

Food Standards Agency

Consolidated Resource Accounts

2006-07

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2006-07

(For the year ended 31 March 2007)

*Ordered by the House of Commons to be printed
5th July 2007*

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Annual Report

Preparation of Accounts

The Food Standards Agency (FSA) Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The consolidated accounts are laid before Parliament under Section 4 of the Food Standards Act 1999. The FSA is part funded by the devolved authorities in Scotland, Northern Ireland and Wales.

Statutory Background

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

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

On 1st April 2000, the Meat Hygiene Service (MHS) became an executive agency of the FSA. The MHS was originally established on 1st April 1995 as an executive agency of the Ministry of Agriculture, Fisheries and Food. The MHS is consolidated with FSA headquarters to form the Food Standards Agency as a Westminster Department. The consolidated FSA accounts also include the results from FSA Northern Ireland, Wales and Scotland.

Aims of the Food Standards Agency

Our Strategic Plan 2005/10 sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet and food law enforcement over a five year period. Our aim is to be trusted as the UK's most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it easier for people to choose a healthy diet.

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

- *Food Safety*
reducing foodborne disease further;
delivering proportionate bovine spongiform encephalopathy and transmissible spongiform encephalopathy controls based on the latest scientific knowledge; and
building and maintaining the trust of stakeholders in our handling of food safety issues;
- *Eating for Health*
enabling consumers to choose a healthier diet and helping reduce diet-related disease; and
- *Choice*
enabling consumers to make informed choices; and
to protect consumers from food fraud and illegal practices.

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

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

Management Commentary

a) *The responsibilities of the FSA*

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

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

- inspection and enforcement action to protect consumers;
- monitoring local authority enforcement – auditing and improving local authority performance;
- nutrition – providing advice and guidance on the nutritional composition of food;
- providing information on a healthy, balanced diet, to promote and protect public health;
- food contaminants – defining tolerable levels, risk management and policy;

- food additives, contact materials, and novel foods – including safety assessment and surveillance;
- microbiological safety and food hygiene including providing advice on the management of foodborne outbreaks and prevention of foodborne illness;
- pesticides, veterinary medicines and animal feed – assessing food safety implications; and
- food labelling and standards – developing policy, improving consumer choice and representing the UK in the European Union.

b) *Resource spend in 2006/07*

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

	2006/07	
	Estimate	Net Operating Cost
	£m	£m
Westminster FSA Headquarters	109.7	109.6
Meat Hygiene Service	34.2	33.3
Total Westminster Funded FSA	143.9	142.9
FSA Scotland	10.3	9.8
FSA Wales	2.9	2.9
FSA Northern Ireland	9.4	9.2
Total FSA	166.5	164.8

The comparative figures for 2005/06 are shown below:

	2005/06	
	Estimate	Net Operating Cost
	£m	£m
Westminster FSA Headquarters	110.7	104.0
Meat Hygiene Service	33.1	31.6
Total Westminster Funded FSA	143.8	134.6
FSA Scotland	10.9	10.4
FSA Wales	2.5	2.7
FSA Northern Ireland	8.4	8.0
Total FSA	165.6	156.8

The net cost of the Consolidated FSA was £164.8m against available funding of £166.5m to 31st March 2007. Expenditure was therefore generally in line with both budget and forecasts.

The net cost of the MHS at £33.3m was within budget and up from £31.6m in 2005-06. The Meat Hygiene Service, as an executive agency, prepares its own annual report and accounts. These accounts provide a detailed analysis of both costs and income, as well as performance against targets. The MHS annual report and accounts is available from 'The Stationery Office' (www.tso.co.uk/bookshop).

c) *Performance Reporting*

The FSA's 2006-07 Annual Report, required by the Food Standards Act 1999, explains in detail the work and achievements of the organisation during the year. Copies of these reports are also available from 'The Stationery Office', and the FSA's website.

Performance during the year is summarised below:

Food Safety

- in the FSA's first Strategic Plan, we set ourselves the target of reducing foodborne illness by 20% by 2006. Working with industry and local authorities, we have achieved a reduction of 19.2% by 2005 compared to the 2000 baseline. It is estimated that cases have reduced by 1.5m at a cost of £750m over this period;

- the FSA has promoted the new EU food hygiene legislation, which now includes most areas of farming for the first time;
- the Safer Food, Better Business (SFBB) packs were rolled out in May 2006 to small retail businesses across the UK;
- contracts of more than £4m were awarded to 99 local authorities through 33 projects to boost food safety initiatives;
- a booklet entitled 'Starting up – your first steps to running a catering business' was aimed at people setting up restaurants or cafes;
- revised guidance was issued to health professionals regarding the storage of powdered infant milk;
- 'Eat Safe' and e-CookSafe schemes were promoted in Northern Ireland and Scotland respectively;
- in May 2006, our long term classification system for shellfish harvesting was implemented. The classification delivers improved public health protection through banding beds according to bacterial count;
- working with the Meat and Livestock Commission, we produced an illustrated guide for butchers explaining how to remove SRM vertebral column in cattle between 24 and 30 months;
- in December 2006 we updated our advice on the management of suspected botulism in cattle and how this affects the food chain. During the same month, we published details of FSA funded work in relation to checks for illegal dyes in imported foods by local authorities;
- in August 2006 the courts agreed to the condemnation of meat seized as part on an investigation into the re-packaging of meat at Euro Freeze Ireland (Ltd);
- in April 2006 the FSA Board agreed to the setting up of the Food Fraud Task Force. This will look at health marking and identification of animal by-products, and the final report is due in October 2007; and
- working with Defra, the Health Protection Agency and the Meat Hygiene Service, the FSA investigated the Avian Flu outbreak in Suffolk. The investigation concluded that there was no evidence that any meat had entered the UK food chain from restricted zones in Hungary.

Eating for Health

- working in partnership with health and education departments, local authorities, schools, consumer groups and the food industry, we aim to improve consumer diet and health. From October 2006, the FSA has played a key role in the Nutrition Strategy Steering Group set up by the Department of Health;
- the FSA's salt awareness campaign continued in early 2007 with TV adverts to inform consumers about salt levels in processed foods;
- our website www.eatwell.gov.uk continued to provide practical advice and tips on healthy eating;
- we continue to support **food: the local vision**, in association with local authorities, to promote access to safe, sustainable and nutritious food;
- in May 2006 we published target nutritional specifications for a range of manufactured foods in school meals. We also undertook a systematic review of the effect of diet and nutrition on children's learning, which confirmed the need for additional work; and
- we published advice for students, in conjunction with the University of Ulster, and published nutrient and food-based advice for residential care homes.

Choice

- we want to make it easier for consumers to make informed choices. Support for our recommended traffic light colour signpost labelling grew during the year. In January 2007 we launched the next stage of the campaign, a series of television adverts;
- we established an independent panel to take forward an evaluation of the impact of front-of-pack nutritional labelling in shopping behaviour;
- in April 2006 we published guidance for manufacturers and caterers to improve labelling for vegans and vegetarians. Similarly, we issued guidance on allergy labelling; and
- we undertook our annual Consumer Attitudes Survey. The 2006 survey highlighted steadily rising consumer awareness of the FSA and its role in providing advice for consumers.

Structure and Organisation

The FSA is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to Ministers. The appointment of the Chief Executive on a fixed term appointment was agreed by the Cabinet Office. The Board consists of a Chair, Deputy Chair and up to 12 members. The Chair and Deputy Chair were appointed by the Secretary of State for Health, Scottish Ministers, the National Assembly for Wales and Northern Ireland Ministers. Two Board Members were appointed by Scottish Ministers, one by the National Assembly for Wales, and one by Northern Ireland Office Ministers. These members have special responsibility for Scottish, Welsh and Northern Irish issues. The other eight members were appointed by the Secretary of State for Health.

The Board is responsible for the FSA's overall strategic direction, for ensuring that legal obligations are fulfilled, and for ensuring that decisions and actions take proper account of scientific advice as well as the interests of consumers and other stakeholders. The annual increase in Board Members' remuneration is based on that recommended for office holders by the Senior Salaries Review Body. Senior Civil Service (SCS) staff salaries are uplifted in line with the central (Cabinet Office) SCS performance based pay and review system.

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

The Wine Standards Board

The Wine Standards Board was wound up on 30th June 2006 by Statutory Instrument. The FSA took over its responsibilities and most of its staff. This was a Machinery of Government change which was accounted for on a merger basis, in line with the advice in the Treasury's Financial Reporting Manual. The FSA, from 1st July 2006, assumed responsibility for wine inspection and the implementation of EU wine regulations. In total 8 members of staff transferred from the WSB to the FSA. The transferring staff became civil servants and joined Enforcement Group within the FSA. Their pension rights were transferred to the Principal Civil Service Pension Scheme.

The FSA's 2005-06 results have been restated by around £631,000 to incorporate the former WSB costs. Formerly it had been an independent company limited by guarantee which had been funded by the Department for Environment, Food and Rural Affairs and the Vintners' Company. The cost of the WSB in 2006-07, prior to the merger with the FSA, was £159,000.

The FSA Board

During the year, the following were members of the non-executive FSA Board:

Dame Deirdre Hutton – FSA Chair

Dr Ian Reynolds – FSA Deputy Chair (from 1st February 2007)

Julia Unwin – FSA Deputy Chair (until 31st December 2006)

Other Board members:

Richard Ayre – Acting FSA Deputy Chair from 11th December 2006 to 28th February 2007)

Chrissie Dunn

Dr Maureen Edmondson – Chair of the Northern Ireland Food Advisory Committee

Professor Bill Reilly

Alan Gardner (until 31st July 2006)

Baroness Valerie Howarth of Breckland (until 28th February 2007)

Iain MacDonald (until 31st May 2006)

Professor Graeme Millar – Chair of the Scottish Advisory Committee

Chris Pomfret

Sandra Walbran

Nelisha Wickremasinghe (until 28th February 2007)

Michael Parker (from 1st June 2006)

Tim Bennett (from 1st March 2007)

Nancy Robson (from 1st March 2007)

FSA Management Team

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

John Harwood – Chief Executive (from 3rd April 2006)

Pat Stewart – Deputy Chief Executive and Director of Corporate Resources

David Statham – Director of Enforcement

Vivienne Collette – Director of Legal Services

Dr Andrew Wadge – Director of Food Safety Policy

Terrence Collis – Director of Communications (from 24th April 2006)

Brian Davies – Human Resources

Allan Hutton – Finance Director

Alick Simmons – Veterinary Director

Gill Fine – Director of Consumer Choice and Dietary Health

Dr George Paterson – Director of FSA Scotland

Morris McAllister – Director of FSA Northern Ireland

Joy Whinney – Director of FSA Wales

Steve McGrath – Chief Executive of the Meat Hygiene Service (from 1st November 2006)

Chris Lawson – Chief Executive of the Meat Hygiene Service (retired 15th March 2007)

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners, with the exception of the Chief Executive. The Cabinet Office has agreed to his appointment until April 2008. Salary and pension details of the Board and the EMB are disclosed below.

Pat Stewart retired at the end of April 2007.

Corporate Governance*Parliamentary Accountability*

The Food Standards Agency is a non Ministerial government department. It is headed by an independent Chair, with an external board responsible for the overall strategy of the organisation. The Board provide independent advice to Health Ministers on food related issues.

The FSA Board

The FSA Board members are independent non-executives. They join the Board following open recruitment, and are expected to follow the Nolan principles of public life. The FSA maintains a register of Board Member details and interests. This is available on our website www.food.gsi.gov.uk/aboutus/ourboard/boardmem.

The FSA Board meets around 10 times per year. Many of these Board meetings are held in public, across the United Kingdom, to ensure that consumers have their say in policy decisions made by the agency. The minutes of these Board Meetings are available on the FSA's website.

The FSA also has an Executive Management Board (EMB) which is chaired by the Chief Executive. This board is made of executive staff and ensures that the policies promoted by the FSA External Board are put into effect.

Internal Controls

The FSA has put in place arrangements to provide assurance on risk management, governance and internal control:

- the FSA has an Audit Committee chaired by an independent non-executive. The Chair of the Audit Committee reports regularly to the main FSA Board;
- the FSA's Internal Audit function operates in accordance with Government Internal Audit Standards. This service has been sub-contracted out to PKF on a three to five year contract; and
- the FSA maintains a Risk Register which is discussed regularly at FSA Board meetings. During the year a Risk Committee was established to improve the organisation's risk modelling and management.

FSA Advisory Committees

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

Scotland – Advisory Committee Members

Professor Graeme Millar (Chair)	Dr John Cowden
Professor Bill Reilly (Deputy Chair)	Professor Brian Ratcliffe
Catherine Brady	Mrs Moyra Burns
Dr David Cameron	Amanda O'Donoghue
Professor Charlotte Maltin	

Welsh Food Advisory Committee Members

Professor Rob Bell	Ms Kate Hovers
Dr David Casemore	Alan Gardner
Professor Margaret Griffiths	Dr Louis Fielding
Professor James Parry	Ms Katie Palmer
Mrs Dilwen Philips	Chris Pomfret
Professor Robert Pickard	Andrew Johnson

Northern Ireland – Advisory Committee Members

Maureen Edmondson (Chair)	Michael Walker (appointed 1st August 2006)
Paul Archer	Patricia McCusker (until 31st July 2006)
Sinead Furey (appointed 1st August 2006)	David Mark (until 31st July 2006)
Barbara Livingstone (appointed 1st August 2006)	David Collins (until 31 July 2006)
Tony McCusker	David McDowell (until 31st July 2006)
Alex McGarel	Samuel Miskelly (until 31st July 2006)
John Moore (appointed 1st August 2006)	Alan Crowe (until 31st December 2006)
Jack Pearce	

FSA Audit Committee

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

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

Professor Graeme Millar – Chair
Chrissie Dunn
Richard Harbord – external non FSA Board Member
Michael Parker (from 14th February 2007)
Chris Pomfret (from 14th February 2007)
John Harwood (until 14th February 2007)
Pat Stewart (until 14th February 2007)
Joy Whinney (until 14th February 2007)

During the year, following the publication of the Treasury's draft Audit Committee Handbook, it was decided that executive staff would no longer be members of the Audit Committee. The Chief Executive continues to attend meetings, but is no longer a member. The move will strengthen the independence of the committee, and similar changes were incorporated into the MHS's Audit Committee.

The Audit Committee discussed a range of issues during the year, including a number of internal audit reports including:

- Human Resources;
- Counter Fraud Testing;
- Security;
- IT Back Up and Recovery Procedures;
- Primary Production Division;
- Analytical Services, Surveys and Research Policy;
- Managing Independence;
- Information Management;
- Review of Financial Systems;
- Commissioning Research;
- Audit of Official Controls in Approved Meat Establishments; and
- Interaction with the Meat Hygiene Service.

Towards the end of 2006, it was decided that a separate Risk Committee should be established to improve risk modelling and management across the organisation. This committee is chaired by Chris Pomfret. A decision will be made during 2007 to either retain a separate Risk Committee or for it to merge back with the Audit Committee once overall risk management and reporting has been reviewed. Although risk management is under review, the following have been identified as significant risks which could impinge on the FSA achieving its aims and objectives:

- the FSA's reputation;
- achieving effective co-operation of the food industry;
- operating effectively in Europe and other international arenas;
- ensuring the FSA remains an independent organisation;
- developing the staff and skills the FSA needs to carry out its functions; and
- effective financial management.

Funding of the FSA

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

The Meat Hygiene Service

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

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

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

The Chief Executive of the MHS reports to the FSA Chief Executive. Membership of the MHS Board during the year is listed below:

Chrissie Dunn (Chair)
Ian Reynolds (from 20th February 2007)
Baroness Valerie Howath (to 19th February 2007)
Maureen Edmondson
John Harwood (from 3rd April 2006)
Alick Simmons
Celia Bennett
Deryk Mead

Staff Relations

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

Pensions

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

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

The MHS has two separate pension schemes. The majority of staff are members of the Local Government Pension Scheme (LGPS), a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority (LPFA). Other MHS employees are members of the PCSPS.

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. The FSA employs 53 staff who have declared a disability.

Supplier Payment Policy

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt, or the agreed contractual terms if otherwise specified. During the year in excess of 98% of invoices were paid on time.

Environmental Policy

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

House through the building management system software. We are a member of the Holborn Business Partnership, and seek to take account of sustainability in all aspects of our work. An environmental monitoring report is produced monthly for Aviation House. This measures the recycling of paper, glass and other consumables. We measure, and are seeking to reduce, the general waste that is sent to landfill sites. At present nearly half our waste is recycled.

We are implementing sustainability policies across the organisation, not only with regard to the advice we give, but also in respect to how we run our business. A sustainability report is circulated to Board Members as part of the management information system.

Financial Instruments

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

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Government Resources and Accounts Act 2000. The audit fee for the year was £100,000. PwC undertook some non audit work for the FSA in relation to reducing the cost of administrative burdens. The cost of this work was around £88,000 in 2006/07.

I am not aware of any relevant information that has not been made available to the auditors. 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.

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, its funding is underwritten by the Treasury.

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

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

Remuneration Report

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

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

Service contracts for Board Members are listed below:

Name	Start Date	Contract Duration
Dame Deirdre Hutton	18th July 2005	4 years
Dr Ian Reynolds	1st February 2007	4 years
Richard Ayre	21st February 2000	7.5 years
Chrissie Dunn	1st March 2003	5 years
Maureen Edmondson	1st September 2004	3 years
Professor Bill Reilly	1st February 2006	3 years
Professor Graeme Millar	1st March 2005	3 years
Chris Pomfret	21st February 2005	3 years
Sandra Walbran	1st June 2002	6 years
Michael Parker	1st June 2006	3 years
Tim Bennett	1st March 2007	3 years
Nancy Robson	1st March 2007	2 years

Unless otherwise stated below, the normal retirement age is assumed to be 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and Pension Entitlements

Full details of the remuneration and pension interests of FSA Board Members and the Executive Management Board are detailed below and are subject to audit:

a) Remuneration:

Executive Management Board

		2006-07		2005-06	
		Salaries inc Bonuses	Bonuses	Benefits in Kind	Salaries & Other Allowances
Bands		£5,000 (£000)	£5,000 (£,000)	£1,000	£5,000 (£000)
John Harwood	Chief Executive	160-165	–	0.1	–
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources	120-125	5-10	0.1	115-120
David Statham	Director, Enforcement	100-105	0-5	–	100-105
Vivienne Collett	Director, Legal Services	85-90	0-5	0.1	5-10
Andrew Wadge	Director, Food Safety Policy	90-95	0-5	0.1	90-95
Terrence Collis	Communications Director	80-85	–	0.1	–
Brian Davies	Human Resources Director	75-80	5-10	–	70-75
Allan Hutton	Finance Director	60-65	–	0.1	65-70
Alick Simmons	Veterinary Director	80-85	5-10	–	70-75
Gill Fine	Director of Consumer Choice & Dietary Health	90-95	0-5	0.1	85-90
George Paterson	Director, FSA Scotland	90-95	–	–	85-90
Morris McAllister	Director, FSA Northern Ireland	100-105	5-10	–	80-85
Joy Whinney	Director FSA Wales	85-90	5-10	–	60-65
Steve McGrath	Chief Executive MHS (from 1st November 2006)	65-70	0-5	–	–
Chris Lawson	Chief Executive MHS (until 15th March 2007)	95-100	0-5	–	100-105

Food Standards Agency Board

		2006-07		2005-06	
		Salaries & Other Allowances	Benefits in Kind	Salaries & Other Allowances	Benefits in Kind
Bands		£5,000 (£000)	£1,000	£5,000 (£,000)	£1,000 0
Dame Deirdre Hutton	Chair	105-110	1.0	70-75	0.7
Dr Ian Reynolds	Deputy Chair (from 1st February 2007)	10-15	0.4	–	–
Julia Unwin	Deputy Chair (to 31st December 2006)	30-35	0.1	60-65	0.4
Richard Ayre		15-20	2.3	20-25	4.1
Christine Dunn Maureen Edmondson		25-30	2.9	20-25	5.6
Professor Bill Reilly		20-25	5.1	25-30	5.3
Alan Gardner	(to 31st July 2006)	20-25	3.1	0-5	0.3
Baroness Valerie Howarth of Breckland	(to 28th February 2007)	5-10	0.3	10-15	0.5
Iain MacDonald	(to 31st May 2006)	0-5	0.1	5-10	2.2
Professor Graeme Millar		20-25	2.7	20-25	5.4
Christopher Pomfret		15-20	1.2	5-10	1.0
Sandra Walbran		5-10	1.8	5-10	1.9
Nelisha Wickremasinghe	(to 28th February 2007)	5-10	1.0	5-10	2.3
Michael Parker		5-10	–	–	–
Tim Bennett	(from 1st March 2007)	0-5	–	–	–
Nancy Robson	(from 1st March 2007)	0-5	–	–	–

Salary

"Salary" includes gross salary; performance pay or bonuses; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation.

Benefit in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue 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

		2006-07					
		Real	Total	Total	CETV at	CETV at	Real
		increase in	accrued	accrued	31 March	31 March	Increase
		Pension at	Pension	lump sum	2007	2006	in CETV
		age 60	at age 60	at age 60	2007	2006	
Bands		£2,500	£5,000	£5,000	(£000)	(£000)	(£000)
		(£000)	(£000)	(£000)			
John Harwood	Chief Executive	0-2.5	0-5	-	11	-	10
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources	0-2.5	50-55	155-160	1,228	1,152	25
David Statham	Director, Enforcement	0-2.5	45-50	135-140	953	892	26
Vivienne Collett	Director, Legal Services	0-2.5	35-40	105-110	804	747	17
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	20-25	70-75	440	369	33
Terrence Collis	Director of Communications	0-2.5	0-5	-	23	-	20
Brian Davies	Human Resources Director	0-2.5	30-35	90-95	655	612	19
Allan Hutton	Finance Director	0-2.5	10-15	30-35	199	182	12
Alick Simmons	Veterinary Director	0-2.5	20-25	60-65	366	345	11
Gill Fine	Director of Consumer Choice & Dietary Health	0-2.5	5-10	-	75	43	18
Dr George Paterson	Director, FSA Scotland	0-2.5	5-10	20-25	164	140	24
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	120-125	957	877	40
Joy Whinney	Director FSA Wales	0-2.5	15-20	45-50	216	187	27
Steve McGrath*	Chief Executive MHS	0-5	n/a	n/a	100	75	21
Chris Lawson	Chief Executive MHS	5-10	40-45	130-135	1,056	1,018	68

* As a Premium PCSPS Scheme Member, Steve McGrath can choose, within a predetermined range, how his accumulated pension benefits are split between lump sum and annual pension.

		2005-06					
		Real	Total	Total	CETV at	CETV at	Real
		increase in	accrued	accrued	31 March	31 March	Increase
		Pension at	Pension	lump sum	2006	2005	in CETV
		age 60	at age 60	at age 60	2006	2005	
Bands		£2,500	£5,000	£5,000	(£000)	(£000)	(£000)
		(£000)	(£000)	(£000)			
John Harwood	Chief Executive	-	-	-	-	-	-
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources	2.5-5	45-50	145-150	1,152	899	61
David Statham	Director, Enforcement	2.5-5	40-45	125-130	642	449	40
Vivienne Collett	Director, Legal Services (from 6 February 2006)	0-2.5	30-35	95-100	749	575	29
Andrew Wadge	Director, Food Safety Policy	0-2.5	20-25	65-70	378	260	41
Brian Davies	Human Resources Director	0-2.5	25-30	85-90	580	449	21
Allan Hutton	Finance Director	0-2.5	10-15	30-35	182	125	20
Alick Simmons	Veterinary Director	0-2.5	15-20	55-60	337	230	38
Gill Fine	Director of Consumer Choice & Dietary Health	0-2.5	0-5	0	31	8	8
Terrence Collis	Director of Communication	-	-	-	-	-	-
Dr George Paterson	Director, FSA Scotland	0-2.5	5-10	15-20	127	96	20
Morris McAllister	Director, FSA Northern Ireland	0-2.5	30-35	100-105	799	636	27
Joy Whinney	Director FSA Wales	0-2.5	10-15	35-40	182	113	24
Chris Lawson	Chief Executive MHS	10-15	40-45	120-125	1,018	794	68

Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within the Annual Accounts for the financial year 2006-07.

Food Standards Agency Board

		2006-07				
		Accrued pension and related lump sum at age 60 31 March 2007	Real increase in pension and related lump sum at age 60 31 March 2007	CETV at 31 March 2007	CETV at 31 March 2006	Real Increase in CETV
Bands		£2,500 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair	2.5-5	0-2.5	40	16	20
Dr Ian Reynolds	Deputy Chair (from 1st February 2007)	0-2.5	0-2.5	2	0	2
Julia Unwin	Deputy Chair until 31st December 2006)	0-2.5	0-2.5	31	23	6
Richard Ayre		-	-	-	-	-
Chrissie Dunn		-	-	-	-	-
Dr Maureen Edmondson		-	-	-	-	-
Professor Bill Reilly		-	-	-	-	-
Alan Gardner		-	-	-	-	-
Baroness Valerie Howarth of Breckland		-	-	-	-	-
Iain MacDonald	(until 31st May 2006)	-	-	-	-	-
Professor Graeme Millar		0-2.5	0-2.5	10	5	4
Chris Pomfret		-	-	-	-	-
Sandra Walbran		-	-	-	-	-
Nelisha Wickremasinghe		-	-	-	-	-
Michael Parker		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Nancy Robson		-	-	-	-	-

		2005-06					
		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2006	Total accrued lump sum at age 60 31 March 2006	CETV at 31 March 2006	CETV at 31 March 2005	Real Increase in CETV
Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair	0-2.5	0-2.5	0	16	0	14
Julia Unwin	Deputy Chair	0-2.5	0-2.5	0	23	14	8
Richard Ayre		-	-	-	-	-	-
Christine Dunn		-	-	-	-	-	-
Maureen Edmondson		-	-	-	-	-	-
William Reilly		-	-	-	-	-	-
Alan Gardner		-	-	-	-	-	-
Baroness Valerie Howarth of Breckland		-	-	-	-	-	-
Professor Graeme Millar		0-2.5	0-2.5	0	5	0	4
Chris Pomfret		-	-	-	-	-	-
Sandra Walbran		-	-	-	-	-	-
Nelisha Wickremasinghe		-	-	-	-	-	-

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

CETV is Cash Equivalent Transfer Value for pension entitlement

John Harwood
Chief Executive and Accounting Officer

July 2007

Statement of Accounting Officer's Responsibilities

1. Under the Food Standards Act 1999, the Food Standards Agency (the Department) is required to prepare resource accounts for each financial year. This is to conform with a Treasury direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Principal Accounting Officer is required to comply with the Financial Reporting Manual (FRoM) prepared by HM Treasury, and in particular to;
 - a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgements and estimates on a reasonable basis;
 - c. state whether applicable accounting standards, as set out in the FRoM, have been followed, and disclose and explain any material departures in the accounts; and
 - d. prepare the accounts on a going-concern basis.
5. In addition, HM Treasury has appointed an Agency Accounting Officer (Steve McGrath) to be accountable for those parts of the Department's accounts that relate to the Meat Hygiene Service resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Chief Executive's overall responsibility as Accounting Officer for the Department's accounts.
6. The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Department's assets) are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting. Under the terms of the Accounting Officer's Memorandum, the relationship between the Department's Principal Accounting Officer and the MHS Agency Accounting Officer, together with their respective responsibilities, is set out in writing.

John Harwood
Chief Executive and Accounting Officer
27 June 2007

Statement on Internal Control

1. Scope of responsibility

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

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

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

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

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- Internal Audit arrangements, which comply with Government standards, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls in the devolved offices;
- regular reports by Internal Audit, which include 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 draft Audit Committee Handbook issued in July 2006, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2005-2010;
- a strategic risk register incorporating risk treatment plans and an independent Risk Committee established during the year;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration business risk;
- financial performance reports are discussed at the Executive Management Board's monthly meetings;
- regular reports by the executive and by Internal Audit on internal controls are circulated to Audit Committee members;
- 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. The MHS publishes its own annual accounts including a Statement on Internal Control audited by the Comptroller and Auditor General. The MHS maintains its own Internal Audit service and has established an independent Audit Committee. The FSA is represented at the MHS Audit Committee and has access to all MHS internal and external audit reports; and
- a Corporate Governance page on the FSA Intranet linked to all available guidance and instructions. It is continually reviewed and updated.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage the risks efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

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

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

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

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

Additionally, during the year, an independent Risk Committee was established to help ensure improvements with regard to how the FSA identifies, models and manages risk. The committee is due to report back to the Board towards the end of 2007. At this stage a decision will be made to either retain a separate Risk Committee or for it to merge back with the Audit Committee.

4. The risk and control framework

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

- **Strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **Major project risks:** these are managed to project management standards and are included in a risk register. We use project management techniques based on PRINCE methodology for IT and other applications. In addition there are well defined and documented procedures (and a specific IT system) for the procurement and management of the FSA's £17m research portfolio; and
- **Local risks:** the FSA has decided that lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

The major risks identified which could impinge on the FSA's ability to achieve its aims and objectives include:

- the FSA's reputation;
- achieving effective co-operation of the food industry;
- operating effectively in Europe and other international arenas;
- ensuring the FSA remains an independent organisation;
- developing the staff and skills the FSA needs to carry out its functions; and
- effective financial management.

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

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

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

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

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

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

One of our core values is to put consumers first and we involve consumers in a variety of ways to alert the FSA to key issues of current or emerging consumer concern; comment on the FSA's strategic objectives and forward plan; and provide the FSA with feedback on the effectiveness of our policies in responding to consumer concerns.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the FSA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. During 2006/07 a Management Information System was established for reporting to the Board. This included a "traffic light" reporting system which incorporated green, amber or red summary reporting, with the option of drilling down further to analyse data in more detail. Board Members have commented favourably on this reporting system.

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

The FSA's Internal Audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation. These audit arrangements comply with Government Internal Audit standards. Work undertaken by Internal Audit during the year included a review of human resource management systems, counter fraud testing, security, IT back up and recovery procedures, information management, commissioning research, managing independence, interaction with the MHS and a number of divisional reviews. Controls and procedures were generally found to be effective, but some improvements were proposed to local business objective setting and planning. Recommendations were also made to improve the FSA's commissioning of research work.

Internal Audit work completed during the year highlighted the need for improved risk management, the need to be less cautious in managing change and the need to improve performance management across the agency generally. Internal audit also commented that financial controls can be applied too mechanistically.

Additional Internal Audit work was also undertaken in the FSA's devolved offices. Arrangements were generally satisfactory, with the following comments:

FSA Northern Ireland

Corporate governance controls were generally effective, but the business continuity plan remains to be fully tested (this was subsequently tested prior to the end of the financial year). Work undertaken in year emphasised the additional financial risks that FSANI will face once charging for meat hygiene inspections and specified risk material controls is charged for on an actual rather than fixed price basis in 2007/08.

FSA Scotland

Internal Audit work undertaken in year identified that further development work is needed in identifying risks unique to FSA Scotland. However, it is anticipated that improved risk management will be fully operational in 2007/08.

FSA Wales

Corporate governance controls were found to be working effectively.

John Harwood
Chief Executive and Accounting Officer

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 2007 under the Food Standards Act 1999. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Food Standards Act 1999 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Food Standards Act 1999. I report to you whether, in my opinion, certain information given in the Annual Report, which includes the Statutory Background, Aims of the Food Standards Agency, Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Food Standards Act 1999 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Food Standards Act 1999; and
- information given within the Annual Report, which includes the Statutory Background, Aims of the Food Standards Agency, Management Commentary and Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

3 July 2007

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

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-06

Request for resources	Notes	Estimate			Outturn			2006-07	*Restated 2005-06
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net total outturn compared with Estimate: saving/ (excess)	Prior year outturn (restated)
		£000	£000	£000	£000	£000	£000	£000	£000
House of Commons	2	207,434	(63,534)	143,900	190,150	(47,208)	142,942	958	134,559
Northern Ireland Assembly	2	12,754	(3,394)	9,360	12,545	(3,393)	9,152	208	8,010
Scottish Parliament	2	10,346	–	10,346	9,765	–	9,765	581	10,404
National Assembly for Wales	2	2,852	–	2,852	2,949	–	2,949	(97)	2,654
Total resources		233,386	(66,928)	166,458	215,409	(50,601)	164,808	1,650	155,627
Non-operating A in A		–	–	–	–	(65)	(65)	65	(35)

Net cash requirement

	Note	Estimate	Outturn	2006-07	2005-06
		£000	£000	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	164,794	152,821	11,973	162,181

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

Expenditure was in line with budget for the year, the variance between actual and budget being around 0.7% for consolidated FSA.

*The prior year results have been restated to incorporate the former Wine Standards Board. See note 1.20 for explanation.

The notes on pages 28 to 48 form part of these accounts.

Consolidated Food Standards Agency

Operating Cost Statement

for the year ended 31 March 2007

		2006-07						*Restated 2005-06	
		Core Department incl. Devolved			Consolidated			Core Depart- ment	Consoli- dated
Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	£000	£000	
	£000	£000	£000	£000	£000	£000	£000	£000	
Administration Costs:									
	Staff costs	35,147	–	–	35,147	–	–	32,551	32,551
9									
	Other administration costs	–	21,342	–	–	21,342	–	19,730	19,730
10									
	Operating income	–	–	(176)	–	–	(176)	(668)	(668)
13									
Programme Costs									
Request for resources:									
	Staff Costs	–	–	–	51,069	–	–	–	50,520
9									
	Programme costs	–	80,950	–	–	107,851	–	78,122	100,195
11									
	Income	–	–	(5,745)	–	–	(50,425)	(5,713)	(46,700)
13									
Totals	35,147	102,292	(5,921)	86,216	129,193	(50,601)	124,022	155,628	
Net Operating Cost			131,518			164,808	124,022	155,628	

*The prior year results have been restated to incorporate the former Wine Standards Board. See note 1.20 for explanation.

All income and expenditure are derived from continuing operations.

Consolidated Food Standards Agency

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

		2006-07		*Restated 2005-06	
		Core Department	Consolidated	Core Department	Consolidated
Note		£000	£000	£000	£000
	Net gain on revaluation of fixed assets	131	132	195	198
22					
	Actuarial gain/(loss) in the pension scheme	–	(19,744)	–	19,643
20					
Total gains and losses for the financial year		131	(19,612)	195	19,841

The notes on pages 28 to 48 form part of these accounts.

Balance Sheet

as at 31 March 2007

	Note	Core Department		2007 Consolidated		Core Department		2006 Consolidate	
		£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets:									
Tangible assets	14	2,657		3,151		3,534		4,267	
Intangible assets	15	627		648		683		739	
			3,284		3,799		4,217		5,006
Debtor falling due after more than one year	17		–		28		–		48
Current assets:									
Debtors	17	8,123		15,450		9,165		17,234	
Cash at bank and in hand	18	1,928		4,174		5,448		8,478	
		10,051		19,624		14,613		25,712	
Creditors (amounts falling due within one year)	19	(31,393)		(40,050)		(24,488)		(34,063)	
Net current liabilities			(21,342)		(20,426)		(9,875)		(8,351)
Total assets less current liabilities			(18,058)		(16,599)		(5,658)		(3,297)
Creditors (amounts falling due after more than one year)	19	(11,342)		(11,342)		(11,250)		(11,250)	
Provision for liabilities and charges	20	(1,358)		(1,733)		(1,061)		(1,412)	
			(12,700)		(13,075)		(12,311)		(12,662)
Net liabilities excluding pension deficit			(30,758)		(29,674)		(17,969)		(15,959)
Provision for pension deficit	20b		–		(46,735)		–		(27,260)
Net liabilities			(30,758)		(76,409)		(17,969)		(43,219)
Taxpayer's equity									
General fund	21		(31,111)		(76,815)		(18,387)		(43,689)
Revaluation reserve	22		353		406		418		470
			(30,758)		(76,409)		(17,969)		(43,219)

John Harwood

Chief Executive and Accounting Officer

*The prior year results have been restated to incorporate the former Wine Standards Board. See note 1.20 for explanation.

The notes on pages 28 to 48 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2007

	Note	2006-07	*Restated 2005-06
		£000	£000
Net cash outflow from operating activities	23	(151,807)	(160,758)
Capital expenditure and financial investment	23	(1,014)	(1,423)
Financing from the Consolidated Fund	23	126,225	139,084
Financing from the Devolved Authorities	23	22,293	22,231
(Decrease)/Increase in cash in the period		(4,303)	(866)

*The prior year results have been restated to incorporate the former Wine Standards Board. See note 1.20 for explanation.

The notes on pages 28 to 48 form part of these accounts.

Statement of Operating Costs by Departmental Aims and Objectives
for the year ended 31 March 2007

	Gross	Income	2006-07 Net
	£000	£000	£000
Aim 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.	164,163	(50,534)	113,629
Aim 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.	27,648	(27)	27,621
Aim 3			
Choice:			
– to enable consumers to make informed choices.	23,598	(40)	23,558
Net operating costs	215,409	(50,601)	164,808

	Gross	Income	*Restated 2005-06 Net
	£000	£000	£000
Aim 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.	155,789	(46,851)	108,938
Aim 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.	25,972	(357)	25,615
Aim 3			
Choice:			
– to enable consumers to make informed choices.	21,234	(160)	21,074
Net operating costs	202,995	(47,368)	155,627

Costs have been apportioned to individual aims on a divisional basis which best reflects the resources consumed.

These costs include staff costs as explained in note 9 to the accounts.

*The prior year results have been restated to incorporate the former Wine Standards Board. See note 1.20 for explanation.

The notes on pages 28 to 48 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2006-07 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Food Standards Agency (FSA) are described below. They have been applied consistently in dealing with items which are considered material to the accounts. The accounting policies at the Meat Hygiene Services and Food Standards Agency are the same unless highlighted to the contrary.

The Consolidated balance sheet at 31st March 2007 shows a negative taxpayer's equity of £76,409,000. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of supply approved annually by Parliament, to meet the Agency's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money can be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All that 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 2007/08 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Convention

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

1.3 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 and National Assembly for Wales respectively. The Westminster funded FSA, Food Standards Agency Northern Ireland and MHS each produce and publish their own annual accounts. The MHS annual report and account is available from The Stationery Office at www.tso.uk/bookshop.

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

1.4 Intangible Fixed Assets

Computer software licences with a purchased cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised at cost and revalued each 1 April using the Retail Price Index indices from the Office for National Statistics.

1.5 Tangible Fixed Assets

Individual or grouped tangible fixed assets with a purchase cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised at cost and revalued each 1 April using the following indices from the Office for National Statistics:

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

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

Fixed assets which individually cost less than £2,000 are capitalised 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.

1.6 Depreciation and Amortisation

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

Tangible assets

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

Intangible assets:

Computer Software and software licences	2-7 Years
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1.7 Stocks and Work in Progress

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

1.8 Research & Development

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 SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the FReM which are adapted from the SSAP 13 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for the use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

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

1.9 Operating Income

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

Additionally, the MHS has income from meat hygiene inspections and from government organisations (predominantly from Specified Risk Material controls).

1.10 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 gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs including other disbursements by the FSA.

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

1.11 Cost of Capital

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

1.12 Pensions

FSA present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and non-contributory. The Department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

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 Pensions Fund Authority. The scheme is subject to regular valuations by an independent, professionally qualified actuary. These determine the level of contributions required to fund future benefits.

Pension assets and liabilities attributable to MHS in the LGPS are recorded in line with FRS 17, with a valuation undertaken annually. FRS 17 measures the value of pension assets and liabilities at the balance sheet date, determines the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Operating Cost Statement and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from assets valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

The contributions to PCSPS and LGPS are set out in note 9.

1.13 Early Departure Costs

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

1.14 Operating Leases

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

1.15 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, with the work sub contracted to PricewaterhouseCoopers LLP. 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.

1.16 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 debtor or creditor on the balance sheet. Irrecoverable VAT is charged to the operating cost statement, or if it is incurred on the purchase of a fixed asset it is capitalised in the cost of the asset.

1.17 Provisions

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

Provisions are recognised in the accounts where;

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

Provisions have not been discounted, as the resulting adjustment is not considered material to these accounts.

Contingencies are disclosed in the notes to the accounts unless the possibility of transfer in settlement is remote.

1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- (i) Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental minute prior to the Department entering into the arrangement;
- (ii) All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the 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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.19 Financial Assets and Liabilities

FSA holds the following financial assets and liabilities:

1. Assets
 - cash
 - short-term debtors and accrued income
2. Liabilities
 - long-term creditors
 - short-term creditors
 - provisions arising from contractual arrangements

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 FSA.

1.20 Restatement at Prior Year

The responsibilities of the Wine Standards Board (WSB) transferred to the FSA on the 1st July 2006 and this has been accounted for using merger accounting, in accordance with the guidance set out in the Financial Reporting Manual (FReM) issued by HM Treasury. The 2006-07 accounts are therefore presented as if the functions of the former WSB had always been part of the FSA. As a result, the prior period results have been restated to include the costs of the WSB, which amounted to £631,188 in 2005-06, and income of £117,837.

The Net Operating Cost for 2005-06 is therefore £513,351 higher than previously reported. The Department for the Environment, Fisheries and Rural Affairs (DEFRA) also provided funding of £476,478 which has been treated as resources voted by Parliament and therefore not accounted for through the Operating Cost Statement in line with the requirements of the FReM. In addition, the transfer of the assets and liabilities of the former WSB to the FSA has resulted in the net assets and reserves of the FSA as at 1 April 2006 increasing by £15,600.

The WSB figures have been consolidated into the FSA accounts as administration costs.

2. Analysis of net resource outturn by section

	2006-07					2006-07		Restated
	Outturn					Estimate		2005-06
	Admin cost	Other Current	Gross resource expen- diture	A in A	Net Total	Net Total Estimate	Net total outturn compared with Estimate excess/ (deficit)	Prior-year outturn
£000	£000	£000	£000	£000	£000	£000	£000	
Request for Resources								
Westminster – Core	49,014	63,165	112,179	(2,528)	109,651	109,700	49	102,953
Northern Ireland Assembly – Core	2,037	10,508	12,545	(3,393)	9,152	9,360	208	8,010
Scottish Parliament – Core	3,926	5,839	9,765	–	9,765	10,346	581	10,404
National Assembly for Wales – Core	1,512	1,437	2,949	–	2,949	2,852	(97)	2,654
Meat Hygiene Service	–	91,328	91,328	(58,037)	33,291	34,200	909	31,606
Total	56,489	172,277	228,766	(63,958)	164,808	166,458	1,650	155,627

The above table includes Westminster Core resource gross expenditure of £13,357K relating to work undertaken by the MHS on behalf of Westminster Core FSA. The same amount is included in MHS A-in-A of £58,037K.

Explanations of variances between Estimate and outturn.

Expenditure was in line with budget for the year, the variance between actual and budget was around 0.7%

3. Reconciliation of outturn to net operating cost

	2006-07			Restated
	Outturn	Supply Estimate	Outturn compared with Estimate	2005-06
	£000	£000	£000	Outturn £000
Net Resource Outturn	164,808	166,458	1,650	155,627
Net operating cost	164,808	166,458	1,650	155,627

4. Reconciliation of resources to net cash requirement

	Note	2006-07			2005-06
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net Resource Outturn	2	166,458	164,808	1,650	155,627
Capital:					
Acquisition of fixed assets	14/15	1,083	1,079	4	1,459
Non-operating A in A:					
Proceeds of fixed assets disposals	14	–	(65)	65	(35)
Accruals adjustments:					
Non-cash items	10	(2,989)	(6,679)	3,690	(7,324)
Changes in working capital other than cash	16	242	(12,094)	12,336	9,226
Changes in creditors falling due after more than one year	16	–	(92)	92	(857)
Use of provision	20a	–	696	(696)	320
Cash contribution to pension deficit	23a	–	5,168	(5,168)	3,765
Net cash requirement		164,794	152,821	11,973	162,181

5. 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.

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Operating income (47,368)	(50,601)	
Income authorised to be appropriated-in-aid	<u>50,601</u>	<u>47,368</u>
Operating income payable to the Consolidated Fund	<u>-</u>	<u>-</u>

7. Non-operating income – Excess A in A

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

8. Non-operating income not classified as A in A

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

9. Staff numbers and related costs**A Food Standards Agency – administration costs**

	<u>FSA(HQ) Westminster</u>			<u>2006-07</u>	<u>2005-06</u>
	Total	Staff	Board	£000 Devolved Offices	£000 Total
Wages and salaries	26,210	22,363	245	22,608	24,272
Social security costs	2,216	1,899	20	1,919	2,047
Other pension costs	5,336	4,477	144	4,622	4,842
Sub Total	33,762	28,740	409	29,149	31,161
Inward secondments	304	191	-	191	559
Agency staff	1,321	1,155	-	1,155	981
Total	35,387	30,086	409	30,495	32,701
Less recoveries in respect of (150) outward secondments	(240)	(240)	-	(240)	-
Total Net Costs	35,147	29,846	409	30,255	32,551

No salary costs have been capitalised.

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

B Meat Hygiene Service – programme costs

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Wages and salaries	41,204	40,324
Social security costs	3,363	3,295
Other pension costs	2,544	2,361
LGPS Pension scheme service costs	3,958	3,836
Temporary staff	0	704
Total	51,069	50,520

C Principal Civil Service Pension Scheme

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi-employer defined benefit scheme but the FSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pension.gov.uk)

For 2006-07, employer's contributions £7,977,000 were payable to the PCSPS (2005-06 £7,247,000) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay (the rates in 2005-06 were between 16.2% and 24.6%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

From 2007-08, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

In 2005/06 staff of the former Wine Standards Board were members of a defined benefit, final salary scheme managed by the Department for Environment, Food and rural Affairs (DEFRA). This scheme had similar benefits to those of the PCSPS. On 1st July 2006 the WSB pension arrangements transferred into the PCSPS. The Pension costs incurred by the former WSB in the first quarter of 2006-07 amounted to £12,313.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £33,181 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £969, 0.08 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2,756.

There were no early retirements on ill health grounds in 2006-07.

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefit accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

D Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2006-07 is shown in the table below.

These figures include those working in the FSA and MHS (including senior management) as included within the consolidated departmental resource account.

	2006-07			
	Westminster	Board Members	Devolved Offices	Total
	£000	£000	£000	£000
Aim 1				
Food Safety:	1,884	3	67	1,954
– to continue to reduce foodborne illness; and				
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;				
Aim 2				
Eating for Health:	98	2	28	128
– to make it easier for all consumers to choose a healthy diet; and thereby				
– improve quality of life by reducing diet-related diseases.				
Aim 3				
Choice:	134	3	27	164
– to enable consumers to make informed choices.				
	2,116	8	122	2,246

	Westminster	Board Members	Devolved Offices	Restated 2005-06 Total
	£000	£000	£000	£000
Aim 1				
Food Safety:	1,856	2	48	1,906
– to continue to reduce foodborne illness; and				
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;				
Aim 2				
Eating for Health:	127	1	42	170
– to make it easier for all consumers to choose a healthy diet; and thereby				
– improve quality of life by reducing diet-related diseases.				
Aim 3				
Choice:	137	1	27	165
– to enable consumers to make informed choices.				
	<u>2,120</u>	<u>4</u>	<u>117</u>	<u>2,241</u>

The staff numbers for 2006/07 have been restated to show the full time equivalent figures.

E Staff Costs by Objective in 2006-07 were as follows:

	2006-07		
	Westminster	Devolved Offices	Total
	£000	£000	£000
Aim 1			
Food Safety:	69,570	2,705	72,275
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;			
Aim 2			
Eating for Health:	5,537	1,103	6,640
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.			
Aim 3			
Choice:	6,680	1,077	7,757
– to enable consumers to make informed choices.			
	<u>81,787</u>	<u>4,885</u>	<u>86,672</u>
			Restated 2005-06
	Westminster	Devolved Offices	Total
	£000	£000	£000
Aim 1			
Food Safety:	66,947	1,658	68,605
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;			
Aim 2			
Eating for Health:	5,585	1,472	7,057
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.			
Aim 3			
Choice:	6,005	942	6,947
– to enable consumers to make informed choices.			
	<u>78,537</u>	<u>4,072</u>	<u>82,609</u>

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.
 For further details on MHS staff costs and numbers please refer to the 2006-07 MHS Annual Report and accounts.

10. Other Administration Costs

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases	6,486	6,486	6,389	6,389
Non-cash items:				
Depreciation	1,647	1,647	1,662	1,662
Amortisation	199	199	187	187
Loss on disposal of fixed assets	5	5	4	4
Cost of capital charge	(621)	(621)	(756)	(756)
Auditors' remuneration and expenses	100	100	100	100
Other expenditure:				
Accommodation costs	4,389	4,389	3,961	3,961
Board and staff overheads	4,627	4,627	4,167	4,167
Administration costs	2,830	2,830	2,549	2,549
IT costs	1,480	1,480	1,285	1,285
Committee costs	172	172	170	170
Other costs	28	28	12	12
Other expenditure	21,342	21,342	19,730	19,730

Notes

- The financial audit was subcontracted by the National Audit Office to PricewaterhouseCoopers LLP (PwC). PwC also have a contract with the FSA investigating regulatory burdens. The cost of this work was around £88,000 in 2006-07.
- The financial audit of the Wine Standards Board was undertaken by Coulthards Mackenzie for 2005-06.
- For 2006-07 IT costs for the FSA have been allocated to the devolved offices on the basis of the number of terminals.
- the total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement and the Reconciliation of Operating Costs to Operating Cashflows comprises:

	2006-07
	£000
Other administration costs – non cash items (as above)	1,326
Provisions provided for in year	672
Indirect Funding	82
MHS Non-cash items:	
Provision arising during the year	5,244
Loss on disposals	(16)
Depreciation	523
Cost of capital	(1,185)
Auditor's fees	33
Total non-cash transactions	6,679

11. Net programme costs

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Research & Development:				
Meat Hygiene	2,307	2,307	4,033	4,033
Nutrition	5,134	5,134	4,975	4,975
Microbiological Food Safety	821	821	1,555	1,555
Novel Food & Chemical Safety Toxicology	1,446	1,446	1,174	1,174
Chemical Safety	3,039	3,039	3,017	3,017
Food Labelling & Standards	914	914	831	831
Chemical Contaminants	961	961	836	836
Radiological Safety	233	233	171	171
Scallop Processing	894	894	912	912
Food Chain Safety	0	0	17	17
Animal Feedingstuff	0	0	113	113
Miscellaneous	300	300	153	153
	16,049	16,049	17,787	17,787
Enforcement, Monitoring and Campaigns:				
Meat Hygiene Service				
Staff Costs	–	51,069	–	50,520
Interest payable to pension scheme	–	941	–	1,702
Other Expenditure	–	39,317	–	36,024
Meat Hygiene	20,725	7,368	23,749	8,096
Radiological Safety	2,545	2,545	2,966	2,966
Food Chain Safety	0	0	16	16
Micro Food Safety/Food Hygiene Campaign	18,007	18,007	11,793	11,793
Committees, Press & Publicity	7,665	7,665	5,607	5,607
Salt Publicity Campaign	3,128	3,128	5,779	5,779
Nutrition	3,761	3,761	2,409	2,409
Chemical Contaminants	1,440	1,440	1,373	1,373
Sampling Step Change	1,273	1,273	1,151	1,151
Animal Feedingstuff	90	90	82	82
Medical and Legal	309	309	296	296
Food Safety and Education	1,841	1,841	1,856	1,856
Enforcement and Audit	785	785	601	601
Food Labelling & Standards	381	381	607	607
Novel Food & Chemical Safety Toxicology	341	341	419	419
Miscellaneous	2,610	2,610	1,631	1,631
	64,901	91,802	60,335	82,408
Total non-staff programme costs	80,950	107,851	78,122	100,195
Total programme costs	80,950	158,920	78,122	150,715
Less: Programme income				
FSA Westminster – core dept	(5,745)	(5,745)	(5,713)	(5,713)
Meat Hygiene Service	0	(44,680)	0	(40,987)
	(5,745)	(50,425)	(5,713)	(46,700)
	75,205	108,495	72,409	104,015

Included in the MHS costs above are:

For 2006-07, the auditor's fees of £33,000 and depreciation of £460,000*

For 2005-06, the auditor's fee of £33,000 and depreciation of £568,000

12. Analysis of net operating cost by spending body

	2006-07		2005-06
	£000	£000	£000
	Estimate	Outturn	Outturn
Spending body:			
FSA – core department			
Westminster	109,700	109,651	87,299
Scottish Parliament	10,346	9,765	10,405
Northern Ireland Assembly	9,360	9,152	8,010
National Assembly for Wales	2,852	2,949	2,654
Meat Hygiene Services	34,200	33,291	47,259
Consolidated total	166,458	164,808	155,627

13. Analysis of Income

	2006-07		2005-06
	£000	£000	£000
Operating income, analysed by classification and activity, is as follows:			
All operating income is included within public expenditure			
FSA – core department			
Administration income:			
From Government Departments and others	176	668	
		176	668
Programme income:			
Milk and Dairy Hygiene – sampling	23	29	
Income from Meat Hygiene inspections in Northern Ireland	3,393	3,374	
Assessments and consultations on radioactive discharges	2,329	2,310	
		5,745	5,713
Meat Hygiene Service activity		44,680	40,987
		50,425	46,700
Consolidated total		50,601	47,368

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

	2006-07		2006-07		2005-06	
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Meat Hygiene Service activity						
Industry	23,428	56,719	(33,291)	23,517	55,123	(31,606)
Government	34,609	34,609	–	33,123	33,123	–
FSA – core department						
Milk and Dairy Hygiene – sampling and inspections	23	36	(13)	29	51	(21)
Income from Meat Hygiene inspections in Northern Ireland	3,393	3,393	–	3,374	3,374	–
Assessments and consultations on radioactive discharges	2,310	2,310	–	2,310	2,310	–
	63,763	97,067	(33,304)	62,353	93,981	(31,627)

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

14. Tangible fixed assets

Consolidated

	Fixtures and Fittings	Office Equipment	Computer Equipment & Software	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2006	7,830	1,210	2,949	223	12,212
Additions	118	95	713	–	926
Revaluation	363	40	(99)	4	308
Disposals	–	(28)	(153)	(167)	(348)
At 31 March 2007	8,311	1,317	3,410	60	13,098
Depreciation					
At 1 April 2006	5,466	641	1,692	145	7,944
Charged in year	981	153	805	24	1,963
Adjustment on revaluation	425	27	(121)	3	334
Disposals	–	(25)	(151)	(118)	(294)
At 31 March 2007	6,872	796	2,225	54	9,947
Net book value at 31 March 2007	1,439	521	1,185	6	3,151
Net Book Value at 31 March 2006	2,364	569	1,256	78	4,267

Core

	Fixtures and Fittings	Office Equipment	Computer Equipment & Software	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2006	7,686	1,102	1,590	57	10,435
Additions	118	95	425	–	638
Revaluation	362	45	(8)	3	402
Disposals	–	(28)	(154)	–	(182)
At 31 March 2007	8,166	1,214	1,853	60	11,293
Depreciation					
At 1 April 2006	5,327	552	983	38	6,901
Charged in year	981	149	360	13	1,502
Adjustment on revaluation	424	32	(50)	3	409
Disposals	–	(25)	(151)	–	(176)
At 31 March 2007	6,732	707	1,142	55	8,636
Net book value at 31 March 2007	1,434	507	712	5	2,657
Net Book Value at 31 March 2006	2,359	550	606	19	3,534

15. Intangible fixed assets

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

	Consolidated	Core
	Purchased software licences	Purchased software licences
	£000	£000
Cost or valuation		
At 1 April 2006	1,540	1,053
Additions	152	143
Revaluation	(105)	(74)
At 31 March 2007	1,587	1,122
Amortisation		
At 1 April 2006	801	370
Charged in year	245	202
Adjustment on revaluation	(107)	(76)
At 31 March 2007	939	496
Net book value at 31 March 2007	648	626
Net book value at 31 March 2006	739	683

16. Movements in working capital, other than cash

	2006-07	2005-06
	£000	£000
(Decrease)/Increase in debtors	(1,805)	4,483
Decrease/(Increase) in creditors within one year	(10,290)	4,743
Decrease/(Increase) in creditors after more than one year	(92)	(857)
	(12,187)	8,369

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

17. Debtors

(a) *Analysis by type*

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	323	5,741	1,538	8,211
VAT recoverable	2,601	3,889	2,851	3,977
Other debtors	207	276	196	282
Prepayments and accrued income	4,992	5,544	4,580	4,764
	8,123	15,450	9,165	17,234
Amounts falling due after more than one year:				
Other debtors	-	28	-	48
	8,123	15,478	9,165	17,282

(b) *Intra-Government Balances (Consolidated)*

	2006-07		2005-06	
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	5,477	6,642	-	-
Balances with local authorities	11	-	-	-
Balances with NHS Trusts	-	-	28	48
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	5,488	6,642	28	48
Balances with bodies external to government	9,962	10,592	-	-
Total debtors at 31 March	15,450	17,234	28	48

18. Cash at Bank and in Hand

	2006-07		2005-06	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	5,448	8,478	6,290	9,343
Net changes in cash balances	(3,520)	(4,304)	(842)	(865)
Balance as at 31 March	1,928	4,174	5,448	8,478
The following balances at 31 March are held at:				
Office of HM Paymaster General	1,662	3,908	4,875	7,905
Commercial banks and cash in hand	266	266	573	573
	1,928	4,174	5,448	8,478
The balance at 31 March comprises				
Cash due to the Consolidated Fund:				
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,928	4,174	5,448	8,478

19. Creditors

(a) *Analysis by type*

	2006-07		2005-06	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due within one year				
Other taxation and social security	1,011	2,097	708	1,764
Trade creditors	11,825	14,020	4,543	6,857
Other creditors	657	2,272	440	1,877
Accruals and deferred income	15,971	17,486	13,349	15,087
Amounts issued from the Consolidated Fund for supply but not spent in year	1,928	4,174	5,448	8,478
	31,393	40,050	24,488	34,063
Amounts falling due after more than one year				
Long term liabilities (rent)	11,342	11,342	11,250	11,250
	42,735	51,392	35,738	45,313

(b) *Intra-Government Balances (Consolidated)*

	2006-07	2005-06	2006-07	2005-06
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	7,853	11,339	-	-
Balances with local authorities	2,426	509	-	-
Balances with NHS Trusts	38	2	-	-
Balances with public corporations and trading funds	2,751	116	-	-
Subtotal: intra-government balances	13,068	11,966	-	-
Balances with bodies external to government	26,983	22,097	11,342	11,250
Total creditors at 31 March	40,051	34,063	11,342	11,250

20a. Provisions for Liabilities and Charges

	Early departure provision	FSA Board Pension provision	Legal claims	Consolidated
				Total
				£000
As at 1 April 2006	671	323	418	1,412
Arising during the year	778	148	91	1,017
Utilised during the year	(684)	(12)	-	(696)
As at 31 March 2007	765	459	509	1,733
As at 31 March 2006	671	323	418	1,412

	Early departure provision	FSA Board Pension provision	Legal claims	Core Department
				Total
				£000
As at 1 April 2006	320	323	418	1,061
Arising during the year	433	148	91	672
Utilised during the year	(363)	(12)	-	(375)
As at 31 March 2007	390	459	509	1,358
As at 31 March 2006	320	323	418	1,061

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 2.2% in real terms. In past years the FSA paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

The pension provision relates to the by-analogy pension scheme that applies to certain FSA board members. There are various compensation claims being sought against the FSA totalling £684,000. These cases will be defended. A provision of £508,000 has been made in the accounts.

20b. Provision for pension liability

20b. 1 The majority 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 2007, contributions of £x.xm were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2007, this rate was 15.6% of pensionable remuneration.

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

	Long term rate of return expected at 31.03.07	Value at 31.03.07	Long term rate of return expected at 31.03.06	Value at 31.03.06
		£000		£000
Equities	7.7%	58,801	7.3%	52,948
Bonds	6.4%	21,112	6.0%	15,997
Property	6.8%	11,972	6.5%	9,902
Cash	4.9%	2,534	4.6%	5,160
Market value of assets		94,419		84,007
Present value of scheme liabilities		(141,154)		(111,267)
Net pension liabilities		(46,735)		(27,260)

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:

	31 March 2007	31 March 2006
Price Increases	3.2%	3.1%
Salary Increases	4.7%	4.6%
Pension Increases	3.2%	3.1%
Discount Rate	5.4%	6.0%

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

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

The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept that, as a consequence the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 21b.4 and 21b.5. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

20b. 2 Analysis of movement in scheme liability

	2006-07	2005-06
	£000	£000
Scheme liability at 1 April	(27,260)	(45,130)
Current service cost	(3,687)	(3,725)
Employer contributions	3,543	3,605
Contributions in respect of unfunded benefits	1,625	160
Past service cost	–	–
Curtailments and settlements	(271)	(111)
Net return on assets (note 20b 3)	(941)	(1,702)
Actuarial loss (note 20b 4)	(19,744)	19,643
Scheme liability at 31 March	(46,735)	(27,260)

20b. 3 Analysis of the amount charged to operating profit

	Year to 31 March 2007	Year to 31 March 2006
	£000	£000
Amount charged to staff costs (note 2B)		
Current service costs	(3,687)	(3,725)
Past service costs	–	–
Curtailement and settlements	(271)	(111)
Total operating charge (A)	(3,958)	(3,836)
	Year to 31 March 2007	Year to 31 March 2006
	£000	£000
Amount charged to programme costs (note 5)		
Expected return on pension scheme assets	5,811	4,759
Interest on pension scheme liabilities	(6,752)	(6,461)
Net cost (B)	(941)	(1,702)
Net revenue account cost (A)-(B)	(4,899)	(5,538)

20b. 4 Analysis of amount recognised in statement of total recognised gains and losses

	2006-07	2005-06
	£000	£000
Actual return less expected return on pension scheme assets	(823)	10,688
Experience gains and losses arising on the scheme liabilities	92	(477)
Changes in financial assumptions underlying the present value of scheme liabilities	20,475	9,432
Actuarial gain/loss recognised in the statement of total recognised gains and losses	19,744	19,643

20b. 5 History of experience gains and losses

	2006-07	2005-06	2004-05
	£000	£000	£000
Difference between the expected and actual return on scheme assets:			
Amount (£000)	823	10,688	1,774
Percentage of assets	0.9%	12.7%	2.7%
Experience gains/(losses) on liabilities:			
Amount (£000)	(92)	(477)	(221)
Percentage of assets	0.1%	0.4%	0.2%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	(19,744)	19,643	(653)
Percentage of assets	14.0%	17.7%	0.6%

21. Reconciliation of Net Operating Cost to changes in General Fund

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(18,387)	(43,689)	(22,604)	(68,276)
Adjusted Opening Balance	(18,387)	(43,689)	(22,604)	(68,276)
MHS Actuarial gain/(loss)	–	(19,744)	–	19,643
Parliamentary Funding Drawn Down	115,514	148,514	127,815	161,315
Deemed Supply	5,448	8,478	6,248	9,301
Supply Creditor - current year	(1,928)	(4,174)	(5,448)	(8,478)
Net Operating Cost	(131,518)	(164,808)	(124,020)	(155,627)
Non Cash Charges:				
Cost of Capital	(621)	(1,806)	(756)	(1,978)
Auditors' remuneration	100	133	100	133
Indirect funding	82	82	140	140
Transfer to general fund of realised element of revaluation reserve	195	195	138	138
Balance at 31 March	(31,111)	(76,815)	(18,387)	(43,689)

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.

22. Revaluation Reserve

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April 2006	417	469	360	409
Arising on revaluation during the year	131	132	195	198
Transferred to general fund in respect of realised element of revaluation reserve	(195)	(195)	(138)	(138)
Balance at 31 March 2007	353	406	417	469

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

23. Notes to the Consolidated Cash Flow Statement**(a) Reconciliation of operating cost to operating cash flows**

	2006-07	2005-06
	£000	£000
Net operating cost	164,808	155,627
Adjustment for non-cash transactions	(6,679)	(7,325)
(Decrease)/Increase in debtors	(1,805)	4,484
Decrease/(Increase) in creditors	(6,078)	4,751
less movements in creditors relating to items not passing through the OCS	(4,303)	(865)
Use of provisions	696	320
Cash contribution to pension deficit	5,168	3,765
	151,807	160,757

(b) *Analysis of capital expenditure and financial investment by Request for Resources.*

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Tangible fixed asset additions	927	1,160
Intangible fixed asset additions	152	298
Proceeds of disposal of fixed assets	(65)	(35)
Net cash outflow from investing activities	<u>1,014</u>	<u>1,423</u>

(c) *Analysis of capital expenditure and financial investment Requested for Resources*

	Capital expenditure	A in A	Net Total
	£000	£000	£000
Request for resources	1,079	(65)	1,014
Total 2006-07	1,079	(65)	1,014
Total 2005-06	1,456	(37)	1,419

(d) *Analysis of financing*

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
From the Consolidated Fund	126,225	139,084
From the Devolved Authorities	22,293	22,231
Net Financing	148,518	161,315

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

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Net cash requirement	(152,821)	(162,179)
From the Consolidated Fund (Supply) – current year	148,518	161,315
Increase/(decrease) in cash	<u>(4,303)</u>	<u>(864)</u>

24. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objective

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

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Aim 1		
Food Safety:	85,896	84,114
– to continue to reduce foodborne illness; and		
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;		
Aim 2		
Eating for Health:	14,233	11,987
– to make it easier for all consumers to choose a healthy diet; and thereby		
– improve quality of life by reducing diet-related diseases.		
Aim 3		
Choice:	8,993	7,914
– to enable consumers to make informed choices.	<u>109,122</u>	<u>104,015</u>

25. Commitments under leases**Operating leases**

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

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Obligations under operating leases comprise:				
Land and buildings:				
Expiry after 1 year but not more than 5 years	88	88	57	57
Expiry thereafter	6,239	6,239	6,156	6,156
	6,327	6,327	6,213	6,213
Other:				
Expiry within 1 year	57	57	2	26
Expiry after 1 year but not more than 5 years	7	260	84	173
	64	317	86	199

26. Other financial commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £47,188,058 up to 31 March 2013.

	2006-07		2005-06	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	19,186	19,186	20,160	20,160
Expiry after 1 year but not more than 5 years	28,002	28,002	16,171	16,171
	47,188	47,188	36,331	36,331

27. Contingent liabilities

(i) There are various compensation claims being sought against the FSA totalling £87,000. A provision of £508,000 has been made in the accounts. No provision has been made for these 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 amount to £271,000. No provision has been made for these in the accounts.

28. Related-Party Transactions

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

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

29. Financial Instruments

The FSA does not make use of derivatives or other financial instruments.

The FSA is funded primarily through resource based supply as an independent Government Department. It retains income from inspections and enforcement activity as appropriations-in-aid.

The FSA is not exposed to any foreign exchange risks.

The FSA draws down cash balances as required to fund continuing activities, and has no borrowings.

30. Losses and Special Payments

During the year the FSA did not incur any losses, or make any special payments.

However, the Meat Hygiene Service made 51 special payments amounting to £125,000 (£49,000 relating to 29 cases in 2005/06). The majority of the cases refer to compensation and personal injury claims.

31. Post Balance Sheet Events

There were no reportable post balance sheet events between the balance sheet date and the 4th of July, the date the Accounting Officer dispatched the accounts to the Treasury. The financial accounts do not reflect events after this date.

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

1. The Food Standards Agency shall prepare a consolidated account for the year ended 31 March 2001 and subsequent financial years in accordance with the accounting principles and disclosure requirements of the edition of the Treasury Resource Accounting Manual in force for the year for which the account is being prepared.
2. The consolidated account shall be based on the separate accounts prepared in respect of the Estimate approved by the House of Commons under section 5 of the Government Resources and Accounts Act 2000; the sums paid by the National Assembly for the Wales under section 39(3)(a) of the Food Standards Act 1999 ("the Act"); the sums paid out of the Scottish Consolidated Fund under section 39(3)(b) of the Act; and the sums appropriated by an act of the Northern Ireland Assembly under section 39(3)(c) of the Act.
3. The consolidated account shall be prepared so as to give a true and fair view of the aggregate state of affairs at 31 March 2003 and of the Food Standards Agency at the appropriate year end, and of the net resource out-turn, resources applied to objectives, recognised gains and losses and cash flows for the appropriate financial year.
4. The consolidated account shall be sent to the Comptroller and Auditor General not later than 30th November of the financial year following that to which the consolidated account relates; and to the Treasury not later than 15th January of that year.

David Loweth

Head of Central Accountancy Team, Her Majesty's Treasury
31 January 2002

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

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

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

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

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

Signed by Authority of the Scottish Ministers

1 October 2001

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF FINANCE AND PERSONNEL IN ACCORDANCE WITH SCHEDULE 4, SECTION 3 OF THE FOOD STANDARDS ACT 1999

1. The Northern Ireland operations of the Food Standards Agency shall prepare resource accounts for the year ended 31 March 2007, in compliance with the accounting principles and disclosure requirements of the relevant edition of the Government Financial Reporting Manual ("the FReM") issued by the Department of Finance and Personnel (DFP) under DAO(DFP) 03/07.
2. The accounts for the Food Standards Agency shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2007 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 the Assembly/Parliament or material transactions that have not conformed to the authorities which govern them.
3. 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 economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from FReM should be discussed in the first instance with DFP.

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

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

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

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

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

Signed by Authority of the National Assembly for Wales

1 October 2001

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

1. This direction applies to those **government departments** and **pension schemes** listed in DAO (GEN) 12/06.
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2007 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for 2006-07.
3. The accounts for **government departments** shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2007 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The accounts for **pension schemes** shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2007 and of the net resource outturn and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and
 - (c) ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.
5. 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.

DAVID WATKINS

Head of Financial Reporting Policy Team, Her Majesty's Treasury

18 December 2006

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ISBN 978-0-10-294558-4



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