

Food Standards Agency

Consolidated Resource Accounts

2004-05

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2004 - 05

(For the year ended 31 March 2005)

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30 November 2005*

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ANNUAL REPORT

Preparation of Accounts

The Food Standards Agency (FSA) Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The annual report is laid before Parliament under Section 4 of the Foods Standards Act 1999, and the accounts are laid under the Government Resources and Accounts Act 2000. The FSA is part funded by the devolved authorities in Scotland, Northern Ireland and Wales. The relevant account directions from these authorities are attached and separate statements have been prepared for the Westminster funded FSA, Scotland, Wales and Northern Ireland.

Statutory Background

The FSA was established on 1st April 2000 by Act of Parliament (Food Standards Act 1999). The main purpose of the agency is:

‘To protect public health from risks which may arise in connection with the consumption of food, and otherwise to protect the interests of consumers in relation to food.’

On 1st April 2000, the Meat Hygiene Service (MHS) became an executive agency of FSA. The MHS was originally established on 1st April 1995 as an executive agency of the Ministry of Agriculture, Fisheries and Food. The MHS is funded by Westminster and is therefore consolidated in this account.

Aims of the Food Standards Agency

Our Strategic Plan 2001-06 sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet, and food law enforcement over a five year period. Our aim is to be trusted as the UK’s most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it easier for people to choose a healthy diet

Over the period covered by our Strategic Plan we aim to:

- reduce food borne illness by 20% by improving food safety right through the food chain;
- help people to improve their dietary health;
- promote honest and informative labelling to help consumers;
- promote best practice within the food industry;
- improve the enforcement of food law; and
- earn people’s trust by what we do and how we do it.

The three high level aims for 2004-05, as identified in schedule 5 to the accounts, were:

- Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA;
- Better food safety and standards; and
- Improve consumer choice and diet.

We are committed to three core values that govern all that we do. They are to:

- put the consumer first;
- be open and accessible; and
- be an independent voice.

Operating and Financial Review

a) *The responsibilities of the FSA*

The FSA has a wide remit that includes protecting public health, providing information and advice, ensuring food law is effective and enforced, co-ordinating research and development and surveillance, developing policy and representing the UK on food matters in Europe.

The work of the FSA involves food safety across the whole of the food chain, including:

- food contaminants – defining tolerable levels, risk management and policy;
- food additives, contact materials, and novel foods – including safety assessment and surveillance;
- microbiological safety and food hygiene including providing advice on the management of foodborne outbreaks and prevention of foodborne illness;
- inspection and enforcement action to protect consumers;
- monitoring local authority enforcement – auditing and improving local authority performance;
- pesticides, veterinary medicines and animal feed – assessing food safety implications;
- food labelling and standards – developing policy, improving consumer choice and representing the UK in the European Union; and
- nutrition – providing advice and guidance on the nutritional composition of food, and providing information on a healthy, balanced diet, so as to promote and protect public health.

The FSA published its Strategic Plan 2005-2010 in March 2005. The key aims of the FSA during this period will be:

- Food Safety
 - to continue to reduce food borne illness
 - to reduce further the risks to consumers from chemical contamination of food
- Eating for Health
 - to make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related disease
- Choice
 - to enable consumers to make informed choices

b) *How we are doing*

During the year, the FSA undertook a number of activities. Examples include:

- the launch of the salt campaign which aims to reduce the average intake of UK adults from 9.5g per day to 6g per day by 2010. During the year, a new website www.salt.gov.uk was launched to support this campaign;
- we also launched our new website www.eatwell.gov.uk which contains advice on how to eat more healthily and understand food labels;
- working with schools, we are seeking to improve the diets of school children. We have been working through the National Governors Council to improve nutritional awareness, and our school's lunchbox survey revealed the need to reduce saturated fat and sugar levels in the diet. Results of this survey can be found at www.food.gov.uk/news/newsarchive/2004/apr/ngc. We also looked at the promotion of food to children amidst concerns over meals or snacks being high in sugar, fat and salt. More information can be found at www.food.gov.uk/news/pressreleases/2004/jul/boardpromojuly;
- during the year we conducted an annual investigation into consumer attitudes to food, covering issues such as safety and hygiene, nutrition, diet and shopping. This allows us to identify and then address the concerns of consumers promptly;

- we have continued to work with local authorities to improve consistency and effectiveness in food law enforcement. We have provided extensive training for enforcement officers and are developing a National Food Surveillance System in conjunction with local authorities and public analysts;
- we have continued to audit food law enforcement activity by local authorities, placing all audit reports and action plans developed by the local authorities on our website;
- the Cabinet Office asked the FSA to take the lead in the improvement in the co-ordination and delivery of local authority inspection of imported foodstuffs. Although improvements have been made, further work needs to be done in this area. Further information can be found at www.food.gov.uk/multimedia/pdfs/stepchangereport.pdf;
- towards the end of the financial year, the FSA became involved in the Sudan 1 incident. Samples identified an unacceptably high level of the dye Sudan 1 in chilli powder. The FSA ensured that all products containing the chemical were withdrawn and destroyed;
- at the end of the financial year, the FSA launched its new Strategic Plan for 2005-2010. The key areas in the future will be addressing food safety concerns, the promotion of eating for health and ensuring that consumers can make informed choices regarding their diet;
- our executive agency the Meat Hygiene Service safeguarded public health through fair, consistent and effective enforcement of hygiene and inspection regulations in licensed GB slaughterhouses and cutting plants; and
- The FSA spent nearly £20m on research projects in the year, covering meat hygiene, nutrition, chemical safety of food and microbiological safety. Full details are in note 5 to the accounts.

c) *Resource spend in 2004-05*

The comparison of actual resource expenditure to Estimate is shown below:

	2004-05	
	Estimate	Net Operating Cost
	£m	£m
Westminster FSA HQ	120.1	105.3
Meat Hygiene Service	31.7	29.9
Total Westminster Funded FSA	151.8	135.2
FSA Scotland	8.3	7.6
FSA Wales	2.4	2.2
FSA Northern Ireland	2.8	2.8
Total FSA	165.3	147.8

The comparative figures for 2003-04 are shown below:

	2003-04	
	Estimate	Net Operating Cost
	£m	£m
Westminster FSA HQ	108.4	99.2
Meat Hygiene Service	28.0	26.7
Total Westminster Funded FSA	136.4	125.9
FSA Scotland	6.4	6.3
FSA Wales	2.2	2.2
FSA Northern Ireland	2.9	2.9
Total FSA	147.9	137.3

The net cost of the Consolidated FSA was £147.8m against available funding of £165.3m to 31st March 2005. The FSA as a whole manages its spend over the three year Government Spending Review Period. This surplus will be carried forward, with Treasury agreement, into 2005-06 to help address future funding pressures which have already been identified.

The net cost of the MHS was £29.9m, up from £26.7m in 2003-04. This increase in costs resulted primarily from a change in funding policy resulting from the decision to move certain non recoverable costs from being funded by the FSA to showing them as part of the MHS's net cost of operations. There was an increase in MHS pension costs in 2004-05 of £0.9m. The MHS was previously unable to identify its share of the Local Government Pension Scheme liability. However the MHS has now fully implemented FRS17 reporting requirements and this resulted in an additional charge of £1.8m to the agency's net resource outturn for 2004-05. It is proposed that the MHS will eliminate the pension provision over a twenty year period. The Meat Hygiene Service, as an executive agency, prepares its own annual report and accounts. These accounts provide a detailed analysis of both costs and income, as well as performance against targets. The MHS annual report and accounts is available from 'The Stationery Office' (www.tso.co.uk/bookshop).

A full explanation, detailing the spend against Estimate can be found in Schedule 1 of these accounts. Schedules 2 to 5 give the operating cost statement, balance sheet, cash flow statement and resource by departmental aim respectively with additional detail being provided in the notes to the accounts that follow the schedules.

d) Performance Reporting

The FSA Departmental Report Spring 2004 contained the FSA's resource estimate for 2004-05 plus core tables as specified by Treasury. The 2005 FSA Departmental Report (http://www.food.gov.uk/multimedia/pdfs/departmentalreport_05.pdf) gives details of how we are making progress towards meeting published performance targets, and meeting Modernising Government requirements. Copies of these reports are also available from 'The Stationery Office'. The web-site also provides performance data for our devolved offices.

Summary progress to date is listed below:

Aim 1 - Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA.

- all FSA advice is published on our website;
- helplines are established within 24 hours of a major food emergency; and
- all open Board meetings are held in public.

Aim 2 – Better food safety and standards

- we are approaching the target 20% reduction in food borne illness;
- training of industry and enforcement bodies has been undertaken, and HACCP based procedures in place for the majority of UK meat plants;
- the campaign to improve biosecurity on broiler farms (phase 2) was launched in October 2004;
- 30% of food businesses in the UK now have a food safety management system based on HACCP principles; and
- the development, management and reporting of challenging performance targets for the Meat Hygiene Service.

Aim 3 – Improved consumer choice and diet

- on going action to revise secondary school meal standards;
- action in support of the caterer training agreed with DfES as part of the Healthy Living Blueprint;
- agreed series of initiatives with retailers and manufacturers with the aim of reducing average salt intake 10%; and
- on going work with the Department of Health to promote the ‘five a day’ fruit and vegetable initiative

Structure and Organisation

The FSA is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to Ministers. The Chief Executive was appointed by the Civil Service First Commissioner under Civil Service Commission rules. 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 Northern Ireland Ministers. Two Board members were appointed by Scottish Ministers, one by the National Assembly for Wales, and one by Northern Ireland Office Ministers. These members have special responsibility for Scottish, Welsh and Northern Irish issues. 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. 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.

The Board is accountable to Parliament through the Secretary of State for Health, to Health Ministers in Scotland and Wales, and to the Minister of Health, Social Services and Public Safety in Northern Ireland.

The FSA Board

During the year, the following were members of the external FSA Board:

Sir John Krebs	FSA Chair (retired 9 April 2005)
Julia Unwin	FSA Deputy Chair (Acting Chair from 10 April – 18 July 2005)

Other Board members:

Richard Ayre	(Acting Deputy Chair from 10th April 2005)
Ann Hemingway	Chair of the Advisory Committee for Wales
Michael Gibson	Chair of the Scottish Food Advisory Committee
Michael Walker	Chair of the Advisory Committee for Northern Ireland (resigned from the Board 31st May 2004)
Baroness Valerie Howarth of Breckland	
Vernon Sankey	(period of appointment finished on 20th February 2005)
Sandra Walbran	
Iain MacDonald	
Chrissie Dunn	
Dr Sati Ariyanayagam	
Professor Andrew Miller	(period of appointment finished on 28th February 2005)
Nelisha Wickremasinghe	(from 1st May 2004)
Maureen Edmondson	Chair of the Advisory Committee for Northern Ireland (from 1st September 2004)
Christopher Pomfret	(from 21st February 2005)
Graeme Millar	(from 1st March 2005)

Sir John Krebs retired on 9th April 2005. His replacement, Dame Deirdre Hutton, was appointed by Health Ministers following a selection procedure in accordance with the Nolan principles, overseen by the Office of the Commissioner for Public Appointments. She took over as FSA Chair on 18th July 2005.

The FSA maintains a register of Board Member details and interests. This is available on our website www.food.gsi.gov.uk/aboutus/ourboard/boardmem.

FSA Management Team

Day to day management of the FSA is exercised through the Executive Management Board (EMB). Membership during the year was as follows:

Dr Jon Bell	Chief Executive and Departmental Accounting Officer
Pat Stewart	Deputy Chief Executive and Director of Corporate Resources
David Statham	Director of Enforcement
Dr Andrew Wadge	Director of Food Safety Policy
Gill Fine	Director of Consumer Choice and Dietary Health (from 11th October 2004)
Neil Martinson	Director of Communications
David Dunleavy	Director of Legal Services
Brian Davies	Human Resources Director
Allan Hutton	Finance Director
Alick Simmons	Veterinary Director (from 31st August 2004)
Dr George Paterson	Director of FSA Scotland
Joy Whinney	Director of FSA Wales (from 5th July 2004)
Steve Wearne	Acting Director of Wales (to 5th July 2004)
Morris McAllister	Director of FSA Northern Ireland
Chris Lawson	Chief Executive of the Meat Hygiene Service

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 Note 3.

FSA Advisory Committee

In addition to the main FSA Board, the FSA has advisory committees to cover Scotland, Wales and Northern Ireland. The Committees act as independent advisory bodies to the FSA. They are chaired by Board Members and the FSA Board is required by statute to take account of their advice in its work. The Committee Members are listed below:

Scotland – Advisory Committee Members

Michael Gibson (Chair)	Professor Andrew Miller (Deputy Chair)
Professor William Reilly	Anne Campbell
Professor Hugh Pennington	Dr Marnie Somerville
Wilma Odell	Ross MacDonald
Professor Philip Thomas	William Davidson
Catherine Brady	

Wales – Advisory Committee Members

Ann Hemingway (Chair)	Dr Robert Bell
Dr David Casemore	Mrs Gilli Davies
Professor Margaret Griffiths	Professor James Parry
Mrs Dilwen Philips	Professor Robert Pickard
David Smith	

Northern Ireland – Advisory Committee Members

Michael Walker (Chair until 31st May 2004)	
Maureen Edmondson (Chair from 1st September 2004)	William Taylor
Mrs Patricia Grace McCusker	David Collins
Professor David McDowell	Samuel Miskelly
Ms Maria McGuinness	David Stewart
David Mark	Dr Vinod Tohani

Michael Walker retired on 31st May 2004 and was replaced by Maureen Edmondson

FSA Audit Committee

The FSA has an Audit Committee to advise the Accounting Officer in relation to issues of risk, control, governance and associated assurance. The Chair of the Audit Committee produces an annual report to the FSA Board on the work of the Audit Committee.

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

Ann Hemingway	Chair
Chrissie Dunn	non executive member
Vernon Sankey	non executive member
Richard Harbord	external member
Jon Bell	FSA Accounting Officer
Pat Stewart	Deputy Chief Executive
George Paterson	Director, FSA Scotland

After the year end, following the end of their terms of office, Vernon Sankey and George Paterson were replaced by Graeme Millar and Morris McAllister respectively.

Funding of the FSA

The FSA is a non-Ministerial Government Department. The work of FSA Headquarters and the MHS throughout Great Britain is funded through resource based supply. The costs of the FSA in Scotland, Wales and Northern Ireland are funded through the relevant devolved authority. On 1 April 2004 the Food Standards Agency Northern Ireland (FSANI) began to be treated as 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.

The Meat Hygiene Service

The Meat Hygiene Service (MHS) is an executive agency of the FSA. The aim of the MHS is to safeguard public health and animal welfare at slaughter through the effective enforcement of legislation. Its main functions are to provide a meat inspection service to all licensed meat plants, and to ensure that the standards required by the law for the hygienic production of meat and for the welfare of animals at slaughter are maintained. The principal activities of the MHS are:

- the enforcement of hygiene rules in licensed fresh meat premises;
- the provision of meat inspection and controls on health marking in licensed red meat, and poultry meat and wild game meat premises;
- the enforcement of hygiene controls in meat products, minced meat and meat preparation plants, that are co-located with licensed slaughterhouses; and
- the enforcement, in licensed fresh meat premises, of controls over SRM and other animal by-products, and controls prohibiting the sale of meat from cattle over 30 months of age.

The Westminster funded resource accounts and the Consolidated resource accounts for the FSA include the results for the MHS. The MHS has prepared its own annual report and accounts which provide additional detail. The MHS annual report and accounts is available from 'The Stationery Office'.

Staff Relations

The FSA attaches considerable importance to securing the full involvement of all staff in its work. Staff are encouraged to use their own initiative to enhance the work of the FSA. Senior management meet formally at regular intervals with trade union representatives. The Chief Executive holds regular open meetings to which all staff are invited and encouraged to attend. "FSA Matters", an in-house newsletter, is circulated weekly to all staff. Staff also receive "FSA News", published every two months. MHS staff have their own quarterly newsletter "MHS Update".

Pensions

Employees of the FSA are civil servants and 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.

The MHS has two separate pension schemes. The majority of staff are members of the Local Government Pension Scheme (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). Other MHS employees are members of the PCSPS.

The requirements of Financial Reporting Standard 17 (FRS 17) have been implemented in full for 2004-05 and MHS figures for 2003-04 restated.

Equal Opportunities

The FSA aims to be a modern and equitable employer, and recognises and encourages the potential of a diverse workforce. The FSA is committed to equal opportunities and aims to ensure that everyone who works for or with the FSA should be treated fairly and with respect. Consequently, no employee or job applicant will be discriminated against either directly or indirectly on such grounds as race, gender, marital status, nationality, ethnicity, colour, religion, political beliefs, disability, age, sexual orientation, responsibility for dependants, working pattern or position in the organisation. The FSA operates a guaranteed interview scheme for people with disabilities (as defined by the Disability Discrimination Act 1995) who meet the minimum essential criteria for the appointment.

Supplier Payment Policy

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt, or the agreed contractual terms if otherwise specified. During the year in excess of 96% of invoices were paid on time.

Environmental Policy

We are fully committed to conserving energy, water and other resources and reducing waste. Our HQ building, Aviation House, follows an active recycling policy. We monitor the energy efficiency of Aviation House through the building management system software.

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, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Government Resources and Accounts Act 2000. The audit certificate can be found on pages 17 and 18. The audit fee for the year was £130,000.

Going Concern

The FSA has significant net liabilities. The accounts, however, are prepared on a going concern basis since, as a government department, its funding is underwritten by the Treasury.

Important Events which have occurred since the end of the Financial Year

None

Dr Jon Bell
Chief Executive and Accounting Officer
31 October 2005

Statement of Accounting Officer's Responsibilities

1. Under the Government Resources and Accounts Act 2000, the Food Standards Agency is required to prepare resource accounts for each financial year. This is to conform with a Treasury direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Principal Accounting Officer is required to comply with the Resource Accounting Manual prepared by HM Treasury, and in particular to:
 - a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgements and estimates on a reasonable basis;
 - c. state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts; and
 - d. prepare the accounts on a going-concern basis.
5. In addition, HM Treasury has appointed an Agency Accounting Officer (Chris Lawson) to be accountable for those parts of the Department's accounts that relate to the Meat Hygiene Service resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Chief Executive's overall responsibility as Accounting Officer for the Department's accounts.
6. The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Department's assets) are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting. Under the terms of the Accounting Officer's Memorandum, the relationship between the Department's Principal Accounting Officer and the MHS Agency Accounting Officer, together with their respective responsibilities, is set out in writing.

Dr Jon Bell
Chief Executive and Accounting Officer
31 October 2005

Statement of Internal Control

1. 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, whilst safeguarding the public funds and agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This statement covers the Westminster-funded FSA (including the Meat Hygiene Service), FSA Scotland, FSA Wales, and FSA Northern Ireland.

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 FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for the Westminster funded FSA by HM Treasury, and also act in this capacity for FSA Wales, Scotland and Northern Ireland. Although the activities of these offices are funded through the devolved authorities, they remain part of the United Kingdom FSA. The FSA has a single executive agency, the Meat Hygiene Service. The Chief Executive of the MHS has been appointed as Agency Accounting Officer for the MHS. As Agency Accounting Officer, he is responsible to me and to Parliament for the MHS's use of resources in carrying out its functions in accordance with his delegated authorities, as set out in the MHS Framework Document.

The FSA has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls in the devolved offices, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit Committee, constituted in line with HM Treasury guidance, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2005-2010;
- a strategic risk register incorporating risk treatment plans;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports by the executive and by internal audit on internal controls, including the risk register, to the Audit Committee;
- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority, to meet their objectives and their compliance with corporate governance responsibilities;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales, and Northern Ireland;
- formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and attendance at the MHS Audit and Risk Committee. The MHS publishes its own annual accounts including a statement of internal control audited by the National Audit Office. The MHS maintains its own internal audit service and has established an independent audit committee. The FSA is represented at the MHS audit committee and has access to all MHS internal and external audit reports. To strengthen governance arrangements, the FSA Board decided in July 2004 to adopt a new model

of governance for the MHS with the establishment of an MHS Board, chaired by an FSA Board member. The MHS Board held its first meeting in November 2004. The Terms of Reference of the MHS Board were set by the FSA Board and are to give strategic direction to the MHS within the overall strategy agreed by the FSA Board, to set targets for the MHS, monitor its performance, and to hold the MHS to account on behalf of the FSA Board;

- workshops with Heads of Divisions and Directors to consider corporate governance issues and further embed the process across the FSA: four such events, including a workshop on project management, were held during 2004-05; and
- a Corporate Governance page on the FSA Intranet. This includes a definition of what is meant by Corporate Governance and has links to all available guidance and instructions. It will be further developed in the light of customer feedback and new requirements.

2. 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 the risks efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year. Risk is discussed at each meeting of the Executive Management Board. Risk owners also formally review each of the risks on the Strategic Risk Register at least once a quarter and produce a written report for the Chief Executive.

The responsibility for managing the principal risks on a day to day basis is assigned to Senior Managers and they are required to ensure that adequate attention is given to this task.

Two risk policy statements have been issued; a framework for managing business risk which incorporates Treasury guidance, and a food risk framework which describes, for a general audience, the FSA's approach to managing food risks. A business risk handbook setting out the arrangements in place within the organisation to manage business risk, which includes the process for risk escalation and the responsibilities of individuals throughout the organisation, has been made available to all staff. A programme of training and support for the business planning process has been developed. This includes training on risk management. Work is currently underway to enhance the business planning training to include additional guidance on identifying and managing risks and corporate governance issues.

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice. In addition we have established cross-FSA workshops to discuss business planning issues and learn from and disseminate good practice.

4. The risk environment

In the FSA the main processes which we have in place for identifying, evaluating and managing risks are:

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register. We use project management techniques based on PRINCE methodology for IT and other applications. In addition there are well defined and documented procedures (and a specific IT system) for the procurement and management of the FSA's (£25-30m) research and surveillance portfolios; and

- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

The FSA Board and Audit Committee receive regular reports on risk management. The Audit Committee's role is to advise me on whether the processes for identifying, recording, and managing the risks is sound, while the role of the FSA Board is to comment on whether the coverage of strategic risks is comprehensive.

The major risks identified to date include:

- inaccurate interpretation of available scientific evidence;
- failure to communicate effectively with stakeholder organisations and with consumers;
- failure to properly enforce food safety law;
- failure to achieve the effective co-operation of the food industry;
- failure to develop the staff and skills the FSA needs.

The Food Standards Act 1999 places an obligation on the FSA to protect public health and act in the interest of consumers.

In matters of public health the FSA takes a precautionary approach to risk which means that action may be taken before there is conclusive proof of a hazard. Actions taken will be proportionate to the best judgement of the risk based on the best evidence available and will be reviewed if new evidence emerges.

Our management of risk is embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year.

Heads of Divisions formally review their business plans and business risks each quarter and sign a statement to confirm this has taken place. The planning process has been fully supported through a programme of targeted support and training (including risk management) to meet the needs of different parts of the organisation.

Our risk environment involves managing risks which impact on the public. The Board of the FSA holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting. Questions may also be submitted in advance of each meeting, by e-mail. Board meetings are webcast live via our website, and the webcasts are also archived on our website as publicly available video-on-demand.

We regard consultation with our stakeholders as an essential part of fulfilling our core values. We are required by statute to consult on our activities with those affected by our decisions. As well as a great deal of informal contact with stakeholders, the FSA carries out formal written public consultations as part of the development of policy. We also conduct stakeholder fora on key issues where we invite key stakeholders to meet and discuss differing points of view.

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the FSA to key issues of current or emerging consumer concern; comment on the FSA's strategic objectives and forward plan; and provide the FSA with feedback on the effectiveness of our policies in responding to consumer concerns.

5. 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 the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. This includes development of a "dashboard" management reporting system to be owned by the Executive Management Board.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control. Additional measures to strengthen controls will be incorporated if gaps are identified.

The FSA's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

Last year's Statement on Internal Control reported that a significant internal control issue arose at our executive agency the Meat Hygiene Service. Monitoring undertaken in the autumn of 2004 of the testing of eligible 24-30 month old casualty cattle for BSE, also identified that a small number of ineligible bovines aged over thirty months (OTM) had entered the human food chain in September 2004. Subsequent checking of all months since then has continued to identify a small number of breaches. These had totalled 18 by the end of February 2005 out of a total of 937 bovines slaughtered in Great Britain in the same period. The MHS has reported all the breaches to the FSA Board, MHS Board and the MHS Audit & Risk Committee, and has taken a number of steps to minimise the occurrence of further breaches. The trend has been downwards, culminating in no breaches in February and one in March 2005.

A failure to test a small percentage of 'at risk' bovines was identified in April/May 2004. As a result, the FSA Board set up an external inquiry, with a Steering Group chaired by Professor Patrick Wall, Professor of Food Safety at University College, Dublin, to establish the reasons for the failures. The report of the inquiry, the 'Wall Report', was published in October 2004 and made 13 recommendations.

Since the inquiry, MHS, FSA and Defra have been working closely together to implement all of the inquiry report's recommendations, and this has included the commissioning of a separate review of MHS management systems by independent consultants in December 2004/January 2005. The results of this review are currently being taken forward.

Dr Jon Bell

Chief Executive and Accounting Officer

31 October 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 19 to 48 under the Food Standards Act 1999. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 25 to 29.

Respective responsibilities of the Food Standards Agency, the Accounting Officer and the Auditor

As described on page 12, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Food Standards Act 1999 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Food Standards Act 1999 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament, the Scottish Parliament, and the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Food Standards Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 13 to 16 reflects the Food Standards Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Food Standards Agency's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Food Standards Agency in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Food Standards Agency's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Food Standards Agency (Consolidated) at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament, the Scottish Parliament and the National Assembly for Wales, and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

9 November 2005

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

SCHEDULE 1

Food Standards Agency Consolidated Accounts 2004-05

Summary of Resource Outturn

for the year ended 31 March 2005

	2004-05						Restated 2003-04	
	Estimate			Outturn			Net Total Outturn compared with Estimated Saving/ (excess)	Prior Year Outturn
	Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total		
	1	2	3	4	5	6	7	8
£000	£000	£000	£000	£000	£000	£000	£000	
Resources								
House of Commons	210,365	(58,534)	151,831	176,100	(39,138)	136,962	14,869	125,934
Scottish Parliament	8,345	-	8,345	7,631	-	7,631	714	6,311
National Assembly for Wales	2,352	-	2,352	2,254	-	2,254	98	2,214
Northern Ireland Assembly	2,820	-	2,820	2,789	-	2,789	31	2,867
Total resources	223,882	(58,534)	165,348	188,774	(39,138)	149,636	15,712	137,326
Net cash requirement			163,395			132,987	30,408	134,689

Summary 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.

Explanation of the variation between Estimate and outturn (net total resources):

FSA Consolidated funded resource spend for the year was around £15.7m less than Estimate provision. The FSA manages its spend over the 3 year Government Spending Review period. The 2004-05 underspend will, with Treasury approval, be carried into 2005-06 to fund continuing planned FSA activity. These activities include work in respect of the Hazard Analysis and Critical Control Point (HACCP) programme and the funding of MHS activity.

The net resource outturn was £1.8m more than the net operating cost due to a prior year adjustment following a change in accounting policy to recognise the Meat Hygiene Service's share of the Local Government Pension Scheme liability in line with FRS17.

The £1.8m cost is the cumulative costs incurred as a result of retrospectively applying FRS 17 to accounting years 2001-02, 2002-03, 2003-4. These costs have not previously been reported to parliament.

Explanation of the variation between Estimate (net cash requirement) and outturn (net cash requirement):

The outturn cash requirement was less than the Estimate in line with expectations. A number of resource costs (such as pension and rent adjustments) had no cash implications.

SCHEDULE 1 (continued)

Food Standards Agency Consolidated Accounts 2004-05
Reconciliation of Resources to Cash Requirement
 for the year ended 31 March 2005

		2004-05	2004-05	Saving/ (excess)	Restated 2003-04
	Note	Estimate £000	Outturn £000	£000	£000
Net total resources		165,348	149,636	15,712	137,326
Capital :					
Acquisition of fixed assets	10 + 11	900	1,160	(260)	3,287
Investments		-	-	-	-
Non-operating A in A :					
Proceeds of fixed asset disposals	9	-	(29)	29	(61)
Accruals adjustments :					
Non-cash items	4	(2,853)	(7,495)	4,642	(6,051)
Changes in working capital other than cash	12	-	(12,242)	12,242	(176)
Use of provision	16a	-	525	(525)	364
Cash contribution to pension deficit	16b	-	3,269	(3,269)	-
Prior year adjustment	30	-	(1,837)	1,837	-
Net Cash Requirement (Schedule 4)		163,395	132,987	30,408	134,689

Note:

The current year's figures for total resource outturn has been increased by £1,837,000 due to a prior year adjustment (note 30) to recognise the MHS pension fund deficit. This comprises £2,328,000 for 2003-04, £397,000 for 2002-03 and (£888,000) for 2001-02.

SCHEDULE 2

Food Standards Agency
Consolidated Operating Cost Statement 2004-05
for the year ended 31 March 2005

	Note	2004-05		Restated 2003-04	
		£000	£000	£000	£000
Administration Costs:					
Staff costs	2	28,262		26,046	
Non-Staff administration costs	4	24,081		18,210	
Gross administration costs			52,343		44,256
Operating income		(1,311)		(73)	
Income from the European Union		(42)		(59)	
	6		(1,353)		(132)
Net administration costs			50,990		44,124
Programme costs					
Request for resources:					
Staff Costs	2	49,750		48,582	
Expenditure	5	84,844		81,212	
			134,594		129,794
Less: income	6		(37,785)		(36,592)
Net Programme Costs	5		96,809		93,202
Net Operating Cost	7 & 8		147,799		137,326
Net Resource Outturn	7		149,636		137,326

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2005

	Note	2004-05	Restated 2003-04
		£000	£000
Net resource outturn for the year	7	(149,636)	(137,326)
Net gain on revaluation of fixed assets	18	36	55
Actuarial loss in the pension scheme	16b	(653)	-
Total recognised gains and losses for the year		(150,253)	(137,271)
MHS Prior year adjustment*	16b	(41,986)	-
Total recognised gains and losses since last annual report		(192,239)	(137,271)

*This represents the cumulative impact of the prior year adjustment on opening reserves, i.e. the opening deficit on the pension scheme at 1 April 2004.

SCHEDULE 3

Consolidated Food Standards Agency

Balance Sheet

as at 31 March 2003

	Note	31 March 2005		Restated 31 March 2004	
		£000	£000	£000	£000
Fixed Assets					
Intangible assets	10	675		880	
Tangible assets	11	5,794		7,090	
			6,469		7,970
Debtor falling due after more than one year	13		99		148
Current assets:					
Debtors	13	12,685		12,695	
Cash at bank and in hand	14	9,301		4,439	
		21,986		17,134	
Creditors (amounts falling due within one year)	15	(39,618)		(28,862)	
Net current assets			(17,632)		(11,728)
Total assets less current liabilities			(11,064)		(3,610)
Creditors	15	(10,393)		(4,104)	
(amounts falling due after more than one year)					
Provision for liabilities and charges	16a	(665)		(1,144)	
			(11,058)		(5,248)
Net liabilities excluding pension deficit			(22,122)		(8,858)
Pension scheme deficit*	16b		(45,130)		(41,986)
Net liabilities			(67,252)		(50,844)
Taxpayer's equity					
General fund	17		(67,660)		(51,468)
Revaluation reserve	18		408		624
			(67,252)		(50,844)

* See note 30 to the account for further details.

Dr Jon Bell

Chief Executive and Accounting Officer

31 October 2005

SCHEDULE 4

**Consolidated Food Standards Agency
Cash Flow Statement**

for the year ended 31 March 2005

	Note	2004-05	2003-04
		<u>£000</u>	<u>£000</u>
Net cash outflow from operating activities (a)		(131,856)	(131,463)
Capital expenditure and financial investment (b)		(1,131)	(3,226)
Financing from the Consolidated Fund (c)		124,392	122,866
Financing from the Devolved Authorities (c)		13,457	10,806
(Decrease)/Increase in cash in the period	14	<u>4,862</u>	<u>(1,017)</u>
(a) Reconciliation of operating cost to operating cash flows			
Net operating cost		147,799	137,326
Adjustments for non-cash transactions	4	(7,495)	(6,051)
Adjustments for movements in working capital other than cash	12	(12,242)	(176)
Cash contribution to pension deficit	16b	3,269	364
Use of provisions	16a	525	-
Net cash outflow/(inflow) from operating activities		<u>131,856</u>	<u>131,463</u>
(b) Analysis of capital expenditure and financial investment			
Intangible fixed-assets additions	10	292	764
Tangible fixed-assets additions	11	868	2,523
Proceeds of disposal of fixed assets		(29)	(61)
Net Cash outflow/(inflow) from investing activities		<u>1,131</u>	<u>3,226</u>
(c) Analysis of financing and reconciliation to the net cash requirement			
From the Consolidated Fund (Supply)		124,392	122,866
From the Devolved Authorities		13,457	10,806
Net financing		<u>137,849</u>	<u>133,672</u>
Decrease/(increase) in cash		(4,862)	1,017
Net cash requirement (Schedule 1)		<u>132,987</u>	<u>134,689</u>

Amount of Grant actually issued to support the net cash requirement is £137,849,371.00

Amount of Grant actually issued to support the prior year net cash requirement was £133,672,000.00

SCHEDULE 5

**Consolidated Food Standards Agency
Resources by Departmental Aims and Objectives**
for the year ended 31 March 2005

	Gross	2004-05 Income	Net	Gross	2003-04 Income	Net
	£000	£000	£000	£000	£000	£000
Aim 1						
Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	19,169	(386)	18,783	15,568	(813)	14,755
Aim 2						
Better food safety and standards	138,432	(38,374)	100,058	121,379	(35,834)	85,545
Aim 3						
Improve consumer choice and diet	29,335	(377)	28,958	37,103	(77)	37,026
Net operating costs	186,936	(39,137)	147,799	174,050	(36,724)	137,326

The FSA aims are described in more detail in the 2004 Departmental Report.

Costs have been apportioned to individual aims on a divisional basis which best reflects the resources consumed. These costs include staff costs as explained in note 2 to the accounts.

Notes to the Accounts

1 Accounting Policies

1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Food Standards Agency (FSA) are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

1.2 Restatement of Prior Year Balance Sheet and Other Statements

The 2003-04 balance sheet has been restated to include the deficit within the Local Government Pension Scheme (LGPS) which the majority of the Meat Hygiene Service staff belong to. The MHS had previously been unable to identify its share of the LGPS assets and liabilities. The full FRS 17 disclosure has led to the 2003-04 accounts being restated to include this liability. (See note 30 for further details.)

1.3 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks, where material, at their value to the business by reference to their current costs.

1.4 Basis of Consolidation

These accounts comprise the consolidation of the core FSA (Westminster funded) and its executive agency, the Meat Hygiene Service (MHS).

Additionally, the FSA consolidated accounts incorporate results from the FSA devolved offices in Scotland, Northern Ireland and Wales. These are funded directly by the Scottish Parliament, the Northern Ireland Department of Finance and Personnel, and the National Assembly for Wales respectively. The Westminster funded FSA, Food Standards Agency Northern Ireland and MHS each produce and publish their own annual accounts. The MHS annual report and account is available from 'The Stationery Office' at www.tso.co.uk/bookshop.

The accounts directions for Scotland and Wales do not require separate balance sheets to be prepared. Consequently, the consolidated accounts include assets and liabilities relating to Scotland and Wales, that are not separately identified in the financial statements of Wales and Scotland.

1.5 Intangible Fixed Assets

Computer software licences with a purchased cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised at cost and revalued each 31 March using the *Retail Price Index* indices from the Office for National Statistics:

1.6 Tangible Fixed Assets

Individual or grouped tangible fixed assets with a purchase cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised at cost and revalued each 31 March using the following indices from the Office for National Statistics:

- a) *The Retail Price Index* for office machinery, furniture, fixtures and fittings & vehicles; and
- b) *PQEK "Computers and other information processing equipment"* for computer servers and computer equipment.

Fixed assets are included at cost and revalued using the above mentioned indices.

The FSA does not currently own any land or buildings.

1.7 Depreciation and Amortisation

Freehold land and assets in the course of construction are not depreciated. Depreciation and amortisation are at rates calculated to write-off the valuation of tangible and intangible fixed assets respectively by applying straight-line method over the following estimated useful lives:

Tangible assets

Computer servers and computer equipment	4-7 years
Office machinery	7 years
Furniture, fixtures and fittings	7 years
Vehicles	4 years

Intangible assets:

Computer Software and software licences	2-7 Years
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All other assets are depreciated from the month following the date of acquisition.

1.8 Stocks and Work in Progress

Consumables are valued at cost, if held for existing use, otherwise net realisable value.

1.9 Research & Development

Expenditure on research is not capitalised. 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 SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the RAM which are adapted from the SSAP 13 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 the 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 had 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 represents total accrued income for the year, and is shown net of Value Added Tax. The FSA has income from milk and dairies sampling work and from assessments and consultations on radioactive discharges. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund, which HM Treasury has agreed should be treated as operating income. Additionally, the MHS has income from meat hygiene inspections and from government organisations (predominantly from Specified Risk Material controls).

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, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs including other disbursements by the FSA.

It should be noted that it is a requirement of HM Treasury that all expenditure by the Meat Hygiene Service, including staffing and administrative costs are regarded as programme costs for the purposes of resource accounting.

1.12 Cost of Capital

A charge reflecting the cost of capital used by FSA is included in operating costs. The charge is calculated at the Government's standard 3.5% rate on all assets less liabilities except cash balances with the Office of the Paymaster General (PMG) and liabilities surrendered to the consolidated fund.

1.13 Pensions

FSA present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and non-contributory. 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.

The majority of employees of the MHS are members of the Local Government Pension Scheme, a defined benefit scheme which is governed by Hymans Robertson Pension Scheme Regulations 1995, and administered by the London Pensions Fund Authority. Other MHS employees are members of the PCSPS.

Pension assets and liabilities attributable to MHS in the Local Government Pension Scheme are recorded in line with FRS 17, with a valuation undertaken by the Government Actuaries Department. FRS 17 measures the value of pension assets and liabilities at the balance sheet 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 Operating Cost Statement and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from assets valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Recognised Gains and Losses. The resulting pension liabilities or asset is shown on the Balance Sheet.

A prior year adjustment has arisen as a result of the MHS applying FRS 17 in full for 2004-05; see note 30 for further details.

1.14 Early Departure Costs

Employees and ex-employees of the Food Standards Agency are members of the Principal Civil Service Pension Scheme (PCSPS). The majority of the employees and ex-employees of the Meat Hygiene Service are members of the Local Government Pension Scheme (LGPS), with the remaining employees members of PCSPS. The contributions to PCSPS and LGPS and a description of the schemes are set out in notes 2 and 16b.

The PCSPS defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS rather than the FSA. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

The LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by the London Pensions 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. Following the full adoption of FRS 17, the current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged through the I&E account for the year. See note 30 for further details.

1.15 Operating Leases

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 term or the period in which the rental has been reduced by the lessor. The allocation is on a straight line basis.

1.16 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSA and MHS are audited by the Comptroller and Audit General. No direct charge 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 HM Customs and Revenue is shown as a debtor or creditor on the balance sheet. Irrecoverable VAT is charged to the operating cost statement, or if it is incurred on the purchase of a fixed 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 at the balance sheet 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.

Provisions have not been discounted, as the resulting adjustment is 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 FRS 12, the department 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 Department 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 Resource Accounting 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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.20 Change in Accounting Treatment

Desktop computers inherited by the FSA from the Department of Health and the former Ministry of Agriculture, Fisheries and Food, together with a bulk purchase of new computers, were capitalised at fair value on Vesting Day. Replacement PC purchases made in the period from Vesting Day to 31 March 2004 were expensed rather than capitalised. A change in the FSA's capitalisation treatment from 1 April 2004 now means that expenditure on computers is capitalised.

Additionally there was a change in accounting treatment with respect to the Aviation House lease. The lease is expensed in the accounts on a flat rate basis over the term of the lease. Previously, the annual rent charged to the operating cost statement reflected an estimate of the market rent over the term of the lease.

2. Staff numbers and related costs

A. Food Standards Agency - administration costs (excluding the MHS)

	2004-05				2003-04	
	TOTAL	FSA (HQ) Westminster STAFF	BOARD	SUB-TOTAL	Devolved OFFICES	UK TOTAL
	£000	£000	£000	£000	£000	£000
Wages and salaries	22,471	19,231	326	19,557	2,914	18,936
Social security costs	1,840	1,582	31	1,613	227	1,526
Other pension costs	3,167	2,750	36	2,786	381	2,708
Sub Total	27,478	23,563	393	23,956	3,522	23,170
Inward secondments	249	249	-	249	-	2,325
Agency Staff	741	578	-	578	163	732
Total	28,468	24,390	393	24,783	3,685	26,227
Less recoveries in respect of outward secondments	(206)	(206)	-	(206)	-	(181)
Total Net Costs	28,262	24,184	393	24,577	3,685	26,046

FSA Northern Ireland staff costs are presented as programme rather than administration costs in the FSA NI resource accounts since the staff are not Northern Ireland civil servants. For consistency, they are shown as administration costs in the consolidated accounts as are Wales and Scottish FSA staff.

B. Meat Hygiene Service - programme costs

	2004-05	2003-04
	£000	£000
Wages and salaries	40,491	39,656
Social security costs	3,185	3,227
Other pension costs	1,590	1,236
MHS LGPS Pension scheme service costs	4,484	4,463
Sub Total	49,750	48,582
Inward secondments	-	-
Total	49,750	48,582
Less recoveries in respect of outward secondments	-	-
Total Net Costs	49,750	48,582

Principle 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 2003. Details can be found in the resource accounts of the **Cabinet Office: Civil Superannuation** (www.civilservice-pension.gov.uk)

For 2004-2005, employer's contributions of £4,312,000 were payable to the **PCSPS** (2003-04 £4,061,000) at one of four rates in the range of 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. With effect from 1 April 2005, the contribution rates were increased to between 16.2% and 24.6%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a **partnership** account, a stakeholder pension with an employer contribution. Employer's contributions of £10,575 (2003-04: £170) were paid to one or more of a panel of four appointed **stakeholder** pension providers. Employer partnership contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £115 (2003-04: £29) were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no early retirements on ill-health ground in 2004-05.

Contributions due to the **partnership** pension providers at the balance sheet date were £881.

MHS Local Government Pension Scheme (LGPS)

Details of the Meat Hygiene Service Local Government Pension Scheme are set out in Note 16b.

C. Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2004-05 is shown in the table below.

These figures include those working in the FSA and MHS (including senior management).

2004-05				
	FSA (HQ) & MHS	Board Members	Devolved Offices	Total
Aim 1 Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	111	1	26	138
Aim 2 Better food safety and standards	1,971	2	81	2,054
Aim 3 Improve consumer choice and diet	140	1	26	167
	2,222	4	133	2,359

2003-04				
	FSA (HQ) & MHS	Board Members	Devolved Offices	Total
Aim 1 Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	122	1	24	147
Aim 2 Better food safety and standards	1,858	2	56	1,916
Aim 3 Improve consumer choice and diet	242	1	26	269
	2,222	4	106	2,332

D. Staff Costs by aim were as follows:

	2004-05			2003-04		
	FSA (HQ) & MHS	Devolved Offices	Total			
	£000	£000	£000	£000	£000	£000
Aim 1 Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	3,725	711	4,436	3,906	663	4,569
Aim 2 Better food safety and standards	65,889	2,245	68,134	59,881	1,679	61,560
Aim 3 Improved consumer choice and diet	4,713	729	5,442	7,693	806	8,499
	74,327	3,685	78,012	71,480	3,148	74,628

Notes:

- Staff costs by aim have been apportioned according to an estimate on the divisional staff time input to that aim in proportion to the total divisional staff time.
- Staff numbers have been apportioned according to how much time was spent on each aim.
- For further details on MHS staff costs and numbers please refer to the 2004-05 MHS Annual Report and accounts.

3. SALARY AND PENSION ENTITLEMENTS

The salary and pension entitlements of Board Members and senior management of the department were as follows:

(a) Remuneration:		2004-05	2003-04
		Salaries and Other Allowances £5,000	Salaries and Other Allowances £5,000
FSA		£000	£000
Dr Jon Bell	Chief Executive	125 - 130	115 - 120
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources	110 - 115	100 - 105
David Statham	Director, Enforcement	95 - 100	90 - 95
David Dunleavy	Director, Legal Services	95 - 100	90 - 95
Andrew Wadge	Director, Food Safety Policy	80 - 85	80 - 85
Brian Davies	Human Resources Director	65 - 70	15 - 20
Allan Hutton	Finance Director	60 - 65	60 - 65
Alick Simmons	Veterinary Director	40 - 45	-
Gill Fine	Director of Consumer Choice & Dietary Health	40 - 45	-
George Paterson	Director, FSA Scotland	75 - 80	70 - 75
Morris McAllister	Director, FSA Northern Ireland	70 - 75	70 - 75
Steve Wearne	Acting Director, FSA Wales (until 5/7/2004)	20 - 25	35 - 40
Joy Whinney	Director FSA Wales	35 - 40	15 - 20

FSA Senior Managers received no benefits in kind in 2004-05, with the exception of Steve Wearne who was on detached duty to Cardiff. His benefits in kind related to accommodation costs and amount to £3,500.

Neil Martinson (Director, Communications) from the FSA Executive Management Board has declined to give his consent to the publication of his personal details.

There were no benefits in kind for senior managers.

MHS		2004-05		2003-04	
		£000		£000	
Chris Lawson	Chief Executive	90 - 95		90 - 95	

FOOD STANDARDS AGENCY BOARD					
		2004-05		2003-04	
		Salaries and Other Allowances £5,000	Benefits in Kind	Salaries and Allowances £5,000	Benefits in Kind
		£000	To the nearest £100	£000	To the nearest £100
Prof. Sir John Krebs - Chair		125 - 130	2,800	105 - 110	2,700
Julia Unwin - Deputy Chair		40 - 45	-	20 - 25	-
Prof. Andrew Miller (until 28/2/2005)		25 - 30	1,500	25 - 30	800
Michael Gibson		25 - 30	1,400	25 - 30	1,600
Ann Hemingway		20 - 25	1,300	35 - 40	2,200
Christine Dunn		15 - 20	5,600	10 - 15	3,400
Maureen Edmondson (from 1/9/2004)		15 - 20	3,200	-	-
Nelisha Wickremasinghe (from 1/5/2004)		10 - 15	3,500	-	-
Richard Ayre		10 - 15	2,100	10 - 15	300
Michael Walker (until 31/5/2004)		5 - 10	1,100	20 - 25	900
Baroness Valerie Howarth of Breckland		5 - 10	200	5 - 10	100
Vernon Sankey (until 20/2/2005)		5 - 10	100	5 - 10	100
Sandra Walbran		5 - 10	2,600	5 - 10	1,800
Dr Sati Ariyanayagam		5 - 10	200	5 - 10	100
Graeme Millar (from 1/3/2005)		0 - 5	600	-	-
Christopher Pomfret (from 21/2/2005)		0 - 5	200	-	-

Iain MacDonald declined to give his consent to the publication of his personal details.

Salary

"Salary" 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 allowances to the extent that it is subject to UK taxation.

Benefit in Kind

The monetary value of benefits in kind (such as home to office travel) covers any benefits provided by the employer and treated by the HM Customs & Revenue as a taxable emolument.

(b) Pension benefits:**FSA****2004-05**

		Real increase in Pension at age 60 £2,500	Total accrued Pension at at age 60 31 March 2005 £5,000	Total accrued lump sum at age 60 31 March 2005 £5,000	CETV at 31 March 2005 £000	CETV at 31 March 2004 £000	Real Increase in CETV £000
Dr Jon Bell	Chief Executive	2.5 - 5	55 - 60	165 - 170	922	831	52
Pat Stewart	Deputy Chief Executive and Director, C & R	2.5 - 5	45 - 50	135 - 140	825	733	56
Andrew Wadge	Director, Food Safety Policy	0 - 2.5	15 - 20	55 - 60	280	248	16
David Statham	Director, Enforcement	0 - 2.5	35 - 40	115 - 120	613	556	22
David Dunleavy	Director, Legal Services	0 - 2.5	30 - 35	100 - 105	554	504	17
Brian Davies	Human Resources Director	22.5 - 25	25 - 30	80 - 85	432	46	382
Allan Hutton	Finance Director	0 - 2.5	0 - 5	5 - 10	44	30	11
Alick Simmons	Veterinary Director	2.5 - 5	15 - 20	50 - 55	256	202	42
Gill Fine	Director of Consumer Choice & Dietary Health	n/a	n/a	n/a	n/a	n/a	n/a
George Paterson	Director FSA Scotland	0 - 2.5	0 - 5	10 - 15	73	59	13
Morris McAllister	Director FSA Northern Ireland	0 - 2.5	30 - 35	95 - 100	536	483	31
Joy Whinney	Director FSA Wales	0 - 2.5	10 - 15	30 - 35	123	108	6
Steve Wearne	Acting Director FSA Wales	0 - 2.5	10 - 15	30 - 35	121	102	10

2003-04

		Real increase in Pension at age 60 £2,500	Total accrued Pension at at age 60 31 March 2004 £5,000	CETV at 31 March 2004 £000	CETV at 31 March 2003 £000	Real Increase in CETV £000
Dr Jon Bell	Chief Executive	10 - 12.5	50 - 55	900	668	197
Pat Stewart	Deputy Chief Executive and Director, C R & S	2.5 - 5	40 - 45	733	636	65
Andrew Wadge	Director, Food Safety Policy	2.5 - 5	15 - 20	235	185	39
David Statham	Director, Enforcement	0 - 2.5	35 - 40	599	545	23
David Dunleavy	Director, Legal Services	0 - 2.5	30 - 35	504	454	22
Brian Davies	Human Resources Director	2.5 - 5	25 - 30	433	371	41
Allan Hutton	Finance Director	0 - 2.5	5 - 10	99	79	15
George Paterson	Director FSA Scotland	0 - 2.5	0 - 5	65	48	16
Morris McAllister	Director FSA Northern Ireland	2.5 - 5	25 - 30	483	423	40
Joy Whinney	Director FSA Wales (until 5/7/2004)	0 - 2.5	5 - 10	104	94	4
Steve Wearne	Acting Director FSA Wales	0 - 2.5	5 - 10	102	88	9

MHS**2004-05**

		Real increase in Pension at age 60 £000	Total accrued Pension at at age 60 31 March 2005 £000	Total accrued lump sum at age 60 31 March 2005 £000	CETV at 31 March 2005 £000	CETV at 31 March 2004 £000	Real Increase in CETV £000
Chris Lawson	Chief Executive	0 - 2.5	40 - 45	120 - 125	738	702	(2)

2003-04

		£000	£000	£000	£000	£000
Chris Lawson	Chief Executive	0 - 2.5	35 - 40	698	657	12

FOOD STANDARDS AGENCY BOARD

	2004-05					
	Real	Total	Total	CETV	CETV	Real
	increase	accrued	accrued	at	at	Increase
	in Pension	Pension at	lump sum	31 March	31 March	in
at age 60	at age 60	at age 60	2005	2004	CETV	
£2,500	£5,000	£5,000				
£000	£000	£000	£000	£000	£000	
Prof. Sir John Krebs - Chair	0 - 2.5	5 - 10	20 - 25	85	65	20
Julia Unwin - Deputy Chair	0 - 2.5	0 - 5	0 - 5	12	5	7
Ann Hemingway	0 - 2.5	0 - 5	0 - 5	22	19	3
Michael Gibson	0 - 2.5	0 - 5	5 - 10	18	14	4
Michael Walker (until 31/5/2004)	0 - 2.5	0 - 5	5 - 10	20	15	5
Richard Ayre	-	-	-	-	-	-
Baroness Valerie Howarth of Breckland	-	-	-	-	-	-
Vernon Sankey (until 20/2/2005)	-	-	-	-	-	-
Sandra Walbran	-	-	-	-	-	-
Christine Dunn	-	-	-	-	-	-
Dr Sati Ariyanayagam	-	-	-	-	-	-
Prof. Andrew Miller *# (until 28/2/2005)	0 - 2.5	0 - 5	0 - 5	9	4	5
Nelisha Wickremasinghe (from 1/5/2004)	-	-	-	-	-	-
Maureen Edmondson (from 1/9/2004)	-	-	-	-	-	-
Christopher Pomfret (from 21/2/2005)	-	-	-	-	-	-
Graeme Millar (from 1/3/2005)	0 - 2.5	0 - 5	-	-	-	-

	2003-04				
	Real	Total	CETV	CETV	Real
	increase	accrued	at	at	Increase
	in Pension	Pension at	31 March	31 March	in
at age 60	at age 60	2004	2003	CETV	
£2,500	£5,000				
£000	£000	£000	£000	£000	
Prof. Sir John Krebs - Chair	0 - 2.5	5 - 10	62	49	13
Julia Unwin	0 - 2.5	0 - 5	4	0	4
Ann Hemingway - (Acting Deputy Chair until 13/07/03)	0 - 2.5	0 - 5	18	13	5
Michael Gibson	0 - 2.5	0 - 5	13	9	4
Michael Walker	n/a	n/a	n/a	n/a	n/a
Richard Ayre	-	-	-	-	-
Robert Rees (until 28/02/04)	-	-	-	-	-
Baroness Valerie Howarth of Breckland	-	-	-	-	-
Vernon Sankey	-	-	-	-	-
Sandra Walbran	-	-	-	-	-
Christine Dunn	-	-	-	-	-
Dr Sati Ariyanayagam	-	-	-	-	-
Prof. Andrew Miller *#	0 - 2.5	0 - 5	4	0	4

Iain MacDonald has declined to give his consent to the publication of his personal details.

The Executive Management Board members all decided not to disclose the age of the management team and Board Members.

Five members of the FSA Board are members of a by analogy pension scheme similar to the PCSPS. This is not a stand alone scheme, but it does entitle the relevant member to have similar pension benefits to those of civil servants.

* opted to join premium

pension details assume maximum commutation of pension for lump sum.

CETV is Cash Equivalent Transfer Value for pension entitlement

Civil Service Pensions (CSP)

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk. The FSA cannot identify its share of the underlying assets and liabilities within this scheme.

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

4. Non-staff administration Costs

	2004-05		2003-04	
	£000	£000	£000	£000
Rentals under operating leases:				
Hire of plant and machines	110		193	
Other operating leases (including rent)	11,454		4,757	
		11,564		4,950
Non-cash items:				
Depreciation and amortisation of fixed assets:				
Tangible fixed assets	1,427		1,457	
Intangible fixed assets	141		108	
Cost of capital charge	(115)		(126)	
Auditor's fees	100		100	
Loss on disposal of fixed assets	4		114	
Total non-cash items		1,557		1,653
Accommodation costs		3,728		4,499
Board and staff overheads		3,578		3,240
Operational costs		-		3
Administration costs		2,478		2,411
IT costs		1,019		1,258
Committee costs		145		176
Bad debts		-		1
Other costs		12		19
Other expenditure		24,081		18,210

Notes

- a) The auditors received no fees for non audit work.
- b) The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in Schedule 1 and in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 comprises:

	2004-05
	£000
Other administration costs - non cash items (as above)	1,557
Board member pension creditors	(63)
Provisions arising during the year	47
Indirect Funding	96
Pension cost	5,760
Reversal of accrual relating to prior year	436
Other MHS items included in programme costs:	
Loss on disposals	4
Depreciation	1,094
Cost of capital	(1,466)
Auditor's fees	30
Total non-cash transactions	7,495

5. Net Programme Costs

	2004-05		2003-04	
	£000	£000	£000	£000
Research & Development				
Meat Hygiene	4,150		5,592	
Nutrition	5,329		4,783	
Microbiological Food Safety	2,019		2,347	
Novel Food & Chemical Safety Toxicology	2,654		2,622	
Chemical Safety	3,402		3,184	
Food Labelling & Standards	971		1,249	
Chemical Contaminants	872		1,411	
Radiological Safety	102		168	
Scallop Processing	188		420	
Food Chain Safety	222		203	
Animal Feedingstuff	-		121	
Miscellaneous	221		460	
	20,130		22,560	
Enforcement, Monitoring and Campaigns				
Meat Hygiene Service				
Staff Costs		49,750		48,582
Interest payable to pension scheme (Note 18)	1,276		1,300	
Other Expenditure	32,038		34,504	
Meat Hygiene	74		180	
Radiological Safety	2,586		2,710	
Food Chain Safety	(4)		202	
Micro Food Safety/Food Hygiene Campaign	9,011		7,904	
Committees, Press & Publicity	4,538		2,548	
Salt Publicity Campaign	4,057		-	
Nutrition	3,790		2,242	
Chemical Contaminants	1,429		1,296	
Sampling Step Change	1,001		632	
Animal Feedingstuff	105		171	
Medical and Legal	377		233	
Food Safety and Education	1,728		1,825	
Enforcement and Audit	487		542	
Food Labelling & Standards	431		588	
Novel Food & Chemical Safety Toxicology	311		456	
Miscellaneous	1,479		1,319	
Total non-staff programme costs		84,844		81,212
		134,594		129,794
Less: Programme income				
FSA(HQ) (Note 6)	(2,286)		(2,362)	
Meat Hygiene Service (Note 6)	(35,499)		(34,230)	
		(37,785)		(36,592)
		96,809		93,902

Included in the MHS costs above are:

For 2004-05, the auditor's fees of £30,000 and depreciation of £1,094,000

For 2003-04, the auditor's fee of £30,000 and depreciation of £421,000

6. Analysis of Income

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

	2004-05		2003-04	
	£000	£000	£000	£000
All operating income is included within public expenditure				
Administration income:				
From Government Departments and others	1,353		132	
		1,353		132
Programme income:				
Milk and Dairy Hygiene - sampling	35		32	
Assessments and consultations on radioactive discharges	2,251		2,330	
	<u>2,286</u>		<u>2,362</u>	
Meat Hygiene Service activity	35,499		34,230	
		37,785		36,592
		39,138		36,724

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

	2004-05			2003-04		
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Meat Hygiene Service activity						
Industry	23,422	53,300	(29,878)	21,732	48,504	(26,772)
Government	12,077	12,077	-	12,498	12,498	-
Milk and Dairy Hygiene - sampling and inspections	34	51	(17)	32	65	(33)
Assessments and consultations on radioactive discharges	2,252	2,252	-	2,330	2,330	-
	<u>37,785</u>	<u>67,680</u>	<u>(29,895)</u>	<u>36,592</u>	<u>63,397</u>	<u>(26,805)</u>

The MHS does not recover all its costs from industry. Smaller plants are charged inspection fees on a throughput rather than hourly rate basis.

7. Reconciliation of net operating cost and net resource outturn

	2004-05	2003-04
	£000	£000
Net Operating Cost	147,799	137,326
Operating income not classified as A in A	-	-
Consolidated funding standing services	-	-
	<u>147,799</u>	<u>137,326</u>
Adjust for the effects of prior year adjustments	Note 30	
	1,837	-
Net Resource outturn	149,636	137,326

For details of the prior year adjustments refer to note 30

8. Analysis of net operating cost by spending body

Spending Body:	2004-05		2003-04	
	Estimate	Outturn	Estimate	Outturn
	£000	£000	£000	£000
Core Department	120,131	105,247	108,368	99,165
MHS	31,700	29,878	28,000	26,770
Scottish Parliament	8,345	7,631	6,372	6,311
Northern Ireland Assembly	2,820	2,789	2,884	2,867
National Assembly for Wales	2,352	2,254	2,277	2,214
Total	165,348	147,799	147,901	137,326

9. Analysis of capital expenditure, financial investment and associated A-in-A

	Capital expenditure	Loans, etc.	A - in - A	Net Total
	£000	£000	£000	£000
Request for Resources 1	1,160	-	(29)	1,131
Total 2004-05	1,160	-	(29)	1,131
Total 2003-04	3,287	-	(61)	3,226

10. Intangible Fixed Assets

	Purchased software Licences
	£000
Cost or valuation	
At 1 April 2004	1,235
Additions	292
Revaluation	(118)
Disposals	-
At 31 March 2005	1,409
Amortisation	
At 1 April 2004	355
Charged in year	379
Adjustment on revaluation	-
Disposals	-
At 31 March 2005	734
Net book value at 31 March 2005	675
Net book value at 31 March 2004	880

11. Tangible fixed assets

	Fixtures and Fittings £000	Office Equipment £000	Computer Equipment & Software £000	Motor Vehicles £000	Total £000
Cost or valuation					
At 1 April 2004	7,171	930	3,317	439	11,857
Additions	145	121	602	-	868
Revaluation	241	33	(125)	1	150
Disposals	-	(9)	(96)	(71)	(176)
At 31 March 2005	7,557	1,075	3,698	369	12,699
Depreciation					
At 1 April 2004	3,126	357	1,083	199	4,765
Charged in year	1,255	163	804	61	2,283
Adjustment on revaluation	-	-	-	-	-
Disposals	-	(6)	(91)	(46)	(143)
At 31 March 2005	4,381	514	1,796	214	6,905
Net book value at 31 March 2005	3,176	561	1,902	155	5,794
Net book value at 31 March 2004	4,045	573	2,234	240	7,092

12. Movements in working capital other than cash

	2004-05 £000	2003-04 £000
(Decrease)/Increase in debtors	(59)	1,014
Decrease/(Increase) in creditors	(12,183)	(1,190)
	(12,242)	(176)

The increase in creditors shown above excludes amount issued from the consolidated fund for supply but not spent in year.

13. Debtors

	2004-05 £000	2003-04 £000
Amounts falling due within one year:		
Trade debtors	6,514	6,046
VAT recoverable	1,983	2,400
Other debtors	559	381
Prepayments and accrued income	3,629	3,868
	12,685	12,695
Amounts falling due after more than one year:		
Other debtors	99	148
	12,784	12,843

14. Cash at bank and in hand

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Balance at 1 April	4,439	5,456
Net changes in cash balances	4,862	(1,017)
Balance at 31 March	<u>9,301</u>	<u>4,439</u>

The following balances at 31 March are held at:

Office of HM Paymaster General	8,751	10,538
Commercial banks and cash in hand	550	(6,099)
	<u>9,301</u>	<u>4,439</u>

The balance at 31 March comprises:

Cash due to be paid to the Consolidated Fund:
Amounts issued from the Consolidated Fund
for supply but not spent at year end

	<u>9,301</u>	<u>4,439</u>
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15. Creditors

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
Other taxation and social security	1,946	-
Trade creditors	11,178	8,768
Other creditors	1,257	2,723
Accruals and deferred income	15,936	12,922
Amounts issued from the Consolidated Fund for supply but not spent in year	9,301	4,439
	<u>39,618</u>	<u>28,862</u>
Amounts falling due after more than one year		
Accrual of operating lease incentive*	10,393	4,104
	<u>50,011</u>	<u>32,966</u>

*This includes accruals for both lease incentives and timing differences on lease payments.

16a. Provisions for liabilities and charges

	Early departure costs	FSA Board pension Provision	Legal Claims	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
As at 1 April 2004	930	170	44	1,144
Arising during the year	12	35	-	47
Utilised during the year	(525)	-	-	(525)
Balance at 31 March 2005	<u>417</u>	<u>205</u>	<u>44</u>	<u>666</u>
Balance at 31 March 2004	930	170	44	1,144

The early departure provision 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 programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5% in real terms. In past years the FSA paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

The pension provision relates to the by-analogy pension scheme that applies to certain FSA board members.

There are various compensation claims being sought against the FSA totalling £201,000. These cases will be defended. A provision of £44,000 has been made in the accounts.

16b. Pension scheme

16b.1 The majority of employees of the MHS are members of the Local Government Pension Scheme (LGPS), a defined benefit scheme which is governed by the LGPS Regulations 1995, and administered by the London Pensions Fund Authority. For the year ended 31 March 2005, contributions of £3.3m were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2005, this rate was 14.3% of pensionable remuneration. With effect from 1 April 2005, the contribution rate was increased from 14.3% to 15.6%.

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

	Long term rate of return expected at 31.03.05	Value at 31.03.05 £000	Long term rate of return expected at 31.03.04	Value at 31.03.04 £000
Equities	7.70%	50,931	7.70%	48,148
Bonds	4.80%	6,974	5.10%	7,079
Property	5.70%	4,599	6.50%	3,412
Cash	4.80%	2,166	4.00%	1,005
Market value of assets		64,670		59,644
Present value of scheme liabilities		(109,800)		(101,630)
Net pension liabilities		(45,130)		(41,986)

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:

	At 31 March 2005	At 31 March 2004
Rate of increase on salaries	4.4%	4.4%
Rate of increase in pensions in payment and deferred pensions	2.9%	2.9%
Inflation assumption	2.9%	2.9%
Discount rate	5.4%	5.5%

The scheme managers, Hymans Robertson LLP, are responsible for providing the Actuary with information that the Actuary needs to carry out the valuation. This information includes, but is not limited to details of:

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;

- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept that, as a consequence the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions disclosed in notes 16b.4 and 16b.5. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

16b.2 Analysis of movement in scheme liability

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Scheme liability at 1 April	(41,986)	(41,076)
Current service cost	(3,844)	(3,695)
Employer contributions	3,109	3,296
Contributions in respect of unfunded benefits	160	139
Past service cost	(13)	-
Curtailments and settlements	(627)	(768)
Net return on assets (note 16b.3)	(1,276)	(1,300)
Actuarial loss (note 16b.4)	(653)	1,418
Scheme liability at 31 March	<u>(45,130)</u>	<u>(41,986)</u>

16b.3 Analysis of the amount charged to operating profit

	Year to 31 March 2005		Year to 31 March 2004	
	<u>£000</u>	<u>% of Payroll</u>	<u>£000</u>	<u>% of Payroll</u>
Amount charged to staff costs (note 2B)				
Current service cost	3,844	17.1%	3,695	15.6%
Past service costs	13	0.1%	-	-
Curtailement and settlements	627	2.8%	768	3.2%
Total operating charge (A)	<u>4,484</u>	<u>20.0%</u>	<u>4,463</u>	<u>18.8%</u>
Amount charged to programme costs (note 5)				
Expected return on employer assets	4,398	19.6%	3,471	14.6%
Interest on pension scheme liabilities	(5,674)	(25.3%)	(4,771)	(20.1%)
Net return (B)	<u>(1,276)</u>	<u>(5.7%)</u>	<u>(1,300)</u>	<u>(5.5%)</u>
Net revenue account cost (A)-(B)	<u>5,760</u>	<u>25.7%</u>	<u>5,763</u>	<u>24.3%</u>

16b.4 Analysis of amount recognised in Statement of Recognised Gains and Losses

	<u>2004-05</u> £000	<u>2003-04</u> £000
Actual return less expected return on pension scheme assets	1,774	7,706
Experience gains and losses arising on the scheme liabilities	(221)	299
Changes in financial assumptions underlying the present value of scheme liabilities	(2,206)	(6,587)
Actuarial loss recognised in the statement of recognised gains and losses	<u>(653)</u>	<u>1,418</u>

16b.5 History of experience gains and losses

	<u>2004-05</u>	<u>2003-04</u>
Difference between the expected and actual return on scheme assets:		
Amount (£000)	1,774	7,706
Percentage of assets	2.70%	12.90%
Experience gains/(losses) on liabilities:		
Amount (£000)	(221)	299
Percentage of assets/ (liabilities)	0.20%	0.30%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	(653)	1418
Percentage of assets/ (liabilities)	0.60%	1.40%

17. Reconciliation of net operating cost to changes in General Fund

	<u>2004-05</u>		<u>2003-04</u>	
	£000	£000	£000	£000
Net operating cost for the year (schedule 2)		(147,799)		(137,326)
Net Parliamentary funding		142,291		139,128
Consolidated fund Creditor for cash unspent		(9,301)		(4,439)
Non cash charges				
Cost of capital	(1,581)		(96)	
Indirect Funding	96		404	
Auditor's fees	130		130	
		(1,355)		438
Board member pension creditors		(63)		-
Transferred to general fund of realised element of revaluation reserve		252		-
MHS Actuarial loss		(653)		1,418
Reversal of accrual relating to prior year		436		-
LGPS scheme deficit		-		(41,076)
Net decrease in general fund		<u>(16,192)</u>		<u>(41,857)</u>
General fund at 1 April		<u>(51,468)</u>		<u>(9,611)</u>
General fund at 31 March (Schedule 3)		<u>(67,660)</u>		<u>(51,468)</u>

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.

'Non-cash charges' above include MHS balances charged against Programme Costs in addition to the Administration Cost Charges disclosed in Note 4.

18. Revaluation Reserves

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
Balance at 1 April	624	569
Arising on revaluation during the year	36	55
Transferred to general fund in realised element of revaluation reserve	(252)	-
Balance at 31 March 2005	<u>408</u>	<u>624</u>

The Revaluation Reserve reflects the unrealised element of the cumulative balance of revaluation adjustments.

19. Notes to Schedule 5

Programme grants and other current expenditures have been allocated as follows:

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
Aim 1: Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	5,235	6,323
Aim 2: Better food safety and standards	76,945	73,021
Aim 3: Improved consumer choice and diet	14,629	13,858
	<u>96,809</u>	<u>93,202</u>

20. Capital commitments

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
Contracted capital commitments at 31 March 2005 for which no provision has been made	-	176

22. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	64	-
Expiry thereafter	<u>5,398</u>	<u>4,805</u>
	5,462	4,805
Other:		
Expiry within 1 year	-	87
Expiry after 1 year but not more than 5 years	90	22
Expiry thereafter	<u>-</u>	<u>84</u>
	90	193

23. Reconciliation of Net Cash Flow to Movement in Net Funds

	31 Mar-2005	31 Mar-2004
	<u>£000</u>	<u>£000</u>
Increase/(Decrease) in net funds resulting from cash flows	4,862	(1,017)
Net Funds at 1 April	<u>4,439</u>	<u>5,456</u>
Net Funds at 31 March	9,301	4,439

24. Intra-government balances

	Debtors		Creditors	
	Amounts falling due within 1 year <u>£000</u>	Amounts falling due after more than 1 year <u>£000</u>	Amounts falling due after more than 1 year <u>£000</u>	Amounts falling due after more than 1 year <u>£000</u>
Balances with other central government bodies	3,722	-	17,631	-
Balances with local authorities	9	-	1,134	-
Balances with NHS Trusts	-	-	127	-
Balances with public corporations and trading funds	-	-	-	-
Balances with other bodies external to government	<u>8,954</u>	<u>99</u>	<u>20,726</u>	<u>10,393</u>
At 31 March 2005	12,685	99	39,618	10,393
Balances with other central government bodies	3,776	-	10,958	-
Balances with local authorities	-	-	487	-
Balances with NHS Trusts	-	-	55	-
Balances with public corporations and trading funds	-	-	-	-
Balances with other bodies external to government	<u>8,919</u>	<u>148</u>	<u>17,362</u>	<u>4,104</u>
At 31 March 2004	12,695	148	28,862	4,104

25. Other Commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £38,136,278 up to 31 March 2009.

26. Contingent Liabilities

- i) There are various compensation claims being sought against the FSA totalling £436,000. These cases will be defended. A provision of £44,000 has been made in the accounts. Therefore, there is a contingent liability of £392,000 relating to these claims.
 - ii) There are a number of small claims being made by plant operatives and MHS employees for injuries sustained in the workplace or unfair dismissal. These cases will be defended and as yet the outcome is not known but could amount to £272,000. No provision has been made for these in the accounts.
-

27. Related-Party Transactions

The following Board Members advised of related party transactions:

Michael Walker has disclosed that a practice, in which he is a partner, undertook analytical research work on behalf of the FSA to an approximate value of £300.

The FSA had a number of transactions with other government departments and other central government bodies (see note 24 for details).

28. 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, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

29. Losses and Special Payments

During the year the FSA made a special payment in 1 case with a total expenditure of £875.36. This case related to a compensation payment made to a member of staff.

Additionally, the Meat Hygiene Service made 33 special payments amounting to £104,000. The majority of the cases refer to compensation and personal injury claims.

30. Prior period adjustments

30.1 The majority of MHS employees are members of the LGPS. In 2003-04 MHS were not able to identify their share of the assets and liabilities of the LGPS and therefore treated the scheme as defined contribution in line with FRS 17. In 2004-05, MHS has been able to identify its share of the assets and liabilities and therefore has fully implemented FRS 17. As a result, the Revenue Account (schedule 2) now recognises the movements in the scheme liability (other than those arising from actuarial gains and losses which we recognised in the Statement of Recognised Gains and Losses). The 'Revenue Account' for 2003-04 has been restated to reflect the MHS figures for the new accounting policy. The estimated effect of the change in accounting policy on the results for 2004-05 is to increase the net outgoings by £2.5m. The cumulative impact on reserves as at 1 April 2004 of £41,986,000 is recognised as a prior year adjustment in the Statement of Recognised Gains and Losses.

30.2 As a result of recognising the pension scheme liabilities the cumulative impact on reserves as at 31 March 2004 was £41,986,000 which includes the value of the deficit at 1 April 2003, £41,076,000, which along with the other movements in the year have been noted in the analysis of movements in reserves.

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

1. The Food Standards Agency shall prepare a consolidated account for the year ended 31 March 2001 and subsequent financial years in accordance with the accounting principles and disclosure requirements of the edition of the Treasury Resource Accounting Manual in force for the year for which the account is being prepared.
2. The consolidated account shall be based on the separate accounts prepared 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 National Assembly for Wales 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.
3. The consolidated account shall be prepared so as to give a true and fair view of the aggregate state of affairs at 31 March 2003 and of the Food Standards Agency at the appropriate year end, and of the net resource out-turn, resources applied to objectives, recognised gains and losses and cash flows for the appropriate financial year.
4. The consolidated account shall be sent to the Comptroller and Auditor General not later than 30th November of the financial year following that to which the consolidated account relates; and to the Treasury not later than 15th January of that year.

David Loweth

Head of Central Accountancy Team, Her Majesty's Treasury

31 January 2002

FOOD STANDARDS AGENCY (SCOTLAND)**ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS IN ACCORDANCE WITH SECTION 39(7) AND SCHEDULE 4 OF THE FOOD STANDARDS ACT 1999.**

The Food Standards Agency shall report its funding and expenditure in relation to sums paid out of the Scottish Consolidated Fund in a Statement of Accounts for the year ended 31 March 2001 and subsequent financial years comprising:

- a summary of resource outturn;
- an operating cost statement; and
- a schedule reconciling the net resource outturn to the sums provided out of the Scottish Consolidated Fund.

The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure of the year and reconcile the net resource outturn to the sums paid out of the Scottish Consolidated Fund for the financial year. Subject to this requirement the statement of account shall also be prepared in accordance with the requirements of HM Treasury's Resource Accounting Manual which is in force for that financial year insofar as it is appropriate to the Agency. A separate foreword, statement of the state of affairs at 31 March of the financial year, and a statement of resources applied to objectives, recognised gains and losses and cashflows for the year then ended will not be required.

This direction shall be reproduced as an appendix to the statement of accounts.

Signed by Authority of the Scottish Ministers:

1 October 2001

FOOD STANDARDS AGENCY (NORTHERN IRELAND)**ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF FINANCE AND PERSONNEL UNDER SCHEDULE 4, SECTION 3 OF THE FOOD STANDARDS ACT 1999.**

1. The Northern Ireland operations of the Food Standards Agency shall prepare resource accounts for the year ended 31 March 2005, and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the extant edition of the Northern Ireland Resource Accounting Manual (NIRAM) issued by the Department of Finance and Personnel which is in force for the particular financial year.
2. The accounts for the **Northern Ireland operations of the Agency, for which an Estimate is approved by the Assembly or Parliament**, shall be prepared so as to give a true and fair view of the state of affairs at 31 March 2005, and subsequent financial year ends, and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.
3. Compliance with the requirements of NIRAM 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 NIRAM is inconsistent with the requirement to give a true and fair view, the requirements of NIRAM 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 NIRAM. Any material departure from NIRAM should be discussed in the first instance with DFP.

DAVID THOMSON
Treasury Officer of Accounts

1 April 2004

FOOD STANDARDS AGENCY (WALES)**ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES IN ACCORDANCE WITH SECTION 39(7) AND SCHEDULE 4 OF THE FOOD STANDARDS ACT 1999.**

The Food Standards Agency shall report its funding and expenditure in relation to sums paid by the National Assembly for Wales in a Statement of Accounts for the year ended 31 March 2001 and subsequent financial years comprising:

- A summary of resource outturn;
- An operating cost statement; and
- A schedule reconciling the net resource outturn to the sums provided by the National Assembly for Wales.

The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure of the year and reconcile the net resource outturn to the sums provided by the National Assembly for Wales for the financial year. Subject to this requirement the statement of account shall also be prepared in accordance with the requirements of HM Treasury's Resource Accounting Manual which is in force for that financial year insofar as it is appropriate to the Agency.

A separate foreword, statement of the state of affairs at 31 March of the financial year, and a statement of resources applied to objectives, recognised gains and losses and cashflows for the year then ended will not be required.

This direction shall be reproduced as an appendix to the statement of accounts.

Signed by Authority of the National Assembly for Wales

5 September 2001

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to those government departments and pension schemes listed in the attached appendix.
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2005 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by H M Treasury ("the Resource Accounting Manual") which is in force for 2004-05.
3. The accounts for **government departments** shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2005 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. The accounts for **pensions schemes** shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2005 and of the net resource outturn 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.
5. Compliance with the requirements of the Resource Accounting Manual 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 Resource Accounting Manual is inconsistent with the requirement to give a true and fair view, the requirements of the Resource Accounting Manual 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 Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

DAVID CRUDEN FCA

Head of Central Accountancy Team, Her Majesty's Treasury

16 February 2005

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