

# **FOOD STANDARDS AGENCY**

Safe food for all

**Annual Report and Consolidated  
Resource Accounts 2009/10**



**Food Standards Agency  
Annual Report and Consolidated Resource Accounts 2009/10**

**( For the year ended 31 March 2010)**

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

Resource Accounts presented to the House of Commons pursuant to Chapter 20 Section  
6 (4) of the Government Resources and Accounts Act 2000

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

Ordered by the House of Commons to be printed 12 July 2010

London: The Stationery Office  
HC No. 132  
SG/2010/91

£13.75

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ISBN: 978 0 10 296632 9

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2368550 4169 07/10

Printed on paper containing 75% recycled fibre content minimum.

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## Chief Executive's statement



I am pleased to lay before the Westminster Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, the Food Standards Agency Annual Report and Consolidated Resource Accounts. This edition covers our performance and activities in 2009/10.

I am pleased to report that, in a difficult year, the public benefits of safer food and healthy eating for all have been delivered with even greater efficiency by the Food Standards Agency. Tough economic conditions demand the highest levels of performance and efficiency in return for public money, and the Agency's dedicated and professional workforce has continued to deliver more with fewer resources. Public confidence in the Agency remains high at 62 per cent, the risks from 1,208 food-related incidents have been managed effectively, and good progress has been made towards our strategic goals on food safety and healthier, better-balanced meals. Progress has been made in costs with a five per cent reduction in expenditure in real terms, and the net cost of the FSA falling from £155.3m to £152.4m.

### Organisational change

Core to our successful performance has been a major restructuring exercise that has seen a streamlining of our food policy divisions and the integration of the Meat Hygiene Service (MHS) into the Agency's new Operations Group. In the three years prior to integration the MHS reduced its gross operating costs by 25 per cent (from £91.3m in 2006/7 to £68.1m) through modernisation and efficiencies. With the approval of the Chief Secretary to the Treasury, the MHS ceased to be an executive agency and its staff and functions became part of the Agency on 1 April 2010. The Operations Group now provides a unified regulatory service for meat hygiene, wine standards, shellfish harvesting and monitoring, egg hygiene and dairy hygiene, with our experts helping companies right across the UK food chain meet their obligations under food and animal feed regulations. By promoting more efficient and collaborative working with colleagues, our new structure will maximise the potential of the Agency's staff – over half of whom in the Food Policy Group are science-qualified to at least first degree level.

As a result of the structural changes described above, the Agency now employs 2,131 staff (including those who have joined from the MHS) with almost 400 people made redundant between 2007 and 31<sup>st</sup> March 2010.

### Strategy for 2010-2015

This new structure as a single organisation – supported by a single, more cost-effective Corporate Services Group – provides the base from which we can deliver the outcomes agreed in our new Strategic Plan. The plan was finalised after extensive consultation with consumer representatives, the food industry, the scientific community and others, and was launched in December 2009. Underpinned by our core principles of putting the consumer first, openness and independence, and being science and evidence based our new priorities for the next five years are that

- Food produced or sold in the UK is safe to eat
- Imported food is safe to eat
- Consumers understand about safe food and healthy eating, and have the information they need to make informed choices; and
- 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.

### **Building on our success**

This new strategy sets out clear objectives for the Agency as it builds on a decade of achievement. Since being established in April 2000, the Agency has worked flat out with the food industry, consumers and the scientific community to minimise food safety risks, promote healthier eating, and raise public confidence in food. As a result, foodborne illness is down by 16 per cent over the decade; lower salt consumption is preventing 6,000 diet-related deaths each year (saving £1.5 billion according to an independent economic impact analysis), and both consumers and the UK food industry are benefitting from the high levels of trust and confidence in British food.

This is a substantial achievement and I would like to acknowledge the commitment of all those who have worked with us over the past year and the past decade to improve safety, quality and choice. In particular, I would like to pay tribute to the dedication and expertise of everyone who has worked at the Food Standards Agency during this period. Latterly the Agency has had to respond to changing times and circumstances by reprioritising our work and restructuring the organisation significantly and the dedication of the Agency's staff to delivering safe food and healthy eating for all has been unwavering.

Tim J Smith  
Chief Executive  
Food Standards Agency  
23 June 2010

## About the FSA

- Set up in April 2000 by the Food Standards Act 1999.
- UK-wide remit in protecting public health and the interests of consumers in relation to food.
- Regulates the food industry and is separate from food industry sponsor Department, Defra.
- Legal status as a non-Ministerial Government Department, governed by a Board that is accountable to Westminster Parliament and the Devolved Parliament/Assemblies, through Health Ministers.
- Briefs and supports Ministers when dealing with all Parliamentary or Assembly business that the FSA has responsibility for including Parliamentary questions and Ministerial correspondence. Can publish advice to Ministers.
- Based in London. Has offices in Belfast, Aberdeen and Cardiff to closely liaise with the Parliament or Assemblies as food safety and standards, including diet and nutrition, are devolved matters. Ensures a consistent UK approach on these issues.
- Represents the agreed UK Government position in the EU on all matters concerning food safety and consumer protection in relation to food. Almost all food legislation is EU legislation.
- Performs risk assessment, risk management and risk communication functions in relation to food e.g. during food incidents. Bases policy and regulatory decisions on science and evidence, and receives independent expert advice from ten scientific advisory committees.
- Budget of £155m, received directly from HM Treasury and devolved Governments.
- Approximately 2,100 staff (1150 of which are meat inspectors located in abattoirs and meat cutting plants). FSA staff are civil servants. About half of those working in policy functions in the FSA are at least first-degree qualified in a science subject.

## Who does what

- As a non-Ministerial Department, the FSA is independent from the day-to-day control of Ministers. Ministers are briefed and kept informed, so that there are no surprises.
- The FSA has a Board of up to 14 members, appointed by Ministers under OCPA<sup>1</sup> guidelines, to act in the public interest. Strategy and policy is determined by the Board. All policy decisions are made in public.
- The Chief Executive is appointed by the Board, subject to approval by UK Ministers, and responsible for (amongst other things) ensuring the FSA's activities are carried out efficiently and effectively. The Chief Executive is the Accounting Officer. The FSA has an Executive Management Board comprising the Chief Executive and Directors, including a director from each of the devolved countries.
- The FSA leads on food safety and standards, animal feed safety and standards, and labelling.
- Food safety inspections and enforcement are delivered by a range of authorities, including: the FSA (in licensed meat premises); local authorities (for the majority of other food premises and businesses) and port health authorities (imports entering UK ports).

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<sup>1</sup> Office for the Commissioner for Public Appointments

- Diet and nutrition responsibility is shared in England with the Department of Health; arrangements vary in the Devolved countries.

## What we do

The FSA has a wide remit that includes protecting public health, providing information and advice, ensuring food law is effective and enforced, co-coordinating research and development, food surveillance, developing policy and representing the UK on food matters in Europe. Our purpose is to promote “**Safe food for all.**” More details about what we do can be found on our website at [www.food.gov.uk](http://www.food.gov.uk)

### Statutory background

The FSA was established on 1 April 2000 by Act of Parliament (Food Standards Act 1999).

The Meat Hygiene Service (MHS) was originally established on 1st April 1995 as an executive agency of the Ministry of Agriculture, Fisheries and Food. On 1st April 2000, the MHS became an executive agency of the FSA. The MHS is consolidated with FSA headquarters to form the FSA as a Westminster Department.

Up to 31 March 2010, the Meat Hygiene Service (MHS) was an executive agency of the FSA. The aim of the MHS was to safeguard public health and animal welfare at slaughter through the effective enforcement of legislation. The principal activities of the MHS were:

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

The Chief Executive of the MHS reported to the FSA Chief Executive.

On 28 February 2010, the FSA received the Chief Secretary’s approval to remove executive agency status from the Meat Hygiene Service and to bring its staff and functions into the FSA. On 1 April 2010, the Meat Hygiene Service became a fully integrated part of the FSA.

All the FSA’s operational delivery functions have now come together to form the Operations Group. This group consists of operational delivery experts in meat hygiene, wine standards, egg hygiene, dairy hygiene and shellfish harvesting and monitoring, among others. Bringing these people together will allow us to develop a common culture and focus on achieving shared outcomes.

The decision is rooted in our priority to put consumers first and the desire to streamline and improve the FSA’s approach to compliance with official food and feed controls across the UK.

### Our principles

Our principles are:

- putting the consumer first

- openness and independence
- science and evidence based

### **Putting the consumer first**

Food safety is always our first priority. We strive to reduce foodborne illness. We seek to build on the trust of stakeholders in our handling of food safety issues. We also focus on improving diet and health, which is central to our objectives. We work to give all consumers the chance to make informed choices about the food they eat.

### **Openness and independence**

It is vital for us to be impartial and honest in the way we act to protect consumers. Decisions should always be balanced, based on reliable evidence from the best expert advice, and published whenever possible to make it accessible.

Openness demonstrates fairness, competence and efficiency – characteristics that underpin confidence and trust in any regulator. We are answerable to the general public and should therefore allow all stakeholders to challenge any aspect of our policy and regulatory decision making.

As well as stakeholder confidence and trust, we hope to build further on the high level of international respect for UK food safety and nutritional standards.

### **Science and evidence-based**

It is vital that all the policies we develop are based on the best available science and evidence. We always aim to communicate clearly what is known and not known about food safety and dietary health. We also strive to fund work that addresses uncertainties in science, while assessing the effectiveness of our own policies.

### **Putting our principles into practice**

At the FSA, we value honesty, integrity and objectivity, and we continually push for the highest levels of efficiency. As an organisation, and as individuals, we strongly advocate diversity, co-operation and respect.

### **Staff relations**

The FSA attaches considerable importance to securing the full involvement of all staff in its work. Staff are encouraged to use their own initiative to enhance the work of the FSA. Senior management meet formally at regular intervals with trade union representatives. The Chief Executive holds regular open meetings which all staff are encouraged to attend. "Feedback", an in-house newsletter, provides staff with a quarterly update on the work of the organisation. Staff and other stakeholders also receive "FSA News", published every two months.

### **Internal Values**

High performing organisations share the characteristic of having a clear and well-communicated culture. In the FSA, we have developed a set of internal values through a process of inclusive employee engagement. The values are designed to give a clear direction to everything we do, setting out how we should operate and what we should expect from those around us. The values are:

- **We are One FSA**  
we work together  
we get the best from each other  
we make the most of our skills and experience
- **We take the lead**  
we are clear about our purpose  
we are influential where it counts  
we demonstrate strong leadership
- **We make a difference**  
we concentrate on our priorities  
we build partnerships  
we are creative and strive for continuous improvement

### **Equal opportunities**

The FSA aims to be a modern and equitable employer, and recognises and encourages the potential of a diverse workforce. The FSA is committed to equal opportunities and aims to ensure that everyone who works for or with the FSA should be treated fairly and with respect. Consequently, no employee or job applicant will be discriminated against either directly or indirectly on such grounds as race, gender, marital status, nationality, ethnicity, colour, religion, political beliefs, disability, age, sexual orientation, responsibility for dependants, working pattern or position in the organisation.

The FSA operates a guaranteed interview scheme for people with disabilities (as defined by the Disability Discrimination Act 1995) who meet the minimum essential criteria for the appointment.

### **Internal audit**

We have an in-house internal audit function. We believe this helps achieve compliance with best internal control practice, supports effective risk management, and improves organisational performance.

### **Procurement**

As part of the "One FSA" programme, we have taken steps to review our procurement arrangements. Proposals include a single Procurement Division for the whole FSA, with the head of procurement reporting to an Executive Management Board Director. The procurement team will be the only function with authorisation to contractually commit on behalf of the FSA.

### **IT investment**

By investing in improving the integrity and efficiency of our systems we will be more efficient in the way we work. We have upgraded our outdated IT desktop environment from Microsoft 2003, replacing old PCs, enhancing our remote working capability and providing staff with modern and effective tools to support their work.

We conducted a review of the separate finance, procurement, payroll and HR systems in operation within the FSA and MHS and are in the process of implementing new and effective single solutions in these areas. The new finance and procurement systems began operation on 1 April 2010 and HR/payroll will follow later in the year.

We have begun the process of consolidating the two separate IT infrastructures from MHS and FSA into a single more effective operation, starting with the move to "Foodstandards" email addresses for all staff from 1 April.

### Accommodation

We have continued to make more efficient use of our accommodation. In 2008/9 we released 2 floors of Aviation House. In 2009/10 we restacked and released a further floor, subletting the freed accommodation to OFSTED. This has resulted in an overall reduction in annual accommodation costs of around £2.25m from our original 2007 baseline.

### Progress against agreed targets

In this report, we report progress on the remaining targets from our strategic plan to 2010. In future years we will report against our Strategy for 2010 to 2015.

### Food safety

Strategic priorities
We will work with industry to achieve a 50% reduction in the incidence of UK produced chickens which test positive for Campylobacter by the end of December 2010
We will develop effective interventions to tackle food safety problems at source before they become incidents, by the end of December 2010
We will work with industry to achieve a 50% reduction in the incidence of pigs which test positive for Salmonella at slaughter by the end of December 2010
Working with stakeholders, we will provide guidance and support to help small catering businesses. By the end of December 2010, all food businesses are working actively to achieve compliance with food safety management requirements with at least 75% fully compliant
We will develop and pilot a tool that allows the effectiveness of slaughterhouse procedures on the risk of contamination of carcasses to be assessed by the end of 2009

Our performance in 2009/10
Some key highlights: <ul style="list-style-type: none"> <li>The results from the 2009 survey of Campylobacter and Salmonella prevalence in fresh chicken on retail sale in the UK suggest that we will not meet the target to achieve a 50% reduction in the incidence of UK produced chickens which test positive for Campylobacter by the end of December 2010</li> <li>We are moving forward with development of a Campylobacter reduction strategy for 2010-2015, including development of a Campylobacter risk management programme, and engaging and working with a range of stakeholders throughout the food chain to effect change</li> <li>A key aim of our Strategy for 2010 to 2015 is to tackle Campylobacter in chicken as a priority</li> <li>Figures from March 2009 data show 53% of food businesses visited were fully compliant</li> </ul>

with food safety management requirements and 86% of food businesses were broadly compliant, i.e., were satisfactory or making satisfactory progress. December 2010 figures are likely to be available from January 2012

- Working with the revised ZNCPIg schemes we have piloted the slaughterhouse hygiene tool. All slaughterhouses in the schemes are either using or are being encouraged to use the tool

## Eating for health; and Choice

### Strategic priorities

We will work with health departments and other stakeholders to reduce the average salt intake of UK adults from the current 9.5g to 6g per day by the end of December 2010 and to reduce the salt intake of children, in line with Scientific Advisory Committee on Nutrition age-specific recommendations, also by the end of December 2010. We will monitor progress to ensure that we remain on course to achieve the target

We will work with health departments and other stakeholders to reduce average intake of saturated fat (for everyone from age five upwards) from the current level of 13.4% to below 11% of food energy by the end of December 2010

We will implement an action plan to deliver recommendations of the Food Fraud Task Force which fall within the period of this Strategic Plan

### Our performance in 2009/10

Some key highlights:

- During the year it became clear that, although the programme of actions to drive salt and saturated fat reduction remains on track, it could not achieve the necessary behaviour change required to meet these stretching targets on salt and saturated fats by 2010
- We implemented all the appropriate recommendations of the Food Fraud Task Force
- We launched the Food Fraud Advisory Unit – whose members come from a range of enforcement organisations – to provide advice to any UK local authority involved in investigating food fraud

## Effective delivery

### Strategic priorities

For UK-related regulations, achieve a 25% reduction (on 2005 baseline) by the end of April 2010 of the administrative burden of regulations over whose implementation the UK has some control

### Our performance in 2009/10

Some key highlights:

- We delivered significant savings of £44m by 31 March 2010
- We are also confident of delivering a further £46m by the Government's deadline of May 2010, taking the total reduction to £90m against our stretching revised target of £136m
- This represents a significant achievement against our original target of £23m and has been positively recognised by the Better Regulation Executive
- We will continue to seek further savings and we are actively seeking simplifications to deliver against the new Government targets set for April 2010 to March 2015

Performance management reporting is an integral part of our business planning cycle. Quarterly group progress reports form the core agenda of the Chief Executive's quarterly performance review meetings with individual group Directors. Group progress reports form the basis of a report to the Executive Management Board at the end of each quarter. This is followed by a corporate report to the Board.

### Formal enforcement action

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

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

### Formal and informal enforcement action taken by the MHS during 2009/10

<b>Formal Action</b>	<b>Number of Notices, 1 April 2008 – 31 March 2009</b>	<b>Number of Notices, 1 April 2009 – 31 March 2010</b>
<b>Hygiene Emergency Prohibition Notice</b> , 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 <b>Hygiene Emergency Prohibition Order</b> which would result in an immediate cessation of business	Nil	Nil
<b>Hygiene Improvement Notice</b> served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	121	186
<b>Remedial Action Notice</b> served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	35	73

<b>Informal Action</b>	<b>Number of Warnings, 1 April 2008 – 31 March 2009</b>	<b>Number of Warnings, 1 April 2009 – 31 March 2010</b>
<b>Written warning</b>	1,721	1,997

Source: Veterinary and Technical Directorate of the MHS

## Prosecutions

Following an investigation referral by the MHS or Animal Health Dairy Hygiene, 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 by the MHS for possible prosecution 2009/10

Legislation	Number of Referrals
Food Hygiene / Safety	78
Transmissible Spongiform Encephalopathies	29
Animal Welfare	10
Animal By-Products	4
<b>Total</b>	<b>121</b>

Source: Legal Services Group, Food Standards Agency

The timescales for prosecutions mean 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 2009/10 have yet to be concluded.

However, it is possible to report on all those cases that were concluded during 2009/10. Overall, 25 cases (comprising a total of 112 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 57 separate referrals from the MHS. Convictions were secured in 21 of the cases. No cases resulted in acquittal with proceedings withdrawn in 4 cases.

## Our Strategy for 2010 to 2015

Our Strategy for 2010 to 2015 is published in full on our website at [www.food.gov.uk/aboutus/publications/busreps/strategicplan/](http://www.food.gov.uk/aboutus/publications/busreps/strategicplan/)

The strategy sets the FSA's strategic direction for the next five years and defines the FSA purpose of safe food and healthy eating for all. It sets out the strategic objective and priorities, and describes the outcomes and approaches the FSA and others will take to safeguard the UK's food and encourage positive dietary change.

The strategy is written in a clear and concise way to help consumers understand it, and is shaped by the FSA core principles of putting the consumer first, openness and independence, and being science and evidence-based.

The outcomes we aim to deliver are:

- food produced or sold in the UK is safe to eat
- imported food is safe to eat
- consumers understand about safe food and healthy eating, and have the information they need to make informed choices
- 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

### Restructuring to meet the challenges of our Strategy

Our vision is that we will operate in future as a single FSA. To meet the challenges of our new Strategy for 2010 to 2015, we will work more collaboratively and efficiently with colleagues across the FSA. To make this happen we are making a number of organisational changes such as:

- bringing together work on aspects of food safety that were previously spread across seven divisions in two different groups. The merger provides a real opportunity for us to ensure that we organise ourselves well to provide the best synergy with our strategic goals on food safety whilst maximising our impact in improving public health.
- developing a single corporate service for the FSA. As part of its Transformation Programme, the MHS had always planned to review its corporate service functions to ensure that they deliver services which meet the needs of its new field management structure. The FSA had also been reviewing its provision of corporate services. The "One FSA" initiative gives us the opportunity to extend this work and to take a broader strategic look at corporate services provision across the FSA as a whole.

## Our accounts

### 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. These members have special responsibility for Scottish, Welsh and Northern Irish issues. The other eight members were appointed by the Secretary of State for Health.

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

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 Northern Ireland, Scotland and Wales. The role of the Committees in each country is to advise the Board. The FSA Board is required by statute to take account of their advice in its work.

The MHS had its own Board which was a sub-committee of the FSA Board. It operated at arm's length from the day to day management of the MHS by providing strategic direction and holding the MHS to account for its performance.

More information about our organisation and structure can be found on our website at [www.food.gov.uk](http://www.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 (from 27 July 2009)
Dame Deirdre Hutton	FSA Chair (to 26 July 2009)
Dr Ian Reynolds	FSA Deputy Chair
Professor Graeme Millar	Chair of the Scottish Food Advisory Committee
John W Spence	Chair of the Welsh Food Advisory Committee
Dr Maureen Edmondson	Chair of the Northern Ireland Food Advisory Committee
Tim Bennett	Michael Parker
Chris Pomfret	Nancy Robson
Clive Grundy	Margaret Gilmore
Professor Sue Atkinson CBE	Dr David Cameron

**MHS Board**

During the year, the membership of the MHS Board was:

Ian Reynolds	Chair
Maureen Edmondson	FSA Board Member and Chair of the Northern Ireland Food Advisory Committee
Tim Bennett	FSA Board Member
Tim Smith	FSA Chief Executive
Steve McGrath	MHS Chief Executive
Margaret Gilmore	FSA Board Member
Clive Grundy	FSA Board Member
Nigel Gibbens	Chief Veterinary Officer, Defra

**Executive Management Board (EMB)**

During the year, the membership of the EMB was:

Tim Smith	Chief Executive
Steve Wearne	Director of Corporate Services (from 27 July 2009), Director of FSA in Wales
Richard Calvert	Director of Corporate Services (to 9 September 2009)
Dr Andrew Wadge	Director of Food Safety Policy and Chief Scientist
Gill Fine	Director of Consumer Choice and Dietary Health
Terrence Collis	Director of Communications
Vivienne Collett	Director of Legal Services (to 31 December 2009)
Alex Rae	Acting Director of Legal Services (from 1 January 2010)
Robert Mackintosh	Acting Finance Director (to 10 January 2010)
Chris Hitchen	Finance Director (from 11 January 2010)
Lynne Bywater	HR Director (from 4 January 2010)
Jackie Hammond	interim HR Director (to 29 January 2010)
Charles Milne	Director of FSA in Scotland (from 1 June 2009)
Dr George Paterson	Director of FSA in Scotland (to 30 June 2009)
Gerry McCurdy	Director of FSA in Northern Ireland
Steve McGrath	Chief Executive of the Meat Hygiene Service

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

**FSA Advisory Committees**

During the year, the membership of Advisory Committees was:

**Northern Ireland**

Maureen Edmondson – Chair  
Tony McCusker  
Dorothy Black  
David Mark

**Scotland**

Professor Graeme Millar CBE  
– Chair  
Dr Carrie Ruxton  
Dr David Cameron  
Dr John Cowden (to 15  
March 2010)

**Wales**

John Spence – Chair  
Ms Kate Hovers  
Mr Andrew Johnson  
Dr Louise Fielding

Barbara Livingstone  
Professor John Moore  
Michael Walker  
Alan Bingham  
Dr David McCleery

Christopher Trotter  
Mrs Amanda O'Donoghue  
Mrs Moyra Burns  
Professor Charlotte Maltin  
Dr James Wildgoose  
Dr Lesley Ann Stanley  
Mr Bernard Forteach

Mrs Katie Palmer  
Mr Derek Morgan  
Steve Bolchover  
Mrs Sue Jones  
Dr Hugh Jones

### **Audit Committee**

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

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

Chris Pomfret (Chair from 22 March 2010)	Tim Bennett
Professor Graeme Millar (Chair to 28 February 2010)	Clive Grundy
Michael Parker	Margaret Gilmore (from 22 March 2010)

### **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 produces an annual report 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 from 23 March 2010)  
Chris Pomfret (Chair to 23 March 2010)  
Tim Bennett  
Graeme Millar  
Michael Parker  
Nancy Robson

#### **Executive members**

Richard Calvert (to 23 July 2009)  
Steve Wearne  
Terrence Collis  
Steve McGrath  
Andrew Wadge

## **Management commentary**

### **Preparation of accounts**

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

## Supplier payment policy

It is the FSA's policy to pay all invoices not in dispute within 10 days of receipt. During the year, on average, invoices were paid within 9.4 days of receipt.

## Financial instruments

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

## Sustainability reports

The FSA is committed to sustainable development principles including the UK Government's strategy "Securing the Future". We aim both to run our business sustainably and also to take forward our remit in a sustainable manner. In practice, this means taking sustainable development into account in all of the FSA's activities, including in the full range of policy and decision making and in advising consumers. It also affects how we run our business, from accommodation to human resources. The FSA's position statement on sustainable development is "The Food Standards Agency's remit is to protect the interests of consumers in relation to food, both now and in the future. In doing so, the FSA will take sustainable development into account in all of its activities and policy decisions".

Our Sustainable Development Action Plan (SDAP) aims to support the principles of sustainable development and to contribute directly to "Securing the Future". It covers the period from 1 April 2009 to 31 March 2011. The main priority in our SDAP is to embed sustainable development in policy making and in particular into the Impact Assessment process and Board papers. Through active monitoring we can already see an improvement in sustainability considerations.

The FSA is also committed to carbon reduction, energy efficiency, and recycling on its estate and operations. We aim to pursue sound environmental practices at our offices to contribute to sustainable development and so help save the planet. Highlights include a 20% reduction in carbon dioxide from our office headquarters and a recycling rate of 75%, recycling a total of 95 tonnes of waste. Our priority is to reduce our water consumption at our HQ office which has been high. We have already started to reverse this trend having managed a 25.2% decrease on the previous year.

Further information on our SDAP can be found at:

[www.food.gov.uk/aboutus/how\\_we\\_work/sustainability/](http://www.food.gov.uk/aboutus/how_we_work/sustainability/)

Further information on how well we performed on our estate and in our operations can be found at:

[www.ogc.gov.uk/sustainable\\_development\\_in\\_government\\_food\\_standards\\_agency.asp](http://www.ogc.gov.uk/sustainable_development_in_government_food_standards_agency.asp)

## Information on environment, social, and community issues

The staff of the FSA raise money for a variety of charities on a voluntary basis and this will continue over the two years covered in our SDAP. Staff are also encouraged to volunteer for work on local community projects. For example, in 2009 one divisional team devoted a day's voluntary work to the London Wildlife Trust. FSA in Scotland is in the process of

initiating a small volunteering pilot with Aberdeen Foyer, who work with vulnerable young people and Community Food Initiatives North East (CFINE), a charity that aims to improve health. York colleagues have had a Volunteering Policy in place since 2005, whereby staff are entitled to one day's special leave with pay in a 12 month period to take part in voluntary work within the local community (subject to the requirements of the business).

## Comparison of outturn against Estimate

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

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

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

	Estimate £m	2009/10 Net Operating Cost £m
Food Standards Agency HQ Operations	98.8	92.7
Meat Hygiene Service <sup>1</sup>	37.5	36.8
<b>Total Westminster Funded FSA</b>	<b>136.3</b>	<b>129.5</b>
FSA in Scotland	10.4	10.1
FSA in Wales	3.6	3.6
FSA in Northern Ireland	9.4	9.1
<b>Total FSA</b>	<b>159.7</b>	<b>152.3</b>

The net cost of the FSA was £152.3m against available funding of £159.7m to 31 March 2010. Total net expenditure was 5% lower than Estimate by £7.4m, resulting mainly from Westminster Funded FSA of £6.8m. The devolved authorities contributed £0.6m. Food Standards Agency HQ Operations showed a better position by £6.1m, due largely to underspending on Programme expenditure.

The comparative figures for 2008/09 are shown below:

	Estimate £m	2008/09 Net Operating Cost £m
Food Standards Agency HQ Operations	103.2	97.3
Meat Hygiene Service <sup>1</sup>	34.1	35.7
<b>Total Westminster Funded FSA</b>	<b>137.3</b>	<b>133.0</b>
FSA in Scotland	10.4	10.2
FSA in Wales	3.5	3.5
FSA in Northern Ireland	9.2	8.6
<b>Total FSA</b>	<b>160.4</b>	<b>155.3</b>

<sup>1</sup> The Meat Hygiene Service, as an executive agency, prepared its own annual report and accounts. These accounts provide a detailed analysis of costs and income, as well as performance against targets. The MHS annual report and accounts are available from The Stationery Office [www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

## Reconciliation of resource expenditure

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

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

	£000 2008-09	£000 2009-10
<b>Net Resource Outturn (Estimates)</b>	<b>132,969</b>	<b>129,544</b>
<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	-	-
<b>Net Operating Cost (Accounts)</b>	<b>132,969</b>	<b>129,544</b>
<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	-	-
<b>Resource Budget Outturn (Budget)</b>	<b>132,969</b>	<b>129,544</b>
<i>of which</i>		
Departmental Expenditure Limits (DEL)	136,939	132,871
Annually Managed Expenditure (AME)	-	-

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

	£000 2008-09	£000 2009-10
<b>Net Resource Outturn (Estimates)</b>	<b>8,575</b>	<b>9,119</b>
<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	-	-
<b>Net Operating Cost (Accounts)</b>	<b>8,575</b>	<b>9,119</b>
<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	-	-
<b>Resource Budget Outturn (Budget) of which</b>	<b>8,575</b>	<b>9,119</b>
Departmental Expenditure Limits (DEL)	9,207	9,329
Annually Managed Expenditure (AME)	-	-

**Significant remote contingency liabilities****Going concern**

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

**Pensions**

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

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

The MHS has two separate pension schemes. Around half of staff are members of the Local Government Pension Scheme (LGPS), a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared in

respect of the whole Local Government Pensions Scheme. The remainder are members of the PCSPS.

## **Disclosure of Board members' interests**

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

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

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

Details of Board members, their register of interests, and the Code of Conduct can be found on our website [www.food.gov.uk](http://www.food.gov.uk)

## **Auditors**

The accounts have been audited by the Comptroller and Auditor General in accordance with the Food Standards Act 1999. The audit fee for all of the FSA's accounts and the MHS for the year was £148,400. I have taken all necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

The MHS is audited by the Comptroller and Auditor General. The Chief Executive, as Accounting Officer, has responsibility to ensure that there is no relevant audit information of which the auditors are unaware and has taken all necessary steps to make himself aware of any relevant audit information and to establish that the MHS's auditors are aware of this information.

## **Reporting of sickness absence data**

The provisional figure for staff absence as a result of physical and mental illness including injuries, disability or other health problems is approximately 5.8 days per employee compared with 5.8 and 6.9 for the previous two years.

## **Reporting of personal/sensitive data losses and/or incidents**

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

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

The Meat Hygiene Service ceased to exist as an executive agency on 31 March 2010. With effect from 1 April 2010 all of the work of the Agency was absorbed into the Food Standards Agency and all employed staff transferred (on existing terms and conditions).

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

*Tim J Smith*

Chief Executive and Accounting Officer

23 June 2010

## 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](http://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	1 <sup>st</sup> Term of Appointment	Duration of 1 <sup>st</sup> Term of Contract	2 <sup>nd</sup> Term of Appointment	Duration of 2 <sup>nd</sup> Term of Contract
Lord Rooker	27 July 2009	4 years	-	-
Dr. Ian Reynolds	1 February 2007	4 years	-	-
Professor Graeme Millar	1 March 2005	3 years	1 March 2008	3 years
John W Spence	1 April 2007	3 years	1 April 2010	3 years
Maureen Edmondson	1 September 2004	3 years	1 September 2007	3 years
Tim Bennett	1 March 2007	3 years	1 March 2010	3 years
Michael Parker	1 June 2006	3 years	1 June 2009	3 years
Chris Pomfret	21 February 2005	3 years	21 February 2008	3 years
Nancy Robson	1 March 2007	2 years	1 March 2009	3 years
Clive Grundy	1 February 2008	3 years	-	-
Margaret Gilmore	1 March 2008	3 years	-	-
Professor Sue Atkinson CBE	1 February 2008	2 years	1 February 2010	3 years
Dr. David Cameron	1 February 2009	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		2009-10			2008 – 09
		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	215-220	25-30	-	185-190
Richard Calvert	Director of Corporate Services (to 9 September 2009)	50-55	10-15	-	120-125
Steve Wearne	Director of Corporate Services (from 27 July 2009) and Director, FSA in Wales	100-105	10-15	4.3	90-95
Andrew Wadge	Director of Food Safety Policy, Chief Scientist	115-120	10-15	-	110-115
Gill Fine	Director of Consumer Choice and Dietary Health	95-100	-	-	105-110
Terrence Collis	Director of Communications	105-110	0-5	-	100-105
Vivienne Collett	Director of Legal Services (to 31 December 2009)	85-90	10-15	-	110-115
Alex Rae	Acting Director of Legal Services (from 1 January 2010)	30-35	5-10	-	-
Robert Mackintosh	Acting Finance Director (from 27 July 2009 to 10 January 2010)	30-35	-	-	-
Chris Hitchen	Finance Director (from 11 January 2010)	15-20	-	-	-
Jackie Hammond	Acting Human Resources Director (to 29 January 2010)	-*	-	-	-
Lynne Bywater	Human Resources Director (from 4 January 2010)	15-20	-	-	-
George Paterson	Director, FSA in Scotland (to 30 June 2009)	25-30	-	-	100-105
Charles Milne	Director, FSA in Scotland (from 1 June 2009)	75-80	-	-	-
Gerry McCurdy	Director, FSA in Northern Ireland	90-95	5-10	-	40-45
Steve McGrath	Chief Executive, MHS	130-135	10-15	-	125-130

\*Jackie Hammond (acting HR Director) was employed through an agency at a cost of £208,000 to the Agency

## Food Standards Agency Board

Bands		2009-10		2008-09	
		Total Remuneration	Benefits in Kind	Total Remuneration	Benefits in Kind
		£5,000 (£000)	£1,000 (£000)	£5,000 (£000)	£1,000 (£000)
Lord Rooker	Chair (from 27 July 2009)	35-40	-	-	-
Dame Deirdre Hutton	Chair (to 26 July 2009)	30-35	0.5	105-110	0.9
Dr. Ian Reynolds	Deputy Chair	45-50	1.9	65-70	1.0
Professor Graeme Millar		20-25	4.9	20-25	1.9
John W Spence		25-30	2.1	20-25	0.8
Maureen Edmondson		25-30	5.7	25-30	2.1
Tim Bennett		10-15	3.6	10-15	1.0
Michael Parker		10-15	-	10-15	0.5
Chris Pomfret		10-15	4.0	10-15	0.8
Nancy Robson		10-15	6.0	10-15	1.4
Clive Grundy		10-15	1.2	10-15	0.7
Margaret Gilmore		10-15	2.0	10-15	1.1
Professor Sue Atkinson CBE		10-15	-	10-15	-
Dr. David Cameron		10-15	6.0	0-5	-

*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

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

Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Tim Smith	Chief Executive	2.5- 5	5-10	-	120	58	51
Richard Calvert	Director of Corporate Services (to 9 September 2009)	0- 2.5	35-40	105-110	578	553	14
Steve Wearne	Director of Corporate Services (from 27 July 2009) and Director, FSA in Wales	2.5- 5	20-25	65-70	338	277	42
Andrew Wadge	Director of Food Safety Policy, Chief Scientist	2.5- 5	30-35	100-105	681	581	66
Gill Fine*	Director of Consumer, Choice and Dietary Health	0- 2.5	10-15	-	204	155	26
Terrence Collis*	Director of Communications	2.5- 5	5-10	-	134	79	48
Vivienne Collett	Director of Legal Services (to 31 December 2009)	0- 2.5	40-45	130-135	1,057	964	45
Alex Rae	Acting Director of Legal Services (from 1 January 2010)	0- 2.5	35-40	105-110	744	732	28
Robert Mackintosh	Acting Finance Director (from 27 July 2009 to 10 January 2010)	0- 2.5	15-20	55-60	300	271	18
Chris Hitchen	Finance Director (from 11 January 2010)	0- 2.5	0-5	-	3	-	3
Jackie Hammond	Acting Human Resources Director (to 29 January 2010)	-	-	-	-	-	-
Lynne Bywater	Human Resources Director (from 4 January 2010)	0- 2.5	0-5	-	34	19	10
George Paterson	Director, FSA in Scotland (to 30 June 2009)	0- 2.5	10-15	30-35	226	215	7
Charles Milne	Director, FSA in Scotland (from 1 June 2009)	5- 7.5	25-30	85-90	485	366	97
Gerry McCurdy	Director, FSA in Northern Ireland	2.5- 5	35-40	105-110	541	464	46
Steve McGrath**	Chief Executive, MHS	2.5- 5	10-15	-	257	196	44

\* 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.

\*\* Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within the MHS Annual Accounts for the financial year 2009-10.

\*\*\* 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.

2008-09					
Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2009	Total accrued lump sum at age 60 31 March 2009	CETV at 31 March 2009	CETV at 31 March 2008	Real Increase in CETV

Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Tim Smith	Chief Executive	2.5- 5	0-5	-	57	3	48
Richard Calvert	Director of Corporate Services (to 9 September 2009)	0- 2.5	30-35	100-105	561	504	15
Steve Wearne	Director of Corporate Services (from 27 July 2009) and Director, FSA in Wales	2.5- 5	15-20	55-60	282	224	36
Andrew Wadge	Director of Food Safety Policy, Chief Scientist	(2.5)- 0	45-50	145-150	1,068	1,051	(13)

Gill Fine	Director of Consumer, Choice and Dietary Health	0- 2.5	10-15	-	157	112	21
Terrence Collis	Director of Communications	0- 2.5	0-5	-	82	51	23
Vivienne Collett	Director of Legal Services (to 31 December 2009)	0- 2.5	30-35	90-95	599	510	41
Alex Rae	Acting Director of Legal Services (from 1 January 2010)	n/a	n/a	n/a	n/a	n/a	n/a
Robert Mackintosh	Acting Finance Director (from 27 July 2009 to 10 January 2010)	n/a	n/a	n/a	n/a	n/a	n/a
Chris Hitchen	Finance Director (from 11 January 2010)	n/a	n/a	n/a	n/a	n/a	n/a
Jackie Hammond	Acting Human Resources Director (to 29 January 2010)	-	-	-	-	-	-
Lynne Bywater	Human Resources Director (from 4 January 2010)	n/a	n/a	n/a	n/a	n/a	n/a
George Paterson	Director, FSA in Scotland (to 30 June 2009)	0- 2.5	10-15	30-35	217	192	(5)
Charles Milne	Director, FSA in Scotland (from 1 June 2009)	n/a	n/a	n/a	n/a	n/a	n/a
Gerry McCurdy	Director, FSA in Northern Ireland	2.5- 5	30-35	95-100	687	570	71
Steve McGrath	Chief Executive, MHS	0- 2.5	10-15	-	199	153	29

Food Standards Agency Board

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

Bands		£5,000 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Lord Rooker	Chair (from 27 July 2009)	-	-	-	-	-
Dame Deirdre Hutton	Chair (to 26 July 2009)	5-10	0- 2.5	147	134	9
Dr. Ian Reynolds	Deputy Chair	0-5	0- 2.5	61	41	16
Professor Graeme Millar		0-5	0- 2.5	37	28	7
John W Spence		0-5	0- 2.5	24	16	7
Maureen Edmondson		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Michael Parker		-	-	-	-	-
Chris Pomfret		-	-	-	-	-
Nancy Robson		-	-	-	-	-
Clive Grundy		-	-	-	-	-
Margaret Gilmore		-	-	-	-	-
Professor Sue Atkinson CBE		-	-	-	-	-
Dr. David Cameron		-	-	-	-	-

\* 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

		2008-09				
		Accrued pension and related lump sum at age 60 31 March 2009	Real increase in pension and related lump sum at age 60 31 March 2009	CETV at 31 March 2009	CETV at 31 March 2008	Real Increase in CETV
Bands		£2,500 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Lord Rooker	Chair (from 27 July 2009)	-	-	-	-	-
Dame Deirdre Hutton	Chair (to 26 July 2009)	5-10	0-2.5	134	83	42
Dr. Ian Reynolds	Deputy Chair	0-5	0-2.5	41	20	18
Professor Graeme Millar		0-5	0-2.5	28	20	5
Professor Bill Reilly	(to 31 January 2009)	0-5	0-2.5	24	17	6
John W Spence		0-5	0-2.5	16	8	7
Maureen Edmondson		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Michael Parker		-	-	-	-	-
Chris Pomfret		-	-	-	-	-
Nancy Robson		-	-	-	-	-
Clive Grundy		-	-	-	-	-
Margaret Gilmore		-	-	-	-	-
Professor Sue Atkinson CBE		-	-	-	-	-
Dr. David Cameron		-	-	-	-	-

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

### Civil Service Pensions

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

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 is uprated in line with RPI. 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](http://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 2008 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.

#### *Compensation for loss of office*

There was no compensation for loss of office in year. However, on the 25 April 2010, Gill Fine left the FSA on voluntary early retirement at a cost of £308,000.

*Tim J Smith*  
Chief Executive and Accounting Officer  
23 June 2010

## Statement of Accounting Officer's responsibilities

Under the Food Standards Act 2000, HM Treasury has directed the Food Standards Agency to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and

prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as principal Accounting Officer of the Department. In addition, HM Treasury has appointed an additional Accounting Officer to be accountable for that part of the Department's accounts relating to a specified request for resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Head of Department's overall responsibility as Accounting Officer for the Department's accounts.

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

Request for resources 1: Tim J Smith, FSA Chief Executive and Accounting Officer

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Food Standards Agency's assets, are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting. Under the terms of the Accounting Officer's Memorandum, the relationship between the Department's Principal Accounting Officer and the MHS Agency Accounting Officer, together with their respective responsibilities, is set out in writing.

*Tim J Smith*  
Chief Executive and Accounting Officer  
23 June 2010

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Food Standards Agency (FSA)'s policies, aims and objectives, whilst safeguarding the public funds and FSA's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. This statement covers the whole of the FSA, encompassing the Westminster funded FSA (including until 31 March 2010 the Meat Hygiene Service, now fully part of the FSA), FSA in Scotland, FSA in Wales, and FSA in Northern Ireland.

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

I have been appointed as Accounting Officer for the Westminster-funded FSA by Her Majesty's Treasury and for FSA in Northern Ireland by the Department of Finance and Personnel (DFP). I also act in this capacity for FSA in Wales and FSA in Scotland. Although the activities of these offices are funded through the devolved authorities, they remain part of the United Kingdom FSA. In 2009/10, the FSA had a single executive agency, the Meat Hygiene Service (MHS), which operated in Great Britain. The Chief Executive of the MHS was appointed as Agency Accounting Officer for the MHS. As Agency Accounting Officer, he was responsible to me and to Parliament for the MHS's use of resources in carrying out its functions in accordance with his delegated authorities. The MHS formally merged into the FSA on 1 April 2010.

I have gained assurance from the MHS Board which is a sub-committee of the FSA Board which is responsible for good governance of the MHS. The MHS acted as one of the FSA's Business Groups for risk management purposes at the FSA.

The FSA system of internal control includes:

- an Executive Management Board, chaired by me, comprising all UK Directors and which normally meets monthly;
- a Strategic Plan which sets out the FSA's main aims and objectives for 2005–2010. A new plan for 2010–2015 was published in December 2009;
- Internal Audit arrangements, which comply with Government standards applicable in 2009/10, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls across all FSA offices. Regular reports are issued by Internal Audit, and an independent annual opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit Committee, constituted in line with HM Treasury's Audit Committee Handbook, to advise me as Accounting Officer. The Committee has a fully non-executive membership and meets four times a year. The chair reports to the FSA Board on the work of the Committee;
- a Risk Committee which provides advice, support and challenge in relation to organisational risks and embedding a risk-aware culture across the FSA;

- a risk management process which aims to provide reasonable assurance that strategic objectives can be achieved reliably. The process promotes local accountability and risk ownership as an essential part of risk management. It prioritises risk based on likelihood and impact, and enables the Executive Management Board to manage effectively the strategic risks to business objectives. Regular discussions about risk occur at corporate and group levels;
- business and financial planning processes which explicitly consider group performance, resources and business risks;
- monthly financial performance reports which are discussed by the Executive Management Board;
- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority to meet their objectives and their compliance with corporate governance responsibilities;
- assurance from the Chief Executive of the Meat Hygiene Service on internal controls;
- clear rules and procedures which are published on the FSA intranet and are regularly reviewed and updated.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

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 and report back to the FSA Board through the organisation's quarterly Performance Management Reports.

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.

A programme of training and support for the business planning process has been developed, and includes training on risk management. The business planning process is reviewed each year and amended to reflect lessons learned and to build in examples of best practice.

We also sit on the cross-government Risk Improvement Group, which shares good practice and lessons learned in other departments.

During 2009/10 a programme has been delivered to integrate the corporate services of the MHS and FSA. This has helped ensure consistency of approach across the two organisations. At times the programme has stretched management and staff capacity:

however, this has been managed without impact on core business. This programme included the integration of FSA and MHS internal audit into a single function.

Work has been undertaken during 2009/10 on the integration of the MHS and FSA risk policies and procedures and a new single approach will be launched during early 2010/11.

### The risk and control framework

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. We adopt PRINCE 2 project management methodology for IT and other major projects. The procurement and management of the FSA's £11m research portfolio follows well defined and documented procedures;
- **Local risks:** in 2009/10 lower level risk registers were not required and local managers had discretion as to how these risks were managed. Work has been undertaken during 2009/10 on the integration of the MHS and FSA risk policies and procedures, and a new single approach will be launched during early 2010/11. This will require risks to be formally managed at Head of Division level, with formal management of risks below this being discretionary.

The Food Standards Agency operates within the framework of the Food Standards Act 1999 and EU law.

The Chief Executive and Director of Finance attend all Audit Committee meetings, thereby providing a direct link to the Senior Management Team.

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

Our risk environment involves managing risks which impact on the public. The FSA Board holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. Board meetings are webcast live via our website, and the webcasts are also archived on our website as publicly available video-on-demand.

We regard consultation with our stakeholders as an essential part of fulfilling our core values, and are required by statute to consult on our activities with those affected by our decisions. We also hold stakeholder meetings on key issues where we invite key stakeholders to meet and discuss differing points of view.

One of our core values is to put consumers first. We involve consumers in a variety of ways: to alert us to current or emerging consumer concerns; to comment on our strategic objectives and forward plan; and to provide us with feedback on the effectiveness of our policies in responding to consumer concerns.

We have a clear set of rules and procedures, known as “Rules and Tools”, which cover all aspects of finance, procurement and general areas of governance. We have also strengthened our procedures in areas such as data security.

The FSA takes the management of data security seriously. To ensure that risks related to information security are managed effectively, Cabinet Office guidance and industry best practice is followed. In 2009/10, the FSA retained its ISO27001 *Information Security Management Systems* certification for the Information Systems and Facilities Division and is now working to extend the scope of certification across the whole of Aviation House by June 2010. We will aim to extend certification to the offices in Cardiff, Belfast and Aberdeen by March 2011.

In line with Cabinet Office instructions, all laptops and remote working tools are encrypted and all new or re-built equipment fully complies with Cabinet Office guidelines. The FSA fully complies with the HMG Security Policy Framework. All software is legally licensed.

### **Review of effectiveness**

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

As part of my review of the effectiveness of the system of internal control, I require an assurance statement to be prepared by all Executive Management Board Directors covering scope of responsibility; capacity to handle risk; review of effectiveness; and significant control problems.

The Audit Committee advises the FSA Chief Executive and FSA Board, as appropriate, on:

- the strategic processes for risk management, control and governance and the contents of the Statement on Internal Control;
- the accounting policies, the accounts, and the annual report of the FSA, including the process for review of the accounts prior to submission for audit, levels of error identified, and management’s letter of representation to the external auditors;

- the planned activity and results of both internal and external audit;
- the adequacy of the management response to issues identified by audit activity, including external audits management letters; and
- assurances relating to corporate governance requirements.

The Audit Committee is constituted in line with HM Treasury's Audit Committee Handbook and has a fully non-executive membership. The Chair of the Committee reports annually to the FSA Board on its work.

The Risk Committee provides advice, support and challenge to the Executive in relation to the introduction and implementation of processes for risk identification and management relating to delivery of the Strategic Plan and fulfilling statutory obligations, and on the high level risks identified. The Committee also provides assurance to the Chief Executive and FSA Board that risk management is effective across the FSA. The Risk Committee is made up of both executive and non-executive members, and includes the Chair of the Audit Committee and the Head of Internal Audit in its membership. The Chair of the Risk Committee reports annually to the FSA Board on the actions taken by the Executive to improve the effectiveness of risk management in the FSA.

A programme of internal audit work, informed by the risk registers, is developed and discussed with the Audit Committee prior to the commencement of each financial year. The Head of Internal Audit's opinion, based on the internal audit work undertaken during the year, is that the general level of controls has been found to be adequate in most areas, which provides reasonable assurance that the FSA's strategic objectives will be achieved. However the central finance, procurement and human resources functions areas have been assessed as requiring significant improvement. In particular, weaknesses in procurement remain a key risk. This is being addressed through the appointment of a new Head of Procurement and a new team who are taking a proactive, enforcement approach to procurement. A new procurement system is also being implemented and is taking account of the risks highlighted in the audits conducted on this area over the last two years. New Heads of Divisions have also been appointed for finance and human resources.

The FSA is an accredited Investor in People and subject to rolling review.

Tim J Smith  
Chief Executive and Accounting Officer  
23 June 2010

**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 (Consolidated) for the year ended 31 March 2010 under the Food Standards Act 1999. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of the Accounting Officer and auditor**

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

**Scope of the audit of the financial statements**

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

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

**Opinion on Regularity**

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

**Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31<sup>st</sup> March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Food Standards Act 1999 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

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

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

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

*Date 28 June 2010*

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10

		2009-10 £000						2008-09 £000	
		Estimate			Outturn			Outturn	
								Net total outturn compared with Estimate: saving/ (excess)	
Request for resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total	
House of Commons	3	207,427	(71,056)	136,371	170,499	(40,955)	129,544	6,827	132,969
Northern Ireland Assembly	3	12,919	(3,532)	9,387	12,491	(3,372)	9,119	268	8,575
Scottish Parliament	3	10,400	-	10,400	10,120	-	10,120	280	10,241
National Assembly for Wales	3	3,572	-	3,572	3,584	-	3,584	(12)	3,500
<b>Total resources</b>		<b>234,318</b>	<b>(74,588)</b>	<b>159,730</b>	<b>196,694</b>	<b>(44,327)</b>	<b>152,367</b>	<b>7,363</b>	<b>155,285</b>
<b>Non-operating cost A in A</b>		-	-	-	-	-	-	-	-

Net Cash Requirement 2009-10

		2009-10 £000			2008-09 £000	
		Note	Estimate	Outturn	Outturn	
					Net total outturn compared with Estimate: saving/ (excess)	
Net cash requirement		5	160,853	149,028	11,825	166,456

Summary of income payable to the Consolidated Fund

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

Explanations of variances between Estimate and Outturn

Following the 2009/10 Spring Supplementary Estimate, the FSA's Westminster Resource Budget was amended to £132.871m taking into account of a release of £3.5m programme expenditure and an increase in administration costs of £2m. Expenditure for the year was in line with expectation and the variance was more than 4% below the combined estimate.

A more detailed explanation is being provided within the Management Commentary section of the Annual Report.

The notes on pages 46 to 69 form part of these accounts.

Consolidated Operating Cost Statement

For the year ended 31st March 2010

	2009-10 £000						2008-09 £000		
	Core Department			Consolidated			Core Department	Consolidated	
	Note	Costs	Costs	Income	Costs	Costs	Income		
<b>Administration Costs:</b>									
Staff costs	10	34,982			34,982	-	-	35,736	35,736
Other administration costs	11		27,280		-	27,280	-	24,284	24,284
Operating income	14			(2,081)	-	-	(2,081)	(848)	(848)
<b>Programme Costs</b>									
<b>Request for resources:</b>									
Staff Costs	10				37,225	-	-	-	42,699
Programme costs	12		60,728		-	97,207	-	65,593	108,016
Income	14			(5,349)	-	-	(42,246)	(5,209)	(54,602)
<b>Totals</b>		<b>34,982</b>	<b>88,008</b>	<b>(7,430)</b>	<b>72,207</b>	<b>124,487</b>	<b>(44,327)</b>	<b>119,556</b>	<b>155,285</b>
<b>Net Operating Cost</b>				<b>115,560</b>			<b>152,367</b>	<b>119,556</b>	<b>155,285</b>

All income and expenditure are derived from continuing operations.

The notes on pages 46 to 69 form part of these accounts.

Statement of Financial Position

as at 31st March 2010

	Notes	2009-10				2008-09				2007-08			
		Core Department		Consolidated	Core Department		Consolidated	Core Department		Consolidated			
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Non-current assets</b>													
Property, plant and equipment	15	2,180		2,544	2,803		3,189		2,850		3,247		
Intangible assets	16	462		1,276	654		1,743		710		1,482		
<b>Total non-current assets</b>			2,642	3,820	3,457		4,932		3,560		4,729		
<b>Current assets</b>													
Trade and other receivables	18	4,094		8,280	2,932		6,893		3,662		8,462		
Other current assets	18	3,641		6,644	5,278		8,206		4,682		8,213		
Cash and cash equivalents	19	3,390		8,169	-		3,979		3,692		5,844		
<b>Total current assets</b>			11,125	23,093	8,210		19,078		12,036		22,519		
<b>Total assets</b>			13,767	26,913	11,667		24,010		15,596		27,248		
<b>Current Liabilities</b>													
Trade and other payables	20	(6,131)		(9,717)	(5,355)		(8,393)		(7,013)		(11,489)		
Other Liabilities	20	(23,237)		(30,263)	(16,132)		(25,068)		(22,320)		(36,166)		
<b>Total current liabilities</b>			(29,368)	(39,980)	(21,487)		(33,461)		(29,333)		(47,655)		
<b>Non-current assets plus/less net current assets/liabilities</b>			(15,601)	(13,067)	(9,820)		(9,451)		(13,737)		(20,407)		
<b>Non-current liabilities</b>													
Provisions	21	(2,826)		(107,268)	(2,177)		(48,488)		(3,886)		(32,126)		
Other payables	20	(15,172)		(15,172)	(14,685)		(14,685)		(14,199)		(14,199)		
<b>Total non-current liabilities</b>			(17,998)	(122,440)	(16,862)		(63,173)		(18,085)		(46,325)		
<b>Assets less liabilities</b>			(33,599)	(135,507)	(26,682)		(72,624)		(31,822)		(66,732)		
<b>Taxpayers' equity</b>													
General fund			(33,599)	(135,507)	(26,682)		(72,624)		(31,822)		(66,732)		
<b>Total taxpayers' equity</b>			(33,599)	(135,507)	(26,682)		(72,624)		(31,822)		(66,732)		

Tim J Smith  
Chief Executive and Accounting Officer  
23 June 2010

The notes on pages 46 to 69 form part of these accounts.

Statement of Changes in Taxpayer's Equity

For the year ended 31st March 2010

Note	Core		Consolidated	
	General Fund	Total Reserves	General Fund	Total Reserves
	£000	£000	£000	£000
<b>Balance at 1 April 2007</b>	<b>(31,111)</b>	<b>(31,111)</b>	<b>(76,815)</b>	<b>(76,815)</b>
<b>Changes in taxpayers' equity for 2007-08</b>				
MHS Actuarial gain/(loss)	-	-	17,772	17,772
Adjustment to Fixed assets/General fund	296	296	823	823
Adjustment re prior period	(2)	(2)	3	3
Non-cash charges - cost of capital	(779)	(779)	(2,058)	(2,058)
Non-cash charges - auditors remuneration	100	100	133	133
Indirect funding	52	52	52	52
Adjustment- Meat Hygiene Internal Cash Funding	-	-	-	-
Transfers to general fund of realised element of revaluation reserve	61	61	61	61
Net operating cost for the year	(133,968)	(133,968)	(176,326)	(176,326)
<b>Total recognised income and expense for 2007-08</b>	<b>(134,240)</b>	<b>(134,240)</b>	<b>(159,540)</b>	<b>(159,540)</b>
Net Parliamentary Funding -drawdown	135,293	135,293	171,293	171,293
Net Parliamentary Funding - deemed	1,928	1,928	4,174	4,174
Supply payable/(receivable) adjustment	(3,692)	(3,692)	(5,844)	(5,844)
Excess Vote - Prior Year	-	-	-	-
	<b>133,529</b>	<b>133,529</b>	<b>169,623</b>	<b>169,623</b>
<b>Balance at 31 March 2008*</b>	<b>(31,822)</b>	<b>(31,822)</b>	<b>(66,732)</b>	<b>(66,732)</b>
<b>Changes in taxpayers' equity for 2008-09</b>				
MHS Actuarial gain/(loss)	-	-	(15,338)	(15,338)
Non-cash charges - cost of capital	(559)	(559)	(1,927)	(1,927)
Non-cash charges - auditors remuneration	111	111	148	148
Indirect funding	54	54	54	54
Adjustment- Meat Hygiene Internal Cash Funding	(1,052)	(1,052)	-	-
Net operating cost for the year	(119,556)	(119,556)	(155,285)	(155,285)
<b>Total recognised income and expense for 2008-09</b>	<b>(121,002)</b>	<b>(121,002)</b>	<b>(172,348)</b>	<b>(172,348)</b>
Net Parliamentary Funding -drawdown	121,591	121,591	164,591	164,591
Net Parliamentary Funding - deemed	3,692	3,692	5,844	5,844
Supply payable/(receivable) adjustment	859	859	(3,979)	(3,979)
	<b>126,142</b>	<b>126,142</b>	<b>166,456</b>	<b>166,456</b>
<b>Balance at 31st March 2009</b>	<b>(26,682)</b>	<b>(26,682)</b>	<b>(72,624)</b>	<b>(72,624)</b>
<b>Changes in taxpayers' equity for 2009-10</b>				
MHS Actuarial gain/(loss)	-	-	(57,399)	(57,399)
Net gain/(loss) on revaluation of property, plant and equipment	-	-	-	-
Net gain/(loss) on revaluation on intangible assets	-	-	-	-
Non-cash charges - cost of capital	(675)	(675)	(3,267)	(3,267)
Non-cash charges - auditors remuneration	102	102	148	148
Adjustment- Meat Hygiene Internal Cash Funding	1,052	1,052	-	-
Indirect Funding	55	55	55	55
Net operating cost for the year	(115,560)	(115,560)	(152,367)	(152,367)
<b>Total recognised income and expense for 2009-10</b>	<b>(115,026)</b>	<b>(115,026)</b>	<b>(212,830)</b>	<b>(212,830)</b>
Net Parliamentary Funding -drawdown	117,138	117,138	154,138	154,138
Net Parliamentary Funding - deemed	(859)	(859)	3,979	3,979
Consolidated Fund Standing Services	-	-	-	-
Supply payable/(receivable) adjustment	(8,170)	(8,170)	(8,170)	(8,170)
Excess Vote - Prior Year	-	-	-	-
	<b>108,109</b>	<b>108,109</b>	<b>149,947</b>	<b>149,947</b>
<b>Balance at 31st March 2010</b>	<b>(33,599)</b>	<b>(33,599)</b>	<b>(135,507)</b>	<b>(135,507)</b>

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

\* The restated opening consolidated balance includes a Prior Period Adjustment following the decision to discontinue modified historic cost accounting (mhca). A write back of £527,000 was made to the General Fund to ensure that the MHS Fixed Asset register balances were restated at historic net book value. Included in this amount is £56,000 relating to the revaluation reserve note.

The notes on pages 46 to 69 form part of these accounts.

**Consolidated Statement of Cash Flows**

For the year ended 31st March 2010

	2009-10 £000	2008-09 £000
<b>Cash flows from operating activities</b>		
Net operating cost	3 (152,367)	(155,285)
Adjustment for non-cash transactions	11 2,480	4,934
less movements relating to items not passing through the OCS	(4,181)	1,865
(Increase) /Decrease in trade and other receivables	175	1,576
Increase/(Decrease) in trade and other payables	7,006	(13,708)
Use of provisions	21a (919)	(2,604)
Cash contribution to pension deficit	21b (1,631)	(1,558)
<b>Net cash outflow from operating activities</b>	<b>(149,437)</b>	<b>(164,780)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	15 (332)	(1,500)
Purchase of intangible assets	16 (178)	(176)
<b>Net cash outflow from investing activities</b>	<b>(510)</b>	<b>(1,676)</b>
<b>Cash flows from financing activities</b>		
From the UK Consolidated Fund (Supply) - current year	131,678	143,210
From Northern Ireland Assembly	8,716	7,534
From Scottish Parliament	10,400	10,350
From National Assembly for Wales	2,634	3,497
From the UK Consolidated Fund (Supply) - prior year	709	
<b>Net Financing</b>	<b>154,137</b>	<b>164,591</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		
	4,191	(1,865)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-
Payments of amounts due to the Consolidated Fund		-
	<b>4,191</b>	<b>(1,865)</b>
<b>Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>		
Cash and cash equivalents at the beginning of the period	3,979	5,844
Cash and cash equivalents at the end of the period	19 8,169	3,979
	<b>4,190</b>	<b>(1,865)</b>

The notes on pages 46 to 69 form part of these accounts.

**Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives**

For the year ended 31st March 2010

				2009-10 £000
	Strategic Objective 1	Strategic Objective 2	Strategic Objective 3	Total
<b>Gross Expenditure</b>	140,155	28,763	27,776	<b>196,694</b>
<b>Income</b>	(42,217)	(1,055)	(1,055)	<b>(44,327)</b>
<b>Net Expenditure</b>	<b>97,938</b>	<b>27,708</b>	<b>26,721</b>	<b>152,367</b>

				2008-09 £000
	Strategic Objective 1	Strategic Objective 2	Strategic Objective 3	Total
<b>Gross Expenditure</b>	178,071	16,859	15,805	<b>210,735</b>
<b>Income</b>	(46,855)	(4,436)	(4,159)	<b>(55,450)</b>
<b>Net Expenditure</b>	<b>131,216</b>	<b>12,423</b>	<b>11,646</b>	<b>155,285</b>

**Objective 1 Food Safety :**

- to continue to reduce foodborne illness; and
- to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;

**Objective 2 Eating for Health :**

- to make it easier for all consumers to choose a healthy diet; and thereby
- improve quality of life by reducing diet-related diseases.

**Objective 3 Choice :**

- to enable consumers to make informed choices.

The FSA aims are described in more detail in the Agency's Strategic Plan to 2010.

Costs have been apportioned to individual objectives on a divisional basis which best reflects the resources consumed. These costs include staff costs as explained in note 10 to the accounts.

The notes on pages 46 to 69 form part of these accounts.

**Notes to the accounts****1 Statement of Accounting Policies****1.1 Basis of Preparation**

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury, and the Food Standards Act 1999. 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. The accounting policies of the Meat Hygiene Service and the FSA are the same unless highlighted to the contrary.

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 Consolidated Statement of Operating Cost by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

The Consolidated Statement of Financial Position at 31st March 2010 shows a negative taxpayers' equity of £135,507,000 (2008-09:£72,624,000). This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the UK Consolidated Fund, Northern Ireland Consolidated Fund and the funding received from the Scottish Parliament and the National Assembly for Wales. Such drawings will be from grants of supply approved annually by Parliament, to meet the Agency's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money can be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Agency's income, are surrenderable to the Fund.

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

Following the decision of HM Treasury to commit fully to full compliance with International Financial Reporting Standard (IFRS) 1 'First Time Adoption of International Financial Reporting Standards', the Agency, in common with other government departments has prepared the "year-end accounts" for 2009-10 under IFRS.

**1.2 Accounting Convention**

These accounts have been prepared under the historical cost convention. In previous years, modified historic cost accounting has been used to revalue fixed assets in line with the current cost. However, this stopped from 1 April 2008.

**1.3 Basis of Consolidation**

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

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

**1.4 Non-Current Assets**

These accounts have been prepared under the historic cost convention. On 1 April 2008 the Food Standards Agency revised its capitalisation policy. From that date all grouped non-current assets (until 31 March 2009) and individual assets with a purchase cost in excess of £5,000 (including irrecoverable VAT and delivery) are capitalised at cost. Individual or grouped non-current assets that were purchased prior to 1 April 2008 with a purchase cost of between £2,000 and £5,000 (including irrecoverable VAT and delivery) will continue to remain as capitalised assets. With effect 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). The revision in capitalisation policy has now led to the FSA having a relatively small asset base.

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, 5.2.7, h) and j)", depreciated historical cost is now used as a proxy for current value on the basis that this realistically reflects consumption of the asset.

Under IAS16, the FSA has taken the decision to move to historic cost accounting with effect from 1 April 2008. Therefore, non-current assets are no longer re-valued as under modified historic cost accounting. This change brings FSA's fixed asset policy in line with the International Financial Reporting Standards which do not use MHCA. This will provide relative comparative figures which are more reliable and easily understood.

**1.5 Property, Plant and Equipment**

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

The FSA does not currently own any land or buildings.

The capitalisation policy of the MHS is set out in the MHS annual report and accounts.

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

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

**1.6 Intangible Assets**

Computer software and software licences with a purchase cost in excess of £5,000 (including irrecoverable VAT and delivery) are capitalised at cost and amortised over the life of the licences.

**1.7 Depreciation and Amortisation**

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

	2009/10	2008/09
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	7 Years

**1.8 Inventories**

The FSA does not hold any inventories

**1.9 Research & Development Expenditure**

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

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

**1.10 Operating Income**

Operating income is income which relates directly to the operating activities of the FSA. Income for the year is recognised on an accruals basis reflecting the value of the work undertaken and is shown net of Value Added Tax. The FSA has income from milk and dairies sampling work 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. Additionally, the FSA has income from meat hygiene inspections and from government organisations and meat hygiene inspections in Northern Ireland.

Income from meat hygiene inspections is recognised as inspection time recorded by staff and generated by meat inspection work invoiced to both industry and government customers. With regards to meat hygiene inspections, until 27 September 2009, income was recognised at the lower of cumulative throughput or inspection time recorded by staff. However, with effect from 28th September 2009, time costs were charged with discounts applied to bring the charges down to the level of the 2008-09 charges, provided that throughput and resources were unchanged. (Throughput charges were calculated at the end of the financial year to determine if the Food Business Operators (FBOs) had paid the minima). Income from milk and dairies sampling work is based on invoiced amounts raised by the FSA for the testing of raw cows' drinking milk. Income from assessments and consultations on radioactive discharges is recognised on the basis of work done against a series of Service Level Agreements (SLAs). In addition staff time in relation to any work with regards to these SLAs is recorded and charged accordingly.

**1.11 Administration and Programme Expenditure**

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

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

**1.12 Cost of Capital**

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

**1.13 Pensions**

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](http://www.Civilservice-pensions.gov.uk).

The majority of employees of the MHS are members of the Local Government Pension Scheme (LGPS), other MHS employees are members of the PCSPS. 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 MHS 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 Operating Cost Statement and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from 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.

Further details about LGPS pensions can be found at the website [www.lgps.org.uk](http://www.lgps.org.uk)

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

**1.14 Early Departure Costs**

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% (2008-09 2.2%) in real terms.

**1.15 Operating Leases**

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

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

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

**1.16 Audit Costs**

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

**1.17 Value Added Tax**

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

**1.18 Provisions**

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

Provisions are recognised in the accounts where:

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

Provisions have not been discounted, as the resulting adjustment is not considered material to these accounts. Contingencies are disclosed in the notes to the accounts unless the possibility of transfer in settlement is remote.

**1.19 Contingent Liabilities**

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

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

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

**1.20 Financial Assets and Liabilities**

The FSA holds the following financial assets and liabilities:

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

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

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

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

**1.21 Website capitalisation costs**

The FSA has developed three external facing websites ([www.food.gov.uk](http://www.food.gov.uk); [www.salt.gov.uk](http://www.salt.gov.uk); and [www.eatwell.gov.uk](http://www.eatwell.gov.uk)) primarily for promoting and advertising its own services. None of these websites will generate future economic benefits and consequently all expenditure incurred on developing them is recognised as an expense when it happens and is not capitalised in line with International Accounting Standards (IAS) 38.57(d).

**2 First time adoption of IFRS**

	Consolidated General Fund £000	Core General Fund £000
<b>(i) Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the end of final UK GAAP reporting year ended 31 March 2009</b>		
Taxpayers' equity at 31 March 2009 under UK GAAP	(68,362)	(22,793)
Adjustments for:		
IAS19 Employee benefit: Provision for holiday pay outstanding as at 31 March 2009	(1,102)	(729)
IAS 39 Financial instruments : Adjustment to rent outstanding at 31March 2009	(3,160)	(3,160)
<b>Taxpayers' equity at 1st April 2009 under IFRS</b>	<b><u>(72,624)</u></b>	<b><u>(26,682)</u></b>
 <b>(ii) Reconciliation of UK GAAP reported net operating cost to IFRS for the year-ended 31 March 2009</b>		
Net operating cost for 2008-09 under UK GAAP	155,109	119,286
Adjustments for:		
IAS 19 Employee Benefits: Movement of provision for outstanding holiday pay during 2008-09.	(219)	(126)
IAS 39 Financial Instruments: Movement of Rent adjustment during 2008-09	395	395
Operating income (rounding difference re UK GAAP)	-	1
<b>Net operating cost for 2008-09 under IFRS</b>	<b><u>155,285</u></b>	<b><u>119,556</u></b>

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in Spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements. The exception is FSA in Northern Ireland whose prior period adjustment has been included in its 2009-10 Spring Supplementary Estimate.

3 Analysis of net resource outturn by section

							2009-10 £000	2008-09 £000	
							Outturn	Estimate	Outturn
							Net Total Outturn compared with Estimate Excess/ (Deficit)		
Admin	Other	Current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total Estimate	Net Total	
<b>Request for Resources</b>									
Food Standards Agency HQ Operations.									
53,603	43,192	-	-	96,795	(4,058)	92,737	98,841	6,104	97,239
Meat Hygiene Service									
-	73,704	-	-	73,704	(36,897)	36,807	37,530	723	35,730
<b>Westminster Parliament - Request for Resource 1</b>									
<b>53,603</b>	<b>116,896</b>	<b>0</b>	<b>0</b>	<b>170,499</b>	<b>(40,955)</b>	<b>129,544</b>	<b>136,371</b>	<b>6,827</b>	<b>132,969</b>
Central administration, shellfish testing, food surveillance, HACCP/Eatsafe, primary production, nutrition, milk hygiene and egg packing inspection and scientific services									
0	4,702	1,199	-	5,901	-	5,901	5,999	98	5,471
Meat hygiene inspections and incident investigations									
2,285	4,285	0	-	6,570	(3,372)	3,198	3,330	132	3,054
IFRS Prior Period Adjustments									
0	0	0	-	0	-	0	34	34	34
Notional Charges									
0	20	0	-	20	-	20	24	4	16
<b>Northern Ireland Assembly - Core</b>									
<b>2,285</b>	<b>9,007</b>	<b>1,199</b>	<b>0</b>	<b>12,491</b>	<b>(3,372)</b>	<b>9,119</b>	<b>9,387</b>	<b>268</b>	<b>8,575</b>
Scottish Parliament - Core									
4,423	5,697	-	-	10,120	0	10,120	10,400	280	10,241
National Assembly for Wales - Core									
1,950	1,634	-	-	3,584	0	3,584	3,572	(12)	3,500
<b>Total Request for Resources</b>									
<b>62,261</b>	<b>133,234</b>	<b>1,199</b>	<b>0</b>	<b>196,694</b>	<b>(44,327)</b>	<b>152,367</b>	<b>159,730</b>	<b>7,363</b>	<b>155,285</b>

Following the 2009/10 Spring Supplementary Estimate, the FSA's Westminster Resource Budget was amended to £132.871m taking into account of a release of £3.5m programme expenditure and an increase in administration costs of £2m. Expenditure for the year was in line with expectation and the variance was more than 4% below the combined estimate. A more detailed explanation is being provided within the Management Commentary section of the Annual Report.

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

4.1 Reconciliation of net resource outturn to net operating cost

		2009-10 £000	2008-09 £000			
		Outturn	Estimate	Outturn		
		compared with				
Note	Outturn	Supply Estimate	Estimate	Outturn		
	Net Resource Outturn	3	152,367	159,730	7,363	155,285
	<b>Net operating cost</b>		<b>152,367</b>	<b>159,730</b>	<b>7,363</b>	<b>155,285</b>

4.2 Outturn against final Administration Budget

		2009-10 £000	2008-09 £000
		Budget	Outturn
Gross Administration Budget		54,216	53,603
Income allowable against the Administration Budget		(2,322)	(2,081)
<b>Net outturn against final Administration Budget</b>		<b>51,894</b>	<b>51,522</b>
			<b>50,032</b>

The above gross administration budget and outturn information relates solely to FSA Westminster.

**5 Reconciliation of net resource outturn to net cash requirement**

		2009-10			2008-09
		Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000	Outturn £000
Resource Outturn	3	159,730	152,367	7,363	155,285
Acquisition of property plant and equipment and intangibles Investments	15/16	769	510	259	1,676
Non-operating A in A : Proceeds of asset disposals	15			-	-
Non-cash items	11	(2,752)	(2,480)	(272)	(4,934)
Changes in working capital other than cash		3,106	(3,000)	6,106	10,753
Changes in payables falling due after more than one year				-	(486)
Use of provision	21a	-	-	-	2,604
Cash contribution to pension deficit	21b (ii)		1,631	(1,631)	1,558
Excess cash receipts surrenderable to the Consolidated Fund					
<b>Net cash requirement</b>		<b>160,853</b>	<b>149,028</b>	<b>11,825</b>	<b>166,456</b>

**6 Analysis of income payable to the Consolidated Fund**

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

**7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

	Note	2009-10 £000	2008-09 £000
Operating income	14	44,327	55,450
Adjustments for transactions between RfRs			
Gross Income		44,327	55,450
Income authorised to be appropriated-in-aid		(44,327)	(55,450)
Operating income payable to the Consolidated Fund	6	-	-

**8 Non-operating income - Excess A in A**

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

**9 Non-operating income not classified as A in A**

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



**E Average number of persons employed**

The average number of whole-time equivalent persons employed during the year 2009-10 was as follows. These figures include those working in the FSA and the MHS (including senior management) as included within the consolidated resource account.

	2009/10			2009/10
	Objective 1	Objective 2	Objective 3	Consolidated Total
Westminster - permanent staff	260	136	146	542
Westminster - other staff (fixed term contract)	9	5	5	19
Westminster - agency staff	26	16	10	52
Board	8	2	2	12
Devolved Offices - permanent staff	94	27	23	144
Devolved Offices - other staff (fixed term contract)	3	1	1	5
Devolved Offices - agency staff	2	0	0	2
MHS - permanent staff	959	-	-	959
MHS - others (contractors)	437	-	-	437
MHS - agency staff	38	-	-	38
<b>Total</b>	<b>1836</b>	<b>187</b>	<b>187</b>	<b>2210</b>

	2008/09			2008/09
	Objective 1	Objective 2	Objective 3	Total
<b>Total</b>	<b>1749</b>	<b>84</b>	<b>92</b>	<b>1925</b>

**F Staff Costs by Objective were as follows:**

	2009/10			2009/10
	Objective 1	Objective 2	Objective 3	Consolidated £000 Total
Westminster - permanent staff	13,298	6,927	7,481	27,706
Westminster - agency staff	692	198	209	1,099
Board	213	111	119	443
Devolved Offices - permanent staff	3,525	1,170	900	5,595
Devolved Offices - agency staff	119	1	19	139
MHS - permanent staff	36,386	-	-	36,386
MHS - agency staff	839	-	-	839
<b>Total</b>	<b>55,072</b>	<b>8,407</b>	<b>8,728</b>	<b>72,207</b>

	2008/09			2008/09
	Objective 1	Objective 2	Objective 3	Total
<b>Total</b>	<b>62,468</b>	<b>7,619</b>	<b>8,348</b>	<b>78,435</b>

**Objective 1**

Food Safety:

- to continue to reduce foodborne illness; and
- to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food.

**Objective 2**

Eating for Health:

- to make it easier for all consumers to choose a healthy diet; and thereby
- improve quality of life by reducing diet-related diseases.

**Objective 3**

Choice:

- to enable consumers to make informed choices.

**Notes:**

Staff costs by objective have been apportioned according to how much was actually spent on each aim.

Staff numbers have been apportioned according to how much time was spent on each aim. These have been shown by core (excluding MHS) and consolidated department (including MHS).

For further details on MHS staff costs and numbers please refer to the 2009-10 MHS Annual Report and accounts.

11 Other Administration Costs

	2009-10		2008-09	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases	6,821	6,821	6,910	6,910
<b>Non-cash items:</b>				
Depreciation and impairment loss	793	793	764	764
Amortisation	157	157	199	199
Loss on disposal of property, plant and equipment	102	102	26	26
Cost of capital credit	(675)	(675)	(559)	(559)
Auditors' remuneration and expenses	102	102	111	111
<b>Other expenditure:</b>				
Accommodation costs	4,699	4,699	5,291	5,291
Board and staff overheads	8,526	8,526	5,297	5,297
Administration costs	5,363	5,363	4,002	4,002
IT costs	1,204	1,204	2,066	2,066
Committee costs	188	188	165	165
Other costs			12	12
	<b>27,280</b>	<b>27,280</b>	<b>24,284</b>	<b>24,284</b>

Notes

- a) For 2009/10 Central IT costs for the FSA have been recharged to the devolved offices from FSA Westminster.
- b) The audit fee for the audit of the Consolidated Resource Accounts is £13,500.
- c) The total of non-cash transactions included in (note 5) the Reconciliation of Resources to Net Cash Requirement and the Consolidated Statement of Cash flows comprises:

	2009-10	2008-09
	£000	£000
FSA - Other administration costs - non cash items (as above)	479	541
Provisions provided for in year	1,130	695
Indirect funding	55	54
MHS Non-cash items:		
Provision arising during the year	2,801	4,491
Loss on disposals	-	4
Depreciation	561	480
Cost of capital	(2,592)	(1,368)
Auditor's fees	46	37
	<b>2,480</b>	<b>4,934</b>

## 12 Net Programme Costs

	2009-10		2008-09	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
<b>Research &amp; Development:</b>				
R&D: Nutrition	3,779	3,779	3,785	3,785
R&D: Microbiological Food Safety	825	825	1,661	1,661
R&D: Meat Hygiene	1,194	1,194	1,578	1,578
R&D: Chemical Safety	4,355	4,355	4,033	4,033
R&D: Labelling & Standards	502	502	648	648
R&D: Radiological Safety	-	-	35	35
R&D: Miscellaneous	237	237	5	5
	<b>10,892</b>	<b>10,892</b>	<b>11,745</b>	<b>11,745</b>
<b>Enforcement, Monitoring and Campaigns:</b>				
Meat Hygiene Service				
Staff Costs	-	37,225	-	42,699
Interest payable to pension scheme	-	3,376	-	1,805
Other Expenditure	-	33,103	-	40,619
Meat Hygiene	6,662	6,662	16,752	16,752
Chemical Safety	789	789	895	895
Radiological Monitoring	2,615	2,615	2,339	2,339
Enforcement & Audit/Local Authority	4,274	4,274	7,757	7,757
Microbiological Food Safety	6,832	6,832	-	-
Press & Publicity	7,339	7,339	2,491	2,491
Healthier Eating Campaigns	4,817	4,817	3,112	3,112
Food Hygiene Campaign	2,017	2,017	799	799
Nutrition	6,142	6,142	4,610	4,610
Genetically Modified & Novel Foods	61	61	55	55
Underpinning Science	1,014	1,014	749	749
Labelling & Standards	2,459	2,459	2,467	2,467
Animal Feedingstuff	42	42	59	59
Medical and Legal	-	-	7,266	7,266
Food Safety & Education	4,195	4,195	4,081	4,081
Miscellaneous	578	578	416	416
	<b>49,836</b>	<b>86,315</b>	<b>53,848</b>	<b>96,272</b>
Total non-staff programme costs	<b>60,728</b>	<b>97,207</b>	<b>65,593</b>	<b>108,017</b>
Total programme costs	<b>60,728</b>	<b>134,432</b>	<b>65,593</b>	<b>150,716</b>
Less: Programme income				
FSA Westminster - core dept	(5,349)	(5,349)	(5,209)	(5,209)
Meat Hygiene Service	-	(36,897)	-	(49,393)
	<b>(5,349)</b>	<b>(42,246)</b>	<b>(5,209)</b>	<b>(54,602)</b>
	<b>55,379</b>	<b>92,186</b>	<b>60,384</b>	<b>96,114</b>

## Note:

1. Included in the MHS costs above are:

For 2009-10, auditor's fees of £46,000 (2008-09 £37,000) and depreciation of £561,000 (2008-09 £480,000).

13 Analysis of Net Operating cost by spending body

Spending body:	2009-10 £000		2008-09 £000
	Estimate	Outturn	Outturn
FSA - core department			
Westminster	98,841	92,737	97,239
Scottish Parliament	10,400	10,120	10,241
Northern Ireland Assembly	9,387	9,119	8,575
National Assembly for Wales	3,572	3,584	3,500
Meat Hygiene Service	37,530	36,807	35,730
<b>Consolidated total</b>	<b>159,730</b>	<b>152,367</b>	<b>155,285</b>

14 Income

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

	2009-10		2008-09	
	£000	£000	£000	£000
All operating income is included within public expenditure				
<b>a) FSA - core department</b>				
Administration income:				
From Government Departments and others		2,081		848
Programme income:				
Milk and Dairy Hygiene - sampling		19		17
Income from Meat Hygiene inspections in Northern Ireland		3,372		3,289
Assessments and consultations on radioactive discharges		1,958		1,903
		<u>5,349</u>		<u>5,209</u>
<b>b) Meat Hygiene Service activity</b>				
		<u>36,897</u>		<u>49,393</u>
		42,246		54,602
<b>Consolidated total</b>		<b><u>44,327</u></b>		<b><u>55,450</u></b>

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

	2009-10			2008-09		
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
<b>Meat Hygiene Service activity</b>						
Industry	24,080	60,887	(36,807)	25,039	60,769	(35,730)
Government	12,525	12,525	-	24,354	24,354	-
<b>FSA - core department</b>						
Income from Meat Hygiene inspections in Northern Ireland	3,372	6,570	(3,198)	3,289	6,293	(3,004)
Assessments and consultations on radioactive discharges	1,958	1,955	3	1,903	2,342	(439)
	<b><u>41,935</u></b>	<b><u>81,937</u></b>	<b><u>(40,002)</u></b>	<b><u>54,585</u></b>	<b><u>93,758</u></b>	<b><u>(39,173)</u></b>

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 made by the MHS, 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 approx £40m from the FSA to the meat industry, which will be received by 70% of FBOs across the UK in 2010/11. EU regulations provide for support from the charging system for small/rural slaughterhouses. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations.

The MHS 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).

The FSA does not recover all its costs from industry. During the year, the FSA moved from charging on a throughput basis to one based on a discounted hourly charge.

There is an expectation of moving towards full cost recovery in the coming years.

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

15 Property, plant and equipment

						Consolidated
	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
Cost at 1 April 2009	-	7,844	1,446	4,783	66	14,139
Additions	-	35	90	207	-	332
Disposals	-	(6,280)	(594)	(1,553)	(4)	(8,431)
Reclassification	-	-	-	-	-	-
<b>At 31st March 2010</b>	-	<b>1,599</b>	<b>942</b>	<b>3,437</b>	<b>62</b>	<b>6,040</b>
<b>Depreciation</b>						
Cost at 1 April 2009	-	6,673	1,019	3,241	24	10,957
Charged in year	-	207	117	630	16	970
Disposals	-	(6,280)	(594)	(1,553)	(4)	(8,431)
<b>At 31st March 2010</b>	-	<b>600</b>	<b>542</b>	<b>2,318</b>	<b>36</b>	<b>3,496</b>
<b>Net book value at 31st March 2010</b>	-	<b>999</b>	<b>400</b>	<b>1,119</b>	<b>26</b>	<b>2,544</b>
<b>Net book value at 31st March 2009</b>	-	<b>1,171</b>	<b>427</b>	<b>1,542</b>	<b>42</b>	<b>3,182</b>
<b>Asset financing</b>						
Owned	-	999	400	1,119	26	2,544
Finance leased	-	-	-	-	-	-
On balance sheet PFI contracts	-	-	-	-	-	-
<b>Net book value at 31st March 2010</b>	-	<b>999</b>	<b>400</b>	<b>1,119</b>	<b>26</b>	<b>2,544</b>
<b>Cost or valuation</b>						
Restated cost at 1 April 2008 <sup>1</sup>	1,331	7,033	1,384	3,972	66	13,786
Additions	-	348	80	468	-	896
Disposals	-	(204)	(8)	(321)	-	(533)
Reclassification	(1,331)	667	-	664	-	-
<b>At 31 March 2009</b>	-	<b>7,844</b>	<b>1,456</b>	<b>4,783</b>	<b>66</b>	<b>14,149</b>
<b>Depreciation</b>						
Restated cost at 1 April 2008 <sup>1</sup>	-	6,690	873	2,968	8	10,539
Charged in year	-	173	154	578	16	921
Disposals	-	(190)	(5)	(305)	-	(500)
<b>At 31 March 2009</b>	-	<b>6,673</b>	<b>1,022</b>	<b>3,241</b>	<b>24</b>	<b>10,960</b>
<b>Net book value at 31st March 2009</b>	-	<b>1,171</b>	<b>434</b>	<b>1,542</b>	<b>42</b>	<b>3,189</b>
<b>Restated Net book value at 1 April 2008<sup>1</sup></b>	<b>1,331</b>	<b>343</b>	<b>511</b>	<b>1,004</b>	<b>58</b>	<b>3,247</b>
<b>Asset financing</b>						
Owned	-	1,171	434	1,542	42	3,189
Finance leased	-	-	-	-	-	-
On balance sheet PFI contracts	-	-	-	-	-	-
<b>Net book value at 31 March 2009</b>	-	<b>1,171</b>	<b>434</b>	<b>1,542</b>	<b>42</b>	<b>3,189</b>
<b>Asset financing</b>						
Owned	1,331	343	511	1,004	58	3,247
Finance leased	-	-	-	-	-	-
On balance sheet PFI contracts	-	-	-	-	-	-
<b>Restated Net book value at 1 April 2008<sup>1</sup></b>	<b>1,331</b>	<b>343</b>	<b>511</b>	<b>1,004</b>	<b>58</b>	<b>3,247</b>

<sup>1</sup> The 1 April 2008 balances include an adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca).

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Core Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
Cost at 1 April 2009	-	7,699	1,360	3,142	66	12,267
Additions	-	35	90	53	-	178
Disposals	-	(6,280)	(594)	(1,553)	(4)	(8,431)
Reclassification	-	-	-	-	-	-
<b>At 31st March 2010</b>	<b>-</b>	<b>1,454</b>	<b>856</b>	<b>1,642</b>	<b>62</b>	<b>4,014</b>
<b>Depreciation</b>						
Cost at 1 April 2009	-	6,528	933	1,987	24	9,472
Charged in the year	-	207	117	453	16	793
Disposals	-	(6,280)	(594)	(1,553)	(4)	(8,431)
<b>At 31st March 2010</b>	<b>-</b>	<b>455</b>	<b>456</b>	<b>887</b>	<b>36</b>	<b>1,834</b>
<b>Net book value at 31st March 2010</b>	<b>-</b>	<b>999</b>	<b>400</b>	<b>755</b>	<b>26</b>	<b>2,180</b>
<b>Net book value at 31 March 2009</b>	<b>-</b>	<b>1,171</b>	<b>427</b>	<b>1,155</b>	<b>42</b>	<b>2,795</b>
<b>Asset financing</b>						
Owned	-	999	400	755	26	2,180
Finance leased	-	-	-	-	-	-
On balance sheet PFI contracts	-	-	-	-	-	-
<b>Net book value at 31st March 2010</b>	<b>-</b>	<b>999</b>	<b>400</b>	<b>755</b>	<b>26</b>	<b>2,180</b>
<b>Cost or valuation</b>						
Restated cost at 1 April 2008 <sup>1</sup>	1,331	6,888	1,290	2,480	66	12,055
Additions	-	348	80	315	-	743
Disposals	-	(204)	-	(317)	-	(521)
Reclassification	(1,331)	667	-	664	-	-
<b>At 31st March 2009</b>	<b>-</b>	<b>7,699</b>	<b>1,370</b>	<b>3,142</b>	<b>66</b>	<b>12,277</b>
<b>Depreciation</b>						
Restated cost at 1 April 2008 <sup>1</sup>	-	6,545	782	1,869	9	9,205
Charged in the year	-	173	153	419	16	761
Disposals	-	(190)	-	(302)	-	(492)
<b>At 31st March 2009</b>	<b>-</b>	<b>6,528</b>	<b>935</b>	<b>1,986</b>	<b>25</b>	<b>9,474</b>
<b>Net book value at 31 March 2009</b>	<b>-</b>	<b>1,171</b>	<b>435</b>	<b>1,156</b>	<b>41</b>	<b>2,803</b>
<b>Restated Net book value at 1 April 2008<sup>1</sup></b>	<b>1,331</b>	<b>343</b>	<b>508</b>	<b>611</b>	<b>57</b>	<b>2,850</b>
<b>Asset financing</b>						
Owned	-	1,171	435	1,156	41	2,803
Finance leased	-	-	-	-	-	-
On balance sheet PFI contracts	-	-	-	-	-	-
<b>Net book value at 31 March 2009</b>	<b>-</b>	<b>1,171</b>	<b>435</b>	<b>1,156</b>	<b>41</b>	<b>2,803</b>
<b>Asset financing</b>						
Owned	1,331	343	508	611	57	2,850
Finance leased	-	-	-	-	-	-
On balance sheet PFI contracts	-	-	-	-	-	-
<b>Restated Net book value at 1 April 2008<sup>1</sup></b>	<b>1,331</b>	<b>343</b>	<b>508</b>	<b>611</b>	<b>57</b>	<b>2,850</b>

<sup>1</sup> The 1 April 2008 balances include an adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca).

**Analysis of property, plant and equipment**

The net book value of property, plant and equipment comprises:

<b>Core 31 March 2010</b>	-	<b>999</b>	<b>400</b>	<b>755</b>	<b>26</b>	<b>2,180</b>
<b>MHS 31 March 2010</b>	-	-	-	<b>364</b>	-	<b>364</b>
<b>Core 31 March 2009</b>	-	<b>1,171</b>	<b>435</b>	<b>1,156</b>	<b>41</b>	<b>2,803</b>
<b>MHS 31 March 2009</b>	-	-	-	<b>386</b>	-	<b>386</b>
<b>Core 1 April 2008<sup>1</sup></b>	<b>1,331</b>	<b>343</b>	<b>508</b>	<b>611</b>	<b>57</b>	<b>2,850</b>
<b>MHS 1 April 2008<sup>1</sup></b>	-	-	<b>4</b>	<b>393</b>	-	<b>397</b>

<sup>1</sup> The 31 March 2009 balances include an opening adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca). Note 30 of these accounts give a detailed breakdown of the journals required to arrive at the restated position.

16 Intangible assets

Intangible assets comprise computer software and software licences for the core department and the MHS.

	Consolidated Purchased software licences £000	Core Purchased software licences £000
<b>Cost or valuation</b>		
Cost at 1 April 2009	5,045	1,801
Additions	178	67
Disposals	(671)	(671)
<b>At 31st March 2010</b>	<b>4,552</b>	<b>1,197</b>
<b>Amortisation</b>		
Cost at 1 April 2009	3,304	1,147
Charged in year	541	157
Disposals	(569)	(569)
<b>At 31st March 2010</b>	<b>3,276</b>	<b>735</b>
<b>Net book value at 31st March 2010</b>	<b>1,276</b>	<b>462</b>
<b>Net book value at 31st March 2009</b>	<b>1,741</b>	<b>654</b>
<b>Cost or valuation</b>		
Restated cost at 1 April 2008 <sup>1</sup>	4,265	1,658
Additions	780	143
Disposals	-	-
<b>At 31st March 2009</b>	<b>5,045</b>	<b>1,801</b>
<b>Amortisation</b>		
Restated cost at 1 April 2008 <sup>1</sup>	2,785	948
Charged in year	519	199
<b>At 31st March 2009</b>	<b>3,304</b>	<b>1,147</b>
<b>Net book value at 31st March 2009</b>	<b>1,741</b>	<b>654</b>
<b>Restated Net book value at 1 April 2008<sup>1</sup></b>	<b>1,483</b>	<b>710</b>

The net book value of intangible assets comprises:

<b>Core 31 March 2010</b>	<b>462</b>
<b>MHS 31 March 2010</b>	<b>814</b>
<b>Core 31 March 2009</b>	<b>654</b>
<b>MHS 31 March 2009</b>	<b>1,087</b>
<b>Core 1 April 2008</b>	<b>710</b>
<b>MHS 1 April 2008</b>	<b>773</b>

<sup>1</sup> The 1st April 2008 balances include an opening adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca).

There was no material financial impact as a result of the change in the useful economic life over which the FSA amortises its computer software and software licence assets.

## 17 Financial Instruments

'IFRS7 – Financial Instruments' requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Agency is financed by the Government and therefore it is not exposed to the risks 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.

The FSA holds the following financial assets and liabilities:

### 1) Assets

- Cash and cash equivalents (Note 19)
- Trade Receivables - current (Note 18)
- Trade Receivables - non-current (Note 18)

### 2) Liabilities

- Trade and other payables (Note 20)
- Other payables > 1 year (Note 20)
- Provisions arising from contractual arrangements (Note 21)

The Financial Assets and Liabilities are measured at fair value which is 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 risks.

### 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 2010 is in receivables from customers disclosed in the trade receivables note (Note 18) .

### Interest rate risk

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

18 Trade receivables and other current assets

	2009-10		2008-09		Restated 2007-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
<b>Amounts falling due within one year:</b>						
Trade receivables	1,367	4,504	1,131	4,169	503	3,997
VAT recoverable	2,552	3,428	1,726	2,571	2,945	4,122
Other receivables	175	310	75	108	214	283
	<u>4,094</u>	<u>8,242</u>	<u>2,932</u>	<u>6,848</u>	<u>3,662</u>	<u>8,402</u>
Other current assets :						
Prepayments and accrued income	3,267	6,270	4,419	8,203	4,682	8,212
Amounts due from the Consolidated Fund in respect of supply	374	374	859	-	-	-
	<u>3,641</u>	<u>6,644</u>	<u>5,278</u>	<u>8,203</u>	<u>4,682</u>	<u>8,212</u>
	<u>7,735</u>	<u>14,886</u>	<u>8,210</u>	<u>15,051</u>	<u>8,344</u>	<u>16,614</u>
<b>Amounts falling due after more than one year:</b>						
Trade receivables	-	38	-	45	-	60
Prepayments and accrued income	-	-	-	3	-	1
	<u>0</u>	<u>38</u>	<u>0</u>	<u>48</u>	<u>0</u>	<u>61</u>

18.1 Intra-Government Balances (Consolidated)

	2009-10		2008-09		Restated 2007-08	
	£000	£000	£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	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	6,218	-	4,080	-	6,487	-
Balances with local authorities	-	-	4	-	7	-
Subtotal: intra-government balances	<u>6,218</u>	<u>0</u>	<u>4,084</u>	<u>-</u>	<u>6,494</u>	<u>-</u>
Balances with bodies external to government	8,668	38	10,967	48	10,120	61
<b>Total balances receivable at 31 March</b>	<u>14,886</u>	<u>38</u>	<u>15,051</u>	<u>48</u>	<u>16,614</u>	<u>61</u>

19 Cash and cash equivalents

	2009-10		2008-09		Restated 2007-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April 2008	3,692	5,844				
Net changes in cash and cash equivalents	(4,551)	(1,865)				
Balance at 31 March 2009	(859)	3,979				
Net changes in cash and cash equivalents	4,249	4,190				
<b>Balance at 31 March 2010</b>	<u>3,390</u>	<u>8,169</u>				
The following balances at 31 March were held at:						
Office of HM Paymaster General	3,390	7,979	(859)	3,766	3,692	5,563
Commercial banks and cash in hand	-	190	-	213	-	281
<b>Balance at 31 March</b>	<u>3,390</u>	<u>8,169</u>	<u>(859)</u>	<u>3,979</u>	<u>3,692</u>	<u>5,844</u>

20 Trade payables and other current liabilities

	2009-10		2008-09		Restated 2007-08	
	£000	£000	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
<b>Amounts falling due within one year</b>						
Bank overdraft	-	-	859	-	-	-
Other taxation and social security	949	2,174	771	1,587	758	1,706
Trade payables	29	2,135	3,173	5,211	5,703	8,173
Other payables	5,153	5,408	552	1,595	552	1,610
	<u>6,131</u>	<u>9,717</u>	<u>5,355</u>	<u>8,393</u>	<u>7,013</u>	<u>11,489</u>
Other current liabilities :						
Accruals and deferred income	14,693	21,719	16,132	21,089	18,628	30,322
Amounts issued from the Consolidated Fund for supply but not spent at year end	8,544	8,544	-	3,979	3,692	5,844
	<u>23,237</u>	<u>30,263</u>	<u>16,132</u>	<u>25,068</u>	<u>22,320</u>	<u>36,166</u>
	<u>29,368</u>	<u>39,980</u>	<u>21,487</u>	<u>33,461</u>	<u>29,333</u>	<u>47,655</u>
<b>Amounts falling due after more than one year</b>						
Other payables, accruals and deferred income	15,172	15,172	14,685	14,685	14,199	14,199
	<u>15,172</u>	<u>15,172</u>	<u>14,685</u>	<u>14,685</u>	<u>14,199</u>	<u>14,199</u>

20.1 Intra-Government Balances (Consolidated)

	2009-10		2008-09		Restated 2007-08	
	£000	£000	£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	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	14,481	-	5,877	-	7,853	0
Balances with local authorities	731	-	204	-	2,426	0
Balance with NHS bodies	8	-	-	-	38	0
Balances with public corporations and trading funds	492	-	103	-	2,751	0
Subtotal: intra-government balances	<u>15,712</u>	<u>-</u>	<u>6,184</u>	<u>-</u>	<u>13,068</u>	<u>0</u>
Balances with bodies external to government	24,268	15,172	27,277	14,685	34,587	14,199
<b>Total balances payable at 31 March</b>	<u>39,980</u>	<u>15,172</u>	<u>33,461</u>	<u>14,685</u>	<u>47,655</u>	<u>14,199</u>

21a Provisions for liabilities and charges

	Early departure costs	Other				Consolidated Total	
		FSA Board Pension Provision	Legal claims	Onerous Leases	Personal Injury Claims Provision		
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2008	2,976	542	618	-	-	27,990	32,126
Provided in the year	1,925	51	-	347	217	2,646	5,186
Provisions not required written back	(135)	-	(394)	-	-	-	(529)
Provisions utilised in the year	(1,874)	-	(201)	-	-	-	(2,075)
Payment to reduce deficit						(1,558)	(1,558)
Actuarial loss arising						15,338	15,338
Balance at 1 April 2009	2,892	593	23	347	217	44,416	48,488
Provided in the year	986	298	-	-	215	2,432	3,931
Provisions not required written back	23	-	(23)	-	-	-	-
Provisions utilised in the year	(660)	(62)	-	(71)	(126)	-	(919)
Payment to reduce deficit						(1,631)	(1,631)
Actuarial loss arising						57,399	57,399
<b>Balance at 31st March 2010</b>	<b>3,241</b>	<b>829</b>	<b>-</b>	<b>276</b>	<b>306</b>	<b>102,616</b>	<b>107,268</b>

	Early departure costs	Other		Core Department Total
		FSA Board Pension Provision	Legal claims	
	£000	£000	£000	£000
Balance at 1 April 2008	2,727	542	618	3,887
Provided in the year	644	51	-	695
Provisions not required written back	(135)	-	(394)	(529)
Provisions utilised in the year	(1,674)	-	(201)	(1,875)
Balance at 1 April 2009	1,562	593	23	2,178
Provided in the year	832	298	-	1,130
Provisions not required written back	23	-	(23)	-
Provisions utilised in the year	(420)	(62)	-	(482)
<b>Balance at 31st March 2010</b>	<b>1,997</b>	<b>829</b>	<b>-</b>	<b>2,826</b>

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

	Early Departure Costs	FSA Board Pension Provision	Other		Consolidated Total
			Onerous Leases	Personal Injury Claims Provision	
	£000	£000	£000	£000	£000
<b>In the remainder of the Spending</b>					
Review period to 2011	703	-	71	-	774
Between 2012 and 2016	1,700	829	205	306	3,040
Between 2017 and 2021	838	-	-	-	838
<b>Balance at 31 March 2010</b>	<b>3,241</b>	<b>829</b>	<b>276</b>	<b>306</b>	<b>4,652</b>

Analysis of expected timing of discounted flows

	Early Departure Costs	FSA Board Pension Provision	Other		Core Department Total
			Legal Claims		
	£000	£000	£000	£000	£000
<b>In the remainder of the Spending</b>					
Review period to 2011	399	-	-	-	399
Between 2012 and 2016	1,295	829	-	-	2,124
Between 2017 and 2021	303	-	-	-	303
<b>Balance at 31 March 2010</b>	<b>1,997</b>	<b>829</b>	<b>-</b>	<b>-</b>	<b>2,826</b>

The aforementioned respective provisions for early departure, pension 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.

21a i) 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 programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% (2008-09 2.2% ) in real terms.

21a ii) Other

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

A provision has been created in respect of several onerous issues which relate to office space occupied by the former regional offices of the MHS (these were closed early in the financial year). The amount provided has been calculated by reference to the periods specified in the leases.

A provision has been created to cover the estimated amounts required to settle the claims and costs for a number of personal injury cases for which the MHS had admitted liability. The amount provided has been calculated by reference to similar cases and reviewing correspondence applicable to the cases.

21a iii) 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 was undertaken by the Government Actuary's Department (GAD) and is in accordance with IAS19 and the FR&M governing UK Accounting for Departments/NDPBs.

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2010 is £829,000 (2008-09 £597,000).

The disclosure includes an increase of £166,000 as a result of changes in the assumptions underlying the scheme liabilities made up of a £148,000 increase in liabilities due to financial assumption changes and a £18,000 increase in liabilities due to changes to the mortality assumptions.

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

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

Financial assumptions

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

	31 March 2010	31 March 2009
Inflation/ Pension increase rate	2.75%	2.75%
Rate of increase in salaries	4.29%	4.29%
Gross Discount Rate	4.60%	6.04%

Mortality

Life expectancy is based on the actuarial PA92-08 tables, projected to the calendar year 2010 for current pensioners and 2050 for active and deferred members. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	31 March 2010		31 March 2009	
	Males	Females	Males	Females
Current Pensioners	23.9 years	27.1 years	23.5 years	26.7 years
Future Pensioners	26.0 years	29.1 years	25.6 years	28.6 years

Present value of scheme liabilities

	Value at 31.03.2010	Value at 31.03.2009	Value at 31.03.2008	Value at 31.03.2007	Value at 31.03.2006
	£'000	£'000	£'000	£'000	£'000
Liability in respect of					
Active members	(164)	(226)	(164)	(79)	(55)
Deferred pensioners	(254)	(182)	(193)	(198)	(118)
Current pensioners	(411)	(189)	(179)	(182)	(154)
	<b>(829)</b>	<b>(597)</b>	<b>(536)</b>	<b>(459)</b>	<b>(327)</b>

Analysis of movement in scheme liability

	2009-10	2008-09
	£'000	£'000
<b>Scheme liability at 1 April</b>	<b>(597)</b>	<b>(536)</b>
<b>Movement in the year:</b>		
Current service cost (net of employee contributions)	(39)	(70)
Interest cost	(37)	(30)
Employee Contributions	(5)	(8)
Actuarial (Loss) / Gain	(167)	37
Benefits paid	16	10
Past service Cost	-	-
Net individual pension transfer-in	-	-
Settlements and curtailments	-	-
<b>Scheme liability at 31 March</b>	<b>(829)</b>	<b>(597)</b>

Analysis of amount charged to operating profit

	Year to 31 March 2010	Year to 31 March 2009
	£'000	£'000
Current service cost (net of employee contributions)	(39)	(70)
Interest cost	(37)	(30)
Past service Cost	-	-
Settlements and curtailments	-	-
	<b>(76)</b>	<b>(100)</b>

Analysis of actuarial (losses)/gains to be recognised in Statement of Changes in Taxpayers' Equity

	2009-10	2008-09
	£'000	£'000
Experience (losses) and gains arising on the scheme liabilities	(1)	(25)
Changes in financial assumptions underlying the present value of scheme liabilities	<b>(166)</b>	<b>62</b>
Net total actuarial (loss)/gain recognised in the Statement of Changes in Taxpayers' Equity	<b>(167)</b>	<b>37</b>

History of experience gains and (losses)

	2009-10	2008-09	2007-08	2006-07	2005-06
Experience (losses) / gains on scheme liabilities:					
Amount (£000)	(1)	(25)	(12)	-	9
Percentage of scheme liabilities	<b>-0.1%</b>	<b>-4.2%</b>	<b>-2.3%</b>	<b>0.0%</b>	<b>2.8%</b>

21b Provision for pension liability

21b i) The majority, around 60% of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2010, contributions of £2.9m were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2009, this rate was 17.9% of pensionable remuneration. The rate is unchanged for the year ended 31 March 2009.

The latest full actuarial review of the scheme considered the position at 31 March 2007. This valuation considered that the general position has deteriorated since the last valuation due to:

- improving life expectancy, both for current and prospective pensioners.
- early retirements due to redundancy, ill health etc.

offset due to improvements in:

- investment performance.

On the basis of the full actuarial valuation the MHS Fund deficit was £27.6m. The Agency agreed to increase the funding to the scheme, payable for 20 years. For 2010/11 £1.7m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2010.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £102.6m as at 31 March 2010 compared with a calculated deficit of £44.4m as at 31 March 2009.

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 2010-11 to be £4.9m.

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:

	31st March 2010	31st March 2009
Inflation/ Pension increase rate	3.9%	3.1%
Salary Increases	5.4%	4.6%
Expected Return on Assets	6.8%	6.4%
Discount Rate	5.5%	6.9%

Mortality

Life expectancy is based on the actuarial PFA92 tables, projected to the calendar year 2033 for non-pensioners and 2017 for pensioners. Based on these assumptions, the average life expectancies at age 65 are summarised below. An additional liability loading of 3.5% for prospective pensioners and 1.7% for current pensioners is applied by the Actuary.

	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

	31st March 2010	31st March 2009
	£'000	£'000
<b>Movement in liabilities</b>		
<b>Opening Defined Benefit Obligation</b>	<b>127,221</b>	<b>127,767</b>
Current service cost	2,120	2,663
Interest cost	8,730	8,953
Contributions by members	1,111	1,204
Actuarial Losses / (Gains)	76,465	(13,569)
Past service Costs	0	1,923
Losses / (Gains) on Curtailments	568	1,974
Estimated unfunded benefits paid	(133)	(141)
Estimated benefits paid	(4,513)	(3,254)
<b>Closing Defined Benefit Obligation</b>	<b>211,569</b>	<b>127,221</b>

	31st March 2010	31st March 2009
	£'000	£'000
<b>Movement in assets</b>		
<b>Opening Fair Value of Employer's Assets</b>	<b>82,805</b>	<b>99,777</b>
Expected Return on Assets	5,354	7,149
Contributions by Members	1,111	1,204
Contributions by Employer	5,130	6,837
Contributions in respect of Unfunded Benefits	133	141
Actuarial Gains / (Losses)	19,066	(28,908)
Unfunded Benefits Paid	(133)	(141)
Benefits Paid	(4,513)	(3,254)
<b>Closing Fair Value of Employer Assets</b>	<b>108,953</b>	<b>82,805</b>

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

	Long term rate of return expected at 31.03.2010	Value at 31.03.2010 £000	Long term rate of return expected at 31.03.2009	Value at 31.03.2009 £000
Equities	7.5%	76,267	7.0%	47,199
Target return portfolio	4.5%	10,895	5.5%	8,281
Alternative assets	6.5%	15,253	6.0%	20,701
Cash	3.0%	5,448	4.0%	6,624
Corporate bonds	5.5%	1,090	-	-
Market value of assets		<b>108,953</b>		<b>82,805</b>
Present value of scheme liabilities		<b>(211,569)</b>		<b>(127,221)</b>
Net pension deficit		<b>(102,616)</b>		<b>(44,416)</b>

21b ii) Movement in deficit during the year

	2009-10 £000	2008-09 £000
Deficit at 1 April	(44,416)	(27,890)
Current service cost	(2,120)	(2,664)
Employer contributions	3,632	5,420
Payment of deficit	1,631	1,558
Curtailments and settlements	(568)	(1,974)
Past service cost	-	(1,623)
Other finance net interest charged (note 21b iii)	(3,376)	(1,805)
Actuarial (loss)/ gain (note 21b iv)	(57,399)	(15,338)
Deficit at 31 March -LGPS Pension Provision	<b>(102,616)</b>	<b>(44,416)</b>

21b iii) Analysis of the amount charged to operating deficit

	2009-10 £000	2008-09 £000
Current service costs	2,120	2,664
Past service cost	-	1,623
Curtailment and settlements	568	1,974
	<b>2,688</b>	<b>6,261</b>
Employer contributions to be set off	(3,632)	(5,420)
Amount charged to operating cost (Note 10 B)	<b>(944)</b>	<b>841</b>

Analysis of net amount charged to operating cost

	2009-10 £000	2008-09 £000
Expected return on pension scheme assets	(5,354)	(7,149)
Interest on pension scheme liabilities	8,730	8,954
Amount charged to operating cost (Note 12)	<b>3,376</b>	<b>1,805</b>

21b iv) Analysis of amount recognised in Statement of Changes in Taxpayers' Equity

	2009-10 £000	2008-09 £000
Actual return less expected return on pension scheme assets	19,066	(28,517)
Experience gains and losses arising on the scheme liabilities	441	(382)
Changes in financial assumptions underlying the present value of scheme liabilities	(76,906)	13,559
Actuarial loss recognised in the Statement of Changes in Taxpayers' Equity	<b>(57,399)</b>	<b>(15,340)</b>

21b v) History of experience gains and losses

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Difference between the experience and actual return on scheme assets:</b>					
Amount (£000)	19,066	(28,908)	(5,535)	823	10,688
Value of assets (£000)	108,953	82,805	99,777	94,419	84,007
Percentage of scheme assets	17.5%	-34.9%	-5.5%	0.9%	12.7%
<b>Experience gains/(losses) on scheme liabilities</b>					
Amount (£000)	441	(382)	2,763	(92)	(477)
Total present value of liabilities (£000)	211,569	127,222	127,767	141,154	111,267
Percentage of scheme liabilities	0.2%	-0.3%	2.2%	-0.1%	-0.4%
<b>Total amount recognised in the Statement of Changes in Taxpayers' Equity</b>					
Actuarial gain/(loss) (£000)	(57,399)	(15,340)	17,772	(19,744)	19,643
Total present value of liabilities (£000)	211,569	127,222	127,767	141,154	111,267
Percentage of scheme liabilities	-27.1%	-12.1%	13.9%	-14.0%	17.7%
Cumulative actuarial (loss)/gain (£000)	(55,721)	1,678	17,018	(754)	18,990

22 Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

Programme costs have been allocated as follows:

	2009-10 £000	2008-09 £000
<b>Objective 1</b>		
Food Safety:	67,722	84,570
- to continue to reduce foodborne illness; and		
- to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food		
<b>Objective 2</b>		
Eating for Health:	12,606	6,734
- to make it easier for all consumers to choose a healthy diet; and thereby		
- improve quality of life by reducing diet-related diseases		
<b>Objective 3</b>		
Choice:	11,858	4,810
- to enable consumers to make informed choices		
	<b>92,186</b>	<b>96,114</b>

A breakdown by activity of total programme costs can be found in note 12.

Capital Employed by Departmental Strategic Objectives at 31 March 2010

Capital spent is a very small proportion of the resource spent for the FSA. Since the capital spent benefits the agency as a whole, it is not allocated or apportioned to individual objectives.

23 Commitments under leases

23.1 Operating leases

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

	2009-10 £000		2008-09 £000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Obligations under operating leases comprise:</b>				
Land and buildings:				
Not later than one year	6,666	6,666		
Later than one year and not later than five years	26,498	26,498	350	350
Later than five years	36,418	36,418	6,061	6,061
	<b>69,582</b>	<b>69,582</b>	<b>6,411</b>	<b>6,411</b>
Other:				
Not later than one year	128	183	34	74
Later than one year and not later than five years	153	463	12	384
	<b>281</b>	<b>646</b>	<b>46</b>	<b>458</b>

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

	2009-10 £000		2008-09 £000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Obligations under operating leases comprise:</b>				
Land and buildings:				
Not later than one year	1,577	1,577	1,043	1,043
Later than one year and not later than five years	3,178	3,178	4,252	4,252
Later than five years	1,449	1,449	1,952	1,952
	<b>6,204</b>	<b>6,204</b>	<b>7,247</b>	<b>7,247</b>

24 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.

	2009-10 £000		2008-09 £000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Not later than one year</b>	18,314	18,314	18,711	18,711
<b>Later than one year and not later than five years</b>	16,799	16,799	20,978	20,978
<b>Later than five years</b>	-	-	233	233
	<b>35,113</b>	<b>35,113</b>	<b>39,922</b>	<b>39,922</b>

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.

25 Contingent liabilities

The Department has the following contingent liabilities:

- i There is a small grievance claim made by a FSA employee which could cost approximately £5,000. This case will be defended. No provision has been made for this in the accounts.
  - ii There are a number of small claims being made by MHS 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 £335,000. No provision has been made for these cases, however, a provision of £306,000 has been made for cases where liability has been admitted.
- There was a provision of £217,000 for personal injury claims at the end of the previous year.

**26 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 Food Standards Agency has related party transactions with its executive agency, the Meat Hygiene Service (MHS). Work undertaken by MHS for the FSA was funded by the FSA in 2009/10 by an increased budget delegation to the MHS.

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

Department of Environment, Food & Rural Affairs (DEFRA) and its agencies as listed below. Most of the work with DEFRA is for analytical sampling and inspections. Transactions with DEFRA totalled £10,977k during the year. As at 31 March 2010, £636k was due from DEFRA.

- Veterinary Laboratories Agency (part of DEFRA) : Transactions totalled £1,150k during the year. As at 31 March 2010 £nil was owed to the VLA.
- Centre for Environment, Fisheries & Aquaculture (part of DEFRA) : Transactions during the year totalled £5,990k. As at 31 March 2010 £57k was owed to CEFAS.
- Central Science Laboratory (part of DEFRA) also known as FERA : Transactions during the year totalled £925k. As at 31 March 2010 £nil was owed to FERA.
- Animal Health (part of DEFRA) : Transactions during the year totalled £1,740k. As at 31 March 2010 £nil was owed to Animal Health.

Work relating to Cattle Passports is undertaken principally for the Rural Payments Agency (RPA) - Transactions during the year totalled £2,711k. As at 31 March 2010 £453k was due from the RPA.

Department of Agriculture and Rural Development, Northern Ireland (DARD). In Northern Ireland DARD carries out meat hygiene and related services work for the FSA. Transaction during the year totalled £8,707k. As at 31 March 2010 £nil was due to DARD.

Central Office of Information (COI). COI provide printing, publicity and campaign work for the FSA. Transactions during the year totalled £163k. There was £nil outstanding as at 31 March 2010.

Department of Health (DoH). Transactions with the DoH totalled £1,914k. At 31 March 2010 £65k was due from the DoH.

Department For Business, Enterprise & Regulatory Reform (BERR). Transactions with BERR totalled £14k during the year. As at 31 March 2010 £nil was due to BERR.

Agri-Food Biosciences Institute (AFBI). Transactions with AFBI totalled £368k during the year. As at 31 March 2010 £nil was due to AFBI.

Department of Health, Social Services and Public Safety in Northern Ireland (DHSSPSNI). Transactions during the year totalled £91k. There were no outstanding balances as at 31 March 2010.

Health Protection Agency (HPA). Transactions during the year totalled £79k. There were no outstanding balances at 31 March 2010.

Office for Standards in Education, Children's Services and Skills (OFSTED). OFSTED lease several floors of the Agency's head office in London. Transactions totalled £1,073k during the year. As at 31 March 2010 £80k was due from OFSTED.

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

**27 Entities within the Departmental Boundary**

There is only one entity that falls within the Resource Accounting boundary which is the Meat Hygiene Service (MHS). For further details please refer to the 2009-10 MHS Annual Report and Accounts.

**28 Losses and Special Payments**

During the year the FSA made special payments amounting to £nil (2008-09 £1,000).

However, the Meat Hygiene Service made 19 special payments amounting to £250,000 in 2009-10 (2008-09: 27 payments, £602,000). In addition a provision of £300,000 has been made in respect of estimated future payments relating to these cases and a further 15 cases. The majority of the cases refer to compensation and personal injury claims.

An analysis by category is shown below.

	No of cases	Value £000
Cash losses	-	-
Store losses	-	-
Fruitless payments	-	-
Constructive losses	-	-
Claims waived and abandoned	-	-
Special payments	19	250

**29 Capital Commitments**

At 31 March 2010 there were no commitments for the purchase of capital items (31 March 2009 £9,000).

**30 Post Balance Sheet Events**

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.

The Meat Hygiene Service (MHS) ceased to exist as an executive agency on 31 March 2010. With effect from 1 April 2010 all of the work of the MHS was absorbed into the Food Standards Agency and all employed staff transferred (on existing terms and conditions). All assets and liabilities of the MHS were transferred to the FSA on 1 April 2010.

There were no other reportable post balance sheet events up to this date. The financial statements do not reflect events after this date.

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

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

**IFRS9 Financial Instruments**

A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2013.

**IFRS1 First-time Adoption of International Financial Reporting Standards.**

Three sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods on, or after 1 January 2010. The effective date of the third set of amendments is for accounting periods beginning on, or after 1 July 2010.

**IFRS2 Share-based Payment**

Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods on, or after 1 January 2010.

**IFRS3 Business Combinations**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRS5 Non-current Assets Held for Sale and Discontinued Operations**

Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date for the second set of amendments is for accounting periods beginning on, or after 1 January 2010.

**IFRS8 Operating Segments**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS1 Presentation of Financial Statements**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS7 Statements of Cash Flow**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS17 Leases**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS24 Related Party Disclosures**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2011.

**IAS27 Consolidated and Separate Financial Statements**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IAS32 Financial Instruments: Presentation**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 February 2010.

**IAS36 Impairment of Assets**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS38 Intangible Assets**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IAS39 Financial Instruments: Recognition and Measurement**

Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods beginning on, or after 1 January 2010.

**IFRIC9 Reassessment of Embedded Instruments**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRIC14 Prepayments of a Minimum Funding Requirement**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2011.

**IFRIC16 Hedges of a Net Investment in a Foreign Operation**

A new interpretation. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRIC17 Distributions of Non-cash Assets to Owners**

A new interpretation. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRIC19 Extinguishing Financial Liabilities with Equity Instruments**

A new interpretation. The effective date is for accounting periods beginning on, or after 1 January 2011.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have a future material impact on the financial statements of the Food Standards Agency (the agency to which the MHS operations transferred with effect from 1 April 2010).

In addition, the following are changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2010:

**Chapter 6 Tangible Non-current Assets**

New standard FRS30 accounting for heritage assets

**Chapter 8 Impairments**

Adaption of IAS36 impairment of assets

**Chapter 11 Income and Expenditure**

Removal of cost of capital charging

**Chapter 13 Accounting for Consolidated Fund Revenue**

Introduction of trust statements for revenue, and some associated expenditure

None of these changes to the FReM are anticipated to have a future material impact on the financial statements of the FSA.

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

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



David Watkins  
Head of the Financial Reporting Policy Team, HM Treasury

14 November 2007









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