior Civil Service (SCS) staff salaries are uplifted in line with the central (Cabinet Office) SCS performance based pay and review system.

Full details of the remuneration and pension interests of Board members and the Executive Management Board are detailed below and are subject to audit.

a) Remuneration

Executive Management Board

Bands	2010/11			2009/10	
	Total Remuneration	Of which Bonuses	Benefits in Kind	Total Remuneration	
	£5,000 (£000)	£5,000 (£000)	£1,000 (£000)	£5,000 (£000)	
Tim Smith	Chief Executive	205 – 210	15 – 20	–	215 – 220
Steve Wearne	Director, FSA Wales	105 – 110	10 – 15	–	100 – 105
Andrew Wadge	Chief Scientist	115 – 120	10 – 15	–	115 – 120
Terrence Collis	Director of Communications	95 – 100	–	–	105 – 110
Chris Hitchen	Director of Finance, Procurement and IT	80 – 85	–	–	15 – 20
Lynne Bywater	Director of Human Resources	70 – 75	–	–	15 – 20
Charles Milne	Director, FSA Scotland	90 – 95	–	–	75 – 80
Gerry McCurdy	Director, FSA Northern Ireland	80 – 85	–	–	90 – 95
Steve McGrath	Director of Operations (to August 2010)	120 – 125	–	–	130 – 135
Andrew Rhodes	Director of Operations (from August 2010)	85 – 90	–	–	–
Alison Gleadle	Director of Food Safety Group	85 – 90	–	–	–
Rod Ainsworth	Director of Legal	110 – 115	–	–	–
Alex Rae	Acting Director of Legal (to March 2010)	–	–	–	30 – 35
Gill Fine	Director of Consumer Choice and Dietary Health (to March 2010)	–	–	–	95 – 100

Food Standards Agency Board

		2010/11		2009/10	
		Total Remuneration	Benefits in Kind	Total Remuneration	Benefits in Kind
Bands		£5,000 (£000)	£5,000 (£000)	£1,000 (£000)	£5,000 (£000)
Lord Rooker	Chair	50 – 55	0.6	35 – 40	–
Dr. Ian Reynolds	Deputy Chair	40 – 45	1.4	45 – 50	1.9
Professor Graeme Millar	(to 28 February 2011)	20 – 25	1.5	20 – 25	4.9
John W Spence		20 – 25	1.6	25 – 30	2.1
Maureen Edmondson	(to 31 August 2010)	10 – 15	2.2	25 – 30	5.7
Tim Bennett		10 – 15	2.2	10 – 15	3.6
Michael Parker CBE		10 – 15	–	10 – 15	–
Chris Pomfret	(to 31 March 2011)	10 – 15	2.6	10 – 15	4.0
Nancy Robson		10 – 15	5.1	10 – 15	6.0
Clive Grundy		10 – 15	1.1	10 – 15	1.2
Margaret Gilmore		10 – 15	2.0	10 – 15	2.0
Professor Sue Atkinson CBE		10 – 15	–	10 – 15	–
Dr. David Cameron		15 – 20	5.4	10 – 15	6.0
Dr. Henrietta Campbell CB	(from 1 September 2010)	10 – 15	1.5	–	–
James Wildgoose	(from 1 March 2011)	5 – 10	0.3	–	–

Remuneration

Remuneration includes gross salary; performance pay or bonuses; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the department and thus recorded in these accounts.

Bonuses

A Pay Committee is set up each year to assess implementation of pay awards including bonus payments in line with guidance provided by the Cabinet Office. Membership of the Pay Committee is made up of directors and one independent member. Pay recommendations are considered on the basis of review of individual performance against objectives as well as overall consistency.

The Committee provides a breakdown of awards to the Cabinet Office, covering performance group distribution, analysis of bonuses awarded and feedback on the operation of the system.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The above payments relate mostly to transport or accommodation costs reimbursed to the Board members.

*(b) Pension benefits***Executive Management Board**

		2010/11					
		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2011	Total accrued lump sum at age 60 31 March 2011	CETV at 31 March 2011	CETV at 31 March 2010**	Real increase in CETV
Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Tim Smith	Chief Executive	2.5 – 5	10 – 15	–	173	110	50
Steve Wearne	Director, FSA Wales	0 – 2.5	20 – 25	70 – 75	328	288	14
Andrew Wadge	Chief Scientist	0 – 2.5	35 – 40	105 – 110	681	622	4
Terrence Collis*	Director of Communications	0 – 2.5	5 – 10	–	136	104	21
Chris Hitchen	Director of Finance, Procurement and IT	0 – 2.5	0 – 5	–	16	3	10
Lynne Bywater	Director of Human Resources	0 – 2.5	5 – 10	–	52	32	15
Charles Milne	Director, FSA Scotland	0 – 2.5	30 – 35	90 – 95	488	427	18
Gerry McCurdy	Director, FSA Northern Ireland	(0 – 2.5)	35 – 40	110 – 115	790	737	(3)
Steve McGrath	Director of Operations (to August 2010)	0 – 2.5	10 – 15	–	251	239	9
Andrew Rhodes*	Director of Operations (from August 2010)	2.5 – 5	5 – 10	–	62	39	17
Alison Gleadle	Director of Food Safety Group	5 – 7.5	15 – 20	55 – 60	247	161	71
Rod Ainsworth	Director of Legal	0 – 2.5	0 – 5	–	29	–	26

* As Premium PCSPS Scheme members, staff can choose, within a predetermined range, how their accumulated pension benefits are split between lump sum and annual pension.

** The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

2009/10					
Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2010	Total accrued lump sum at age 60 31 March 2010	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV

Bands £2,500 (£000) £5,000 (£000) £5,000 (£000) (£000) (£000) (£000)

Tim Smith	Chief Executive	2.5 – 5	5 – 10	–	120	58	51
Steve Wearne	Director of Corporate Services (to October 2010) and Director, FSA in Wales	2.5 – 5	20 – 25	65 – 70	338	277	42
Andrew Wadge	Director of Food Safety Policy, Chief Scientist	2.5 – 5	30 – 35	100 – 105	681	581	66
Terrence Collis	Director of Communications	2.5 – 5	5 – 10		134	79	48
Chris Hitchen	Finance Director (from 11 January 2010)	0 – 2.5	0 – 5	–	3	0	3
Lynne Bywater	Human Resources Director (from 4 January 2010)	0 – 2.5	0 – 5	–	34	19	10
Charles Milne	Director, FSA in Scotland (from 1 June 2009)	5 – 7.5	25 – 30	85 – 90	485	366	97
Gerry McCurdy	Director, FSA in Northern Ireland	2.5 – 5	35 – 40	105 – 110	541	464	46
Steve McGrath	Chief Executive, MHS	2.5 – 5	10 – 15	–	257	196	44
Alex Rae	Acting Director of Legal (to March 2010)	0 – 2.5	35 – 40	105 – 110	744	732	28
Gill Fine	Director of Consumer Choice and Dietary Health (to March 2010)	0 – 2.5	10 – 15	–	204	155	26

Food Standards Agency Board

		2010/11				
		Accrued pension and related lump sum at age 60 31 March 2011	Real increase in pension and related lump sum at age 31 March 2011	CETV at 31 March 2011	CETV at 31 March 2010*	Real increase in CETV
Bands		£5,000 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Lord Rooker	Chair	–	–	–	–	–
Dr. Ian Reynolds	Deputy Chair	0 – 5	0 – 2.5	87	65	13
Professor Graeme Millar	(to 28 February 2011)	0 – 5	0 – 2.5	42	34	5
John W Spence		0 – 5	0 – 2.5	32	23	6
Maureen Edmondson	(to 31 August 2010)	–	–	–	–	–
Tim Bennett		–	–	–	–	–
Michael Parker CBE		–	–	–	–	–
Chris Pomfret	(to 28 February 2011)	–	–	–	–	–
Nancy Robson		–	–	–	–	–
Clive Grundy		–	–	–	–	–
Margaret Gilmore		–	–	–	–	–
Professor Sue Atkinson CBE		–	–	–	–	–
Dr. David Cameron		–	–	–	–	–
Dr. Henrietta Campbell CB	(from 1 September 2010)	–	–	–	–	–
James Wildgoose	(from 1 March 2011)	–	–	–	–	–

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

2009/10				
Accrued pension and related lump sum at age 60 31 March 2010	Real increase in pension and related lump sum at age 31 March 2010	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV

Bands		£2,500 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Lord Rooker	Chair	-	-	-	-	-
Dr. Ian Reynolds	Deputy Chair	0 – 5	0 – 2.5	61	41	16
Professor Graeme Millar		0 – 5	0 – 2.5	37	28	7
John W Spence		0 – 5	0 – 2.5	24	16	7
Maureen Edmondson		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Michael Parker CBE		-	-	-	-	-
Chris Pomfret		-	-	-	-	-
Nancy Robson		-	-	-	-	-
Clive Grundy		-	-	-	-	-
Margaret Gilmore		-	-	-	-	-
Professor Sue Atkinson CBE		-	-	-	-	-
Dr. David Cameron		-	-	-	-	-

A number of FSA Board members benefit from a by-analogy pension scheme similar to the PCSPS.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a “final salary” scheme (**classic**, **premium**, or **classic plus**); or a “whole career” scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** have been increased annually in line with changes in the Retail Prices Index (RPI) up to March 2011 but from April 2011 will be increased in line with the Consumer Prices Index (CPI).

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality “money purchase” stakeholder pension with a significant employer contribution (**partnership** pension account). Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension was uprated in line with RPI up to March 2011 but will be uprated in line with the Consumer Prices Index (CPI) from April 2011. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Pension age is 60 for members of **classic, premium** and **classic plus** and 65 for members of **nuvos**. Further details about the Civil Service pension arrangements can be found at the website www.Civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values


A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

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

A handwritten signature in black ink, appearing to read 'Tim J Smith', enclosed within a hand-drawn rectangular box.

Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

Statement of Accounting Officer's responsibilities

Under the Food Standards Act 1999, HM Treasury has directed the Food Standards Agency to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department 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 department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

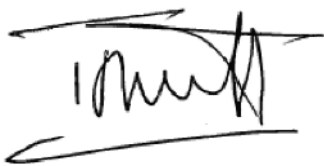
- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the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

HM Treasury has appointed the Permanent Head of the Department as principal Accounting Officer of the department.

The allocation of Accounting Officer responsibilities in the department is as follows:

- Request for resources 1: Tim J Smith, FSA Chief Executive and Accounting Officer
- Request for resources A: Tim J Smith, FSA Chief Executive and Accounting Officer
- Funding from Scottish Parliament: Tim J Smith, FSA Chief Executive and Accounting Officer
- Funding from National Assembly for Wales: Tim J Smith, FSA Chief Executive and Accounting Officer

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Food Standards Agency's assets, are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting.



Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

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 Food Standards Agency (FSA)'s policies, aims and objectives, while 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 FSA is a non-Ministerial Government Department, operating at arm's length from Ministers, and led by a non-executive Board appointed to act in the public interest. I and members of the Executive Management Board attend meetings of the Board. I meet with the Board Chair each week.

I have been appointed as Accounting Officer for the Westminster-funded FSA by Her Majesty's Treasury, and for FSA in Northern Ireland by the Department of Finance and Personnel. I also act in this capacity for FSA in Wales and FSA in Scotland. Although the activities of these offices are funded through the devolved authorities, they remain part of the UK FSA.

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 FSA's 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 FSA for the year ended 31 March 2011 and up to the date of approval of the annual report and consolidated accounts, and accords with Treasury guidance.

Capacity to handle risk

Our capacity to handle risk continues to improve as risk management becomes better integrated into the regular working of the department.

During 2010/11, we implemented a 'risk improvement plan' which has helped deliver that improved capacity. A particular improvement has been in the Executive Management Board's review of strategic-level risks: the high level risk register is now reviewed by Directors each month, and by the Risk Committee at every meeting. Through application of risk scanning, a clear escalation procedure, better communication, and improved quality assurance, our risk registers now better reflect the up-to-date position on mitigation.

The Risk Committee Chair has reported to the Board that the Executive made significant steps in 2010/11 to embed effective and efficient risk management, by comprehensively reviewing and updating the current system. The system is now 'fit for purpose' and able to provide the information and assurances the Committee requires on risk management.

The Executive Management Board has incorporated risk management and internal controls into our approach to business planning. Business and financial planning processes explicitly consider performance, resources, and business risks. Processes are reviewed each year, and amended to reflect lessons learned and to build in examples of best practice. Risk owners formally review risks at least once a month and report back to the Board through risk registers and progress reports.

I believe that we have an effective risk handling capacity, and reports from internal auditors support this, but I recognise that ensuring maintenance and improvement of this capacity is one of the main challenges that we face each year.

The risk and control framework

The main processes in place for identifying, evaluating, and managing risks are:

- **high level risks** are identified and recorded in a risk register, and monitored monthly by the Executive Management Board. Each risk is owned by a Director who is responsible for implementing countermeasures and contingencies to manage the likelihood and/or impact of the risk;
- **group level risks** are identified and recorded in a risk register, and monitored regularly by Directors and their senior management teams. Directors are accountable for risk management within their groups and, where appropriate, for escalating risks to the high level risk register;
- **major project risks** are identified and recorded in a risk register, and monitored by project teams. We follow PRINCE 2 project management principles for IT and other major projects. Procurement and management of our research portfolio follows well-defined and documented procedures;
- **local risks:** registers were not mandatory in 2010/11. Local managers had discretion over how to manage such risks.

Key mechanisms for controlling risk include Directors' regular discussions with their senior management teams on ongoing activities, programmes, and projects. This control is supported by Senior Responsible Owners and programme and project boards.

We manage risks which impact on the public. In matters of risk appetite and public health, we take a precautionary approach. That means action may be taken before there is conclusive proof of a hazard. Actions will be proportionate to the best judgement of the risk based on evidence available, and will be reviewed if new evidence emerges.

The Board holds all its policy decision-making meetings in public. Venues and agendas are published in advance. Papers are publicly available. Meetings are webcast live via our website. Webcasts are archived on our website as publicly available video-on-demand.

We are required by statute to consult on our activities with those affected by our decisions. Consultation with stakeholders is an essential part of fulfilling our core values. On key issues, we meet stakeholders and discuss differing points of view. In 2010/11, we undertook a full public consultation on the revision of our Strategy to 2015.

Our risk and control framework has been further strengthened in 2010/11. A key priority will be to ensure that this continues in the coming year.

Review of effectiveness

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 FSA 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 Board, the Audit Committee, and the Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

On 1 April 2010 the Meat Hygiene Service, formerly our executive agency, became an integral part of the FSA. Following the merger, the FSA opening balances were successfully migrated to the Oracle Financials accounting system. In 2010/11, all financial transactions were recorded in one financial system. A “substantial” internal audit rating was given for work on implementation of the Oracle Financials system. Financial controls were aligned and strengthened, including improving the month-end process, and improving financial reporting and monthly reconciliation processes. With the implementation of Oracle I-procurement, new delegated authorities were introduced to improve procurement controls.

In 2010/11, machinery of government changes to our remit in England and Wales mean we have worked to re-focus on our core business of food safety. Actions taken include revising our Strategy to 2015 to set out the outcomes and main priorities we aim to achieve, and reorganising work around programme and project management activity.

To maintain and review effectiveness of the system of internal control, I have been supported by:

- the Executive Management Board, which I chair, comprising all UK Directors and normally meeting monthly: the high level risk register and financial performance reports are standing items on the agenda.
- weekly meetings of Directors, where discussion of emerging risks and the escalation of existing risks is actively encouraged.
- signed annual assurance statements from all Directors covering scope of responsibility; capacity to handle risk; review of effectiveness; and significant control problems.
- signed quarterly reports from budget managers on management of budgets within their delegated authority, and compliance with corporate governance responsibilities.
- internal audit arrangements, including a risk-based audit programme linked to strategic risks, and audit of corporate governance and controls. Internal Audit issues regular reports on completed elements of the audit programme, and expresses an independent annual opinion of the adequacy and effectiveness of our system of internal control including recommendations for improvement.
- an Audit Committee, constituted in line with HM Treasury’s Audit Committee Handbook, to advise me as Accounting Officer. The Committee has a fully non-executive membership and meets four times a year. The Chief Executive and Director of Finance attend all Committee meetings, providing a direct link to the senior management team. The Chair reports to the Board on the work of the Committee.
- a Risk Committee providing advice, support and challenge concerning organisational risks and embedding a risk-aware culture across the FSA. The Committee has both executive and non-executive members, includes the Chair of the Audit Committee in its membership, and meets four times a year. The Chair reports annually to the Board on the actions taken by the Executive to improve the effectiveness of risk management.
- a risk management process that aims to provide reasonable assurance that strategic outcomes can be achieved. The process promotes local accountability and risk ownership as essential parts of risk management. It prioritises risk based on likelihood and impact, and enables the Executive Management Board to manage effectively our strategic risks.
- our representation on the cross-government Risk Improvement Group, which shares good practice and lessons learned.

- successful extension of our ISO27001 certification across the whole of Aviation House in 2010. In 2011 Aviation House and Foss House, York were verified and merged into a combined certificate.
- compliance with Cabinet Office instructions, whereby all laptops and remote working tools are encrypted and all new or re-built equipment is configured to comply with Cabinet Office guidelines. All software is logged on our central software asset register and we are currently reviewing our records and procedures with FAST (Federation against software theft). We have been approved to FAST 'silver' level and are working towards 'gold' accreditation.
- an outline plan for implementing the cross-government Financial System Risk Review, which includes minimising the risk of fraudulent transactions. Additional procurement controls have been introduced with the implementation of Oracle I-procurement.
- the training of all directors in health and safety issues to raise awareness of new legislative requirements and responsibilities.

The FSA is also subject to scrutiny by our stakeholders. This is facilitated by our open and transparent approach to decision making. In March 2011, Consumer Focus Wales published its second report on implementation (by the FSA, Welsh local authorities, the Welsh Assembly Government, and other relevant organisations) of the recommendations of the Public Inquiry into the 2005 outbreak of *E. coli* O157 in South Wales. Overall, Consumer Focus Wales made a positive assessment of the activities of the FSA over the past year, recognising there were 'great strides made', particularly in achieving the adoption of the Food Hygiene Ratings Scheme by all 22 local authorities in Wales.

I believe we have improved our internal controls, and that we continue to strengthen our resilience, flexibility, and responsiveness.

The coming years will be extremely challenging as we will be required to make very significant reductions in budgets while still delivering our desired outcomes and priorities. We have already identified areas where we believe we can make further improvements in 2011/12 and beyond, including:

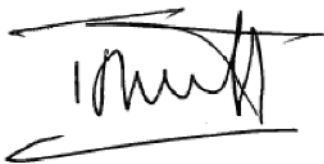
- undertaking a major piece of work to harmonise all possible terms and conditions of service to reduce risk of equality challenges.
- recognising that a culture of risk awareness needs to be further embedded throughout the FSA: risk registers are now mandatory at local level, and we will shortly be adopting an updated risk policy and will be working over the forthcoming year to implement it, and to train staff accordingly.
- focusing on further improvements to our financial processes, including reviewing the role and grading of budgetary control officer posts, improving the reconciliation process and timing, and improving the forecast accuracy, VAT knowledge and knowledge of accounting principles within groups.
- researching the possibility and viability of extending our ISO27001 certificate to cover the offices in Cardiff, Belfast, and Aberdeen: this will be explored further during the 2011 annual security visits.
- embedding a corporate project and programme management framework supported by guidance and training as appropriate, which aims to ensure effective and coherent delivery of strategic planning, corporate and business planning, performance management, and business improvement.

- taking forward our ongoing Operations Programme, reviewing all operational delivery functions currently undertaken.
- reviewing incident resilience: we are thoroughly reviewing our capability to respond to several high level incidents at the same time.

There are two main areas requiring further improvements to enhance control and governance, although they are considered to be minor weaknesses in the FSA's controls. Firstly, there has been significant change in the central finance function as a result of the re-location of the function from London to York and the implementation of a new Oracle financial system. This has resulted in changes in procedures that will continue to evolve over time. Secondly, although there has been some work the process of project management, a clear process would aid teams to apply effective project methodology. These are considered to be minor weaknesses in the FSA's controls.

Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the FSA's system of internal controls in 2010/11 which affected the achievement of the FSA's outcomes and priorities.



Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

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 Food Standards Agency (Consolidated) for the year ended 31 March 2011 under the Food Standards Act 1999. These comprise the Statement of Parliamentary Supply, Consolidated Statement of Comprehensive Net Expenditure and the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Food Standards Act 1999. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Food Standards Act 1999 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Food Standards Act 1999; and
- the information given in the Directors' Report section in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

29 June 2011

Statement of Parliamentary Supply**Summary of Resource Outturn**

								2010/11	2009/10
								£000	Restated
		Estimate			Outturn				£000
								Net total outturn compared with	Outturn
								Estimate: saving/ (excess)	Net Total
Request for resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		
House of Commons	3	168,869	(43,462)	125,407	111,806	(42,915)	68,891	56,516	113,240
Northern Ireland Assembly	3	12,985	(4,012)	8,973	12,468	(3,959)	8,509	464	9,119
Scottish Parliament	3	10,265	-	10,265	9,565	-	9,565	700	10,131
National Assembly for Wales	3	3,418	-	3,418	2,924	-	2,924	494	3,441
Total resources		195,537	(47,474)	148,063	136,763	(46,874)	89,889	58,174	135,931
Non-operating cost A-in-A		-	-	-	-	-	-	-	-

Net cash requirement 2010/11

								2010/11	2009/10
								£000	Restated
		Estimate			Outturn				£000
								Net total outturn compared with	Outturn
								Estimate: saving/ (excess)	Outturn
Net cash requirement	Note	Estimate	Outturn						
	5	136,093	111,811				24,282	133,500	

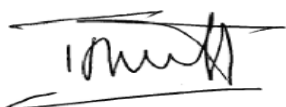
Summary of income payable to the Consolidated Fund

There was no income payable to the Consolidated Fund during the year.

Explanations of variances between Estimate and Outturn

The variance between estimate and outturn is due to restrictions on advertising campaigns, publicity, recruitment and pension past service cost credit.

More details are given at Note 3 and in the Management Commentary section of the Annual Report.



Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

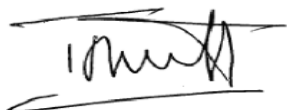
The notes on pages 55 to 95 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

		2010/11			2009/10
		£000			Restated
	Note	Staff Costs	Other Costs	Income	£000
Administration Costs:					
Staff costs	10	32,694	–	–	29,394
Other administration costs	11	–	25,531	–	27,083
Operating income	14	–	–	(3,403)	(1,568)
Programme Costs					
Request for resources:					
Staff Costs	10	53,290	–	–	58,290
Past Service Cost Credit	10	(17,075)			
Programme costs	12	–	42,323	–	66,544
Income	14	–	–	(43,471)	(40,556)
Totals		68,909	67,854	(46,874)	139,187
Net Operating Cost				89,889	139,187

All income and expenditure are derived from continuing operations.



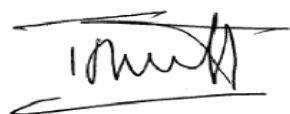
Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

The notes on pages 55 to 95 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2011

	Notes	2010/11 £000	2009/10 Restated £000
Non-current assets			
Property, plant and equipment	15	1,772	2,547
Intangible assets	16	859	1,279
Total non-current assets		2,631	3,826
Current assets			
Trade and other receivables	18	5,529	8,170
Other current assets	18	7,601	6,753
Cash and cash equivalents	19	9,429	8,169
Total current assets		22,559	23,092
Total assets		25,190	26,918
Current Liabilities			
Trade and other payables	20	(4,438)	(9,821)
Other Liabilities	20	(23,557)	(28,762)
Total current liabilities		(27,995)	(38,583)
Non-current assets plus/ less net current assets/liabilities		(2,805)	(11,665)
Non-current liabilities			
Provisions	21	(52,070)	(107,268)
Other payables	20	(15,475)	(15,172)
Total non-current liabilities		(67,545)	(122,440)
Assets less liabilities		(70,350)	(134,105)
Taxpayers' equity			
General fund		(70,350)	(134,105)
Total taxpayers' equity		(70,350)	(134,105)



Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

The notes on pages 55 to 95 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity**For the year ended 31 March 2011**

	Note	<u>General Fund</u>	<u>Total Reserves</u>
		<u>£000</u>	<u>£000</u>
Balance at 1 April 2009		(72,624)	(72,624)
Changes in taxpayers' equity for 2009/10 Restated			
MHS Actuarial gain/(loss)		(57,399)	(57,399)
Non-cash charges – auditors remuneration		148	148
Indirect Funding		55	55
Net operating cost for the year		(139,187)	(139,187)
Adjustment for MoG changes to operating cost		(16,447)	(16,447)
Adjustment for MoG changes to current liabilities		1,402	1,402
Total recognised income and expense for 2009/10		(211,428)	(211,428)
Net Parliamentary Funding - drawdown		154,137	154,137
Net Parliamentary Funding - deemed		3,979	3,979
Supply payable/(receivable) adjustment		(8,169)	(8,169)
Excess Vote - Prior Year		–	–
		<u>149,947</u>	<u>149,947</u>
Balance at 31 March 2010		(134,105)	(134,105)
Balance at 1 April 2010		(134,105)	(134,105)
Changes in taxpayers' equity for 2010/11			
Actuarial gain/(loss)		42,744	42,744
Non-cash charges - auditors remuneration	11	117	117
Net operating cost for the year		(89,889)	(89,889)
Adjustment for MoG changes to current liabilities		(1,402)	(1,402)
Total recognised income and expense for 2010/11		(48,430)	(48,430)
Net Parliamentary Funding -drawdown		114,847	114,847
Net Parliamentary Funding - deemed		8,169	8,169
Supply payable/(receivable) adjustment		(10,831)	(10,831)
		<u>112,185</u>	<u>112,185</u>
Balance at 31 March 2011		(70,350)	(70,350)

The General fund represents the net assets vested in the FSA at 1 April 2000 (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities, and the Vote funding arising since that date.

The notes on pages 55 to 95 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

		2010/11	2009/10
		£000	Restated £000
Cash flows from operating activities	Note		
Net operating cost	3	(89,889)	(139,187)
Adjustment for non-cash transactions	11	8,872	5,746
Less movements relating to items not passing through the Statement of Comprehensive Net Expenditure		(2,288)	1,122
(Increase) /Decrease in trade and other receivables	18	1,793	887
Increase/(Decrease) in trade and other payables	20	(10,285)	992
Use of provisions	21	(911)	(919)
Provisions not required written back	21	(17,156)	–
Cash contribution to pension deficit	21	(1,707)	(1,631)
Net cash outflow from operating activities		(111,661)	(132,990)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(97)	(332)
Purchase of intangible assets	16	(53)	(178)
Net cash outflow from investing activities		(150)	(510)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		86,548	131,678
From Northern Ireland Assembly		9,173	8,716
From Scottish Parliament		10,109	10,400
From National Assembly for Wales		3,479	2,634
From the UK Consolidated Fund (Supply) – prior year		5,164	709
Net Financing		114,473	154,137
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		2,662	20,637
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		–	–
Payments of amounts due to the Consolidated Fund		–	–
Adjustment to cash and cash equivalents in relation to MoG changes		(1,402)	(16,447)
		1,260	4,190
Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund			
Cash and cash equivalents at the beginning of the period		8,169	3,979
Cash and cash equivalents at the end of the period	19	9,429	8,169
		1,260	4,190

The notes on pages 55 to 95 form part of these accounts.

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies

1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food Standards Agency (FSA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the FSA are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare a Statement of Parliamentary Supply.

The Consolidated Statement of Financial Position at 31 March 2011 shows a negative taxpayers' equity of £70,350,000 (2009/10: £134,105,000). This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund, Northern Ireland Consolidated Fund and direct funding received from the Scottish Parliament and the National Assembly for Wales. Such drawings will be from grants of supply approved annually by Parliament, to meet the Agency's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money can be drawn from the Fund other than that required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Agency's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Agency's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2010/11 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention.

1.3 Basis of Consolidation

These accounts comprise the consolidation of the core FSA (Westminster funded) and results from the FSA devolved offices in Scotland, Northern Ireland and Wales. These are funded directly by the Scottish Parliament, Northern Ireland Assembly and National Assembly for Wales respectively. The Westminster funded FSA, Food Standards Agency in Northern Ireland each produce and publish their own annual accounts. The FSA also prepares accounts for its activities which are funded by the Scottish Parliament and the National Assembly for Wales.

1.4 Non-Current Assets

These accounts have been prepared under the historic cost convention. From 1 April 2009 newly capitalised assets consist only of non-current assets with an individual purchase cost in excess of £5,000 (including irrecoverable VAT and delivery).

Consequently, the revaluation adjustments are immaterial and for this reason, we have decided to discontinue revaluations and also write back all previous revaluations. As permitted by the “FReM,6.2.8, h) and j)”, depreciated historical cost is now used as a proxy for current value on the basis that this realistically reflects consumption of the asset.

Under IAS16, the FSA has taken the decision to move to historic cost accounting. Therefore, non-current assets are no longer revalued as under modified historic cost accounting. This change brings FSA’s fixed asset policy in line with the International Financial Reporting Standards which do not use MHCA. This will provide relative comparative figures which are more reliable and easily understood.

1.5 Property, Plant and Equipment

Property, plant and equipment which individually cost less than £5,000 were capitalised until 31 March 2009 if they collectively constitute a group asset (for example, computers, fixtures and fittings).

The FSA does not currently own any land or buildings.

Assets under construction are not depreciated until they are brought into use.

All Property, plant and equipment assets are carried at fair value.

1.6 Intangible Assets

Computer software and software licences with a purchase cost in excess of £5,000 (including irrecoverable VAT and delivery) are capitalised at cost and amortised over the life of the licence, or over 7 years if the licence is bought in perpetuity.

1.7 Depreciation and Amortisation

Freehold land and assets in the course of construction are not depreciated. All other assets are depreciated from the month following the date of acquisition. Depreciation and amortisation is at the rates calculated to write-off the value or cost of property, plant and equipment and intangible fixed assets respectively by applying the straight-line method over the following estimated useful lives:

	2010/11	2009/10
Property, plant and equipment		
Computer servers and computer equipment	4 years	4 years
Office machinery	7 years	7 years
Furniture, fixtures and fittings	7 years	7 years
Vehicles	4 years	4 years
Intangible assets:		
Computer software and software licences	Life of licence or 7 years if in perpetuity	Life of licence or 7 years if in perpetuity

1.8 Inventories

FSA does not hold any inventories.

1.9 Research & Development Expenditure

Expenditure on research is not capitalised and is treated as an operating cost in the year in which it is incurred. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets those criteria specified in IAS38. Other development expenditure is capitalised if it meets the criteria specified in the FReM which are adapted from IAS38 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

Most research projects have a retention clause to ensure the satisfactory delivery of the final report. The FSA's policy is to accrue for the final retention amount, if the work has been completed at the year end.

1.10 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income for the year is recognised on an accruals basis reflecting the value of the work undertaken and is shown net of Value Added Tax. The FSA has income from meat inspections and related work, milk and dairies sampling and from assessments and consultations on radioactive discharges. It also includes both income appropriated-in-aid of the Vote and income from the Consolidated Fund, which HM Treasury has agreed should be treated as operating income.

Income from meat hygiene inspections and related work is recognised as time recorded by staff multiplied by charging rates and invoiced to both industry and government customers. With regards to meat hygiene inspections, until 27 September 2009, income was recognised at the lower of cumulative throughput or inspection time recorded by staff. However, with effect from 28 September 2009, time costs were charged with discounts applied to bring the charges down to the level of the 2008/09 charges, provided that throughput and resources were unchanged. (Throughput charges were calculated at the end of the financial year to determine if the Food Business Operators (FBOs) had paid the minima). The FSA made additional charges to FBOs in respect of the 2010/11 financial year in order to ensure compliance with the EU's Minimum Charge per Livestock Unit Requirements. Additional charges have been included in note 14 as programme income relating to meat hygiene work.

Income from milk and dairies sampling work is based on invoiced amounts raised by the FSA for the testing of raw cows' drinking milk. Income from assessments and consultations on radioactive discharges is recognised on the basis of work done against a series of Service Level Agreements (SLAs). In addition, staff time in relation to any work with regards to these SLAs is recorded and charged accordingly.

1.11 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the cost of running the Department as identified under the administration cost-control regime set by HM Treasury, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administrative costs including other disbursements by the FSA.

1.12 Cost of Capital

The FSA has accounted for the removal of a requirement to include a cost of capital charge in 2010/11. The impact of this change on the comparative data for 2009/10 is

	2009/10 £000
Net Resource Outturn	135,931
Removal of the cost of capital charge	3,256
Adaptation of IAS 36, Impairment of assets	–
Adjusted Net Resource Outturn	<u>139,187</u>

The cost of capital charge has been removed due to an amendment to the FReM.

1.13 Pensions

Principal Civil Service Pension Scheme (PCSPS) is a multi-employer unfunded contributory defined benefit scheme accounted for under the Civil Service Superannuation Estimate. It is not possible to separately identify the FSA's share of the assets and liabilities in the scheme. FSA present and past employees are covered by the provisions of PCSPS. The Department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the scheme, the department recognises the contributions payable for the year.

Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at www.Civilservice-pensions.gov.uk.

Approximately 500 FSA employees are members of the Local Government Pension Scheme (LGPS). LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by London Pension Fund Authority. The scheme is subject to regular valuations by an independent, professionally qualified actuary. These determine the level of contributions required to fund future benefits.

Pension assets and liabilities attributable to the FSA in the LGPS are recorded in line with IAS19 with a valuation undertaken annually. IAS19 measures the value of pension assets and liabilities at the Statement of Financial Position date, determines the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Statement of Comprehensive Net Expenditure and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability or asset is shown on the Statement of Financial Position.

Pension liabilities in the Board Pension Scheme are calculated by the Government Actuarial Department and a valuation is undertaken annually. The change in value of pension liabilities arising from changes in benefits or actuarial assumptions is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability is shown in the Statement of Financial Position.

Further details about LGPS pensions can be found at the website www.lgps.org.uk

The contributions to PCSPS and LGPS are set out in note 10.

1.14 Early Departure Costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% (2009/10 1.8%) in real terms.

1.15 Operating Leases

All operating leases are accounted for under IAS17 Leases. Classification is made at the inception of the relevant lease.

Operating leases are charged to the operating cost statement on a straight-line basis over the term of the lease. Operating lease incentives received are recognised as a reduction in the rental expenses and are allocated over the shorter of the lease or the period in which the rental has been reduced by the lessor. The allocation is on a straight line basis

FSA review all existing contractual arrangements under 'International Accounting Standards Interpretations IFRIC4 Determining Whether an Arrangement Contains a Lease' to determine whether individual contracts are a lease in substance but not in legal form.

1.16 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSA is audited by the Comptroller and Audit General. No charge by the C&AG is made for this service but a non cash charge representing the cost of the audit is included in the accounts.

1.17 Value Added Tax

The net amount of Value Added Tax (VAT) due to or from Her Majesty's Revenue and Customs is shown as a receivable or payable on the statement of financial position. Irrecoverable VAT is charged to the operating cost statement, or if it is incurred on the purchase of a non-current asset it is capitalised in the cost of the asset.

1.18 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount on the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation.

Provisions are recognised in the accounts where:

- a) there is a present obligation as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount.

The Early Retirement Provision has been discounted, other provisions have not been discounted as the resulting adjustments are not considered material to these accounts. Contingencies are disclosed in the notes to the accounts unless the possibility of transfer in settlement is remote.

1.19 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, the Agency discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- i) Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental minute prior to the Agency entering into the arrangement;
- ii) All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Financial Reporting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

1.20 Financial Assets and Liabilities

The FSA holds the following financial assets and liabilities:

- 1) Assets
 - Cash and cash equivalents
 - Trade Receivables – current
 - Trade Receivables – non-current
- 2) Liabilities
 - Trade and other payables
 - Other payables > 1 year
 - Provisions arising from contractual arrangements

Financial Assets and Liabilities are accounted for under IAS32, Financial Instruments: Presentation, IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosure.

Cash balances are measured as the amounts received in the FSA's bank account. The FSA does not currently have cash equivalents. Trade receivables have been measured at amortised cost using an effective interest method with impairment review carried out on a monthly basis. Trade and other payables are measured at fair value, with use of agreed invoiced amount, or management estimate in the case of accrued expenditure, forming the basis for valuation.

Cash balances are recorded at current values. Account balances are set-off only where there is a formal agreement with the bank to do so. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest Receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate. All other financial instruments are held for the sole purpose of managing the cash flow of the FSA on a day to day basis or arise from the operating activities of the FSA.

1.21 Website capitalisation costs

The FSA has developed an external facing website (**food.gov.uk**) primarily for promoting and advertising its own services. This website will not generate future economic benefits and consequently all expenditure incurred on developing it is recognised as an expense when it happens and is not capitalised in line with International Accounting Standards (IAS) 38.57(d).

2 Machinery of Government changes to FSA

Machinery of Government changes resulted in the merger of MHS with FSA (1 April 2010) and transfer of Nutrition Division (on 20 July 2010) and Labelling Division (on 1 October 2010) from the FSA to the Department of Health and Defra respectively. The numbers of staff that were transferred are Nutrition 73 and Labelling 22 and MHS 1,356 (349 contractors and agency staff).

The MHS was responsible for official controls in all approved fresh meat premises. The principal activities of the MHS included:

Enforcing legislation on:

- hygiene
- Specific Risk Materials (SRM) and other animal by-products
- animal welfare at slaughter
- emergency controls related to animal disease outbreaks
- rejection of meat nutrition advice, surveys and nutrition research

Providing meat inspection and controls on health-marking

Collecting and dispatching samples for statutory veterinary medicines residue testing

Under the transfer to health departments in England and Wales they will be responsible for:

- nutritional labelling
- nutrition and health claims, dietetic food and food supplements
- calorie information in catering establishments
- reformulation to reduce salt, saturated fat and sugar levels in food and reducing portion size
- nutrition advice, surveys and nutrition research

The Department of Health will also be responsible for supporting the work of the Scientific Advisory Committee on Nutrition (SACN).

Responsibility for nutrition policy in Wales was transferred to the Welsh Assembly Government on 1 October 2010, 3 members of staff were transferred.

The transfer to Defra adds to current labelling responsibilities, such as welfare, marketing standards and eco labelling. It will also deal with labelling that does not relate to food safety or nutrition. This includes:

- general lead on food labelling legislation and relevant EU negotiations
- lead on the EU Food Information proposal
- country of origin labelling
- food composition standards and labelling such as fruit juice and fruit nectars, jams and bottled water
- technical advice on compositional standards for food without specific legislation, e.g. soft drinks and cereal products
- fish labelling
- use of marketing terms e.g. natural, fresh, clear labelling, vegan and vegetarian labelling
- food authenticity programme

Costs incurred during 2010/11 by FSA for Nutrition and Labelling were billed to the Department of Health and Defra. Costs incurred up to 30 September 2010 have been recovered by the FSA.

Details of 2010/11 expenditure for Nutrition and Labelling are as follows;

	2010/11		MOG Changes 2010/11		2010/11
		Nutrition	Nutrition Wales	Labelling	Post MOG changes
	£000	£000	£000	£000	£000
Administration Costs					
Staff costs	35,140	(1,924)	(43)	(479)	32,694
Other administration costs	26,161	(599)	–	(31)	25,531
Operating income	(3,903)	500	–	–	(3,403)
	57,398	(2,023)	(43)	(510)	54,822
Programme Costs					
Staff costs	53,290	–	–	–	53,290
Past Service Cost Credit	(17,075)	–	–	–	(17,075)
Programme costs	47,059	(4,679)	–	(57)	42,323
Income	(44,747)	1,276	–	–	(43,471)
Net Operating Cost	95,925	(5,426)	(43)	(567)	89,889

Machinery of Government changes have resulted in the following changes to the 2009/10 comparative data.

Statement of Comprehensive Net Expenditure

	Notes	2009/10	MOG changes				2009/10	
		Restated	Core	MHS	Nutrition	Nutrition Wales	Labelling	Post MOG changes
		£000	£000	£000	£000	£000	£000	£000
Administration Costs								
Staff costs	10	34,983	–	(4,266)	(102)	(1,221)	29,394	
Other administration costs	11	27,953	–	(767)	(5)	(98)	27,083	
Operating income	14	(2,081)	–	507	–	6	(1,568)	
		60,855	–	(4,526)	(107)	(1,313)	54,909	
Programme Costs								
Staff costs	10	–	58,290	–	–	–	58,290	
Programme costs	12	60,728	18,006	(11,639)	(36)	(516)	66,544	
Income	14	(5,349)	(36,897)	1,690	–	–	(40,556)	
Net Operating Cost		116,234	39,399	(14,475)	(143)	(1,829)	139,187	

2009/10 also has been restated due to cost of capital changes.

Statement of Financial Position

		2009/10 Core	MOG changes			2009/10 Post MOG changes	
	Notes	£000	MHS £000	Nutrition £000	Nutrition Wales £000	Labelling £000	£000
Non-current assets							
Property, plant and equipment	15	2,183	364	–	–	–	2,547
Intangible assets	16	465	814	–	–	–	1,279
Total non-current assets		2,648	1,178	–	–	–	3,826
Current assets							
Trade and other receivables	18	4,093	4,077	–	–	–	8,170
Other current assets	18	3,641	3,112	–	–	–	6,753
Cash and cash equivalents	19	3,390	4,779	–	–	–	8,169
Total current assets		11,124	11,968	–	–	–	23,092
Total assets		13,772	13,146	–	–	–	26,918
Current Liabilities							
Trade and other payables	20	(6,131)	(3,590)	–	–	–	(9,721)
Other Liabilities	20	(23,238)	(7,026)	956	–	446	(28,862)
Total current liabilities		(29,369)	(10,616)	956	–	446	(38,583)
Non-current assets plus/less net current assets/liabilities		(15,597)	2,530	956	–	446	(11,665)
Non-current Liabilities							
Provisions	21	(2,826)	(104,442)	–	–	–	(107,268)
Other payables	20	(15,172)	–	–	–	–	(15,172)
Total current liabilities		(17,998)	(104,442)	–	–	–	(122,440)
Assets less liabilities		(33,595)	(101,912)	956	–	446	(134,105)
Taxpayers' equity							
General fund		(33,595)	(101,912)	956	–	446	(134,105)
Total taxpayers' equity		(33,595)	(101,912)	956	–	446	(134,105)

3 Analysis of net resource outturn by section

	Outturn						2010/11 £000 Estimate	2009/10 Restated £000 Outturn	
	Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total Estimate	Net Total Estimate Excess/ (Deficit)	Net Total
Request for Resources									
Improving food safety and the balance of people's diets									
Food Standards Agency HQ Operations (DEL)	49,866	73,580	1,077	124,523	(42,915)	81,608	114,329	32,721	110,228
FSA AME		(12,717)		(12,717)		(12,717)	11,078	23,795	3,012
Westminster Parliament – Request for Resource 1	49,866	60,863	1,077	111,806	(42,915)	68,891	125,407	56,516	113,240
Central administration, shellfish testing, food surveillance, HACCP/Eatsafe, primary production, nutrition, milk hygiene and egg packing inspection and scientific services		4,450	1,435	5,885	(131)	5,754	5,931	177	5,901
Meat hygiene inspections and incident investigations		6,567		6,567	(3,828)	2,739	3,022	283	3,198
Notional Charges		16		16		16	20	4	20
Northern Ireland Assembly	–	11,033	1,435	12,468	(3,959)	8,509	8,973	464	9,119
Scottish Parliament		9,541	24	9,565		9,565	10,265	700	10,131
National Assembly for Wales		2,924		2,924		2,924	3,418	494	3,441
Total Request for Resources	49,866	84,361	2,536	136,763	(46,874)	89,889	148,063	58,174	135,931

The variance between estimate and outturn is due to restrictions on advertising campaigns, publicity, recruitment and pension past service cost credit.

More details are given in the Management Commentary section of the Annual Report.

4 Reconciliation of outturn to net operating cost and against Administration Budget

4.1 Reconciliation of net resource outturn to net operating cost

			2010/11	2009/10
			£000	Restated £000
			Outturn compared with	
	Note	Supply Outturn	Estimate	Estimate
Net Resource Outturn	3	89,889	148,063	58,174
Cost of Capital Prior year				135,931
Net operating cost		89,889	148,063	58,174
				139,167

4.2 Outturn against final Administration Budget

		2010/11	2009/10
		£000	Restated £000
		Budget	Outturn
Gross Administration Budget		54,999	49,866
Income allowable against the Administration Budget		(4,558)	(3,403)
Net outturn against final Administration Budget		50,441	46,463
			54,909

5 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2010/11 Net total Outturn compared with Estimate: saving/ (excess)	2009/10 Restated Outturn
		£000	£000	£000	£000
Resource Outturn	3	148,063	89,889	58,174	139,187
Acquisition of property, plant and equipment and intangibles	15/16	639	154	485	510
Non-operating A in A :					
Loss on disposal of non-current assets		–	(4)	–	–
Non-cash items	11	(15,776)	(8,782)	(6,994)	(5,746)
Changes in working capital other than cash	18/20	506	10,477	(9,971)	(3,001)
Changes in payables falling due after more than one year		–	303	(303)	–
Use of provision	21	2,661	911	1,750	919
Provisions not required written back	21	–	17,156	(17,156)	–
Cash contribution to pension deficit	21	–	1,707	(1,707)	1,631
Excess cash receipts surrenderable – to the Consolidated Fund		–	–	–	–
Net cash requirement		136,093	111,811	24,278	133,500

The variance between estimate and outturn is due to restrictions on advertising campaigns, publicity, recruitment and pension past service cost credit.

More details are given in the Financial Review section of the Annual Report.

6 Analysis of income payable to the Consolidated Fund

There was no surrender of excess appropriations-in-aid or Consolidated Fund Extra Receipts payable to the Consolidated Fund.

7 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010/11 £000	2009/10 £000
Operating income	14	46,874	42,124
Gross Income		46,874	42,124
Income authorised to be appropriated-in-aid		(46,874)	(42,124)
Operating income payable to the Consolidated Fund		-	-

8 Non-operating income – Excess A in A

There was no non-operating income – Excess A in A during the year.

9 Non-operating income not classified as A in A

There was no non-operating income not classified as A in A during the year.

10 Staff numbers and related costs

Staff costs comprise :

A Administration costs

	2010/11 £000				2009/10 £000	
	TOTAL	FSA WESTMINSTER STAFF	BOARD	SUB-TOTAL	DEVOLVED OFFICES	TOTAL
Wages and salaries	23,490	19,132	261	19,393	4,097	21,950
Social security costs	1,919	1,612	-	1,612	307	1,792
Other pension costs	4,462	3,695	-	3,695	767	4,308
IAS19 Board Pension past service cost credit (note 21.1.2) *	(81)	(81)	-	(81)	-	-
Sub total	29,790	24,358	261	24,619	5,171	28,050
Inward secondments	37	-	-	-	37	305
Agency Staff	2,867	2,779	-	2,779	88	1,059
Total	32,694	27,137	261	27,398	5,296	29,414
Less recoveries in respect of outward secondments	-	-	-	-	-	(20)
Total net costs	32,694	27,137	261	27,398	5,296	29,394

No salary costs have been capitalised.

* Change to index-linked features of post employment benefits (LGPS and Board Pension)

B Programme costs

	2010/11	2009/10
	£000	Restated £000
Wages and salaries	24,065	30,253
Social security costs	1,868	2,384
Other pension costs	3,811	4,869
IAS19 LGPS pension scheme costs (Note 21.2.3)	1,466	(944)
Agency Staff	57	839
Contract inspectors and veterinary costs	22,023	21,065
Total	53,290	58,466
Less recoveries in respect of outward secondments	–	(176)
Total	53,290	58,290
IAS19 LPGS past service cost credit (note 21.2.2) *	(17,075)	–
Total net costs	36,215	58,290

Following the 'One Agency' merger of the MHS into the FSA Operations Group on 1 April 2010, and subsequent restructure of the FSA, £5.4m programme staff costs were reclassified as administration staff costs.

* Change to index-linked features of post employment benefits (LGPS and Board Pension)

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

C Principal Civil Service Pension Scheme

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

For 2010/11, employer contributions of £6.1m (2009/10 £7.0m) were payable to the PCSPS at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008/09 and remain unchanged in 2010/11. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £30,730 (2009/10 £27,805) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. The FSA as an employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,347 (2009/10 £2,073), 0.08 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £30,153.

Reporting of Civil Service compensation scheme

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	–	1	1
£10,000 - £25,000	–	6	6
£25,000 - £50,000	–	13	13
£50,000 - £100,000	–	11	11
£100,000 - £150,000	–	6	6
£150,000 - £200,000	–	6	6
£200,000 and above	–	5*	5
	–		
Total number of exit packages	–	48	48
Total resource cost £	–	4,600,452	4,600,452

* within this total is one compulsory redundancy

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

There were 4 early retirements on ill health grounds in 2010/11 costing £0.5m (2009/10 nil).

D Local Government Pension Scheme

The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2011, contributions of £2.6m (2009/10 £2.9m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2011, this rate was 17.9% (2009/10 17.9%) of pensionable remuneration.

The latest full actuarial review of the scheme considered the position at 31 March 2010. This valuation concluded that the general position has improved since the last valuation due to:

- linking future pensions to CPI rather than RPI
- no pay increases for two years for those earning over £21,000 p.a

On the basis of the full actuarial valuation the FSA Fund deficit was £23.1m (March 2007 £27.6m). The Agency agreed to increase the funding to the scheme, payable for 20 years. For 2011/12 £1.7m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2013.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £45.9m as at 31 March 2011 compared with a calculated deficit of £102.6m as at 31 March 2010. The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2011/12 to be £4.4m.

E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2010/11 was as follows. These figures include those working in the FSA (including senior management) as included within the consolidated departmental resource account.

	Average number of persons employed		Staff costs £000	
	2010/11	2009/10	2010/11	2009/10
Westminster – permanent staff	1,276	1,406	55,738	58,729
Westminster – temporary staff	512	546	24,860	22,879
Board	12	12	261	443
Devolved Offices – permanent staff	139	144	5,207	5,549
Devolved Offices – temporary staff	4	7	88	84
Total	1,943	2,115	86,154	87,684

Temporary staff include agency staff, consultants, contractors, casuals and staff on fixed term contracts.

11 Other Administration Costs

	2010/11	2009/10
	£000	Restated £000
Rentals under operating leases	6,974	6,821
Non-cash items:		
Depreciation and impairment loss	868	795
Amortisation	477	154
Loss on disposal of property, plant and equipment	–	102
Auditors' remuneration and expenses	117	102
Other expenditure:		
Accommodation costs	5,783	4,398
Board and staff overheads	4,273	7,905
Administration costs	2,557	5,358
IT costs	4,283	1,184
Committee costs	199	264
	25,531	27,083

Following the 'One Agency' merger of the MHS into the FSA Operations Group on 1 April 2010, and subsequent restructure of the FSA, the following programme costs were reclassified as administration costs. Depreciation £0.2m, Amortisation £0.4m, Accommodation £1.4m, Administration £0.7m and IT costs £1.4m.

Notes

- a) For 2010/11 Central IT costs for the FSA have been recharged to the devolved offices from FSA Westminster.
- b) The audit fee for the audit of the Consolidated Resource Accounts is £13,000.
- c) The total of non-cash transactions included in (note 5) the Reconciliation of Resources to Net Cash Requirement and the Consolidated Statement of Cash flows comprises:

	2010/11	2009/10
	£000	Restated £000
FSA - Other administration costs – non cash items (as above)	1,462	1,153
Provisions provided for in year	7,320	1,130
Indirect funding	–	55
Non-cash items: *		
Provision arising during the year	–	2,801
Loss on disposals	–	–
Depreciation	–	561
Auditor's fees	–	46
	8,782	5,746

* MHS non-cash items are not separately disclosed in 2010/11 as they are instead included within the FSA non-cash items for 2010/11.

12 Net Costs by Group

Group					2010/11	2009/10
	Administration	Programme	Administration	Programme	Net	Net
	Expenditure	Expenditure	Income	Income	operating	operating
	£000	£000	£000	£000	cost	cost
					£000	£000
Chief Executive	1,847	-	-	-	1,847	
Legal, International, Regulation & Audit	2,433	-	(31)	-	2,402	
Chief Scientist	1,890	2,370	(3)	-	4,257	
Comms, Planning, Security and Estates	13,130	1,880	(2,910)	-	12,100	
Food Safety	8,360	8,906	(380)	(1,983)	14,903	
Operations	4,000	48,771	-	(37,529)	15,242	
Finance, IT and Procurement	12,581	-	(26)	-	12,555	
Human Resources	4,767	-	(53)	-	4,714	
Centrally Managed	859	12	-	-	871	
Totals	49,867	61,939	(3,403)	(39,512)	68,891	
Devolved Authorities						
Scotland	4,431	5,134	-	-	9,565	
Wales	1,645	1,279	-	-	2,924	
Northern Ireland	2,282	10,186	-	(3,959)	8,509	
Totals	58,225	78,538	(3,403)	(43,471)	89,889	139,187

The FSA identifies reportable segments, Groups and Devolved Authority, that reflect the organisational structure. The financial system also reflects the organisational structure and enables income and expenditure to be analysed and reported by segment. Segmental operating results are reviewed regularly by the FSA EMB to make decisions on segmental resources and assess performance. Administration expenditure analysed above is reported for internal management purposes only and therefore does not equal administration cost reported to HM Treasury through COINS (HM Treasury reporting database).

Groups and Devolved Authorities derive income from the following activities or services;

Legal, International, Regulation & Audit – Recovered court costs and fees.

Chief Scientist – Sundry services

Comms, Planning, Security and Estates – Sub-letting of accommodation and associated services

Food Safety – Assessments / consultations on radioactive discharges and Integrated Advice for Consumers

Operations – Meat hygiene inspections, approvals and delivery of official controls, testing and sampling

Finance, IT and Procurement – Sundry services and recovered court costs and fees

Human Resources – Sundry services

Northern Ireland – Meat hygiene inspection

The FSA receives more than 10% of its income from Defra (£8,196k). This is reported in the Operations Group reporting segment.

Inter-segmental transactions are accounted for within the financial system by way of journal between the relevant segments.

Following the 'One Agency' merger of the MHS into the FSA Operations Group on 1 April 2010, and subsequent restructure of the FSA, segmental information on a comparable basis for the prior year is not available and costs to develop it would be excessive.

13 Analysis of Net Operating cost by spending body

	2010/11		2009/10
	Estimate	Outturn	Restated Outturn
	£000		£000
Spending body:			
FSA –			
Westminster	125,407	67,814	113,240
Grants paid to Local Authorities		855	
Grants paid to other bodies		222	
Northern Ireland Assembly	8,973	2,739	9,119
Grants to local authorities		1,435	
Central Government		3,903	
Non Departmental Public Bodies		432	
Scottish Parliament	10,265	9,541	10,131
Grants paid to Local Authorities		24	
National Assembly for Wales	3,418	2,865	3,441
Grants paid to Local Authorities		59	
Consolidated total	148,063	89,889	135,931

14 Income

Operating income, analysed by classification and activity, is as follows:

	2010/11		2009/10 Restated	
	£000	£000	£000	£000
All operating income is included within public expenditure				
a) FSA				
Administration income:				
From Government Departments and others		3,403		1,568
Programme income:				
Milk and Dairy Hygiene – sampling	18		19	
Income from Meat Hygiene inspections	41,470		38,579	
Assessments and consultations on radioactive discharges	1,983		1,958	
		43,471		40,556
		46,874		42,124

An analysis of programme income from services provided to external and public sector customers is as follows:

	2010/11			2009/10 Restated		
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
FSA						
Industry	27,482	56,375	(28,893)	24,080	60,887	(36,807)
Government	10,029	10,508	(479)	12,525	12,525	–
Income from Meat Hygiene inspections in Northern Ireland	3,828	6,539	(2,711)	3,372	6,570	(3,198)
Assessments and consultations on radioactive discharges	1,983	1,983	–	1,958	1,955	3
	43,322	75,405	(32,083)	41,935	81,937	(40,002)

The above information is provided to meet the Fees and Charges disclosure requirements of the FReM and has not been provided for Segmental Analysis purposes under IFRS 8.

The FSA's financial objective is to recover costs fully. In relation to official control charges for meat, Ministers previously agreed to an annual subsidy. However the FSA Board at the November 2009 Board meeting iterated the expectation of moving towards full cost recovery in the coming years. In line with this objective the FSA launched a consultation on 10 November 2010, which closed on 1 February 2011, on proposals to achieve full cost recovery.

There currently remains a considerable shortfall between the costs for the FSA of delivering the meat hygiene official controls and income received from Food Business Operators (FBOs) for these services. This is effectively a subsidy of approx £29m from the FSA to the meat industry, which will be received by 70% of FBOs across the UK in 2010/11. EU regulations provide for support from the charging system for small/rural slaughterhouses. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations.

The FSA has an objective of recovering its costs in full in respect of work carried out for Other Government Departments (in line with the principles of Managing Public Money).

In relation to assessments and consultations on radioactive discharges, the financial objective is to recover costs fully. This objective has been achieved for 2010/11.

15 Property, plant and equipment

	Fixtures and Fittings £000	Office Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost or valuation					
Cost at 1 April 2010	1,455	855	3,434	62	5,806
Additions	12	72	13	–	97
Disposals	–	–	(1,217)	(10)	(1,227)
At 31 March 2011	1,467	927	2,230	52	4,676
Depreciation					
Cost at 1 April 2010	456	453	2,314	36	3,259
Charged in year	208	121	525	14	868
Disposals	–	–	(1,217)	(6)	(1,223)
At 31 March 2011	664	574	1,622	44	2,904
Net book value at 31 March 2011	803	353	608	8	1,772
Net book value at 31 March 2010	999	402	1,120	26	2,547
Asset financing					
Owned	803	353	608	8	1,772
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
Net book value at 31 March 2011	803	353	608	8	1,772
Asset financing					
Owned	999	402	1,120	26	2,547
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
Net book value at 31 March 2010	999	402	1,120	26	2,547

16 Intangible assets

Intangible assets comprise computer software and software licences

	Purchased software licences
	£000
Cost or valuation	
Cost at 1 April 2010	4,553
Additions	57
Disposals	(2,009)
At 31 March 2011	2,601
Amortisation	
Cost at 1 April 2010	3,274
Charged in year	477
Disposals	(2,009)
At 31 March 2011	1,742
Net book value at 31 March 2011	859
Net book value at 31 March 2010	1,279

17 Financial Instruments

'IFRS7 – Financial Instruments' requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Agency is financed by the Government and therefore it is not exposed to the risk faced by business entities. Also financial instruments play no role in creating or changing risk unlike that which would be typical of the listed companies to which IFRS 7 mainly applies. The Agency does not have any powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Agency in undertaking its activities.

The FSA does not make use of derivatives or other financial instruments. All existing contractual arrangements have been reviewed for embedded derivatives, with no evidence found.

FSA holds the following financial assets and liabilities:

- 1) Assets
 - Cash and cash equivalents (Note 19)
 - Trade Receivables – current (Note 18)
 - Trade Receivables – non-current (Note 18)
- 2) Liabilities
 - Trade and other payables (Note 20)
 - Other payables > 1 year (Note 20)
 - Provisions arising from contractual arrangements (Note 21)

The financial assets and liabilities are measured at fair value which are not materially different from their carrying value.

Liquidity risk

The Agency finances its capital expenditure from funds made available from the Government therefore there is no exposure to liquidity risk.

Currency risk

The Agency does not have any transactions outside of the UK and therefore has no exposure to currency rate fluctuations.

Credit risk

The Agency has no long term debt and both debtors and creditors predominantly fall within one year. The Agency has income from both Other Government Departments and industry. The vast majority of industry income is raised through the provision of statutory inspection charges. The provision of a statutory service is not contingent on a satisfactory credit check.

The maximum exposure as at 31 March 2011 is in receivables from customers disclosed in the trade receivables note (Note 18).

Interest rate risk

The Agency has no borrowings nor interest bearing deposit accounts. The Agency's financial assets and liabilities carry nil rates of interest. The Agency is not, therefore exposed to interest-rate risk.

18 Trade receivables and other current assets

	2010/11 £000	2009/10 Restated £000
Amounts falling due within one year:		
Trade receivables	2,820	4,502
VAT recoverable	2,574	3,428
Other receivables	135	202
	<u>5,529</u>	<u>8,132</u>
Other current assets:		
Prepayments and accrued income	7,601	6,378
Amounts due from the Consolidated Fund in respect of supply	–	375
	<u>7,601</u>	<u>6,753</u>
	13,130	14,885
Amounts falling due after more than one year:		
Trade receivables	–	38
Prepayments and accrued income	–	38

18.1 Intra-Government Balances

	2010/11		2009/10 Restated	
	£000	£000	£000	£000
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	4,512	–	6,218	–
Balances with local authorities	–	–	–	–
Subtotal: intra-government balances	<u>4,512</u>	<u>–</u>	<u>6,218</u>	<u>–</u>
Balances with bodies external to government	8,618	–	8,667	38
Total balances receivable at 31 March	13,130	–	14,885	38

19 Cash and cash equivalents

	2010/11	2009/10
	£000	Restated £000
Balance at 1 April 2010	8,169	
Net changes in cash and cash equivalents	1,260	
Balance at 31 March 2011	9,429	

The following balances at 31 March were held at:

Government Banking Services	7,772	7,916
Commercial banks and cash in hand	1,657	253
Balance at 31 March	9,429	8,169

20 Trade payables and other current liabilities

	2010/11	2009/10
	£000	Restated £000
Amounts falling due within one year		
Bank overdraft	–	–
Other taxation and social security	1,225	2,174
Trade payables	2,479	2,135
Other payables	734	5,512
	4,438	9,821
Other current liabilities :		
Accruals and deferred income	12,726	20,219
Amounts issued from the Consolidated Fund for supply but not spent at year end	10,831	8,543
	23,557	28,762
	27,995	38,583
Amounts falling due after more than one year	15,475	15,172
Other payables, accruals and deferred income	15,475	15,172

20.1 Intra-Government Balances

	2010/11		2009/10 Restated	
	£000	£000	£000	£000
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	15,992	15,475	14,384	15,172
Balances with local authorities	541	–	731	–
Balances with NHS bodies	–	–	8	–
Balances with public corporations and trading funds	405	–	492	–
Subtotal: intra-government balances	16,938	15,475	15,615	15,172
Balances with bodies external to government	11,057	–	22,968	–
Total balances payable at 31 March	27,995	15,475	38,583	15,172

21 Provisions for liabilities and charges

	Other					Total	
	Early departure costs	FSA Board Pension Provision	Legal claims	Onerous Leases	Personal Injury Claims Provision		LGPS Pension Provision
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2009	2,892	593	23	347	217	44,416	48,488
Provided in the year	986	298	-	-	215	2,432	3,931
Provisions not required written back	23	-	(23)	-	-	-	-
Provisions utilised in the year	(660)	(62)	-	(71)	(126)	-	(919)
Payment to reduce deficit						(1,631)	(1,631)
Actuarial loss arising						57,399	57,399
Balance at 1 April 2010	3,241	829	-	276	306	102,616	107,268
Provided in the year	2,651	66				4,603	7,320
Provisions not required written back		(81)				(17,075)	(17,156)
Provisions utilised in the year	(815)	(28)			(68)		(911)
Payment to reduce deficit						(1,707)	(1,707)
Actuarial Loss / (Gain)		(163)				(42,581)	(42,744)
Balance at 31 March 2011	5,077	623	-	276	238	45,856	52,070

**Analysis of expected timing of discounted flows
(excluding LGPS and FSA Board pension provisions)**

	Early Departure Costs	Onerous Leases	Personal Injury Claims Provisions	Total
	£000	£000	£000	£000
In the remainder of the Spending Review				
within one year	1,097	257	238	1,592
between one and five years	3,075	19		3,094
between five and ten years	755			755
thereafter	150			150
Balance at 31 March 2011	5,077	276	238	5,591

The aforementioned respective provisions for early departure, pension, onerous leases, personal injury and legal claims have all been reviewed for the overall purpose of meeting reporting requirements outlined within IAS37 Provisions, Contingent Liabilities and Contingent Assets.

As a result it was confirmed that, under the existing accounting policy for Provisions, the appropriate recognition criteria and measurement bases are already being applied and that sufficient information has been disclosed.

21.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% (2009/10 1.8%) in real terms.

21.1.1 Other

A provision has been created in respect of several onerous issues which relate to office space occupied by the former regional offices of the MHS (Meat Hygiene Service). The amount provided has been calculated by reference to the periods specified in the leases.

A provision has been created to cover the estimated amounts required to settle the claims and costs for a number of personal injury cases for which the FSA had admitted liability. The amount provided has been calculated by reference to similar cases and reviewing correspondence applicable to the cases. Claims against the FSA where liability has been denied are not included. Since claims can take a considerable period, often years to settle, it is not possible to determine a split of the provision and hence the entire balance is treated as being over one year.

21.1.2 FSA Board Pension Provision

The FSA board pension provision relates to the by-analogy pension scheme with the Principal Civil Service Pension Scheme (PCSPS) that applies to current and former FSA board members' pension arrangements. The pension arrangements are unfunded with benefits being paid as they fall due and are guaranteed by the FSA. There is no fund and therefore no surplus or deficit. The payments are inflation-linked and are expected to be made over the remaining lifetimes of the current scheme members. The methodology and results of the assessment were undertaken by the Government Actuary's Department (GAD) and is in accordance with IAS19 and the FReM governing UK Accounting for Departments/NDPBs.

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2011 is £623,000 (2009/10 £829,000).

The disclosure includes a decrease of £51,000 as a result of changes in the assumptions underlying the scheme liabilities made up of £39,000 decrease in liabilities due to financial assumption changes and £12,000 decrease in liabilities due to changes to the mortality assumptions.

This reflects the decrease in liabilities as a result of the move to CPI, from RPI, pension indexation.

In the longer term liabilities may fall as the expected pension payments reflected in the scheme liabilities are paid to the scheme's pensioners. However there will also be an upwards pressure on the liability as the active members continue to accrue further benefits.

In the shorter-term it is likely that changes in the scheme liability will primarily be driven by the assumptions used by the assessments, most notably the financial assumptions set by HM Treasury.

Financial assumptions

Liabilities are valued on an actuarial basis using the Projected Unit Method. The main actuarial assumptions are as follows:

	March 31, 2011	March 31, 2010
Inflation/ Pension increase rate	2.65%	2.75%
Rate of increase in salaries	4.90%	4.29%
Gross Discount Rate	5.60%	4.60%

Mortality

Life expectancy is based on the actuarial PA92-08 tables. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	March 31, 2011		March 31, 2010	
	Males	Females	Males	Females
Current Pensioners	24.1 years	27.3 years	23.9 years	27.1 years
Future Pensioners	26.5 years	29.9 years	26.0 years	29.1 years

Present value of scheme liabilities

	Value at 31.03.2011	Value at 31.03.2010	Value at 31.03.2009	Value at 31.03.2008	Value at 31.03.2007
	£000	£000	£000	£000	£000
Liability in respect of					
Active members	(98)	(164)	(226)	(164)	(79)
Deferred pensioners	(207)	(254)	(182)	(193)	(198)
Current pensioners	(318)	(411)	(189)	(179)	(182)
	(623)	(829)	(597)	(536)	(459)

Analysis of movement in scheme liability

	2010/11 £000	2009/10 £000
Scheme liability at 1 April	(829)	(597)
Movement in the year:		
Current service cost (net of employee contributions)	(28)	(39)
Interest cost	(35)	(37)
Employee Contributions	(3)	(5)
Actuarial (Loss) / Gain	163	(167)
Benefits paid	28	16
Past service Cost (note 10)	81	-
Net individual pension transfer-in	-	-
Settlements and curtailments	-	-
Scheme liability at 31 March	(623)	(829)

Analysis of amount charged to operating profit

	Year to March 31, 2011 £000	Year to March 31, 2010 £000
Current service cost (net of employee contributions)	(28)	(39)
Interest cost	(35)	(37)
Past service Cost	81	-
Settlements and curtailments	-	-
	18	(76)

Analysis of amounts to be recognised in Statement of Changes in Taxpayers' Equity

	2010/11 £000	2009/10 £000
Experience (losses) / gains arising on the scheme liabilities	112	(1)
Changes in financial assumptions underlying the present value of scheme liabilities	51	(166)
Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity	163	(167)

History of experience gains and losses

	2010/11	2009/10	2008/09	2007/08	2006/07
Experience (losses) / gains on scheme liabilities:					
Amount (£000)	112	(1)	(25)	(12)	-
Percentage of scheme liabilities	18.1%	-0.1%	-4.2%	-2.3%	0.0%

21.2 Provision for pension liability

21.2.1 The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2011, contributions of £2.6m (2009/10 £2.9m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2010, this rate was 17.9% (2009/10 17.9%) of pensionable remuneration.

The latest full actuarial review of the scheme considered the position at 31 March 2010. This valuation concluded that the general position has improved since the last valuation due to:

- linking future pensions to CPI rather than RPI
- no pay increases for two years for those earning over £21,000 p.a

On the basis of the full actuarial valuation the FSA Fund deficit was £23.1m (March 2007 £27.6m). The Agency agreed to increase the funding to the scheme, payable for 20 years. For 2011/12 £1.7m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2013.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £45.9m as at 31 March 2011 compared with a calculated deficit of £102.6m as at 31 March 2010.

The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2011/12 to be £4.4m.

Financial Assumptions

The major financial assumptions used by the actuary when providing the assessment of the accrued liabilities as at the following dates for the Resource Accounting assessments were:

	March 31, 2011	March 31, 2010
Inflation/ Pension increase rate (RPI)	3.5%	3.9%
Inflation/ Pension increase rate (CPI)	2.7%	N/A
Salary Increases	4.5%	5.4%
Expected Return on Assets	6.7%	6.8%
Discount Rate	5.5%	5.5%

Mortality

The post retirement mortality is based on the Club Vita mortality analysis. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	Males	Females
Current Pensioners	20.8 years	23.3 years
Future Pensioners	22.8 years	25.2 years

Movement in liabilities

	March 31, 2011 £000	March 31, 2010 £000
Opening Defined Benefit Obligation	211,569	127,221
Current service cost	3,982	2,120
Interest cost	10,302	8,730
Contributions by members	972	1,111
Actuarial losses / (gains)	(45,708)	76,465
Past service Costs	(17,075)	-
Losses on Curtailments	85	568
Estimated unfunded benefits paid	(147)	(133)
Estimated benefits paid	(5,862)	(4,513)
Closing Defined Benefit Obligation	158,118	211,569

Movement in assets

	March 31, 2011 £000	March 31, 2010 £000
Opening Fair Value of Employer's Assets	108,953	82,805
Expected Return on Assets	7,165	5,354
Contributions by Members	972	1,111
Contributions by Employer	4,161	5,130
Contributions in respect of Unfunded Benefits	147	133
Actuarial gains / (losses)	(3,127)	19,066
Unfunded benefits paid	(147)	(133)
Benefits Paid	(5,862)	(4,513)
Closing Fair Value of Employer Assets	112,262	108,953

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31.03.2011	Value at 31.03.2011 £000	% at 31.03.2011	Long term rate of return expected at 31.03.2010	Value at 31.03.2010 £000	% at 31.03.2010
Equities	7.4%	77,461	69%	7.5%	76,267	70%
Target return portfolio	4.5%	13,471	12%	4.5%	10,895	10%
Alternative assets	6.4%	15,717	14%	6.5%	15,253	14%
Cash	3.0%	3,368	3%	3.0%	5,448	5%
Corporate bonds	5.5%	2,245	2%	5.5%	1,090	1%
Market value of assets		112,262			108,953	
Present value of scheme liabilities		(158,118)			(211,569)	
Net pension deficit		(45,856)			(102,616)	

21.2.2 Movement in deficit during the year

	2010/11 £000	2009/10 £000
Scheme liability at 1 April	(102,616)	(44,416)
Current service cost	(3,982)	(2,120)
Employer contributions	2,601	3,632
Payment of deficit	1,707	1,631
Curtailments and settlements	(85)	(568)
Past service cost (Note 10)	17,075	-
Other finance net interest charged (note 21.2.3)	(3,137)	(3,376)
Actuarial (loss)/ gain (note 21.2.4)	42,581	(57,399)
Scheme liability at 31 March – LGPS Pension Provision	(45,856)	(102,616)

21.2.3 Analysis of the amount charged to operating deficit

	2010/11 £000	2009/10 £000
Current service costs	3,982	2,120
Past service cost (Note 10)	(17,075)	–
Curtailment and settlements	85	568
	<u>(13,008)</u>	<u>2,688</u>
Employer contributions to be set off	(2,601)	(3,632)
Amount (credited)/charged to operating cost (Note 10 B)	<u>(15,609)</u>	<u>(944)</u>
	2010/11 £000	2009/10 £000
Analysis of the net amount charged to operating cost		
Expected return on pension scheme assets	(7,165)	(5,354)
Interest on pension scheme liabilities	10,302	8,730
Net cost	<u>3,137</u>	<u>3,376</u>

21.2.4 Analysis of amount recognised in Statement of Changes in Taxpayers' Equity

	2010/11 £000	2009/10 £000
Actual return less expected return on pension scheme assets	336	19,066
Experience gains and losses arising on the scheme liabilities	33,289	441
Changes in financial assumptions underlying the present value of scheme liabilities	8,956	(76,906)
Actuarial loss recognised in the Statement of Changes in Taxpayers' Equity	<u>42,581</u>	<u>(57,399)</u>

21.2.5 History of experience gains and losses

	2010/11	2009/10	2008/09	2007/08	2006/07
Difference between the experience and actual return on scheme assets:					
Amount (£000)	(3,127)	19,066	(28,908)	-5,535	823
Value of assets (£000)	112,408	108,953	82,805	99,777	94,419
Percentage of scheme assets	-2.8%	17.5%	-34.9%	-5.5%	0.9%
Experience gains/(losses) on scheme liabilities:					
Amount (£000)	36,752	441	(382)	2,763	(92)
Total present value of liabilities (£000)	158,118	211,569	127,222	127,767	141,154
Percentage of scheme liabilities	23.2%	0.2%	-0.3%	2.2%	-0.1%
Total amount recognised in the Statement of Changes in Taxpayers' Equity					
Actuarial (loss)/gain (£000)	42,581	(57,399)	(15,340)	17,772	(19,744)
Total present value of liabilities (£000)	158,118	211,569	127,221	127,767	141,154
Percentage of scheme liabilities	26.9%	-27.1%	-12.1%	13.9%	-14.0%
Cumulative actuarial (loss)/gain (£000)	(13,140)	(55,721)	1,678	17,018	(754)

22 Commitments under leases**22.1 Operating leases**

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

	2010/11	2009/10
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:		
Not later than one year	6,978	6,666
Later than one year and not later than five years	26,860	26,498
Later than five years	30,676	36,418
	64,514	69,582
Other:		
Not later than one year	629	183
Later than one year and not later than five years	426	463
	1,055	646

The FSA lease arrangements do not contain any contingent rents payable, terms of renewal or purchase options, escalation clauses or any imposed restrictions (such as those concerning dividends, additional debt or further leasing).

22.2 Total future minimum lease rental income from Ofsted is given in the table below for each of the following periods.

	2010/11 £000	2009/10 £000
Total future minimum lease rental income from Ofsted		
Land and buildings:		
Not later than one year	1,669	1,577
Later than one year and not later than five years	2,011	3,178
Later than five years	946	1,449
	4,626	6,204

23 Other financial commitments

The FSA has entered into non-cancellable contracts (which are not leases or PFI contracts) for various research and development projects. The payments to which the FSA is committed, analysed by the period during which the commitment expires are as follows.

	2010/11 £000	2009/10 £000
Not later than one year	11,038	18,314
Later than one year and not later than five years	16,872	16,799
Later than five years	-	-
	27,910	35,113

On review no contractual arrangement was found to be a lease agreement and all such arrangements continue to be accounted for separately as service providers.

24 Contingent liabilities

The Department has the following contingent liabilities:

- i There is a claim made by an ex contractor, who provided the FSA with meat inspection and veterinary staff, over payment for rest breaks. This claim has been contested but may cost approximately £130,000.
- ii There are a number of claims being made by employees and others for injuries sustained in the workplace, unfair dismissal or other issues. These cases will be defended and as yet the outcome is not known but could cost approximately £1,966,000. Of this total £1,301,000 relates to personal injury and £665,000 for employment tribunal cases. No provision has been made for these cases, however, a provision of £238,000 has been made for personal injury claims where liability has been admitted.
- iii A number of employment tribunals claims have been made by Prospect, one of the FSA's recognised trade unions for the purpose of collective bargaining, in response to the announcement that staff were subject to the Government's two year pay freeze. These claims have been contested by the FSA but may cost approximately £600,000.

The total contingent liabilities are therefore £2,696,000 (2009/10 £3,400,000).

25 Related-Party Transactions

None of the Board Members, key managerial staff or related parties have undertaken any material transactions with the FSA during the year.

The FSA had a number of significant transactions with other government departments and other central government bodies:

Department of Environment, Food & Rural Affairs (Defra) and its agencies as listed below. Most of the work with Defra is for analytical sampling and inspections. Transactions with Defra totalled £19,494k during the year. As at 31 March 2011, £139k was due from Defra.

- Veterinary Laboratories Agency (part of Defra): Transactions totalled £1,681k during the year. As at 31 March 2011 £nil was owed to the VLA.
- Centre for Environment, Fisheries & Aquaculture (part of Defra): Transactions during the year totalled £5,865k. As at 31 March 2011 £6k was due from CEFAS.
- Food and Environment Research Agency (part of Defra) also known as FERA: Transactions during the year totalled £1,825k. As at 31 March 2011 £nil was owed to FERA.
- Animal Health (part of Defra): Transactions during the year totalled £1,893k. As at 31 March 2011 £6k was owed to Animal Health.
- The Rural Payments Agency (RPA): Transactions during the year totalled £1,271k. As at 31 March 2011 £201k was due from the RPA.

Department of Agriculture and Rural Development, Northern Ireland (DARD). In Northern Ireland DARD carries out meat hygiene and related services work for the FSA. Transaction during the year totalled £7,532k. As at 31 March 2011 £722k was due to DARD.

Central Office of Information (COI). COI provide printing, publicity and campaign work for the FSA. Transactions during the year totalled £1,480k. There was £nil outstanding as at 31 March 2011.

Department of Health (DoH). Transactions with the DoH totalled £7,513k (of which £5,426k related to MoG changes). At 31 March 2011 £nil was due from the DoH.

Agri-Food Biosciences Institute (AFBI). Transactions with AFBI totalled £406k during the year. As at 31 March 2011 £nil was due to AFBI.

Health Protection Agency (HPA). Transactions during the year totalled £178k. There were no outstanding balances at 31 March 2011.

Office for Standards in Education, Children's Services and Skills (OFSTED). OFSTED lease several floors of the Agency's head office in London. Transactions totalled £2,426k during the year. As at 31 March 2011 £3k was due from OFSTED.

No amounts have been written off in the year in respect of these activities.

26 Entities within the Departmental Boundary

For the financial year 2010/11 the only entity within the Departmental Boundary is the Food Standards Agency. Prior to 1 April 2010 the Meat Hygiene Service (MHS) fell within the Resource Accounting boundary. For further details please refer to the 2009/10 MHS Annual Report and Accounts. As of 1 April 2010 the MHS ceased to exist and became part of the FSA.

27 Losses and Special Payments

The FSA made 28 special payments amounting to £86,000 in 2010/11 (2009/10: 19 payments, £250,000). In addition, a provision of £238,000 has been made in respect of estimated future payments relating to these cases and a further 3 cases. The majority of the cases refer to compensation and personal injury claims.

An analysis by category is shown below.

	No of cases	Value £000
Cash losses	–	–
Store losses	–	–
Fruitless payments	–	–
Constructive losses	–	–
Claims waived and abandoned	–	–
Special payments	28	86

28 Capital Commitments

At 31 March 2011 there were no commitments for the purchase of capital items (31 March 2010 nil).

29 Events after the reporting period

In accordance with the requirements of IAS10 'Events after the Reporting Period', post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

As outlined in Note 21, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

30 IFRSs, amendments and interpretations in issue but not yet effective, or adopted

In accordance with IAS8, accounting policies, changes in accounting estimates and errors, require disclosure in respect of the new amendments and interpretations that have been issued by the International Accounting Standards Board that are IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, effective for financial statements after this reporting period. The following were not adopted early by the Agency.

None of these proposed changes and amendments are expected to have a material impact on the accounts.

New IFRSs

IFRS9 Financial Instruments

IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.

Financial Instruments

The IASB intend that IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. As a first instalment, the chapters on classification and measurement of financial assets have been issued. Later instalments will cover financial liabilities, impairment methodology, and hedge accounting.

Under IFRS 9, financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flow characteristics. They should be measured initially at fair value, and subsequently at either fair value or amortised cost.

IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.

Date of issue November 2009

Effective date 1 January 2013

Amendments to IFRSs

IFRS 7 Financial Instruments: Disclosure

In response to the credit crisis, IFRS 7 has been strengthened to require more disclosure on transfer transactions (e.g. securitisations) involving financial assets, including the extent of any risks which may remain with the entity following the transfer.

Date of issue 1 October 2010

Effective date 1 July 2011

Amendments to IFRSs and IFRICs resulting from Annual Improvements to IFRSs (May 2010)

IFRS 7 Financial Instruments: Disclosure

This amendment explains the reason for providing qualitative and quantitative disclosures on risks and the benefits to users of financial statements of being able to link the two. On credit risk, the amendment: - removes the option to omit disclosure of quantitative disclosures on credit risk etc. where the impact is not material (leaving this judgement to the auditors); - removes the requirement to disclose maximum exposure to credit risk if that risk is limited to the carrying amounts of the relevant assets; - adds the requirement to disclose the effect of any collateral held on the maximum exposure to credit risk, even where the unmitigated risk is (as above) equal to the carrying amount of the relevant assets; and - removes the requirement to make disclosures on assets where credit terms which would otherwise have been breached have been renegotiated.

Date of issue 1 May 2010

Effective date 1 January 2011

IAS 1 Presentation of Financial Statements

Very minor amendment allowing items of other comprehensive income for respective elements of equity to be presented in the notes rather than in the SOCE itself.

Date of issue 1 May 2010

Effective date 1 January 2011

New Interpretations

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on accounting for 'debt for equity swaps' (where the terms of a financial liability are renegotiated to allow the debtor to extinguish part or all of the liability by issuing its own shares to the creditor). The Interpretation applies only to renegotiated financial liabilities and addresses only the accounting by the debtor.

Date of issue 1 November 2009

Effective date 1 July 2010

Amendments to Interpretations

IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment allows, in certain circumstances, an entity to treat the prepayment of future contributions to a pension scheme where there is a minimum funding requirement as an asset.

Date of issue 1 November 2009

Effective date 1 January 2011

In all cases, effective dates refer to periods starting on or after that date by which the new Standard/Interpretation or amendment must be adopted.

Significant FReM changes expected for 2011/12 (representing best practice disclosures in the spirit of IAS 8.30)

FReM ref - Ch 3 Parliamentary Accountability

Estimates from 2011/12 should be based on departmental budgets, and the structure of the Estimates should reflect the split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), with consequential adjustments to the Statement of Parliamentary Supply.

FReM ref - Ch 4 Accounting Boundaries

The change revises the departmental resource accounting boundary to include non-departmental public bodies and other bodies classified to central government by the Office for National Statistics.

The FReM also interprets IAS 27 in relation to the consolidation boundary

FReM ref - Ch 11 Income and Expenditure

This change reflects the proposed changes to the treatment of income in (Westminster) Estimates, whereby voted totals will be net of income and the concept of 'appropriations-in-aid' disappears.

FReM ref - Chs 5, 6, 7 & 11 Accounting for Capital Government Grants and Similar Financing from Non-Government Sources

Adapts IAS 20 - so that the accounting treatment is extended to all capital non-exchange transactions (including donated assets). Non-exchange revenue relating to capital items should be recognised immediately, except where the funding is subject to a condition.

Adapts IAS 16 – to supplement disclosure requirements to show how additions have been financed, i.e. own capital budget, Government grant, donation, lottery funding.

**ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH
PARAGRAPH 4(2) OF SCHEDULE 4 TO THE FOOD STANDARDS ACT 1999**

1. This Accounts Direction applies to the consolidated resource accounts of the Food Standards Agency in respect of the Estimate approved by the House of Commons under section 5 of the Government Resources and Accounts Act 2000; the sums paid by the Welsh Assembly Government under section 39(3)(a) of the Food Standards Act 1999 (“the Act”); the sums paid out of the Scottish Consolidated Fund under section 39(3)(b) of the Act; and the sums appropriated by an Act of the Northern Ireland Assembly under section 39(3)(c) of the Act.
2. The Food Standards Agency shall prepare consolidated resource accounts for the year ended 31 March 2008 and all subsequent years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”) which is in force for that year.
3. The consolidated resource accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. This Accounts Direction supersedes all previous Directions issued by HM Treasury.

David Watkins

Head of the Financial Reporting Policy Team, HM Treasury

14 November 2007



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