
Food Standards Agency Westminster

Annual Report and Accounts 2011/12

(For the year ended 31 March 2012)

Annual Report presented to Parliament pursuant to Section 4 of the Food Standards Act 1999

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

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This is part of a series of departmental publications that, along with the Main Estimates 2012/13 and the document Public Expenditure: Statistical Analyses 2012, present the Government's outturn for 2011/12 and planned expenditure for 2012/13.

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

The Food Standards Agency

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

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

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

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

FSA operations staff work in slaughterhouses and meat plants throughout England, to make sure the meat you buy is safe.

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

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

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

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

Our core principles

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

Our Strategy to 2015

Our updated Strategy to 2015 sets out the six outcomes we work towards to make sure that food is safe and consumers can continue to have trust and confidence in the food they buy and eat. These outcomes reflect the work of the FSA at all stages of the food supply – from when food enters the UK to when it is sold by retailers and caterers.

The outcomes we aim to deliver are:

- food produced or sold in the UK is safe to eat;
- imported food is safe to eat;
- food producers and caterers give priority to consumer interests in relation to food;
- consumers have the information and understanding they need to make informed choices about where and what they eat;
- regulation is effective, risk-based and proportionate, is clear about the responsibilities of food business operators, and protects consumers and their interests from fraud and other risks; and
- secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk.

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

To help measure success against our Strategy to 2015, we track a number of impact indicators. These are an integral part of our quarterly Performance Management Reports. We intend to put information from these reports into the public domain this year, starting with the quarter April-June 2012. We are also continuing to further develop existing and new indicators and these will be added to the Performance Management Reports as they are agreed.

Our Science and Evidence Strategy

To support the delivery of the Strategy, we updated our Science and Evidence Strategy 2010 to 2015. The Science and Evidence Strategy sets out how we will use science and evidence to meet the challenges of delivering safer food for the nation. It reiterates our commitment to using the best available science and evidence in an open and transparent manner. We will continue to be guided by independent scientific advice, and we will launch new research partnerships to further our understanding as we seek to manage risk to make sure food is safe. The full text of our Science and Evidence Strategy is available on our website **food.gov.uk**

Our activities and performance during 2011/12

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

Main priorities
Reduce foodborne disease using a targeted approach – tackling campylobacter in chicken as a priority
Increase horizon scanning and improve forensic knowledge of, and intelligence on, global food chains to identify and reduce the impact of potential new and re-emerging risks – particularly chemical contamination
Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● A key feature of the Foodborne Disease Strategy is the development and implementation of the Campylobacter Risk Management Programme, a 5 year programme which aims to reduce cases of campylobacter. The FSA continues to work in partnership with the British Poultry Council, the National Farmers Union, the British Retail Consortium and Defra through the Joint Working Group on Campylobacter to identify and trial new interventions to reduce contamination on chicken carcasses. The Campylobacter Risk Management work is on track and we have agreed a voluntary target with the industry to reduce the percentage of the most heavily contaminated chickens in the UK from a baseline of 27% in 2008 to 10% in 2015. If successful, it is estimated that we could see a reduction in Campylobacter food poisoning of up to 30%, equivalent to about 90,000 cases per year. ● A further important feature of the Foodborne Disease Strategy is the Listeria Risk Management Programme. This aims to reduce the number of cases of (and deaths from) listeriosis in the UK by targeting the population groups, healthcare settings and industry sectors where the risk is highest. The work is being delivered through active partnerships with other government departments, health protection agencies, non-governmental organisations, the NHS, Local Authorities and the food industry. The finalised work programme was published in October 2011 and a number of stakeholder working groups have been established to progress activities. ● Norovirus is an important foodborne pathogen, however, significant gaps in our knowledge still exist in this area. A foodborne viruses research programme has been established within the Foodborne Disease Strategy to address this. To help inform where we might most effectively target interventions in future, the research programme aims to improve our understanding of the routes of transmission for norovirus, the role that the whole food chain, including food handlers, plays in UK acquired norovirus infections and the dynamics of the spread of disease. The FSA published results of a study on the prevalence, distribution and levels of norovirus in oysters at production sites in November 2011. These results, along with data generated from other research, will help build the evidence base needed to address the risks posed by norovirus in the food chain in the UK. Data from this study has also informed an EFSA scientific opinion on norovirus in oysters published in January 2012.

Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● The FSA’s Emerging Risk Programme aims to provide a co-ordinated approach to the collation and analysis of intelligence relating to food safety. The programme aims to provide a clearer picture of when, why and how food safety issues develop. The analyses will be used to predict new and re-emerging risks to food safety and to build knowledge of new technologies and novel foods. Following completion of the method development phase of this work programme, systems for the detection of emerging risks in food became fully operational in January 2012 as planned. A comprehensive programme of targeted stakeholder engagement has been developed at local, national and international levels to support the programme. We have convened a cross-Agency Governance Board to oversee the programme and to ensure that issues identified by the Emerging Risks Evaluation Board are appropriately progressed. Work to develop an intelligence network by integrating the emerging risks Memex database with those relating to incidents and food fraud, was completed in March 2012. ● During the last year the Agency handled 1,787 incidents. There were 6 high level incidents over this period, including the E.coli O104 outbreaks in Germany and France linked to sprouted seeds. Our incidents procedures are regularly reviewed in the light of experience and our Incident Response Protocol updated accordingly.

Outcome: imported food is safe to eat

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

Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● With an ever increasing prominence in global food supply and emerging risks originating from feed and food sourced from outside the EU, the FSA has introduced a new imports strategy, following discussions at the FSA Board meeting in September 2011. This focuses on investing in analysis and intelligence sharing approaches to develop a deeper understanding of import profiles by product, country of origin, volume and risks. The strategy will allow more effective targeting of checks at the ports and improved surveillance. ● We have co-ordinated organisation of increased controls for certain feed and food of non-animal origin, as required under Commission Regulation (EC) 669/2009. ● A number of additional safeguard measures have also been in place during the course of the year. These included measures controlling imports from Japan following the Fukushima nuclear plant explosion in March 2011 and prohibition of fenugreek seeds and bean imports from Egypt (following the E.coli O104 H4 outbreaks in Germany and France). Special conditions governing the import of particular foodstuffs from certain non-EU countries due to contamination risk by aflatoxins, have remained in place.

Outcome: food producers and caterers give priority to consumer interests in relation to food

Main priorities
Increase the provision of information about allergens, including in catering establishments
Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● The FSA has worked in a variety of ways to increase the provision of information about allergens, including issuing advice to caterers in May 2011 on how to comply with new legislation on claims about gluten in food that came into effect at the beginning of 2012. In terms of research, we are funding a significant programme which includes two major clinical studies investigating the effects of the timing of introduction of allergenic foods into the infant diet on the risk of development of food allergy; and we are close to commissioning a new study to investigate the effect of external factors on the severity and thresholds of allergic reactions. ● Partnership working is an essential part of the way we work. We are helping to build a collaborative initiative with a range of international stakeholder groups to derive and agree allergen management thresholds, with the aim of publishing the outcomes by the end of 2012. We are collaborating with the Medical Research Council to co-fund further research on the mechanisms involved in the development of food allergy; and our collaboration with other government departments ensured a satisfactory outcome on the negotiations on the EU Food Information for Consumers Regulation (FIR). ● We have worked in partnership throughout the year with Local Authorities, caterers, retailers and other organisations through various work streams to encourage the development, promotion and availability of healthier options when shopping and eating out. ● We have progressed work on reformulation; front of pack nutritional labelling; the provision of calorie information and healthier menu options in catering premises; tackling food poverty; improving access to nutritional education; and, supporting policies for food in schools.

Outcome: consumers have the information and understanding they need to make informed choices about where and what they eat

Main priorities
Improve public awareness and use of messages about good food hygiene practice at home
Increase provision of information to consumers on the hygiene standards of food premises when they choose where to eat out or shop for food

Highlights of our activities and performance in 2011/12

- Following the Board's conclusion that there are no food safety grounds for regulating foods from the descendants of cloned cattle and pigs, we sought the views of the public on the proposal that these foods should no longer be regarded as 'novel', i.e. meat and milk from these animals would not require authorisation under the EU novel foods regulation. After further consideration by the Board, the FSA announced in May 2011 that it had revised its interpretation of the legislation, aligning its interpretation with that of the European Commission. We have also undertaken some initial research into public attitudes to nanotechnology, which was published in April 2011. The research showed that participants were more accepting of nanotechnology-enabled food applications with apparent health benefits. Participants expressed general concern relating to long-term safety and environmental impact and they valued transparency; there was support for labelling of nanotechnology-enabled foods and for information about such foods on the UK market. The provision of such information was one of the recommendations of a House of Lords report in 2010 published in spring 2012.
- A new Citizens' Forum programme was started to explore consumer views on information about food and feed business compliance. The main areas of exploration will be:
 - Understanding how consumers currently use information when deciding where to eat
 - Understanding consumers' views about openness and transparency
 - Identifying consumers' expectations, needs and interest in relation to information about food compliance (including challenging their views about what information they actually need/use)
 - Exploring views about making compliance information available to the public and how this could work in practice (including issues of accessibility; level of detail; resources; context; implications)
- 78 local authorities have launched the Food Hygiene Rating Scheme (FHRS) meaning that 69% of authorities across the three countries are now running the scheme and there are online records for an estimated 44% of businesses within scope (over 217,000). Looking forward, a further 25% of authorities are working towards launch before or just after the London 2012 Olympics and it is anticipated that 97% will have adopted the FHRS before the end of 2012. This includes all 26 district councils in Northern Ireland so that there will be a national scheme there as well as in Wales.
- Independently conducted surveys have indicated that 43% of businesses with FHRS ratings in England are displaying these somewhere at their premises.

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

Main priorities
Safeguard consumers by making it easier for businesses to comply with regulations, and minimise burdens on businesses
Secure more proportionate, risk-based and effective regulation by strengthening our engagement in the EU and in international forums
Work internationally to design a model for a new regulatory and enforcement regime for ensuring meat controls are effective

Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● The FSA Board agreed a compliance and enforcement strategy in July 2011. This aims to safeguard consumers and improve public health by improving overall business compliance. In implementing the strategy, the FSA will focus on better targeted activity; high impact interventions and ensuring compliance in high risk areas. ● The compliance and enforcement strategy recognises the importance of greater partnership with the private sector and better recognition of the part that the food industry's own audit and self-checking systems may have within the regulatory regime. ● In July 2011, the FSA introduced changes to the delivery of official controls for dairy hygiene in England and Wales. These changes provide proportionate official controls and earned recognition for the assurance provided through dairy farm membership of the Assured Dairy Farm Scheme. ● The protection of animal welfare prior to and during slaughter and killing is one of the key functions of the FSA in approved slaughterhouses in Great Britain, with the FSA carrying out this work on behalf of Defra and the Welsh and Scottish Governments. The FSA carried out a week long survey in Great Britain in September to provide assurance that food business operators were taking active steps to comply with legal requirements. The survey demonstrated that 99% of food business operators were fully compliant or demonstrated minor deficiencies with animal welfare requirements. Results are due to be presented to the FSA Board in the summer of 2012 and will be used to inform implementation of new welfare at killing regulations in January 2013. A similar survey was carried out by DARD in Northern Ireland in February/March 2012. ● Following advice from the FSA on consumer risks, Ministers agreed the FSA's advice to raise the BSE testing of healthy slaughter cattle from 48 to 72 months, with this change introduced in July 2011.

Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● The FSA set up the Future Meat Controls Research Programme in 2010 to gather evidence to support a case for regulatory change. Research has advanced well and is set to continue into 2012. Initial research findings were published in the autumn and have been used to inform the work of the European Food Safety Authority in this area; discussions with the European Commission; other Member States and international trade partners outside the EU. ● The FSA is the lead UK department contributing to the review of Regulation (EC) 882/2004. This legislation sets out the general principles that Member States must adopt when performing official controls to verify compliance with feed and food and animal health and welfare law. The European Commission is looking to address issues relating to the system for financing of official controls, controls on residues of veterinary medicines and EU border controls on live animals and products of animal origin. The Commission also plans to extend the scope of the regulation to include controls verifying compliance with plant health and seeds and propagating material rules. A draft proposal is expected in autumn 2012. ● During the year, the FSA has played a key role in the handling and investigation of food related environmental incidents, supporting Local Authorities tackling food fraud, and any deliberate illegal activity relating to the supply of food or feed.

Outcome: secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk

Main priorities
Secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk
Strengthen the delivery of official controls
Develop our knowledge of what works in driving up business compliance with regulations

Highlights of our activities and performance in 2011/12
<ul style="list-style-type: none"> ● The FSA Board commissioned a review of the delivery of official controls in January 2011. Progress reports were considered by the FSA Board in July 2011 and March 2012. A governance structure has been established to ensure the integrity of this key review. An External Advisory Group is in place to ensure there is independent challenge to the review. A Consultative Group, made up of representatives from 30 organisations across the UK, is providing specialist knowledge and expertise on the review. ● At its meeting in March 2012, the FSA Board Meeting agreed to a separate review of the delivery of official controls for feed and this has now been commissioned. This will follow the same principles as the wider official controls delivery review. Options for future delivery of controls for feed will be presented to the Board later in 2012.

Highlights of our activities and performance in 2011/12

- The FSA provided a report on enforcement of food law by UK Local Authorities, based on the Local Authority Enforcement Monitoring System (LAEMS) food hygiene, food standards and imported food returns and on the FSA's Local Authority audit activity in 2010/11, to the FSA Board meeting in November 2011. These returns demonstrated an improvement in food business compliance levels from greater targeting of high risk establishments and increased formal actions by Local Authorities. However, there were variations between Local Authorities, with a number reporting declines in staffing levels. These returns are being used to inform the FSA's planned audits of Local Authorities in 2012/13.
- In October 2009, the FSA launched an initiative to improve levels of compliance in a small proportion of FSA approved meat establishments identified as a cause for concern. This initiative has contributed to a significant improvement in overall food business operator compliance in the meat sector since its introduction. The number of broadly compliant businesses in the meat sector has increased from 64% in 2009 to 81% at the end of March 2012, with a reduction in the proportion of cause for concern establishments from 9% to 2.3% in the same period. As part of the FSA's commitment to openness and transparency, the FSA started publishing audits of FSA approved meat establishments on the FSA website in January 2012, along with details of establishments identified as a cause for concern. The FSA has a wide body of research ongoing and evidence gathering to improve our understanding of what works in driving up business compliance with regulations. Current research includes an analysis of the regulatory decisions taken by Local Authority officers, segmentation of SME and micro food business populations, and the development of a tool to assist regulators in diagnosing food safety compliance cultures in food business operators.

Formal enforcement action

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

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

Formal and informal enforcement action taken during 2011/12

Formal action	Number of notices 1 April 2010 to 31 March 2011	Number of notices 1 April 2011 to 31 March 2012
Hygiene Emergency Prohibition Notice , served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006, giving a food business operator a day's notice of the intention to apply to a court for the granting of a Hygiene Emergency Prohibition Order which would result in an immediate cessation of business	Nil	Nil
Hygiene Improvement Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	133	182
Remedial Action Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	97	96

Informal action	Number of warnings 1 April 2010 to 31 March 2011	Number of warnings 1 April 2011 to 31 March 2012
Written warning	2,103	1,991

Prosecutions

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

Referrals for possible prosecution 2011/12

Legislation	Number of referrals
Food Hygiene/Safety	121
Transmissible Spongiform Encephalopathies	26
Animal Welfare	11
Animal By-Products	2
Total	160

The timescales for prosecutions means that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the referrals investigated in 2011/12 have yet to be concluded, while some investigations undertaken in 2010/2011 were finalised in 2011/12.

However, it is possible to report on all those cases that were concluded during 2011/12. Overall, 17 cases (comprising a total of 174 individual charges) were brought before the courts by the FSA, Defra, or Procurators Fiscal during the year. The charges laid in these cases covered a total of 46 separate referrals. Convictions were secured in 14 of the cases. Proceedings were withdrawn in two cases and were stayed in a third.

Complaints to the Parliamentary Ombudsman

Complaints to the Parliamentary Ombudsman from members of the public must be made via a Member of Parliament. During 2010/11, the latest year for which FSA statistics are available, the Ombudsman received eight complaints about the Agency. Of these eight cases, none was accepted by the Ombudsman for formal investigation and therefore no action was required by the FSA. The Ombudsman does not accept complaints where the complainant has not first used the complaints process of the public body concerned, or the Ombudsman may conclude that, after an initial assessment, there is no case to answer.

The FSA aims to resolve any complaints quickly and as close as possible to the point of service. If, however, a complainant is not satisfied with the response received from the FSA, he or she can make a formal complaint, using the FSA's two-stage complaints process. At the first stage, formal complaints are generally investigated by the FSA's Complaints Co-ordinator. The FSA received ten formal complaints from members of the public, food business operatives and other stakeholders during 2010/11. Four of these complaints progressed to stage two of the FSA's procedure, which is usually a referral to the FSA's Chief Executive. During 2011/12, the FSA received 13 formal complaints, some of which were in the process of investigation at the end of the financial year. To date, eight complaints progressed to stage two of the procedure.

The complaints range from failure to respond to correspondence within our service standards to criticism of enforcement at meat plants or during food incidents. During 2010/11 no complaints were upheld. In 2011/12, one complaint was upheld and two were partially upheld.

Directors' report

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

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

Day to day management of the FSA is exercised through the Executive Management Board (EMB). In addition to the FSA Board, the FSA has advisory committees, chaired by Board members, in Scotland, Wales, and Northern Ireland. The role of the Committee in each country is to advise the Board. The Board is required by statute to take account of their advice in its work. More information about our organisation and structure can be found on our website at food.gov.uk

Details of Board members and Directors

The FSA Board

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

Lord Jeff Rooker	FSA Chair
Dr. Ian Reynolds	FSA Deputy Chair (to 19 May 2011)
Tim Bennett	Additional responsibility as Interim Deputy Chair (from July 2011)
Dr. David Cameron	Chair of the Scottish Food Advisory Committee (to August 2011)
Dr. James Wildgoose	Additional responsibility as Interim Chair of the Scottish Food Advisory Committee (from September 2011)
John W Spence	Chair of the Welsh Food Advisory Committee
Dr. Henrietta Campbell CB	Chair of the Northern Ireland Food Advisory Committee
Clive Grundy	
Professor Sue Atkinson CBE	
Michael Parker CBE	
Nancy Robson	
Margaret Gilmore	

Executive Management Board (EMB)

During the year, the membership of the EMB was:

Tim Smith

Dr. Andrew Wadge

Alison Gleadle

Andrew Rhodes

Terrence Collis

Rod Ainsworth

Chris Hitchen

Lynne Bywater

Charles Milne

Gerry McCurdy

Steve Wearne

Chief Executive

Chief Scientist

Director, Food Safety

Director, Operations

Director, Communications, Planning, Security, and Estates

Director of Legal, International, Regulation, and Audit

Director, Finance

Director, Human Resources

Director, FSA in Scotland

Director, FSA in Northern Ireland

Director, FSA in Wales

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

Audit Committee

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

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

Michael Parker CBE – Chair

Tim Bennett

Margaret Gilmore

Clive Grundy

Dr. David Cameron – To August 2011

Dr. James Wildgoose – From August 2011

Risk Committee

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

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

Non-executive Board members

Margaret Gilmore – Chair
Tim Bennett
Dr. Henrietta Campbell CB
Michael Parker CBE
Nancy Robson
Dr. David Cameron – To August 2011
John W Spence – From March 2012

Executive members

Tim Smith
Andrew Wadge
Terrence Collis
Chris Hitchen

Management commentary

Preparation of accounts

The Westminster Resource Accounts have been prepared in accordance with the direction given by HM Treasury. They are presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000. The costs of FSA offices in Scotland, Wales, and Northern Ireland are funded through the relevant devolved authority.

Supplier payment policy

It is FSA policy to pay all invoices not in dispute within five days of receipt. During 2011/12, 87% of all invoices were paid within this target. The policy is likely to remain the same for 2012/13.

Financial instruments

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

Monitoring spending on consultancy and temporary staff

Consultancy spend in 2011/12 was £76k relating to eleven suppliers with the greatest spend by one supplier being £38k. Temporary and contract staff are disclosed in note 6.

Sustainability

The FSA is committed to reducing the amount of waste we generate by 25% from a 2009/10 baseline. Our zero waste to landfill target has already been met as since April 2010 all our general waste is sent to incineration. We have a target to reduce our paper use by 10% in 2011/12 and all FSA printers are set to print double-sided black and white at 300dpi. Recycling facilities are available across the Agency's estate along with a desk top recycling facility. Where possible redundant ICT equipment is recycled/reused and we continue to publicise recycling to staff and to provide advice on ways to reduce waste. We work closely with our waste contractor to make efficiencies

Sustainability reports – England

Waste					
Non Financial indicators (Tonnes)	2007/8	2008/9	2009/10	2010/11	2011/12
Total waste	123	128	69	82	84
Recycled/reused waste	75	96	36	46	30
Landfill	48	33	33	0	0
Waste incinerated	/	/	/	31	29
Confidential waste	/	/	/	5	25
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
Total disposal costs	/	/	16785	16962	17488
Waste recycled/reused	/	/	4725	2771	2856
Waste incinerated	/	/	6310	5810	5990
Confidential waste	/	/	5750	8382	8642

Finite Resource Consumption Water					
Non Financial indicators (Cubic Metres)	2007/8	2008/9	2009/10	2010/11	2011/12
Total water consumption supplied (office estate)	11970	9567	8275	8121	5448
Water consumption by FTE	21	15	15	22	15
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
Total costs	18249	16890	13023	16776	9823

We are committed to reducing our water consumption from a 2009/10 baseline. Water savers have been fitted in all toilets saving one litre per flush. Timers have been fitted on all hot water tea points. We have reduced our water usage from the previous years as in 2011/12 it is 15m³ per FTE.

GHG EMISSIONS: ENERGY (Scope 2)					
Non Financial indicators (KWH)	2007/8	2008/9	2009/10	2010/11	2011/12
Electricity	3066056	3117637	2703310	2783849	2428307
Gas	1300517	1631216	1074955	1070899	583119
Non Financial indicators (CO₂e Tonnes)	2007/8	2008/9	2009/10	2010/11	2011/12
Total Purchased energy	2119	2572	1669	1868	1384
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
Energy expenditure	258796	410541	364099	267299	281062
Carbon Reduction Commitment (CRC) expenditure**	/	/	/	2240	1290

GHG EMISSIONS: BUSINESS TRAVEL (Scope3)**					
Non Financial indicators (Distance travelled)	2007/8	2008/9	2009/10	2010/11	2011/12
Air (kms)	/	1941144	1813843	1624090	1234111
Road (miles)	/	248905	295729	446957	334171
Rail (miles)	/	/	/	1524443	1854442
Non Financial indicators (CO₂e Tonnes)	2007/8	2008/9	2009/10	2010/11	2011/12
Air	/	56	53	54	41
Road	/	15	18	27	20
Rail	/	/	/	20	24
Total Business travel	/	/	/	101	85
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
Air	/	/	/	/	227447
Road	/	/	/	/	678433
Rail	/	/	/	/	950228
Government Carbon Offsetting Facility (GCOF) Expenditure	/	/	5001	2335	
Total (CO₂e Tonnes)	2007/8	2008/9	2009/10	2010/11	2011/12
Scope 2 + Scope 3	/	/	/	1969	1469

The FSA is committed to cutting our GHG emissions by 25% from a 2009/10 baseline from the estate and business travel. We continue to take part in two major Government initiatives to offset our GHG emissions – the Carbon Reduction Commitment (CRC) offsets our carbon emissions from energy supplies and the Government Offsetting Facility (GCOF) offsets our carbon emissions from air travel. Both initiatives are UK-wide. We also have a Travel Policy which encourages staff to think about sustainability options when travelling on business and also advocates alternatives to travel such as teleconferencing and videoconferencing.

* Data relates to FSA Headquarters in England only. Data for office in York accounted for by Defra

**UK wide data

Mainstreaming sustainable development

Sustainability is a key factor in how we develop FSA policy and conduct our operations. Sustainability aspects across the three pillars – economic, society and environment – are all taken into account in the development of policy through the Government mandated Impact Assessment process – which we use. This also follows guidance laid down by HM Treasury in the Green Book¹ which can include rural proofing policies, examining specific effects on SMEs and the potential to influence and mitigate against climate change. We consider equality and diversity aspects as a matter of course. Online tools are provided to staff and sustainable development forms a key part of our better regulation training programmes. For further information on how the FSA develops policy please go to http://www.food.gov.uk/aboutus/how_we_work/

Rural proofing

External facing policies that show good examples of sustainable development include rural proofing. The impact of potential closures of meat processing plants on rural economies was a significant consideration in developing the FSA's policy on 'A New Approach to Charges for Official Controls on Meat; Delivering Efficiency and Reform.'² We will continue to monitor closely the development of policies and engage with staff to raise awareness of the issues.

Sustainable procurement

Procurement presents the FSA with many opportunities to apply both the Agency's and Government's commitment to adopting practices that promote sustainable thinking. This can be achieved by building sustainable considerations into all aspects of the procurement process. FSA Procurement is committed to seeking continuous improvement in our performance on sustainability, in both our internal and procurement functions, which is consistent with providing value for money for the taxpayer. We achieve this by:

- Complying with all relevant UK Government policies on sustainable development and sustainable procurement, and all relevant legislation and regulations;
- Establishing sustainable development as a clear feature of FSA Procurement decision making, from Board level downwards and ensuring that all colleagues follow the principles of this policy;
- Setting and monitoring relevant sustainability objectives and targets, based on our significant aspects and impacts, and reporting progress regularly through clear, consistent processes;
- Educating, training and motivating colleagues to work in a sustainably responsible manner and to play a full part in developing new ideas and initiatives;
- Communicating openly and proactively with colleagues about sustainability issues and best practice, and co-operating with others in the public and private sectors to develop and promote sustainably sound practices;
- Ensuring that sustainability principles are given due consideration at each stage of the category management process, including:
 - developing an in-depth understanding of the sustainability issues relevant to each category;

1 http://www.hm-treasury.gov.uk/data_greenbook_index.htm

2 <http://www.food.gov.uk/multimedia/pdfs/iameatcharging.pdf>

- building a detailed appreciation of customers’ sustainability requirements, and ensuring that customers have access to a range of sustainable products and services (and supporting information) to assist them in meeting these requirements;
- working with suppliers, including early market engagement, and working post-award to seek ongoing improvements to suppliers’ sustainability performance and that of their supply chains;
 - Encouraging the appropriate uptake of sustainable products and services across the public sector.
- Striving to improve the sustainability performance of all FSA Procurement activities (including travel, marketing and communications, ICT, estates management, and domestic procurement). This will include:
 - preventing direct and indirect pollution where possible, or striving to reduce it;
 - making efficient use of all resources and decreasing the consumption of non-renewable resources;

The FSA will take into account ‘sustainability’ considerations within its procurement practices and within standardised eligibility criteria.

Adapting to climate change

The Agency’s report ‘Food and climate change: A review of the effects of climate change on food within the remit of the Food Standards Agency’ was published on 21 October 2010³. Since then the Agency has looked at the findings and considered the implications for UK food policy, within its remit of protecting food safety and has communicated relevant findings to Defra and Department of Health following the machinery of government changes in 2010. The FSA continues to monitor food safety risks and has mechanisms in place to detect changes that may arise as a result of climate change and to respond to protect public health. In particular, the incidence of foodborne infections may be affected by climate change; FSA continues to monitor incidence and advise on outbreaks, and to explore new ways of managing them, working with HPA and others. This year the Agency has increased its capability in horizon scanning by joining up with other Government departments in a programme run at the University of Cranfield in the Centre for Environmental Risks and Futures. The FSA is contributing, with other Departments, to the Government’s Climate Change Risk Assessment (led by Defra) and will contribute to the National Adaptation Plan that will be informed by the CCRA.

Environmental incidents

Since 2007, the FSA has produced annual reports of incidents, in line with our policy of openness and transparency. These reports showcase the FSA’s work responding to food and environmental contamination incidents in the UK. The latest annual report of incidents covering the 2010 calendar year was published in May⁴. In Appendix 1 to the report there is a ‘statistics’ section which includes a breakdown of various incident categories, including ‘environmental contamination’ (pages 27-28 refer). All the FSA annual reports of incidents are available via our website. Our next annual report of incidents is scheduled for publication in May 2012.

3 <http://www.food.gov.uk/science/research/supportingresearch/strategievidenceprogramme/strategievidenceprogramme/x02projlist/x02001/>

4 <http://www.food.gov.uk/multimedia/pdfs/publication/annualreportofincidents2010.pdf>

Wellbeing

In 2011/12 the Executive Management Board approved a Wellbeing Strategic Statement based in four key principles:

- effective leadership and management;
- provision of a working environment conducive to health;
- creation of a sense of support and belonging; and
- recognition of health in a physical, mental and social sense.

Much of what the strategy aims to achieve is well served by planned and ongoing pieces of work not least amongst them our Organisational Improvement Programme and the FSA's anti bullying and harassment campaign and further work in this area will feature in the forthcoming year. The FSA supports ongoing plans to develop a widely accepted measurement of workplace wellbeing.

Information on environment, social, and community issues

All staff have the opportunity to apply for one day's paid special leave per year to support the activities of voluntary organisations that make an impact on local or national communities.

Reporting on Better Regulation

For devolved issues such as food, the Coalition Government's better regulation agenda applies to England only. However, as a UK-wide body the FSA is delivering across the UK on better regulation and has made progress on both domestic and European legislation in a number of areas. The FSA has maintained a healthy One In, One Out (OIOO) balance, taken forward several Red Tape Challenge initiatives, planned sunseting reviews, received mostly 'fit for purpose' markings on Impact Assessments from the Regulatory Policy Committee, developed non-legislative approaches in partnership with stakeholders and been active at influencing negotiations in Europe.

One In, One Out

The UK Government's One In, One Out (OIOO) policy requires that any new domestic regulation that imposes a net cost on businesses or civil society must be offset by a reduction in regulatory costs elsewhere. For devolved issues, such as food and feed, OIOO applies to England only. The FSA's balance of INs and OUTs at 31 March 2012 was minus £0.13 million, the amount saved for businesses. This saving was due to the introduction in England and Wales of a system of earned recognition in the dairy sector that significantly reduced the number of inspections for lower risk farms that are members of the Assured Dairy Farms scheme⁵. FSA had no other measures within scope of OIOO during the year.

Red Tape Challenge

The Red Tape Challenge is also an England only initiative for devolved matters. The FSA's Board agreed proposals in July 2011 to reduce the number of national food safety statutory instruments in England from 34 to 11, with the proviso that no consumer protection would be compromised. Proposals include scrapping six measures where the protection is provided elsewhere and removing 12 regulations through consolidation. Progress up to 31 March 2012 included revoking the Authorised Officers (Meat Inspection) Regulations 1987, and

⁵ <http://www.food.gov.uk/foodindustry/regulation/betregs/ria/ria2011/onfarmdairyhygienecontrolseng>

consultations on a major consolidation of food contact materials, on simplifying rules on qualifications required for public analysts, and on removing all post-Chernobyl controls. Consultations on whether childminders and those running events in community halls should count as food businesses have also been held, as agreed by the Board in November 2011. All other proposed changes are on track to be delivered to their target dates. For transparency, FSA has set up a system that allows people to track progress⁶.

Sunsetting Regulations

The Board agreed at its January 2011 meeting that the FSA should follow the UK Coalition Government's policy on sunseting domestic legislation. Sunseting of legislation is part of the Government's commitment to reduce regulatory burdens and to ensure that the need for each regulation is regularly reviewed. The policy applied from April 2011.

Sunseting requires the insertion of a 'sunset clause' in each new piece of domestic legislation where there is a burden on business. This clause brings about the automatic expiry of that legislation on a defined date, which the Government suggests should normally be after seven years. For all European derived legislation, there will be a statutory duty to conduct a review every five years. Sun setting applies to England only.

In the period from April 2011 to March 2012, 18 sunseting reviews have been planned. Of these, all have a statutory review date in 2016, apart from one in 2015.

Impact Assessment

The independent Regulatory Policy Committee (RPC) reviews all Impact Assessments (IAs) and issues an opinion as to whether they are fit for purpose. Between 1 April 2011 and 31 March 2012 FSA submitted to RPC IAs on five separate policies. Three of these IAs received a fit for purpose assessment. RPC considered two IAs to be not fit for purpose. One of these IAs was re-submitted and received a fit for purpose opinion. The remaining IA that had a not fit for purpose opinion is to be re-submitted in April 2012. In summary, four of the six IAs submitted, or 66%, received a fit for purpose opinion.

Alternatives to regulation

As part of the continuing roll-out of the Food Hygiene Rating Scheme (FHRS), in September 2011 the FSA reached agreement with Transparency Data, who ran the 'Scores on the Doors' scheme, to acquire the existing Scores on the Doors contracts and software, and to work with the firm to encourage remaining Local Authorities to transfer to the FHRS. The agreement enables the FSA to move towards publishing ratings in a single format for thousands more businesses across England, Wales and Northern Ireland.

In August 2011 the FSA produced a DVD⁷ for those working in butchers' shops to encourage them to think about the type of food safety risks they face in their business and how they should control them. It features three butchers talking about the steps they have taken to reduce food safety risks. The DVD was produced as part of the FSA's response to addressing the recommendations of the Public Inquiry into the serious outbreak of *E.coli* O157 in Wales in 2005.

6 <http://www.food.gov.uk/foodindustry/regulation/betregs/red-tape-challenge/>

7 'E.coli O157 – A butcher's guide to staying safe' can be viewed at <http://www.youtube.com/watch?v=pMQoFpH5WiU>

EU legislation

In summer 2011 the FSA persuaded the European Commission to propose a level of 20 mg/l as the Acceptable Daily Intake for Sunset Yellow (E 110) in soft drinks. The Commission had planned to reduce the level from 50 mg/l to 10 mg/l based on a European Food Safety Authority exposure assessment. This would have had a severe impact on the manufacturers of Irn Bru and Lucozade. The FSA argued successfully, based on its own exposure assessment, that the EFSA exposure assessment had been too conservative. Key to the FSA's success was working with British and European Trade Associations on soft drinks to influence events.

The FSA has been pressing for a review of existing food hygiene legislation, so as to promote improved public health outcomes and achieve significantly reduced costs and burdens on business. Proposals for the review are now expected by summer 2012; the FSA is working closely with the Commission and like-minded Member States to influence and shape the proposals.

Recruitment practice

The FSA Recruitment Policy is based on the principles of appointment on merit following open and fair competition in line with the Civil Service Recruitment Principles. The FSA's recruitment policy and process are in place to ensure high calibre individuals are recruited to the FSA through a transparent process which promotes equality and diversity. An annual audit of the FSA's compliance with the Civil Service Recruitment Principles is carried out by DLA Piper on behalf of the Office of Civil Service Commission. The FSA is currently rated as low risk for non-compliance.

Performance in responding to correspondence from the public

During 2011, the FSA's private office team handled 240 letters and emails from MPs for reply by Department of Health Ministers and the Chair and Chief Executive of the FSA, answered 96% within our target of 20 working days. FSA officials responded to 353 'treat officials' letters and emails sent by members of the public to Ministers, the FSA Chair and Chief Executive, replying to 92% within our target date. In addition, the FSA received 435 letters sent by members of the public as part of organised campaigns and responded to 99% within target.

Health and safety reporting

The FSA advanced a number of key objectives in 2011/12 including the introduction of a single health and safety management system, continuing work in emphasising the application of our zero tolerant approach to bullying and harassment, new measures to control the occupational road risks associated with driving at work including the grey-fleet and achieving Accreditation by Food and Drink Qualifications to deliver 'Principles of the Safe Use of Knives in Meat Inspection' Level 2 training.

We continued to direct most of our resources toward ensuring the health and safety of our meat inspection teams. However, preparatory work to assess and manage the risks associated with dairy hygiene and shellfish monitoring activity was also undertaken. Challenges remain including a fluctuating injury-incident profile, the need to remain vigilant to the risk of escaped animals and the importance of ensuring that any review of FSA resources deployed within an approved premises is, where relevant, informed by a suitable risk assessment. To this end, in 2011/12 the FSA adopted the HSE's Assessment of Repetitive Tasks Tool (ART) as its principal risk assessment methodology.

In 2010/11 lost time caused by work-related injury and illness reached some of the lowest levels ever recorded by the FSA (measured as a percentage of all lost time), and throughout 2011/12 we maintained this position returning a per quarter average performance of <7%.

RIDDOR (Reportable Incidents, Diseases and Dangerous Occurrences) 2010/11 – 2011/12

RIDDOR Category	No. of Incidents 2010/11	No. of Incidents 2011/12
Fatal	0	0
Major Injury	1	2
Over 3 Day Injury	15	15
Disease	2	1
Dangerous Occurrence	0	0
Total	18	18

Health and Safety Strategic Targets

This year saw the FSA Executive Management Board agree the introduction of three strategic health and safety performance targets (*actual performance YTD shown in brackets*):

- **Target 1 – Per annum, maintain or improve upon the average percentage of all lost time due to work-related injury and illness recorded over the eight quarter periods April 2009 – March 2011 (7.1%).** This target reflects our ambition to at least maintain, and if not improve upon, the record low levels of lost time recorded in the preceding two years. (*Average for preceding 4 quarters ending Dec 2011 equals 6.9% of all lost time*);
- **Target 2 – By March 2014 achieve an annual ‘RIDDOR incidence rate of 950.00 (1257.00 – note, this indicator will be amended to reflect changes to RIDDOR w/e 06.04.2012); and**
- **Target 3 – By March 2014 achieve an annual ‘work related ill health incidence rate’ of 800.00 (698.00).**

Details of sponsorship agreements over £5,000

In December 2011 the FSA sponsored the 4Food section of Channel 4’s website. The FSA used the sponsorship to communicate some of the key food safety messages associated with the safe preparation of Christmas meals, particularly the safe cooking and preparation of turkeys. The sponsorship took the form of ‘home page takeover’, display advertising (linking through to FSA website), editorial and link to FSA ‘Turkey tussle’ advert. The campaign generated 37,708 clicks through to **food.gov.uk** with a cost per click of £1.17. The total cost of the sponsorship was £49,605.

Financial Review

Resource Spend in 2011/12

	Estimate £m	2011/12 Net Operating Cost £m
Total Westminster Funded FSA	122.1	89.0

The comparative figures for 2010/11 are shown below:

	Estimate £m	2010/11 Net Operating Cost £m
Total Westminster Funded FSA	125.4	68.9

Total net expenditure was 27% lower than Estimate by £33.1m. The Westminster Funded FSA saving of £33.1m is due largely to an underspend of £21m programme expenditure through reduced staff available for project management. There was a £12.1m saving due mainly to lower pension costs and an adjustment to the rent liability for Aviation House.

Reconciliation of resource expenditure

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£000 2010/11	£000 2011/12
Net Resource Outturn (Estimates)	68,891	88,989
<i>Adjustments to remove:</i>		
Provision voted for earlier years	–	–
<i>Adjustments to additionally include:</i>		
Non-voted expenditure in the OCS	–	–
Consolidated Fund Extra Receipts in the OCS	–	–
Reductions in planned spend unable to be included in the Estimate	–	–
Other adjustments	–	–
Net Operating Cost (Accounts)	68,891	88,989
<i>Adjustments to remove:</i>		
Capital grants to local authorities	–	–
Capital grants financed from the Capital Modernisation Fund	–	–
European Union income and related adjustments	–	–
Voted expenditure outside the budget	–	–
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	–	–
Resource consumption of non departmental public bodies	–	–
Unallocated resource provision	–	–
Other adjustments	–	–
Resource Budget Outturn (Budget)	68,891	88,989
<i>of which</i>		
Departmental Expenditure Limits (DEL)	125,407	112,176
Annually Managed Expenditure (AME)	–	9,953

Departmental Core Tables

Departmental Core Tables – FSA Westminster only

The following five tables are included in the Annual Report and Consolidated Accounts from 2011/12. They are designed to allow users to review financial performance over past and future periods and currently provide information up until the end of the new Spending Review period. Tables are consistent in their presentation across government departments and allow users to make comparisons.

Table 1: Total departmental spending

£000

	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Outturn	2011/12 Outturn	2012/13 Plans	2013/14 Plans	2014/15 Plans
Resource DEL								
Section A: Food Standards Agency Westminster (DEL)	132,919	124,165	117,498	85,557	88,141	109,045	102,640	97,948
Total Resource¹ DEL	132,919	124,165	117,498	85,557	88,141	109,045	102,640	97,948
Resource AME								
Section B: Food Standards Agency Westminster (AME)	8,631	391	3,012	(12,800)	848	9,953	9,953	9,953
Total Resource AME	8,631	391	3,012	(12,800)	848	9,953	9,953	9,953
<i>Of which:</i>								
Take up of provisions	8,976	2405	3,931	(10,183)	3,856	12,530	12,530	12,530
Release of provisions	(345)	(2,014)	(919)	(2,617)	(3,008)	(2,577)	(2,577)	(2,577)
Total Resource Budget	141,550	124,556	120,510	72,757	88,989	118,998	112,593	107,901
<i>Of which:</i>								
Depreciation ²	2,104	1,244	1,382	1,208	1,133	977	810	702
Capital DEL								
Section A: Food Standards Agency Westminster (DEL)	2,583	1,538	421	70	974	310	279	353
Total Capital DEL	2,583	1,538	421	70	974	310	279	353
<i>Of which:</i>								
Net capital procurement ⁴	2,583	1,538	421	70	974	310	279	353
Total Capital Budget	2,583	1,538	421	70	974	310	279	353

	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Outturn	2011/12 Outturn	2012/13 Plans	2013/14 Plans	2014/15 Plans
Total departmental spending⁵	142,029	124,850	119,549	71,619	88,830	118,331	112,062	107,552
<i>Of which:</i>								
Total DEL	135,502	125,703	117,919	85,627	87,982	109,355	102,919	98,301
Total AME	8,631	391	3,012	(12,800)	848	9,953	9,953	9,953

1 Net of income from sales of goods and services.

2 includes impairments.

3 Pension schemes report under IAS 19 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

4 Expenditure on tangible and intangible fixed assets net of sales.

5 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Total Resource DEL has been steadily decreasing since 2007/08 with a significant reduction in 2010/11 mainly due to government spending restrictions on advertising campaigns/ publicity and reduced staff levels available for project management. In 2011/12 there is an exceptional one-off credit in the Administration DEL outturn of (£3,695k). This relates to a change in the accounting treatment of the commercial lease on the FSA office at Aviation House, London. In 2011/12 Programme expenditure increased to fund the Food Hygiene Rating Scheme and Feed and Food Hygiene inspections. The planned expenditure for 2012/13 is significantly higher than the reported Outturn for 2011/12, but is a reduction to the 2010/11 baseline budget figure of £116m and shows a trend of future spending reduction in line with government policy.

Total Resource AME has significantly increased in the Spending Review period. This is to reflect the introduction of the Clear Line of Sight initiative and the implications for reporting provisions. The FSA AME budget for 2010/11 £11,078k, was significantly higher than the Outturn credit of (£12,717k). This variance of £23,795k was caused by 2 key factors: firstly, the accounting change for retail price index to consumer price index for pensions uprating resulting in a (£17,075k) credit to 2010/11 Net Expenditure; secondly, the budget for Resource AME took into account the volatile nature of the FSA provisions particularly the LGPS pension deficit which is reported in accordance with actuarial valuations under the accounting standard IAS19. The plans for the spending review period also reflect the future uncertainty in creation of provisions.

Capital DEL expenditure reduced significantly in 2010/11 following a prior period of significant investment in IT infrastructure and a review of our capitalisation policy which resulted in less items being classified as capital expenditure. In 2011/12 additional capital expenditure was incurred in order to facilitate the transition to an outsourced IT service provider which will generate resource savings in future years.

Table 2: Total departmental spending

	2011/12 Original Provision	2011/12 Supplementary estimate	£000 2011/12 Final outturn
Resource DEL			
Section A: Food Standards Agency Westminster (DEL)	113,826	112,176	88,141
Total Resource DEL¹	113,826	112,176	88,141
Resource AME			
Section B: Food Standards Agency Westminster (AME)	9,953	9,953	848
Total Resource AME	9,953	9,953	848
<i>Of which:</i>			
Take up of provisions	12,530	12,530	3,856
Release of provisions	(2,577)	(2,577)	(3,008)
Total Resource Budget	123,779	122,129	88,989
<i>Of which:</i>			
Depreciation ²	1,180	1,180	1,133
Capital DEL			
Section A: Food Standards Agency Westminster (DEL)	307	1,057	974
Total Capital DEL	307	1,057	974
<i>Of which:</i>			
Net capital procurement ⁴	307	1,057	974
Total Capital Budget	307	1,057	974
Total departmental spending⁵	122,906	122,006	88,830
Of Which			
Total DEL	112,953	112,053	87,981
Total AME	9,953	9,953	848

1 Net of income from sales of goods and services.

2 Includes impairments.

3 Pension schemes report under IAS 19 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

4 Expenditure on tangible and intangible fixed assets net of sales.

5 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 3: Westminster Statement of Financial Position

	£000							
Assets and liabilities on the statement of financial position at end of year:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
Assets								
Non-current assets								
Intangible	886	813	1,276	858	966	872	788	819
Property, Plant and Equipment								
of which:								
Land and buildings								
Plant and machinery								
Fixtures and Fittings inc								
IT assets	3,359	3,651	2,129	1,408	1,158	861	681	548
Investments	0	0	0	0	0	0	0	0
Current assets	14,660	14,470	18,264	14,595	14,038	14,038	14,038	14,038
Liabilities								
Current (<1 year)	(37,142)	(26,477)	(32,078)	(17,815)	(20,146)	(20,146)	(20,146)	(20,146)
Non-current (>1 year)								
Provisions	(14,199)	(14,685)	(15,172)	(15,475)	(11,001)	(9,762)	(8,523)	(7,284)
	(31,671)	(48,488)	(107,268)	(51,723)	(81,277)	(81,277)	(81,277)	(81,277)
Total Capital Employed								
	(64,107)	(70,716)	(132,849)	(68,152)	(96,262)	(95,414)	(94,439)	(93,302)

Note – Significant movement on Provisions is due to the LPFA pension deficit volatility which is reported in accordance with actuarial valuations under IAS 19. Plans period assumes no movement due to uncertainty in future balances.

Table 4: Administration budget

	£000							
	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Outturn	2011/12 Outturn	2012/13 Plans	2013/14 Plans	2014/15 Plans
Section A: Food Standards Agency Westminster (DEL)	43,938	45,219	45,647	45,575	39,181	43,327	38,916	35,911
Total administration budget	43,938	45,219	45,647	45,575	39,181	43,327	38,916	35,911
<i>Of which:</i>								
Expenditure	44,145	44,706	47,113	48,976	43,846	48,026	43,731	40,858
Income	(207)	513	(1,466)	(3,401)	(4,665)	(4,699)	(4,815)	(4,947)

Adjusted FSA administration budget – Westminster

	£000							
Adjustment (MHS admin cost)	9,144	9,411	9,500	-	-	-	-	-
Total administration budget adjusted	53,082	54,630	55,147	45,575	39,181	43,327	38,916	35,911

In 2011/12 there is an exceptional one-off credit in the Administration DEL outturn of (£3,695k). This relates to a change in the accounting treatment of the commercial lease on the FSA office at Aviation House, London.

Table 5: Staff in post

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

	Average number of persons employed			
	2008/09	2009/10	2010/11	2011/12
Permanent staff	1635	1406	1276	1216
Temporary	518	546	512	484
Board	13	12	12	9
Total	2166	1964	1800	1709

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

Note – Permanent staff have reduced over the 4 year period in line with Government restrictions on recruitment and savings in positions through restructuring and efficiency measures. The increase in temporary staff from 2008/09 to 2009/10 is a result of additional corporate services agency staff being used during the FSA/MHS integration period.

Going concern

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

Pensions

FSA employees are civil servants. Most are members of the Principal Civil Service Pension Scheme (PCSPS). This is a central government unfunded pension scheme. Pension payments are made through the PCSPS resource account.

Board members are not civil servants. Therefore they are not members of the PCSPS. However, some have similar pension arrangements independent of the PCSPS.

Some employees are members of the LGPS. This is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 1995. It is administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared for the whole LGPS.

Disclosure of Board members' interests

Board members are appointed to act collectively in the public interest, not to represent specific sectors. Provisions for declaration of interests and withdrawal from meetings are intended to prevent the Chair, Deputy Chair, and members being influenced, or appearing to be influenced, by their private interests in the exercise of their collective public duties.

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

Details of Board members, their register of interests, and the Code of Conduct are on our website food.gov.uk

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with Schedule 4 of the Food Standards Act 1999. The audit fee for the FSA Westminster accounts for the year was £57,000. I have taken all necessary steps to make myself aware of relevant audit information and to establish that the auditors are aware of that information.

Reporting of sickness absence data

The provisional figure for staff absence as a result of physical and mental illness including injuries, disability, or other health problems is approximately 6.3 days per employee, compared with 5.9 and 5.8 for the previous two years.

Public sector information

The FSA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Reporting of personal/sensitive data losses and/or incidents

The FSA has reported one personal data loss to the Information Commissioners Office who subsequently investigated the loss, and has undertaken two information leak investigations in conjunction with the Cabinet Office. The FSA continues to have in place systems to minimise the risk of loss of this type, and the issue is discussed regularly at the Audit Committee.

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

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

A handwritten signature in black ink, appearing to read 'Tim J Smith', enclosed within a simple rectangular box drawn with a thin line.

Tim J Smith
Chief Executive and Accounting Officer
9 July 2012

Remuneration report

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

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

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

Service contracts

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

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

The tables in the remuneration report are subject to audit.

Service contracts for Board members are listed below:

Name	1st Term of Appointment	Duration of 1st Term Contract	2nd Term of Appointment	Duration of 2nd Term of Contract
Lord Jeff Rooker	27 July 2009	4 years	–	–
Dr. Ian Reynolds	1 February 2007	4 years	1 February 2011	4 years Resigned 19 May 2011
John W Spence	1 April 2007	3 years	1 April 2010	3 years
Tim Bennett	1 March 2007	3 years	1 March 2010	3 years
Michael Parker CBE	1 June 2006	3 years	1 June 2009	3 years
Nancy Robson	1 March 2007	2 years	1 March 2009	3 years, 1 month
Clive Grundy	1 February 2008	3 years	1 February 2011	3 years
Margaret Gilmore	1 March 2008	3 years	1 March 2011	3 years
Professor Sue Atkinson CBE	1 February 2008	2 years	1 February 2010	3 years
Dr. David Cameron	1 February 2009	3 years, Resigned 31 August 2011	–	–
Dr. Henrietta Campbell CB	1 September 2010	3 years	–	–
Dr. James Wildgoose	1 March 2011	3 years	–	–

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

Salary and pension entitlements

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

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

a) Remuneration

Executive Management Board

Bands		2011/12			2010/11
		Total Remuneration	Of Which Bonuses	Benefits in Kind	Total Remuneration
		£5,000 (£000)	£5,000 (£000)	£1,000 (£000)	£5,000 (£000)
Tim Smith	Chief Executive	200–205	15–20	–	205–210
Steve Wearne	Director, FSA Wales	90–95	–	–	105–110
Andrew Wadge	Chief Scientist	80–85	–	–	115–120
Terrence Collis	Director of Communications	105–110	10–15	–	95–100
Chris Hitchen	Director of Finance, Procurement & IT	90–95	10–15	–	80–85
Lynne Bywater	Director of Human Resources	70–75	–	–	70–75
Charles Milne	Director, FSA Scotland	90–95	–	–	90–95
Gerry McCurdy	Director, FSA Northern Ireland	80–85	–	–	80–85
Steve McGrath	Director of Operations (to August 2010)	–	–	–	120–125
Andrew Rhodes	Director of Operations (from August 2010)	120–125	10–15	–	85–90
Alison Gleadle	Director of Food Safety Group	95–100	–	–	85–90
Rod Ainsworth	Director of Legal	110–115	–	–	110–115

	2011/12	2010/11
Band of Highest Paid Director's Total Remuneration	200-205	205-210
Median Total Remuneration	31	30
Ratio	6.57	6.75

Food Standards Agency Board

Bands		2011/12		2010/11	
		Total Remuneration	Benefits in Kind	Total Remuneration	Benefits in Kind
		£5,000 (£000)	£1,000 (£000)	£5,000 (£000)	£1,000 (£000)
Lord Jeff Rooker	Chair	50–55	0.6	50–55	0.6
Dr Ian Reynolds*	Deputy Chair (to 19 May 2011)	60–65	0.2	40–45	1.4
Professor Graeme Millar	(to 28 February 2011)	–	–	20–25	1.5
John W Spence		25–30	1.6	20–25	1.6
Maureen Edmondson	(to 31 August 2010)	–	–	10–15	2.2
Tim Bennett		15–20	5.1	10–15	2.2
Michael Parker CBE		10–15	0.2	10–15	–
Chris Pomfret	(to 31 March 2011)	–	0.4	10–15	2.6
Nancy Robson		10–15	7.1	10–15	5.1
Clive Grundy		10–15	1.3	10–15	1.1
Margaret Gilmore		10–15	1.5	10–15	2.0
Professor Sue Atkinson CBE		10–15	–	10–15	–
Dr. David Cameron	(to 31 August 2011)	10–15	2.0	15–20	5.4
Dr. Henrietta Campbell CB	(from 1 September 2010)	20–25	4.2	10–15	1.5
Dr. James Wildgoose	(from 1 March 2011)	20–25	5.1	5–10	0.3

*Dr Ian Reynolds left under agreed terms on the 19 May 2011. He received a commuted contractual payment of £56,318.

Remuneration

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

Bonuses

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

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

Benefits in Kind

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

(b) *Pension benefits*

Executive Management Board

		2011/12					
Bands		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2012	Total accrued lump sum at age 60 31 March 2012	CETV at 31 March 2012	CETV at 31 March 2011**	Real increase in CETV
		£2,500 (£'000)	£5,000 (£'000)	£5,000 (£'000)	(£'000)	(£'000)	(£'000)
Tim Smith	Chief Executive	2.5–5	15–20	–	192	139	35
Steve Wearne	Director, FSA Wales	(0–2.5)	25–30	75–80	393	364	(3)
Andrew Wadge	Chief Scientist	5–7.5	40–45	130–135	867	685	12
Terrence Collis*	Director of Communications	0–2.5	5–10	–	178	138	26
Chris Hitchen	Director of Finance, Procurement & IT	0–2.5	0–5	–	25	13	7
Lynne Bywater	Director of Human Resources	0–2.5	5–10	–	57	42	11
Charles Milne	Director, FSA Scotland	(0–2.5)	30–35	95–100	556	516	(8)
Gerry McCurdy	Director, FSA Northern Ireland	(0–2.5)	35–40	110–115	830	783	(20)
Steve McGrath	Director of Operations (to August 2010)						
Andrew Rhodes*	Director of Operations (from August 2010)	2.5–5	10–15	–	112	81	21
Alison Gleadle	Director of Food Safety Group	0–2.5	20–25	60–65	322	277	21
Rod Ainsworth	Director of Legal	0–2.5	0–5	–	49	24	20

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

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

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

Food Standards Agency Board

		2011/12				
		Accrued pension and related lump sum at age 60 31 March 2012	Real increase in pension and related lump sum at age 60 31 March 2012	CETV at 31 March 2012	CETV at 31 March 2011 ¹	Real increase in CETV
Bands		£5,000 (£'000)	£2,500 (£'000)	(£'000)	(£'000)	(£'000)
Lord Jeff Rooker	Chair					
Dr Ian Reynolds	Deputy Chair (to 19 May 2011)	0–5	0–2.5	86	84	1
Professor Graeme Millar	(to 28 February 2011)					
John W Spence		0–5	0–2.5	42	30	9
Maureen Edmondson	(to 31 August 2010)					
Tim Bennett						
Michael Parker CBE						
Chris Pomfret	(to 31 March 2011)					
Nancy Robson						
Clive Grundy						
Margaret Gilmore						
Professor Sue Atkinson CBE						
Dr. David Cameron	(to 31 August 2011)					
Dr. Henrietta Campbell CB	(from 1 September 2010)					
Dr. James Wildgoose	(from 1 March 2011)					

Notes

1. The actuarial factors used to calculate CETVs have been changed since 31/03/11. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year end's report which was calculated using the previous factors.
2. The closing CETV quoted in respect of Ian Reynolds is to his date of leaving – 19/05/2011.

		2010/11				
		Accrued pension and related lump sum at age 60 31 March 2011	Real increase in pension and related lump sum at age 60 31 March 2011	CETV at 31 March 2011	CETV at 31 March 2010	Real increase in CETV
Bands		£5,000 (£'000)	£2,500 (£'000)	(£'000)	(£'000)	(£'000)
Lord Jeff Rooker	Chair	-	-	-	-	-
Dr Ian Reynolds	Deputy Chair (to 19 May 2011)	0-5	0-2.5	87	65	13
Professor Graeme Millar	(to 28 February 2011)	0-5	0-2.5	42	34	5
John W Spence		0-5	0-2.5	32	23	6
Maureen Edmondson	(to 31 August 2010)	-	-	-	-	-
Tim Bennett		-	-	-	-	-
Michael Parker CBE		-	-	-	-	-
Chris Pomfret	(to 31 March 2011)	-	-	-	-	-
Nancy Robson		-	-	-	-	-
Clive Grundy		-	-	-	-	-
Margaret Gilmore		-	-	-	-	-
Professor Sue Atkinson CBE		-	-	-	-	-
Dr. David Cameron		-	-	-	-	-
Dr. Henrietta Campbell CB	(from 1 September 2010)	-	-	-	-	-
Dr. James Wildgoose	(from 1 March 2011)	-	-	-	-	-

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

Civil Service Pensions

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

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

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

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

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

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

Cash Equivalent Transfer Values

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

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

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

Real Increase in CETV

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

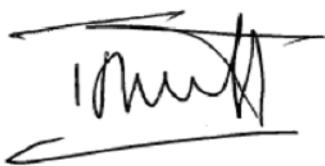
Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Food Standards Agency in the financial year 2011/12 was £200-205k (2010/11, £205-210k). This was 6.57 times (2010/11, 6.75) the median remuneration of the workforce, which was £31k (2010/11, £30k).

Remuneration ranged from £10k to £123k (2010/11 £10-£160k).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.



Tim J Smith
Chief Executive and Accounting Officer
9 July 2012

Statement of Accounting Officer's Responsibilities

Under section 5(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Food Standards Agency (FSA) to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the FSA and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

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

HM Treasury has appointed the Chief Executive as principal Accounting Officer of the FSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the FSA's assets, are set out in *Managing Public Money* published by the HM Treasury.



Tim J Smith
Chief Executive and Accounting Officer
9 July 2012

The Governance Statement

The Food Standards Agency (FSA) is an independent non-ministerial government department and as such does not have the board structure of a conventional ministerial government department. The Food Standards Agency governance structure was created under the Food Standards Act 1999⁸ and functions in line with the Corporate Governance Code.

Governance of the Food Standards Agency

The FSA is an independent non-ministerial government department set up by an Act of Parliament in 1999 to protect the public's health and consumer interests in relation to food. The FSA is accountable to Parliament through health ministers, and to the devolved administrations in Scotland, Wales and Northern Ireland for its activities within their areas.

Rather than led directly by ministers, the FSA is led by a non-executive Board, recruited through open competition. Under the Food Standards Act 1999, the FSA Board is responsible for the overall strategic direction of the FSA, ensuring that it fulfils its legal obligations so that its decisions or actions take proper account of scientific advice, the interests of the consumer and other relevant factors. The Chief Executive, as the Accounting Officer, and his Executive Management Board are responsible for the delivery of that strategy and the FSA's resources, both financial and people.

The FSA Board holds its decision-making meetings in public. As part of its policy of openness of decision making, the agendas, papers and minutes of public Board meetings are accessible through the FSA website. The Board takes its decisions in accordance with its *Strategic Plan to 2015*⁹. The six outcomes the FSA aims to deliver are:

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

Composition of the FSA Board

As directed by the Corporate Governance Code, the FSA Board comprises a Chair, Deputy Chair and between eight and twelve other members, of whom:

- one is appointed by the Minister for Health and Social Services in Wales;
- one is appointed by the Minister for Health, Social Services and Public Safety in Northern Ireland;
- two are appointed by the Minister for Public Health in Scotland;

8 <http://www.legislation.gov.uk/ukpga/1999/28/contents>

9 <http://www.food.gov.uk/aboutus/publications/busreps/strategicplan/>

- the remainder are appointed by the Secretary of State for Health in England.

As required by the Corporate Governance Code, Board members are required to act in the public interest, not to represent particular sectors. All appointments to the Board are overseen by the Office of the Commissioner for Public Appointments. The Board is supported by a dedicated Secretariat.

There were six scheduled Board meetings that took place in the financial year 2011/12 (May, July, September, November 2011 and January, March 2012). There was one Board Retreat (October 2011). Attendance at these sessions averaged at 96% over the year. Copies of the Board's attendance records and its register of interests are published on the FSA website <http://www.food.gov.uk/aboutus/ourboard/boardmem/>.

The standing orders and code of conduct for Board members can be found on the FSA website <http://www.food.gov.uk/aboutus/ourboard/wayboardworks/>.

Food advisory committees

The FSA has a food advisory committee (FAC) in each of the devolved countries. FACs were established under the Food Standards Act 1999 to give advice or information to the Board on matters connected with the FSA's functions, particularly such matters affecting or relating to their countries. Each committee is chaired by the Board member for that country and has between six and eight members appointed through open competition. The FSA takes the advice of the advisory committees into account when carrying out its functions or advising ministers. Since the FSA has responsibility for nutrition as well as food safety in the Scotland and Northern Ireland those FACs continue to cover this issue in their advice to the Board. The FACs are committed to acting in an open and transparent way and will publish the advice they provide to the FSA on food policy and its implementation.

Committees of the FSA Board

The Board has three committees.

- **Audit** – The Audit Committee provides assurance that all aspects of the FSA's policies, procedures, internal controls and governance are effective and appropriate to deliver the FSA's statutory responsibilities and strategic objectives. Its terms of reference can be found on the FSA website at <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/auditcommittee/>
- **Risk** – The Risk Committee is responsible for assuring the Board that all aspects of the FSA's risk management policies and procedures are effective and appropriate. Its terms of reference can be found on the FSA website <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/riskcommittee/>
- **Succession and Development** – The Succession and Development Committee advises on all matters relating to the recruitment of the Chair, Deputy Chair and Board Members. It is also responsible for the recruitment and selection procedures for new appointments to the Board and the food advisory committees and the effective induction and development of Board members. Its terms of reference can be found on the FSA website <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/riskcommittee/>

Each committee reports to the FSA Board in open session on an annual basis. In May 2012 the report from the Chair of the Audit Committee included a summary of the assurance levels given to various groups after internal audit findings and noted that the Annual Report and Accounts

2010/11 were unqualified by NAO and produced in line with Treasury's faster closing timetable.

The Chair of the Risk Committee reported in May 2012. This included updates on the progress made in year: implementation of a new risk management policy, supporting guidance and regular updates with the Chief Executive and other directors to ensure emerging risks are well managed.

The report from the Succession and Development Committee in January 2012 noted the appointment of new Board members and the implementation of a new Board Member appraisal system, introduced as part of the Agency's cost saving drive.

The latest annual reports of Committees can be found on our website at the following links:

Annual Report from the Chair of the Audit Committee – May 2012
<http://www.food.gov.uk/multimedia/pdfs/board/fsa120510.pdf>

Annual Report from the Chair of the Risk Committee – May 2012
<http://www.food.gov.uk/multimedia/pdfs/board/fsa120509.pdf>

Annual Report from the Chair of the Succession and Development Committee – January 2012
<http://www.food.gov.uk/multimedia/pdfs/board/fsa120109.pdf>

The FSA Board's performance

As the FSA Board takes all its policy decisions in the open and the meetings are webcast live with papers published before the meetings, this allows for full scrutiny of the Board's actions. The FSA Board also holds a live question and answer session immediately after each open meeting, where it can be held to account for its decisions by the public. In 2011 an internal review of the Board's working practices was undertaken and its objectives were to:

- ensure that the Board is appropriately supported by the Executive of the FSA to protect public health from risk that may arise in connection with the consumption of food, and otherwise protect the interests of UK consumers in relation to food;
- ensure that effective and clear governance arrangements are in place within the FSA;
- ensure that there is a high level of openness and transparency in internal working relationships between the Board and the Executive of the FSA;
- strengthen the level of trust necessary to ensure good working relationships between the Board and the Executive of the FSA.

Executive Management Board

The Executive Management Board (EMB) supports the Chief Executive, who is the FSA's Accounting Officer, in ensuring the effective corporate governance of the FSA, and in particular:

- to provide a senior forum at official level for discussion of strategic policy issues, especially those that cross-internal organisation boundaries;
- to ensure and oversee the effective implementation of the strategy set by the Board;
- to provide, where necessary, a forum for corporate decision-making at official level within the policies/strategies agreed by the Board;
- to address strategic management issues including:

- arrangements for managing and reviewing business risks;
 - business planning and review systems;
 - the maintenance of effective financial control;
 - resource allocation;
 - the consideration of internal audit reports where these raise issues of general concern;
 - pay and personnel management strategy;
 - IT strategy;
- to help ensure that the Chief Executive and Directors receive proper feedback on the views of staff.

Membership of the EMB includes a suitably qualified finance director, with separate directors having responsibility for audit and risk respectively.

Executive Management Board's performance

In 2012 the Chief Executive initiated an internal Capability Review of the FSA. The effectiveness of the EMB in delivering the strategic objectives of the FSA and ensuring resources are correctly accounted for and allocated will be considered as part of the review.

In addition to the FSA Annual Report and the Chief Scientist's Annual Report in 2011 EMB agreed the FSA Operations Group should also publish an annual report. This was published in November 2011 and further demonstrates the FSA's commitment to openness, transparency and external scrutiny of its performance.

Head of Internal Audit's opinion on the FSA's systems of governance, management and risk control

Based on the results of the audit work completed during the year and his understanding of the Agency's control environment, the Head of Internal Audit's opinion was that the FSA had effective systems of governance, management and risk control. This assessment is supported by the following evidence:

- A revised risk management policy and related procedures have been implemented. This has improved the visibility and communication to the Board of risks faced by the agency as a whole and how well they are being managed.
- Implementation of a revised Corporate Strategy and integrated business planning and budgeting process with regular performance reports to EMB and the FSA Board.
- There were regular performance management meetings between the CE and individual directors
- There were no significant control issues arising from internal audit or external assurance reports presented to the Audit Committee during the year.
- An increased proportion of internal audit reports were classified as "substantial", the highest rating for audit purposes. There was also a significant reduction in the number of audit recommendations where management action was reported as overdue.
- Improved controls in relation to the tendering, award of contracts and procurement processes have been reported to the Audit Committee.

- Improved financial forecasting processes brought about by restructuring of the Finance function have also been reported to the Audit Committee. This has improved transparency and management control in relation to spending forecasts.
- New contracts and delivery arrangements for official controls and IT services aimed at improving efficiency and effectiveness of key agency activities have been implemented.

Finance and the Agency's use of resources

At the start of the financial year directors receive a budget delegation from the Accounting Officer. As part of this, directors agree to operate an adequate system of internal controls, including forecasting, managing risk and ensuring adequate segregation of duties. As part of the year end process directors complete an assurance statement setting out how an effective system of internal controls has been maintained within their division. In completing the assurance statement for their areas of work, directors will look at the scope of responsibility, the capacity to handle risk, review of the effectiveness of the controls in place and whether there are any internal control problems.

On a monthly basis, finance business partners work with groups, divisions and branches to monitor expenditure and produce accurate financial forecasts. Detailed financial results are reported to the Executive Management Board on a monthly basis and are a standing item for discussion and decision.

Directors attend quarterly reviews with me as the Accounting Officer and performance is monitored against budgets, previous forecasts and business plans.

FSA risk management framework and the capacity to manage risk

The FSA Risk Management Policy forms part of the internal control and governance arrangements for the organisation and is based on elements of HMT guidelines (the 'Orange book') and ISO 31000 (the new international standard on risk management). Its purpose is to provide reasonable assurance to the FSA Board and the Executive Management Board that risks to achieving business objectives are being effectively controlled and that all involved are clear as to their roles and responsibilities.

The FSA Executive Management Board has incorporated risk management and internal controls into the organisation's approach to business planning. Risk owners formally review risks at least once a quarter ahead of a Risk Committee meeting which in turn reports to the FSA Board through an annual report.

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.

The Agency also sits on the Treasury led Risk Improvement Group, which meets once a quarter and shares good practice and lessons learned in other departments. The FSA approach to risk management is being implemented across the organisation. The main processes in place for identifying, evaluating and managing risks are:

- **High level risks:** these are identified and defined in a risk register and are monitored quarterly by the Executive Management Board. Each risk is owned by a Director who is responsible for implementing countermeasures and contingencies to manage the likelihood and/or impact of the risk.
- **Group level risks:** these are identified and defined in a risk register and are monitored regularly by directors and their senior management teams. Directors are accountable for

risk management within their groups and, where appropriate, for escalating risks to the high level risk register.

- **Major project risks:** these are identified and defined in a risk register and are monitored by project teams. The FSA adopts PRINCE 2 project management methodology for IT and other major projects.

Escalation and de-escalation of risk

The FSA's effective risk management process ensures that risks are dealt with at the appropriate level, this being done via escalation and de-escalation of risks between risk registers. Escalation is the mechanism to ensure that more senior colleagues are involved when needed, i.e. the ability to manage the risk in question is effectively beyond your control. Whilst de-escalation simply reverses the process, with a decision being taken that a risk can now be managed at a lower level and that the intervention of more senior colleagues is not required anymore.

Current high level risk register

At the end of the financial year, the principal risks on the FSA's High Level Risk Register based on their RAG status were:

- the Olympics;
- local authorities;
- public health;
- meat charging;
- meat controls.

Of these, preparing for the Olympics, potential resource issues for local authorities enforcing food and feed legislation and the creation of Public Health England are the most immediate on our radar and effective contingencies and countermeasures have been put in place to mitigate against the threat escalating.

Summary of major issues relating to data security

The following issues relating to data security have arisen this year.

- There has been a leak investigation into how the Aberdeen Press & Journal obtained information contained in a personal letter written by a senior member of the FSA Board. The paper published details of the letter, which were then subsequently picked up by a number of other papers. A Cabinet Office leak investigator was appointed and despite exhaustive attempts we did not identify the perpetrator of the leak and the investigation has now been officially closed.
- In June 2011, the loss of an individual's personal data was reported to the Information Commissioners Office (ICO). The ICO case worker has reviewed the circumstances surrounding the loss and has decided to take no further action. The ICO caseworker commented that he was impressed with the amount of awareness and training the FSA is carrying out on information security and data protection.
- A leak investigation into unauthorised disclosure of legally privileged information to an independent body has so far failed to identify the source. A number of issues and recommendations are being addressed.

The FSA continues to give importance to data security. A dedicated team is in place to review and implement policies to mitigate the risk of any loss of information.

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

Tim J Smith
Chief Executive and Accounting Officer
9 July 2012

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

I certify that I have audited the financial statements of the Food Standards Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Director's Report, Details of Board Members and Directors and management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

11 July 2012

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011/12

£000								2011/12	2010/11
	Estimate				Outturn				Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total
Departmental Expenditure Limit									
– Resource	2	112,176		112,176	88,141		88,141	24,035	81,608
– Capital	11 & 12	1,057		1,057	974		974	83	70
Annually Managed Expenditure									
– Resource	2	9,953		9,953	848		848	9,105	(12,717)
– Capital		–		–	–		–	–	–
Total Budget		123,186		123,186	89,963		89,963	33,223	68,961
Non-Budget									
– Resource		–		–	–		–	–	–
Total		123,186		123,186	89,963		89,963	33,223	68,961
Total Resource	8	122,129			88,989			33,140	68,891
Total Capital	11 & 12	1,057			974			83	70
Total		123,186			89,963			33,223	68,961

Net Cash Requirement 2011/12

£000	Note	2011/12	2011/12		2010/11
		Estimate	Outturn	Outturn	Outturn
				compared with Estimate: saving/(excess)	
	4	111,931	89,166	22,765	92,163
Administration Costs 2011/12					
	3	45,325	39,181		46,463

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

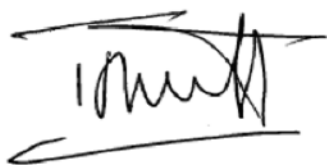
Explanations of vacancies between Estimate and outturn are given in Note 3 and in the Management Commentary.

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

		2011/12			2010/11
		£000			£000
	Note	Staff Costs	Other Costs	Income	
Administration Costs:					
Staff costs	6	25,339			27,398
Other costs	7		18,507		22,468
Income	10			(4,665)	(3,403)
Programme expenditure:					
Staff costs	6	51,877			53,290
Past Service Cost Credit	17	–			(17,075)
Other costs	8		31,499		25,725
Income	10			(33,568)	(39,512)
Totals		77,216	50,006	(38,233)	68,891
Net Operating Cost for the year ended 31 March 2012					
				88,989	68,891
Total expenditure				127,222	111,806
Total income				(38,233)	(42,915)
Net Operating Cost for the year ended 31 March 2012					
				88,989	68,891
Other Comprehensive Net Expenditure					
Actuarial (gain)/loss	17			29,745	(42,744)
Total comprehensive expenditure for the year ended 31 March 2012					
				118,734	26,147

All income and expenditure are derived from continuing operations.

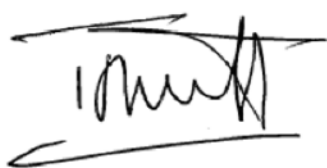


Tim J Smith
Chief Executive and Accounting Officer
9 July 2012

Statement of Financial Position

as at 31 March 2012

£000		2011/12	2010/11
	Note		
Non-current assets			
Property, plant and equipment	11	1,158	1,408
Intangible assets	12	966	858
Total non-current assets		2,124	2,266
Current assets			
Trade and other receivables	14	4,504	4,344
Other current assets	14	7,066	6,940
Cash and cash equivalents	15	2,468	3,311
Total current assets		14,038	14,595
Total assets		16,162	16,861
Current Liabilities			
Trade and other payables	16	(3,404)	(3,310)
Provisions	17	(1,039)	(1,510)
Other Liabilities	16	(15,703)	(14,505)
Total current liabilities		(20,146)	(19,325)
Non-current assets plus/less net current assets/liabilities		(3,984)	(2,464)
Non-current liabilities			
Pension provisions	17	(75,697)	(46,479)
Other provisions	17	(5,580)	(3,734)
Other payables	16	(11,001)	(15,475)
Total non-current liabilities		(92,278)	(65,688)
Total Assets less liabilities		(96,262)	(68,152)
Taxpayers' equity and other reserves			
General fund		(96,262)	(68,152)
Total taxpayers' equity		(96,262)	(68,152)



Tim J Smith
Chief Executive and Accounting Officer
9 July 2012

Statement of Cash Flows

For the year ended 31 March 2012

		2011/12	2010/11
		£000	£000
Cash flows from operating activities	Note		
Net operating cost	3	(88,989)	(68,891)
Adjustment for non-cash transactions	7&17	8,801	8,264
(Increase)/Decrease in trade and other receivables	14	(286)	1,817
Increase/(Decrease) in trade and other payables	16	(3,182)	(13,960)
less movements relating to items not passing through the Statement of Comprehensive Net Expenditure	16	2,245	451
Use of provisions	17	(4,520)	(911)
Provisions not required written back	17	(584)	(17,156)
Cash contribution to pension deficit	17	(1,660)	(1,707)
Net cash outflow from operating activities		(88,175)	(92,093)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(378)	(13)
Purchase of intangible assets	12	(613)	(57)
Net cash outflow from investing activities		(991)	(70)
Cash flows from financing activities			
From the Consolidated Fund (Supply)		88,323	91,712
Net Financing		88,323	91,712
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(843)	(451)
Adjustment to cash and cash equivalents in relation to MoG changes			(1,402)
		(843)	(1,853)
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund			
Cash and cash equivalents at the beginning of the period	15	3,311	5,164
Cash and cash equivalents at the end of the period	15	2,468	3,311
		(843)	(1,853)

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

	Note	General Fund £000	Total Reserves £000
Balance at 1 April 2010		(132,849)	(132,849)
Changes in taxpayers' equity for 2010/11			
Actuarial gain/(loss)		42,744	42,744
Non-cash charges – auditors remuneration	7	83	83
Net operating cost for the year		(68,891)	(68,891)
Adjustment for MoG changes to current liabilities (accruals)		(1,402)	(1,402)
Total recognised income and expense for 2010/11		(27,466)	(27,466)
Net Parliamentary Funding – drawdown		91,712	91,712
Net Parliamentary Funding – deemed		5,164	5,164
Supply payable/(receivable) adjustment		(4,713)	(4,713)
		92,163	92,163
Balance at 31st March 2011		(68,152)	(68,152)
Changes in taxpayers' equity for 2011/12			
Actuarial gain/(loss)		(29,745)	(29,745)
Non-cash charges - auditors remuneration	7	56	56
Net operating cost for the year		(88,989)	(88,989)
Total recognised income and expense for 2011/12		(118,678)	(118,678)
Net Parliamentary Funding – drawdown		88,323	88,323
Net Parliamentary Funding – deemed		4,713	4,713
Supply payable/(receivable) adjustment		(2,468)	(2,468)
		90,568	90,568
Balance at 31st March 2012		(96,262)	(96,262)

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.

Notes to the accounts

1 Statement of Accounting Policies

1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food Standards Agency (FSA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the FSA are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The Westminster FSA statement of financial position at 31st March shows a negative taxpayers' equity of £96,262,000 (2010/11:£68,152,000). This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of supply approved annually by Parliament, to meet the Agency's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money can be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Agency's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Agency's liabilities is to be met accordingly by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2012/13 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention.

1.3 Non-Current Assets

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

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

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

1.4 Property, Plant and Equipment

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

The FSA does not currently own any land or buildings.

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

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

1.5 Intangible Assets

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

1.6 Depreciation and Amortisation

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

	2011/12	2010/11
Property, plant and equipment		
Computer servers and computer equipment	4 years	4 years
Office machinery	7 years	7 years
Furniture, fixtures and fittings	7 years	7 years
Vehicles	4 years	4 years
Intangible assets:		
Computer software and software licences	Life of licence or 7 years if in perpetuity	Life of licence or 7 years if in perpetuity

1.7 Inventories

FSA does not hold any inventories.

1.8 Research & Development Expenditure

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

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

1.9 Operating Income

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

Income from meat official controls and related work is recognised as time recorded by staff multiplied by charging rates and invoiced to both industry and government customers. With regards to meat official controls, until 27 September 2009, income was recognised at the lower of cumulative throughput or inspection time recorded by staff. However, with effect from 28 September 2009, time costs were charged with discounts applied to bring the charges down to the level of the 2008/09 charges, provided that throughput and resources were unchanged. (Throughput charges are currently calculated at the end of the financial year to determine if the Food Business Operators (FBOs) have paid the minimum charge required under Regulation (EC) 882/2004). The FSA made additional charges to FBOs in respect of the 2010/11 financial year in order to ensure compliance with the EU's Minimum Charge per Carcase Requirements and will continue this policy. Additional charges have been included in note 14 as programme income relating to meat hygiene work.

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

1.10 Administration and Programme Expenditure

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

1.11 Pensions

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

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

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

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

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

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

The contributions to PCSPS are set out in note 6 and the costs in relation to the LGPS scheme are in note 18.

1.12 Early Departure Costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% (2010/11 2.9%) in real terms.

1.13 Operating Leases

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

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

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

1.14 Audit Costs

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

1.15 Value Added Tax

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

1.16 Provisions

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

Provisions are recognised in the accounts where;

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

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

1.17 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, 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 Financial Reporting Manual to be noted in the resource accounts.

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

1.18 Financial Assets and Liabilities

The FSA holds the following financial assets and liabilities:

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

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

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

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

1.19 Website capitalisation costs

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

2 Net Outturn

2.1 Analysis of net resource outturn by section

							2011 – 2012		2010 – 2011 Outturn
						Outturn	Estimate		
Administration			Programme			Total	Net Total	Net total compared to Estimate	Total
Gross	Income	Net	Gross	Income	Net				

Spending in Departmental Expenditure Limit

Voted:

A FSA Westminster (DEL) 43,846 (4,665) 39,181 82,528 (33,568) 48,960 88,141 112,176 24,035 81,608

Annually Managed Expenditure

Voted:

B FSA Westminster (AME) – – – 848 – 848 848 9,953 9,105 (12,717)

Total **43,846** **(4,665)** **39,181** **83,376** **(33,568)** **49,808** **88,989** **122,129** **33,140** **68,891**

2.2 Analysis of net capital outturn by section

					2011/2012		2010/2011 outturn
Outturn			Estimate				
Gross	Income	Net	Net	Net total compared with estimate	Net		

Spending in Departmental Expenditure Limit

Voted:

A FSA Westminster (DEL) 991 (17) 974 1,057 83 70

Annually Managed Expenditure

Voted:

B FSA Westminster (AME) – – – – – –

TOTAL **991** **(17)** **974** **1,057** **83** **70**

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

3.1 Reconciliation of net resource outturn to net operating cost

			2011/12 £000	2010/11 £000
		Note	Outturn	Outturn
Total resource outturn in	Budget	2	88,989	68,891
Statement of Parliamentary Supply	Non-Budget		–	–
Net Operating Costs in Statement of Comprehensive Net Expenditure			88,989	68,891

3.2 Outturn against final Administration Budget and Administration net operating cost

	2011/12 £000	2010/11 £000
Estimate – Administration costs limit	45,325	50,910
Outturn – Gross Administration Costs	43,846	49,866
Outturn – Gross Income relating to administration costs	(4,665)	(3,403)
Administration Net Operating Costs	39,181	46,463

The saving against estimate of £6.1m is mainly due to the one-off credit from the lease adjustment in relation to Aviation House (note 7).

4 Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2011/12 £000	2010/11 £000
Net cash requirement	(89,166)	(92,163)
From the Consolidated Fund (Supply)	88,323	91,712
Adjustment to cash and cash equivalents in relation to MoG changes	–	(1,402)
Increase/(decrease) in cash held	(843)	(1,853)
Add – Increase/(decrease) in cash held by arms length bodies	–	–
Net Increase/(decrease) in cash held	(843)	(1,853)

5 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.

6 Staff numbers and related costs

Staff costs comprise:

A Administration costs

	£000	£000	2011/12 £000	2010/11 £000
	TOTAL	STAFF	BOARD	TOTAL
Wages and salaries	18,787	18,565	222	19,393
Social security costs	1,598	1,579	19	1,612
Other pension costs	3,558	3,558	–	3,695
IAS19 Board Pension past service cost credit (note 17.1.2)*	–	–	–	(81)
Sub total	23,943	23,702	241	24,619
Inward secondments	–	–	–	–
Agency Staff	1,396	1,396	–	2,779
Total	25,339	25,098	241	27,398
Less recoveries in respect of outward secondments	(41)	(41)	–	–
Total net costs	25,298	25,057	241	27,398

No salary costs have been capitalised.

B Programme costs

	2011/12 £000	2010/11 £000
Wages and salaries	23,000	24,065
Social security costs	1,826	1,868
Other pension costs	1,057	1,295
LGPS pension scheme costs (Note 17.2)	2,636	3,982
Agency Staff	86	57
Contract inspectors and veterinary costs	23,272	22,023
Total	51,877	53,290
Less recoveries in respect of outward secondments	–	–
Total	51,877	53,290
IAS19 LPGS past service cost credit (note 17.2.3)*	–	(17,075)
Total net costs	51,877	36,215

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

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

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

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

C Principal Civil Service Pension Scheme

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

For 2011/12, employer's contributions of £5.5m (2010/11 £6.1m) were payable to the PCSPS at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008/09 and remain unchanged in 2011/12. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £27,479 (2010/11 £30,730) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. The FSA as an employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,538 (2010/11 £2,347), 0.08 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Reporting of Civil Service compensation scheme

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	–	2	2
£10,000–£25,000	1	4	5
£25,000–£50,000	–	9	9
£50,000–£100,000	–	4	4
£100,000–£150,000	–	–	–
£150,000–£200,000	–	–	–
£200,000 and above	–	–	–
Total number of exit packages	1	19	20
Total resource cost £	20,942	685,032	705,974

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

There were 2 early retirements on ill health grounds in 2011/12 resulting in a total cost of £13,547. In 2010/11 there were 4 early retirements on ill health grounds costing £0.5m.

D Local Government Pension Scheme

The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2012, contributions of £2.5m (2010/11 £2.6m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2012, this rate was 18.2% (2010/11 17.9%) of pensionable remuneration.

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

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

On the basis of the full actuarial valuation the FSA Fund deficit was £23.1m (March 2007 £27.6m). The Agency agreed to increase the funding to the scheme, payable for 20 years. For 2012/13 £1.7m will be paid.

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

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £75.0m as at 31 March 2012 compared with a calculated deficit of £45.9m as at 31 March 2011. The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2012/13 to be £2.5m.

E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2011/12 was as follows.

	Average number of persons employed	
	2011/12	2010/11
Permanent staff	1,216	1,276
Temporary	484	512
Board	9	12
Total	1,709	1,800

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

7 Other Administration Costs

	2011/12 £000	2010/11 £000
Rentals under operating leases*	3,375	6,514
Non-cash items:		
Depreciation and impairment loss	614	733
Amortisation	502	475
Loss on disposal of property, plant and equipment	17	–
Auditors' remuneration and expenses**	56	83
Other expenditure:		
Accommodation costs	4,971	5,341
Board and staff overheads	2,240	3,333
Administration costs	1,902	2,054
IT costs***	4,812	3,910
Committee costs	18	25
	18,507	22,468

* As per IAS 8 Changes in accounting estimates, the rentals under operating leases has significantly reduced in 2011/12 due to a change in the estimated long term liability in relation to the lease on Aviation House, London. The change in estimate is to reflect the liability to the break clause in March 2018 and has resulted in a one-off credit in 2011/12 of £3.695m.

** Audit fee for 2011-12 was £69k (Westminster £57k and Consolidated £12k). This was offset by a credit of £13k from the previous year, reducing the amount disclosed in the note to £56k.

*** Relevant Central IT costs are recharged to Devolved Offices from FSA Westminster

8 Net Costs by Group

Group	Administration Expenditure	Programme Expenditure	Administration Income	Programme Income	2011/12 Net operating cost	2010/11 Net operating cost
	£000	£000	£000	£000	£000	£000
Chief Executive	1,810	-	41	-	1,769	1,847
Legal, International, Regulation & Audit	2,770	-	55	-	2,715	2,402
Chief Scientist	1,935	1,954	18	-	3,871	4,257
Comms, Planning, Security and Estates	9,855	1,499	4,379	-	6,975	12,100
Food Safety	7,788	10,431	148	2,237	15,834	14,903
Operations	3,659	65,666	-	31,331	37,994	15,242
Finance, IT and Procurement	11,531	-	23	-	11,508	12,555
Human Resources	2,904	-	1	-	2,903	4,714
Centrally Managed	1,594	3,826	-	-	5,420	871
Totals	43,846	83,376	4,665	33,568	88,989	68,891

The FSA identifies reportable segments, Groups and Devolved Authorities, that reflect the organisational structure. The financial system also reflects the organisational structure and enables income and expenditure to be analysed and reported by segment. Segmental operating results are reviewed every month by the FSA EMB to make decisions on segmental resources and assess performance.

Groups derive income from the following activities or services;

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

Chief Scientist – Sundry services

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

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

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

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

Human Resources – Sundry services

The FSA receives more than 9% of its income from DEFRA (£3,608k). This is reported in the Operations Group reporting segment.

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

9 Analysis of Net Operating cost by spending body

	2011/12	2010/11
	£000	£000
	Outturn	Outturn
Spending body:		
FSA – Westminster	84,022	67,814
Grants paid to Local Authorities	4,859	855
Grants paid to other bodies	108	222
Consolidated total	88,989	68,891

10 Income

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

	2011/12	2010/11
	£000	£000
All operating income is included within public expenditure		
FSA – core department		
Administration income:		
From Government Departments and others	4,665	3,403
Programme income:		
Meat controls industry income	26,439	27,482
Meat Hygiene related work Government income	4,876	10,029
Milk and Dairy Hygiene – sampling	16	18
Assessments and consultations on radioactive discharges	2,237	1,983
	33,568	39,512
Total income	38,233	42,915

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

	2011/12			2010/11		
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
FSA						
Industry	26,439	50,182	(23,743)	27,482	56,375	(28,893)
Government	4,876	4,134	742	10,029	10,508	(479)
Assessments and consultations on radioactive discharges	2,237	2,237	–	1,983	1,983	–
	33,552	56,553	(23,001)	39,494	68,866	(29,372)

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

The FSA's financial objective is to recover costs fully. In relation to Hygiene Inspection charges Ministers previously agreed to an annual subsidy. However the FSA Board at the November 2009 Board meeting reiterated the expectation of moving towards full cost recovery in the coming years.

There currently remains a considerable shortfall between the costs for the FSA of delivering the meat hygiene controls and income received from Food Business Operators (FBOs) for these services. This is effectively a subsidy of approximately £23m from the FSA to the meat industry, which was received by 64% of FBOs (97% of premises that slaughter and 36% of cutting premises) across the UK in 2010/11. EU regulations provide for support from the charging system for small/rural slaughterhouses. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations. During 2011/12 the FSA revised the exchange rate calculation for EU minimum charges made relating to 2010/11 in response to Judicial Review. This resulted in a credit of £449k to FBOs.

The FSA has an objective of recovering its costs in full in respect of work carried out for other Government departments (in line with the principles of Managing Public Money). With effect from 2011/12 some of the charges which were invoiced to Defra, associated with requirements for cattle over 30 months old, became the responsibility of the FSA. There has been a budget transfer of approximately £4m from Defra to the FSA to take account of this.

In relation to Assessments and consultations on radioactive discharges, the financial objective is to recover costs fully.

11 Property, plant and equipment

	Fixtures and Fittings £000	Office Equipment £000	Computer Equipment £000	Total £000
Cost or valuation				
Cost at 1 April 2011	1,148	417	2,198	3,763
Additions	159	–	219	378
Disposals	(40)	(133)	(874)	(1,047)
Reclassification	–	–	–	–
At 31st March 2012	1,267	284	1,543	3,094
Depreciation				
Cost at 1 April 2011	458	291	1,606	2,355
Charged in year	174	47	393	614
Disposals	(37)	(126)	(870)	(1,033)
At 31st March 2012	595	212	1,129	1,936
Carrying amount at 31st March 2012	672	72	414	1,158
Carrying amount at 31st March 2011	690	126	592	1,408
Asset financing				
Owned	672	72	414	1,158
Finance leased	–	–	–	–
On balance sheet PFI contracts	–	–	–	–
Carrying amount at 31st March 2012	672	72	414	1,158
Cost or valuation				
Cost at 1 April 2010	1,148	417	3,402	4,967
Additions	–	–	13	13
Disposals	–	–	(1,217)	(1,217)
Reclassification	–	–	–	–
At 31st March 2011	1,148	417	2,198	3,763
Depreciation				
Cost at 1 April 2010	294	238	2,306	2,838
Charged in the year	164	53	517	734
Disposals	–	–	(1,217)	(1,217)
At 31st March 2011	458	291	1,606	2,355
Carrying amount at 31st March 2011	690	126	592	1,408
Carrying amount at 31 March 2010	854	179	1,096	2,129
Asset financing				
Owned	854	179	1,096	2,129
Finance leased	–	–	–	–
On balance sheet PFI contracts	–	–	–	–
Carrying amount at 31st March 2011	854	179	1,096	2,129

12 Intangible assets

Intangible assets comprise computer software and software licences.

	Computer software and software licences £000
Cost or valuation	
Cost at 1 April 2011	2,581
Additions	613
Disposals	(1,224)
At 31st March 2012	1,970
Amortisation	
Cost at 1 April 2011	1,723
Charged in year	502
Disposals	(1,221)
At 31st March 2012	1,004
Carrying amount at 31st March 2012	966
Carrying amount at 31st March 2011	858
Cost or valuation	
Cost at 1 April 2010	4,533
Additions	57
Disposals	(2,009)
At 31st March 2011	2,581
Amortisation	
Cost at 1 April 2010	3,257
Charged in year	475
Disposals	(2,009)
At 31st March 2011	1,723
Carrying amount at 31st March 2011	858

13 Financial Instruments

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

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

FSA holds the following financial assets and liabilities:

1) Assets

- Cash and cash equivalents (Note 15)
- Trade Receivables – current (Note 14)
- Trade Receivables – non-current (Note 14)

2) Liabilities

- Trade and other payables (Note 16)
- Other payables > 1 year (Note 16)
- Provisions arising from contractual arrangements (Note 17)

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

Liquidity risk

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

Currency risk

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

Credit risk

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

The maximum exposure as at 31 March 2012 is in receivables from customers disclosed in the trade receivables note (Note 14) .

Interest rate risk

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

14 Trade receivables and other current assets

	2011/12 £000	2010/11 £000
Amounts falling due within one year:		
Trade receivables	2,232	2,317
VAT recoverable	2,109	1,892
Other receivables	163	135
	<u>4,504</u>	<u>4,344</u>
Other current assets:		
Prepayments and accrued income	7,066	6,940
Amounts due from the Consolidated Fund in respect of supply	-	-
	<u>7,066</u>	<u>6,940</u>
	11,570	11,284
Amounts falling due after more than one year:		
Trade receivables	-	-
Prepayments and accrued income	-	-
	<u>-</u>	<u>-</u>

14.1 Intra-Government Balances

	£000	2011/12 £000	£000	2010/11 £000
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	4,266	-	3,830	-
Balances with local authorities	-	-	-	-
Subtotal: intra-government balances	<u>4,266</u>	<u>-</u>	<u>3,830</u>	<u>-</u>
Balances with bodies external to government	7,304	-	7,454	-
Total balances receivable at 31 March	11,570	-	11,284	-

15 Cash and cash equivalents

	2011/12
	£000
Balance at 1 April 2010	5,164
Net changes in cash and cash equivalents	(1,853)
Balance at 31 March 2011	3,311
Net changes in cash and cash equivalents	(843)
Balance at 31 March 2012	2,468

	2011/12	2010/11
	£000	£000
The following balances at 31 March were held at:		
Government Banking Service	2,742	2,911
Commercial banks and cash in hand	(274)	400
Balance at 31 March	2,468	3,311

16 Trade payables and other current liabilities

	2011/12	2010/11
	£000	£000
Amounts falling due within one year		
Bank overdraft	–	–
Other taxation and social security	1,007	1,126
Trade payables	1,660	1,520
Other payables	737	664
	<u>3,404</u>	<u>3,310</u>
Other current liabilities:		
Accruals and deferred income	13,235	9,792
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,468	4,713
	<u>15,703</u>	<u>14,505</u>
	<u>19,107</u>	<u>17,815</u>
Amounts falling due after more than one year		
Other payables, accruals and deferred income	11,001	15,475
	<u>11,001</u>	<u>15,475</u>

16.1 Intra-Government Balances

	2011/12		2010/11	
	£000	£000	£000	£000
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	4,902	–	7,409	–
Balances with local authorities	2,465	–	207	–
Balances with public corporations and trading funds	17	–	359	–
Subtotal: intra-government balances	7,384	–	7,975	–
Balances with bodies external to government	11,723	11,001	9,840	15,475
Total balances payable at 31 March	19,107	11,001	17,815	15,475

17 Provisions for liabilities and charges

Pensions Provisions

	FSA Board Pension Provision	LGPS Pension Provision	Total
	£000	£000	£000
Opening deficit at 1 April 2010	829	102,616	103,445
Total costs	66	4,603	4,669
Past service cost credit	(81)	(17,075)	(17,156)
Employer contributions	(28)		(28)
Deficit payment		(1,707)	(1,707)
Actuarial gain/(loss)	(163)	(42,581)	(42,744)
Deficit at 1 April 2011	623	45,856	46,479
Total service and interest costs	44	3,799	3,843
Employer contributions	(17)	(2,693)	(2,710)
Deficit payment		(1,660)	(1,660)
Actuarial gain/(loss)	44	29,701	29,745
Closing deficit at 31 March 2012	694	75,003	75,697

Early departure and other provisions

	Early departure costs	Onerous Leases	Dilapidations	Personal Injury Claims Provision	Other Total
	£000	£000	£000	£000	£000
Balance at 1 April 2010	3,241	276	–	306	3,823
Provided in the year	2,304	–	–	–	2,304
Provisions not required written back	–	–	–	–	–
Provisions utilised in the year	(815)	–	–	(68)	(883)
Payment to reduce deficit	–	–	–	–	–
Actuarial Loss / (Gain)	–	–	–	–	–
Balance at 1 April 2011	4,730	276	–	238	5,244
Provided in the year	2,535	(4)	1,107	131	3,769
Provisions not required written back	(223)	(272)	–	(89)	(584)
Provisions utilised in the year	(1,152)	–	–	(171)	(1,323)
Borrowing costs (unwinding of discount)	(487)	–	–	–	(487)
Payment to reduce deficit	–	–	–	–	–
Actuarial Loss / (Gain)	–	–	–	–	–
Balance at 31st March 2012	5,403	–	1,107	109	6,619

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

	Early Departure Costs	Onerous Leases	Dilapidations	Personal Injury Claims Provisions	Total
	£000	£000	£000	£000	£000
within one year	930	–	–	109	1,039
between one and five years	2,424	–	–	–	2,424
between five and ten years	1,167	–	1,107	–	2,274
thereafter	882	–	–	–	882
Balance at 31 March 2012	5,403	–	1,107	109	6,619

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

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

17.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% (2010/11 2.9%) in real terms.

17.1.1 Other

A provision has been created in respect of estimated dilapidation costs for Aviation House in London. The provision has been calculated using an estimate cost of £150/m² and payable on termination of the lease.

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

17.1.2 FSA Board Pension Provision

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

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2012 is £694,000 (2010/11 £623,000).

The disclosure includes a £10,000 entry, relating to the changes in the actuarial assumptions underlying the scheme liabilities. This increase in liabilities has come about as a result of the net effect of a £15,000 increase in liabilities resulting from the change to the financial assumptions and a £5,000 decrease in liabilities resulting from the change in assumed future improvements in mortality to the 2010-based principal population projections published by the Office for National Statistics.

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

In the short-term changes in the scheme liability may be primarily driven by the assumptions used for future assessments (particularly the financial assumptions prescribed by HM Treasury).

Financial Assumptions

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

	<u>31 March 2012</u>	<u>31 March 2011</u>
Inflation/Pension increase rate	2.00%	2.65%
Rate of increase in salaries	4.25%	4.90%
Gross Discount Rate	4.85%	5.60%

Mortality

Life expectancy is based on the actuarial PA92-10 tables. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	31 March 2012		31 March 2011	
	Males	Females	Males	Females
Current Pensioners	24.0 years	27.3 years	24.1 years	27.3 years
Future Pensioners	26.9 years	30.4 years	26.5 years	29.9 years

Present value of scheme liabilities

	Value at 31.03.2012	Value at 31.03.2011	Value at 31.03.2010	Value at 31.03.2009	Value at 31.03.2008
	£000	£000	£000	£000	£000
Liability in respect of					
Active members	(42)	(98)	(164)	(226)	(164)
Deferred pensioners	(231)	(207)	(254)	(182)	(193)
Current pensioners	(421)	(318)	(411)	(189)	(179)
	<u>(694)</u>	<u>(623)</u>	<u>(829)</u>	<u>(597)</u>	<u>(536)</u>

Analysis of movement in scheme liability

	2011/12 £000	2010/11 £000
Scheme liability at 1 April	(623)	(829)
Movement in the year:		
Current service cost (net of employee contributions)	(8)	(28)
Interest cost	(35)	(35)
Employee Contributions	(1)	(3)
Actuarial (Loss)/Gain	(44)	163
Benefits paid	17	28
Past service Cost (note 6)	–	81
Net individual pension transfer-in	–	–
Settlements and curtailments	–	–
Scheme liability at 31 March	(694)	(623)

Analysis of amount charged to operating profit

	Year to Saturday, March 31, 2012 £000	Year to Thursday, March 31, 2011 £000
Current service cost (net of employee contributions)	(8)	(28)
Interest cost	(35)	(35)
Past service Cost (note 6)	–	81
Settlements and curtailments	–	–
	(43)	18

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

	2011/12 £000	2010/11 £000
Experience (losses)/gains arising on the scheme liabilities	(34)	112
Changes in financial assumptions underlying the present value of scheme liabilities	(10)	51
Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity	(44)	163

History of experience gains and losses

	2011/12	2010/11	2009/10	2008/09	2007/08
Experience (losses)/gains on scheme liabilities:					
Amount (£000)	(34)	112	(1)	(25)	(12)
Percentage of scheme liabilities	-4.9%	18.1%	-0.1%	-4.2%	-2.3%

17.2 Provision for pension liability

17.2.1 The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2012, contributions of £2.6m (2010/11 £2.6m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2012, this rate was 18.2% (2010/11 17.9%) of pensionable remuneration.

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

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

On the basis of the full actuarial valuation the FSA Fund deficit at March 2010 was £23.1m (March 2007 £27.6m). The Agency agreed to increase the funding to the scheme, payable for 20 years. For 2011/12 £1.7m will be paid.

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

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £75.0m as at 31 March 2012 compared with a calculated deficit of £45.9m as at 31 March 2011.

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

Financial Assumptions

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

	<u>31 March 2012</u>	<u>31 March 2011</u>
Inflation/Pension increase rate (RPI)	3.3%	3.5%
Inflation/Pension increase rate (CPI)	2.5%	2.7%
Salary Increases	4.2%	4.5%
Expected Return on Assets	5.9%	6.7%
Discount Rate	4.6%	5.5%

Mortality

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

	Males	Females
Current Pensioners	20.9 years	23.4 years
Future Pensioners	22.9 years	25.3 years

Movement in liabilities

	31 March 2012	31 March 2011
	<u>£'000</u>	<u>£'000</u>
Opening Defined Benefit Obligation	158,118	211,569
Current service cost	2,636	3,982
Interest cost	8,670	10,302
Contributions by members	912	972
Actuarial losses/(gains)	23,227	(45,708)
Past service Costs	–	(17,075)
Losses on Curtailments	83	85
Estimated unfunded benefits paid	(151)	(147)
Estimated benefits paid	(4,484)	(5,862)
Closing Defined Benefit Obligation	<u>189,011</u>	<u>158,118</u>

Movement in assets

	31 March 2012	31 March 2011
	<u>£'000</u>	<u>£'000</u>
Opening Fair Value of Employer's Assets	112,262	108,953
Expected Return on Assets	7,590	7,165
Contributions by Members	912	972
Contributions by Employer	4,353	4,161
Contributions in respect of Unfunded Benefits	151	147
Actuarial gains/(losses)	(6,474)	(3,127)
Unfunded benefits paid	(151)	(147)
Benefits Paid	(4,635)	(5,862)
Closing Fair Value of Employer Assets	<u>114,008</u>	<u>112,262</u>

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

	Long term rate of return expected at 31.03.2012	Value at 31.03.2012 £000	% at 31.03.2011	Long term rate of return expected at 31.03.2011	Value at 31.03.2011 £000
Equities	6.3%	83,226	69%	7.4%	77,461
Target return portfolio	4.5%	13,681	12%	4.5%	13,471
Alternative assets	5.3%	15,961	14%	6.4%	15,717
Cash	3.0%	1,140	3%	3.0%	3,368
Corporate bonds	n/a	–	2%	5.5%	2,245
Market value of assets		114,008			112,262
Present value of scheme liabilities		(189,011)			(158,118)
Net pension deficit		(75,003)			(45,856)

17.2.2 Movement in deficit during the year

	2011/12 £000	2010/11 £000
Scheme liability at 1 April	(45,856)	(102,616)
Current service cost	(2,636)	(3,982)
Employer contributions	2,693	2,601
Payment of deficit	1,660	1,707
Curtailments and settlements	(83)	(85)
Past service cost (note 6)	–	17,075
Other finance net interest charged (note 17.2.3)	(1,080)	(3,137)
Actuarial (loss)/gain (note 17.2.4)	(29,701)	42,581
Scheme liability at 31 March -LGPS Pension Provision	(75,003)	(45,856)

17.2.3 Analysis of the amount charged to operating deficit

	2011/12	2010/11
	£000	£000
Current service costs	2,636	3,982
Past service cost (note 6)	–	(17,075)
Curtailment and settlements	83	85
	<u>2,719</u>	<u>(13,008)</u>
Employer contributions to be set off	(2,693)	(2,601)
Amount (credited)/charged to operating cost	<u>26</u>	<u>(15,609)</u>
	2011/12	2010/11
	£000	£000
Analysis of the net amount charged to operating cost		
Expected return on pension scheme assets	(7,590)	(7,165)
Interest on pension scheme liabilities	8,670	10,302
Net cost	<u>1,080</u>	<u>3,137</u>

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

	2011/12	2010/11
	£000	£000
Actual return less expected return on pension scheme assets	(6,474)	336
Experience gains and losses arising on the scheme liabilities	(33)	33,289
Changes in financial assumptions underlying the present value of scheme liabilities	<u>(23,194)</u>	<u>8,956</u>
Actuarial loss recognised in the Statement of Changes in Taxpayers' Equity	<u>(29,701)</u>	<u>42,581</u>

17.2.5 History of experience gains and losses

	2011/12	2010/11	2009/10	2008/09	2007/08
Difference between the experience and actual return on scheme assets:					
Amount (£000)	(6,474)	(3,127)	19,066	(28,908)	(5,535)
Value of assets (£000)	114,008	112,262	108,953	82,805	99,777
Percentage of scheme assets	-5.7%	-2.8%	17.5%	-34.9%	-5.5%
Experience gains/(losses) on scheme liabilities:					
Amount (£000)	(33)	36,752	441	(382)	2,763
Total present value of liabilities (£000)	189,011	158,118	211,569	127,222	127,767
Percentage of scheme liabilities	-0.0%	23.2%	0.2%	0.0%	2.2%
Total amount recognised in the Statement of Changes in Taxpayers' Equity					
Actuarial (loss)/gain (£000)	(29,701)	42,581	(57,399)	(15,340)	17,772
Total present value of liabilities (£000)	189,011	158,118	211,569	127,221	127,767
Percentage of scheme liabilities	-15.7%	26.9%	27.1%	-12.1%	13.9%
Cumulative actuarial (loss)/gain (£000)	(42,841)	(13,140)	(55,721)	1,678	17,018

18 Commitments under leases

18.1 Operating leases

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

	2011/12 £000	Restated 2010/11 £000
Obligations under operating leases comprise:		
Land and buildings:		
Not later than one year	7,781	7,781
Later than one year and not later than five years	33,117	31,543
Later than five years	9,118	42,637
Amounts	<u>50,016</u>	<u>81,961</u>
Amounts above are the cash commitments to landlord including VAT. 2010/11 figures have been restated to reflect this		
Other:		
Not later than one year	235	626
Later than one year and not later than five years	107	426
	<u>342</u>	<u>1,052</u>

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

18.2

Total future minimum lease rental income from Ofsted, Medical Research Council (MRC) and Government Digital Services (GDS) is given in the table below for each of the following periods.

	2011/12 £000	2010/11 £000
Total future minimum lease rental income from Ofsted, MRC and GDS		
Land and buildings:		
Not later than one year	2,862	1,669
Later than one year and not later than five years	10,274	2,011
Later than five years	1,229	946
	<u>14,365</u>	<u>4,626</u>

19 Other financial commitments

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

	2011/12	2010/11
	£000	£000
Not later than one year	8,374	10,125
Later than one year and not later than five years	2,118	15,895
Later than five years	–	–
	10,492	26,020

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

20 Contingent liabilities

The Department has the following contingent liabilities:

- i There is a claim made by an ex contractor, who provided the FSA with meat inspection and veterinary staff, over payment for rest breaks. This claim has been contested but may cost approximately £140,000.
- ii There are a number of claims being made by employees and others for injuries sustained in the workplace, unfair dismissal or other issues. These cases will be defended and as yet the outcome is not known but could cost approximately £770,000. Of this total £675,000 relates to personal injury and £95,000 for employment tribunal cases. No provision has been made for these cases, however, a provision of £109,000 has been made for personal injury claims where liability has been admitted.

The total contingent liabilities is therefore £910,000 (2010/11 £2,559,000).

21 Related-Party Transactions

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

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

Government Body	Resource expense £000	Resource income £000
Agri-Food & Biosciences Institute	349	–
Animal Health and Veterinary Laboratories Agency	1,437	871
Cabinet Office	95	–
Coi	878	–
DEFRA	1,663	2,341
Department Of Health	1,423	502
Environment Agency	–	142
Foreign & Commonwealth Office	75	–
Government Digital Services	–	401
HSE	–	53
Health & Safety Laboratory	56	–
Health Protection Agency	235	–
London Pensions Fund Authority	2,134	–
Medical Research Council	97	1,041
Ofsted	–	2,475
Treasury Solicitor	545	–
Food & Environment Research Agency	1,724	–
C E F A S	3,376	–
Rural Payments Agency	51	783
Scottish Government	–	301
Welsh Government	–	165
VMD	–	459

22 Entities within the Departmental Boundary

The FSA has no other entities within the Departmental Boundary.

23 Losses and Special Payments

The FSA made 13 special payments amounting to £161,000 in 2011/12 (2010/11: 28 payments, £86,000). The majority of the cases refer to compensation and personal injury claims. The FSA have also written off £6,000 of bad debts, all of which relate to the income from meat hygiene inspections.

An analysis by category is shown below.

	No of cases	Value £000
Cash losses	53	147
Store losses	–	–
Fruitless payments	–	–
Constructive losses	–	–
Claims waived and abandoned	24	6
Special payments	13	161
Total	90	314

24 Capital Commitments

At 31 March 2012 there were no commitments for the purchase of capital items (31 March 2011 nil).

25 Events after the reporting period

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

There are no reported events after the reporting period.

26 Early adoption of IFRSs, amendments and interpretations

The FSA have not adopted any IFRS's, amendments or interpretations early.

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

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRSs, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the FSA:

- IFRS 7 Financial Instruments: Disclosures Amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which is effective for accounting periods beginning on or after 1 July 2011.
- IFRS 9 Financial Instruments A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- IFRS 13 Fair Value Measurement IFRS 13 applies when other IFRSs require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.

- IAS 1 Presentation of Financial Statements Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.
- IAS 19 Employee Benefits The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.
- IAS 32 Offsetting Financial Assets and Financial Liabilities Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the FSA.

Annex A

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 2012 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ('the FReM') which is in force for 2011 / 12.
3. If the Treasury has made an order for the year under section 4A(3) and (4) of the Government Resources and Accounts Act 2000, a department must detail the same information for each body designated in the Order under its name. This means that the department must also detail in its accounts the resources acquired, held or disposed of during the year by each of its designated bodies, and each such body's use of resources during the year.
4. The Treasury made the following designation order for financial year 2011 / 12: the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011 (S.I. 2011 / 723). The list of bodies designated in the Schedule to that Order has been amended by the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2011 (S.I. 2011 / 3004). The amendments designate some additional bodies and remove some bodies from the list.
5. The accounts of Government departments, with the details outlined above (for itself and its designated bodies) shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2012 and of the net resource outturn, the application of resources, changes in taxpayers' equity and cash flows for the financial year then ended;
 - (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.
6. The accounts for pension schemes shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2012 and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended;
 - (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; and
 - (c) demonstrate that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

7. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

Chris Wobschall

Deputy Director, Assurance and Financial Reporting Policy, Her Majesty's Treasury

20 December 2011



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