

FOOD STANDARDS AGENCY

Safe food and healthy eating for all

**Annual Report and Consolidated Resource
Accounts 2008/09**

Food Standards Agency

Annual Report and Consolidated Resource Accounts 2008/09

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Overview

Chief Executive's introduction



I am pleased to lay before the Westminster Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, the Food Standards Agency Annual Report and Consolidated Resource Accounts. This edition covers our performance and activities in 2008/09.

Strong performance

Our focus during the year continued to be delivering the key priorities in our Strategic Plan to 2010 – food safety, eating for health and consumer choice. It is a credit to the management team and colleagues that, despite reduced funds from Treasury under the Comprehensive Spending Review 2007, we continued to set new standards for protecting consumer interests and public health. Our financial results for the year represent continued strong performance: the net cost of the FSA was £155m against available funding of £160m to 31 March 2009. Expenditure was consistent with both budget and forecasts.

Our successes

Significant successes include:

Food Safety Week – we worked with a number of organisations, including local authorities, schools, businesses, online information group Netmums and the campaign group Focus on Food to promote the Agency's GermWatch campaign and help reduce food poisoning. This included:

- more than 500 local authorities and schools running events
- TV ads featuring 'Grubeye' – a cartoon character highlighting the dangers of poor food hygiene in the home
- essential advice on our 'eatwell' website

In 2008, we dealt with 14 high level food safety incidents, some of which received extensive media coverage and involved products originating from outside the UK. Four of these high level incidents are outlined in more detail in our third Annual Report of Incidents, published on our website food.gov.uk, and which highlights the need for all food business operators and enforcement authorities to make reporting incidents a top priority.

In total in 2008, we handled 1,298 investigations into food incidents in the UK, and, where appropriate, took action to ensure that consumers' interests in relation to food safety were protected and standards maintained. Considerable progress was also made in implementing a framework for tackling food fraud more effectively.

'Scores on the doors' is an important step in helping consumers to make informed choices about the food they eat, by giving them full access to the food business hygiene ratings of food outlets. We are therefore pleased that following experience of piloting over a hundred schemes over the past three years, the FSA Board decided that a six-tier scores on the doors scheme should be established in England, Wales, and Northern Ireland, and that a two-tier scheme should continue in Scotland, with a view to migrating to a single UK-wide scheme in due course.

Our saturated fat campaign was very successful, both in terms of the large amount of positive press coverage it generated and the number of people it was able to reach as a result. The campaign was well publicised, and it promoted simple and practical ways of achieving a healthier diet.

We are particularly proud of our scientific achievements this year, as the Government Office for Science has published an independent review that applauded us for our practice, use, and management of science. It also praised us for our use of scientific evidence and our commissioning of new research. The report endorses the fundamental role that science plays in our work and the strength of our scientific skills and processes that underpin it. The report is helpful in setting our priorities for the future.

We regularly monitor changes in attitudes by asking people questions about their confidence in food safety, general food-related concerns, and their awareness of and trust in the FSA. The latest survey, published in May, reported awareness of the FSA was at 86%, which is the highest level since tracking began in 2001. Of this 86%, half rated the FSA as an organisation they could trust.

Being fit to perform

In our drive to have safe food and healthy eating for all, we are not complacent. During the year, we took major steps towards developing our new Strategic Plan for the period 2010 to 2015. In March 2009, we launched a three-month public consultation. The collated stakeholder views are being considered. Alongside this, we are mapping out what we can achieve with our resources, which will lead to the setting of targets. Final proposals will be developed to be discussed and agreed at the open Board meeting in February 2010.

In developing our proposals for 2010 to 2015 we are using an evidence-based approach to support prioritisation of our activities, as well as making efficiency savings in how we work. Our published Strategic Plan will indicate the resources needed to achieve our objectives.

To sustain our high level of performance, we need to excel at four important disciplines: strategy, delivery, culture and structure. In addition, we want to be highly competent through a mix of talent, leadership, innovation and partnership. It therefore seemed very clear that we could, and should, develop our organisational culture in parallel with the work on the Strategic Plan. As a result, we have embarked on a substantial change programme – ‘One FSA’ – that aims to ensure that the FSA and Meat Hygiene Service (MHS) are equipped to meet future challenges, including those set out in the new Strategic Plan.

In July 2007, the Board decided that a MHS was its preferred option to deliver official controls in approved meat establishments. Extremely rigorous cost reduction and effectiveness goals were set by the Board and in 2008/09 many change programme initiatives were implemented or started. These included the closure of all five MHS regional offices; awarding new contracts for veterinary and meat inspection services; enhanced IT infrastructure; strengthened provision of local veterinary support and advice; merging MHS and FSA corporate services; and modernising terms and conditions of employment for operational staff.

Engaging and delivering locally

Working together as One FSA, we take our messages directly to local groups, schools and events. For example:

- FSA Scotland’s Recipe for Success has involved going on the road with celebrity chef Phil Vickery to demonstrate how easy it is to cook up delicious and nutritious meals, as well as how to handle food safely and hygienically.
- FSA Wales has run the annual Awards for Food Action Locally. The awards are open to all individuals or organisations whose work aims to improve the diet of their local community in Wales. This includes community and voluntary workers, those in education, caterers, retailers and food producers, and local authorities and health boards who are working to make an impact at the community level.
- FSA Northern Ireland worked with Queens University Belfast and the University of Ulster to find out what students’ attitudes to food are, which resulted in Fresher Food: A student survival guide to food. This guide has also been adapted for sixth form pupils and will be used as a teaching resource in schools.

We continue to develop ways to engage with our consumers. In 2008, our citizens' forums helped us to have continuing conversations with the public on food policy, for example. There are ten forums around the UK, with the members of each reflecting their particular area. Through the forums we have been able to understand the top level concerns of consumers in relation to food, and also test our policy and ensure that the views of consumers are taken into account at all stages of the policy-making process

This is all essential work and I know working together will make us all stronger and the organisation better.

Tim J Smith
Chief Executive
Food Standards Agency
29 June 2009

What we do

The FSA has a wide remit that includes protecting public health, providing information and advice, ensuring food law is effective and enforced, co-coordinating research and development, food surveillance, developing policy and representing the UK on food matters in Europe. Our purpose is to promote **“Safe food and healthy eating for all.”**

More details about what we do can be found on our website at www.food.gov.uk

Statutory background

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

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

Our principles

Our principles are:

- putting the consumer first
- openness and independence
- science and evidence based

Putting the consumer first

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

Openness and independence

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

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

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

Science and evidence-based

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

Putting our principles into practice

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

Our resource spend in 2008/09

The operation of the Food Standards Agency across the UK and the Meat Hygiene Service in Great Britain is funded by the UK Parliament, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Administration. On 1 April 2004 the FSA 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.

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

The net cost of the FSA was £155m against available funding of £160m to 31 March 2009. Expenditure was consistent with both budget and forecasts.

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

	2008-09	
	Estimate £m	Net Operating Cost £m
Westminster FSA Headquarters Meat Hygiene Service ¹	103.2 34.1	97.0 35.8
Total Westminster Funded FSA	137.3	132.8
FSA Scotland	10.4	10.2
FSA Wales	3.5	3.5
FSA Northern Ireland	9.2	8.6
Total FSA	160.4	155.1

The comparative figures for 2007/08 are shown below:

	2007-08	
	Estimate £m	Net Operating Cost £m
Westminster FSA Headquarters Meat Hygiene Service	113.0 39.4	108.0 42.0
Total Westminster Funded FSA	152.4	150.0
FSA Scotland	10.2	9.7
FSA Wales	3.6	3.4
FSA Northern Ireland	9.4	9.2
Total FSA	175.6	172.3

¹ The Meat Hygiene Service, as an executive agency, prepares its own annual report and accounts. These accounts provide a detailed analysis of costs and income, as well as performance against targets. The MHS annual report and accounts are available from The Stationery Office www.tso.co.uk/bookshop

Our 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 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 of the Board members are 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.

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

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

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

Details of Board members, members of board committees, and the Executive Management Board can be found in the Appendix. More information about our organisation and structure can be found on our website at www.food.gov.uk

Our strategy

Our Strategic Plan

Our Strategic Plan to 2010 sets out our key priorities as summarised in the tables below.

Food safety

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

Eating for health; and choice

Strategic priorities
We will work with health departments and other stakeholders to reduce the average salt intake of UK adults from the current 9.5g to 6g per day by the end December 2010 and to reduce the salt intake of children, in line with Scientific Advisory Committee on Nutrition age-specific recommendations, also by end December 2010. We will monitor progress to ensure that we remain on course to achieve the target
We will work with health departments and other stakeholders to develop and implement, by the end December 2008, a strategy for calorie intakes which contributes to achieving a balance between calorie intake and energy output
We will work with health departments and other stakeholders to reduce average intake of saturated fat (for everyone from age five upwards) from the current level of 13.4% to below 11% of food energy by end of December 2010
By end of December 2008 we will have completed an independent evaluation of the impacts of front of pack labelling on consumer purchasing behaviour and knowledge and begun discussions on future approaches with stakeholders.
We will implement an action plan to deliver recommendations of the Food Fraud Task Force which fall within the period of this Strategic Plan
By the end of December 2008, we will recommend a national scheme for publishing information to consumers on food hygiene in food businesses based on evidence from a series of pilots working in partnership with LAs.

Effective delivery

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

Our Strategic Plan to 2010 is published in full on our website at www.food.gov.uk/multimedia/pdfs/strategicplan2010e.pdf

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

- Food safety:
 - reducing foodborne disease further;
 - delivering proportionate bovine spongiform encephalopathy (BSE) and transmissible spongiform encephalopathy (TSE) controls based on the latest scientific knowledge;
 - building and maintaining the trust of stakeholders in our handling of food safety issues;
- Eating for health; and choice:
 - enabling consumers to choose a healthier diet and help reduce diet-related disease;
 - enabling consumers to make informed choices; and protecting consumers from food fraud and illegal practices.

To implement our strategy successfully we measure our progress and identify potential challenges to success as well as taking action to overcome them.

Measuring success

Performance management reporting is now an integral part of our business planning cycle. Group progress reports form the basis of a report to the Executive Management Board at the end of each quarter. This is followed by a corporate report to the Board.

Quarterly group progress reports also form the core agenda of the Chief Executive's quarterly performance review meetings with individual group Directors.

The tables below summarise our performance during the year by aim, and set out our continuing strategic priorities.

Food safety

Our performance in 2008/09

Some key highlights:

- the preliminary findings of the retail survey of *Campylobacter* and *Salmonella* in chicken, which ended last October, suggest we are making progress towards meeting our target to reduce the prevalence of *Campylobacter* in UK chicken.
- continuous improvement is a key feature of our incident response systems, which are now mature and working well. Results include:
 - the roll out to Local Authorities in July 2008 of an on-line incident report form;
 - commencement of a series of emergency exercises with the food industry to rehearse procedures and build trust, beginning with an out-of-hours exercise in June 2008; and
 - the launch of a new 'incidents' section on our website in October 2008
- Since the Board agreed the FSA's formal response to the recommendations of the independent Food Fraud Task Force we have put in place a comprehensive programme of initiatives to enable food fraud to be tackled effectively.
- The further development of the national food fraud database has seen significant progress in the last year. A programme of work to raise the profile of the database has resulted in an increase in the amount of food fraud intelligence being submitted to the FSA. This has enabled us to analyse information held on the database and use it to coordinate food fraud investigations, including cross-border fraud involving a number of enforcement authorities.

Eating for health; and choice

Our performance in 2008/09

Some key highlights:

- The programme of actions to drive saturated fat reduction remains on track. The saturated fat campaign was very successfully run, both in terms of the large amount of positive press coverage it generated, and the number of people it was able to reach as a result. The campaign was well publicised, and managed to promote simple and practical ways of achieving a healthier diet. A full evaluation report will be made available.
- The successful implementation of our salt reduction programme which includes:
 - a public campaign to raise consumers awareness of why a high salt intake is bad for their health and what they can do to reduce intakes
 - working with the food industry to reduce levels of salt in foods
 - front of pack labelling to provide additional information to consumers on the levels of salt and other nutrients in food
- In 2008/09 we carried out a public consultation to seek views on proposals to revise the voluntary salt reduction targets, published in 2006, in the light of experience gained in the last two years.
- We have published consumer research into attitudes to calorie labelling in restaurants. We established a diverse group of early adopters who will work with us to develop recommendations for wider rollout. We have worked with them and other stakeholders to develop criteria for early adopters and plans for evaluation. We have also continued to publish commitments to healthier provision from catering businesses, notably coffee and sandwich shops and pub chains.
- We also launched a comprehensive nutrition research review.

Effective delivery

Our performance in 2008/09

Some key highlights:

- We have made significant progress on reducing the administrative burden of regulation. Through more proportionate traceability guidance and the Safer Food Better Business initiative we had delivered savings of £44m by end March 2009. However, administrative burdens introduced in legislation after the baseline was set have added to the reduction target.
- In the annual assessment of departmental performance against the targets in the framework for Sustainable Operations on the Government Estate in 2007/08 the FSA achieved a 5-star rating for the second year running, with a score of 87.1%. This has lifted us to 3rd place (5th the previous year) in the league table of departments. The rating covers Aviation House, but we recognise the good work in all of our offices.

We know that the expectations of taxpayers and service users will not stand still; we have therefore started a project to develop a new performance framework designed to support continuous improvement in our performance. The project is making steady progress and is on track to deliver a robust performance framework to support our strategic priorities from April 2010.

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. The principal activities of the MHS are:

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

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

Transforming the MHS

In July 2007, the FSA Board decided that a transformed MHS was its preferred option to deliver official controls in approved meat establishments. Extremely rigorous financial targets were set by the Board. The MHS set up a transformation change programme to deliver the cost reductions and effectiveness gains sought by the Board. Programme workstreams include: harnessing electronic technology to improve the effectiveness of management systems; revising meat hygiene charging policy; and enhancing the structure of the MHS.

2008/09 saw many transformation initiatives implemented or started. These include the closure of all five regional offices; awarding new contracts for veterinary and meat inspection services; enhanced IT infrastructure; strengthened provision of local veterinary support and advice; merging MHS and FSA corporate services; and modernising terms and conditions of employment for operational staff.

Substantial transformation benefits have been delivered during 2008/09 – since 2006/07 gross expenditure has been reduced from £91.3m to £78.1m (including the effects of inflation); a reduction of 14%. The new operational structure, improved resource deployment and risk-based changes to the supervision of certain TSE controls have together enabled a reduction in staff numbers by 428 (357 operational and 71 administrative).

In April 2009, the FSA Board congratulated the MHS on the progress made in modernising.

MHS enforcement policy

The MHS Enforcement Policy outlines the major functions of the MHS, the principles of enforcement that the MHS has agreed to adopt, and the standards that will be applied when carrying out enforcement work. It also seeks to ensure that any formal action in which the MHS engages is reasonable, consistent, and proportionate to the risk posed to public health and animal welfare. The published enforcement policy can be accessed at www.food.gov.uk/multimedia/pdfs/mhsenforcementpolicy.pdf

Formal enforcement action

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

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

Formal and informal enforcement action taken by the MHS during 2008/09

Formal Action	Number of Notices, 1 April 2007 – 31 March 2008	Number of Notices, 1 April 2008 – 31 March 2009
Hygiene Emergency Prohibition Notice , served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006, giving an FBO a day's notice of the intention to apply to a court for the granting of a Hygiene Emergency Prohibition Order	Nil	Nil
Hygiene Improvement Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	563	121
Remedial Action Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	164	35

Informal Action	Number of Warnings, 1 April 2007 – 31 March 2008	Number of Warnings, 1 April 2008 – 31 March 2009
Written warning	3,848	1,721

Source: Veterinary and Technical Directorate of the MHS

Prosecutions

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

Referrals by the MHS for possible prosecution 2008/09

Legislation	Number of Referrals
Food Hygiene / Safety	42
Transmissible Spongiform Encephalopathies	20
Animal Welfare	13
Animal By-Products	1
Total	76

Source: Legal Services Group, Food Standards Agency

The timescales for prosecutions means that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the referrals investigated in 2008/09 have yet to be concluded.

However, it is possible to report on all those cases that were concluded during 2008/09. Overall, 18 cases (comprising a total of 106 individual charges) were brought before the courts by the FSA, Defra, or Procurators fiscal during the year. The charges laid in these cases covered a total of 41 separate referrals from the MHS. Convictions were secured in 14 of the cases. One case resulted in acquittal with proceedings withdrawn in three cases.

Addressing the risks that might derail our strategy

Risk is an inherent part of doing business. Our process for identifying, evaluating and managing the risks faced by the FSA is described in the Statement on Internal Control.

Following a review of risk management processes in 2007, we:

- encourage a 'risk aware' culture in the FSA
- introduced a corporate High Level Risk Register (HLRR)
- allocate resources to manage high level risks
- integrate risk management with business systems
- provide a stronger central leadership and challenge function

High Level Risk Register (HLRR)

Our HLRR is an integral part of our quarterly performance management report. Over time, risks move up and down between the HLRR and Group risk registers as they are dealt with. A Director may take the decision to propose to escalate a risk to the HLRR or move a risk from the HLRR if they are satisfied that the risk is being adequately addressed and can be managed at Group or division level.

Some of the issues we consider when deciding to propose escalating a risk to the HLRR are whether:

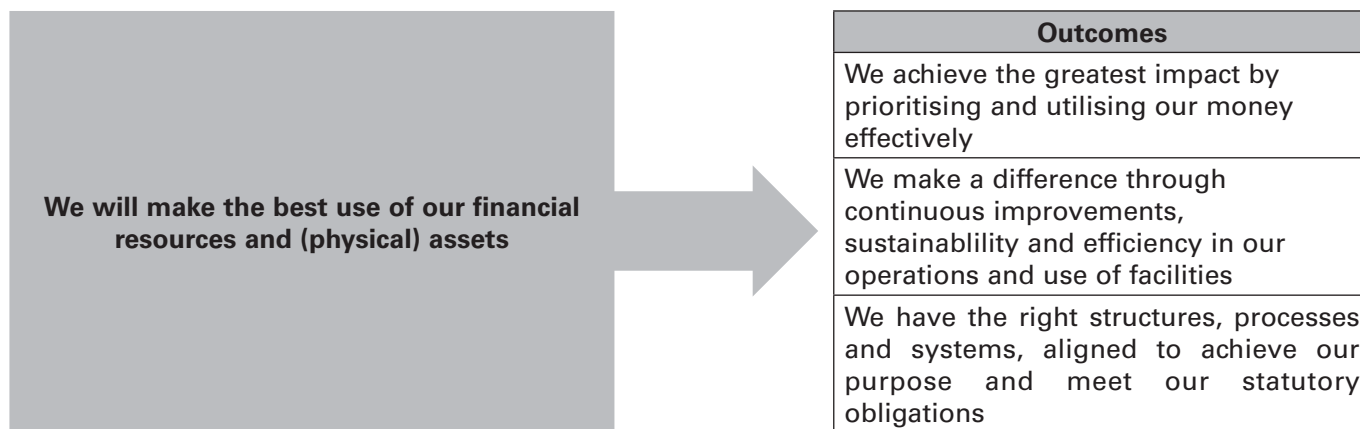
- the risk is outside the Director's control, responsibility and authority
- the risk impacts on another group which may need to be involved
- the risk is endemic to the organisation and therefore something that should be dealt with at a cross-FSA level
- the cost of mitigation is so high that it requires a level of investment for which there will need to be a decision from the Executive Management Board

Group risk registers

Group risk registers are prepared as part of Group business plans. The actions identified to control the risks are included in business plans, with resources allocated. Risk registers are live documents. As an integral part of the Group plan, the Group risk register is formally reviewed and updated quarterly.

Our delivery of value

Making the best use of our resources



The Pre Budget Report 2008 announced that the Government would deliver a further £5 billion value for money savings in 2010–11. This would be in addition to the £30 billion of savings by the end of 2010-11 agreed during the 2007 Comprehensive Spending Review.

This section sets out how the FSA continues to support the government's ambitious programme of value for money reforms across the public sector.

Restructuring so that we work more efficiently and effectively

Our vision is that we will operate in future as a single Agency, although we expect to maintain the MHS identity and 'brand' in relation to the delivery of official controls to the meat industry and other government customers. To meet the challenges of our new Strategic Plan for 2010 to 2015, we need to work more collaboratively and efficiently with colleagues across the FSA and in the Meat Hygiene Service. To make this happen we are making a number of organisational changes such as:

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

Internal audit

During the year, we brought our internal audit function in house. We believe this will help achieve compliance with best internal control practice, support effective risk management, and improve organisational performance.

Procurement

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

IT investment

By investing in improving the integrity and efficiency of our systems we will be more efficient in the way we work. Good progress has been made on making our IT platform more robust. We have upgraded our network and infrastructure, and moved disaster recovery to Cardiff to ensure business continuity. A number of specific systems have been delivered, including ‘vets online’ and a Welsh Language Service application.

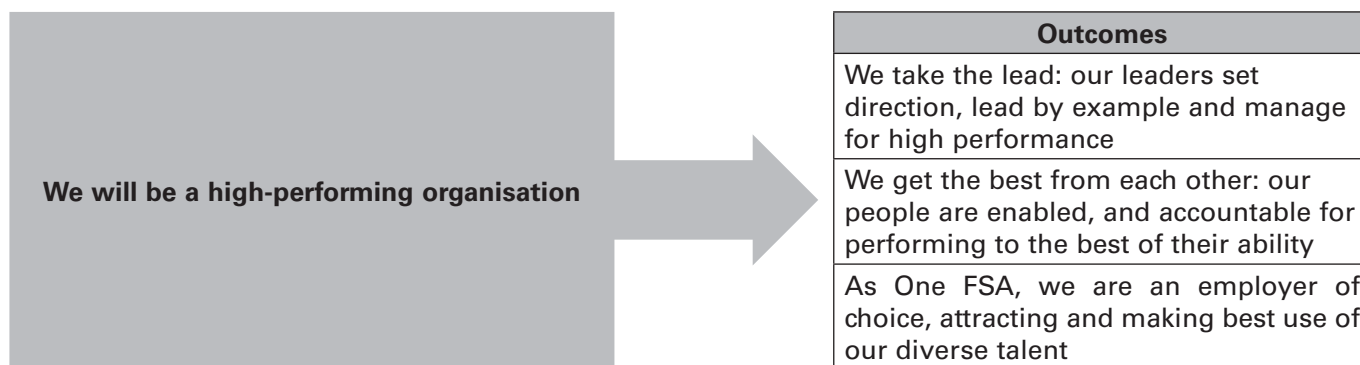
Accommodation

In January 2009, we signed a tenancy agreement with OFSTED who are now sub-letting part of our London headquarters building Aviation House. The space is now being prepared for occupancy. We are in discussion with other potential tenants regarding the option of sub-letting further space in Aviation House.

Environmental policy

We are fully committed to conserving energy, water and other resources and reducing waste. We monitor the energy efficiency of Aviation House through building management system software. We have a Sustainable Development Action Plan to enable us to monitor ourselves against plans and milestones. At present over half our waste is recycled. Further details of the government’s approach can be found at www.sustainable-development.gov.uk/index.asp

Being a high performing organisation



Staff relations

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

Internal Values

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

- **We are One Agency**
 - we work together
 - we get the best from each other
 - we make the most of our skills and experience

- **We take the lead**
 - we are clear about our purpose
 - we are influential where it counts
 - we demonstrate strong leadership

- **We make a difference**
 - we concentrate on our priorities
 - we build partnerships
 - we are creative and strive for continuous improvement

The internal values continue to be widely communicated across the FSA and, from 2009/10, will be incorporated into performance appraisal processes for all staff and into a range of other HR interventions.

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 37 staff who have declared a disability.

Work on the diversity strategy is now being taken forward in 2009/10 with the MHS on a 'One Agency' model.

Appendix

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

Other Board members:

Professor Graeme Millar – Chair of the Scottish Food Advisory Committee
Professor Bill Reilly
John W Spence – Chair of the Welsh Food Advisory Committee
Dr Maureen Edmondson – Chair of the Northern Ireland Food Advisory Committee
Tim Bennett
Michael Parker
Chris Pomfret
Nancy Robson
Sandra Walbran
Clive Grundy
Margaret Gilmore
Professor Sue Atkinson CBE
Dr David Cameron

MHS Board

Membership of the MHS Board during the year is listed below:

Ian Reynolds (Chair)	
Maureen Edmondson	FSA Board Member and Chair of the Northern Ireland Food Advisory Committee
Tim Bennett	FSA Board Member
Tim Smith	FSA Chief Executive
Steve McGrath	MHS Chief Executive
Margaret Gilmore	FSA Board Member (from April 2008)
Clive Grundy	FSA Board Member (from April 2008)
Nigel Gibbens	Chief Veterinary Officer DEFRA (from April 2008)

Executive Management Board

Membership during the year was as follows:

Tim Smith – Chief Executive
Richard Calvert – Director of Strategy and Resources
David Statham – Director of Consumer Protection and Enforcement (until 30 September 2008)
Vivienne Collett – Director of Legal Services
Dr Andrew Wadge – Director of Food Safety and Chief Scientist
Terrence Collis – Director of Communications
Jackie Hammond – interim HR Director (from November 2008)
Brian Davies – Human Resources Director (until 5 November 2008)
Allan Hutton – Finance Director (until 30 June 2008)
Gill Fine – Director of Consumer Choice and Dietary Health
Dr George Paterson – Director of FSA Scotland
Morris McAllister – Director of FSA Northern Ireland (until 30 September 2008)
Gerry McCurdy – Director of FSA Northern Ireland (from 1 October 2008)
Steve Wearne – Director of FSA Wales
Steve McGrath – Chief Executive of the Meat Hygiene Service

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

FSA advisory committees

Committee members are listed below:

Northern Ireland – Advisory Committee Members

Maureen Edmondson – Chair

Dorothy Black

Barbara Livingstone

Michael Walker

Dr David McCleery

Tony McCusker

David Mark

Professor John Moore

Alan Bingham

Scotland – Advisory Committee Members

Professor Graeme Millar CBE – Chair

Dr David Cameron

Christopher Trotter

Mrs Moyra Burns

Dr James Wildgoose

Mr Bernard Forteach

Dr Carrie Ruxton

Dr John Cowden

Mrs Amanda O'Donoghue

Professor Charlotte Maltin

Dr Lesley Ann Stanley

Wales – Advisory Committee Members

John Spence – Chair

Mr Andrew Johnson

Mrs Katie Palmer

Steve Bolchover

Dr Hugh Jones

Ms Kate Hovers

Dr Louise Fielding

Mr Derek Morgan

Mrs Sue Jones

Audit Committee

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

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

Professor Graeme Millar – Chair

Michael Parker

Chris Pomfret

John W Spence

Tim Bennett

Clive Grundy

Richard Harbord – external non FSA Board Member

The FSA audit committee merged with the MHS audit committee in September 2008.

Risk Committee

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

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

Non-executive Board members

Chris Pomfret – Chair

Tim Bennett

Margaret Gilmore

Graeme Millar

Michael Parker

Nancy Robson

Executive members:

Richard Calvert

Terrence Collis

Steve McGrath

Andrew Wadge

Our accounts

Preparation of accounts

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

Pensions

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

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

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

Supplier payment policy

Since January 2009, following Treasury guidance, it has been the FSA's policy to pay all invoices not in dispute within 10 days of receipt. It was previously 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, until December 2008, in excess of 94% of invoices were paid on time. Since January 2009, when the policy was changed to payment within 10 days, in excess of 96% of invoices were paid on time.

Financial instruments

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

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 £111,250. This included an additional £8,250 to cover the work on conversion to international accounting standards. The National Audit Office sub-contracted the FSA's audit to KPMG LLP on a two year contract. I have taken all necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Going concern

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

Reporting of sickness absence data

The provisional figure for staff absence as a result of physical and mental illness including injuries, disability or other health problems is approximately 5.8 days per employee compared with 6.9 and 6.2 for the previous two years.

Reporting of personal/sensitive data losses and/or incidents

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

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

No 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.

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

Service contracts for Board members are listed below:

Name	1st Term of Appointment	Duration of 1st Term Contract	2nd Term of Appointment	Duration of 2nd Term of Contract
Dame Deirdre Hutton	18 July 2005	4 years	–	--
Dr Ian Reynolds	1 February 2007	4 years	–	--
Professor Graeme Millar	1 March 2005	3 years	1 March 2008	3 years
Professor Bill Reilly *	1 February 2006	3 years	–	--
Dr David Cameron	1 February 2009	3 years	–	--
John W Spence	1 April 2007	4 years	–	--
Dr Maureen Edmondson	1 September 2004	3 years	1 September 2007	3 years
Prof Sue Atkinson CBE	1 February 2008	2 years	–	--
Tim Bennett	1 March 2007	3 years	–	--
Margaret Gilmore	1 March 2008	3 years	–	--
Clive Grundy	1 February 2008	3 years	–	--
Michael Parker	1 June 2006	3 years	–	--
Chris Pomfret	1 February 2005	3 years	21 February 2008	3 years
Nancy Robson	1 March 2007	2 years	28 February 2008	4 years
Sandra Walbran **	1 May 2002	3 years	1 June 2005	3 years

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

*Professor Bill Reilly's contract terminated on 31 January 2009

**Sandra Walbran's contract terminated on 31 May 2008

Salary and pension entitlements

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

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

a) Remuneration:

Executive Management Board

			2008-09	Benefits	2007-08
		Total	Of which	in Kind	Total
Bands		Remuneration	Bonuses		Remuneration
		£5,000	£5,000	£1,000	£5,000
		(£000)	(£,000)	(£000)	(£000)
Tim Smith	Chief Executive (from 1 April 2008)	185-190	–	–	–
Richard Calvert	Director of Strategy and Resources	120-125	10-15	–	100-105
Andrew Wadge	Director of Food Safety	110-115	10-15	–	100-105
David Statham	Director of Consumer Protection and Enforcement (until 30 September 2008)	60-65 (100-105 full year equivalent)	–	–	100-105
Vivienne Collett	Director of Legal Services	110-115	5-10	–	105-110
Terrence Collis	Communications Director	100-105	5-10	–	95-100
Brian Davies	Human Resources Director (until 5 November 2008)	50-55 (75-80 full year equivalent)	–	–	75-80
Allan Hutton	Finance Director (until 30 June 2008)	30-35 (65-70 full year equivalent)	–	–	70-75
Gill Fine	Director of Consumer Choice and Dietary Health	105-110	10-15	–	95-100
George Paterson	Director, FSA Scotland	100-105	5-10	1.4	95-100
Morris McAllister	Director, FSA Northern Ireland (until 30 September 2008)	55-60 (85-90 full year equivalent)	5-10	–	90-95
Gerry McCurdy	Director, FSA Northern Ireland (from 1 October 2008)	40-45 (85-90 full year equivalent)	10-15	–	N/A
Steve Wearne	Director, FSA Wales	90-95	5-10	1.2	80-85
Steve McGrath	Chief Executive MHS	125-130	5-10	–	125-130

Food Standards Agency Board

Bands		2008-09		2007-08	
		Total	Benefits	Total	Benefits
		Remuneration	in Kind	Remuneration	in Kind
		£5,000	£1,000	£5,000	£1,000
		(£000)		(£000)	0
Dame Deirdre Hutton	Chair	105-110	0.9	110-115	0.7
Dr Ian Reynolds	Deputy Chair	65-70	1.0	75-80	1.0
Professor Graeme Millar		20-25	1.9	20-25	1.3
Professor Bill Reilly	(to 31 January 2009)	15-20			
		(20-25 full	4.1	20-25	2.5
		year equivalent)			
John W Spence		20-25	0.8	20-25	3.4
Maureen Edmondson		25-30	2.1	25-30	1.6
Tim Bennett		10-15	1.0	10-15	1.3
Michael Parker		10-15	0.5	5-10	0.3
Chris Pomfret		10-15	0.8	10-15	0.5
Nancy Robson		10-15	1.4	10-15	2.2
Sandra Walbran	(to 31 May 2008)	0-5	0.3	5-10	1.8
Clive Grundy		10-15	0.7	0-5	0.1
Margaret Gilmore		10-15	1.1	0-5	0.2
Professor Sue Atkinson CBE		10-15	–	0-5	–
Dr David Cameron	(from 1 February 2009)	0-5			
		(10-15 full	–	–	–
		year equivalent)			

Remuneration

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

Benefits 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

		2008-09					
		Real	Total	Total	CETV at	CETV at	Real
		increase	accrued	accrued	31 March	31 March	Increase
		in Pension	Pension	lump sum	2009	2008***	in CETV
		at age 60	at age 60	at age 60			
		at age 60	31 March	31 March	2009	2008***	
		2009	2009	2009			
Bands		£2.500	£5.000	£5.000	(£000)	(£000)	(£000)
		(£000)	(£000)	(£000)			
Tim Smith	Chief Executive	2.5-5	0-5	-	57	3	48
Richard Calvert	Director of Strategy and Resources	0-2.5	30-35	100-105	561	504	15
David Statham	Director, Enforcement	(2.5)-0	45-50	145-150	1,068	1,051	(13)
Vivienne Collett	Director, Legal Services	0-2.5	40-45	125-130	976	879	11
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	30-35	90-95	599	510	41
Terrence Collis*	Director of Communications	0-2.5	0-5	-	82	51	23
Brian Davies	Human Resources Director	0-2.5	30-35	100-105	751	724	-
Allan Hutton	Finance Director	0-2.5	10-15	35-40	220	219	1
Gill Fine*	Director of Consumer Choice and Dietary Health	0-2.5	10-15	-	157	112	21
Dr George Paterson	Director, FSA Scotland	0-2.5	10-15	30-35	217	192	(5)
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	130-135	1,064	1,027	-
Gerry McCurdy	Director, FSA Northern Ireland	2.5-5	30-35	95-100	687	570	71
Steve Wearne	Director, FSA Wales	2.5-5	15-20	55-60	282	224	36
Steve McGrath**	Chief Executive MHS	0-2.5	10-15	-	199	153	29

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

** Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within the MHS Annual Accounts for the financial year 2008-09.

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

		2007-08					
		Real	Total	Total	CETV at	CETV at	Real
		increase	accrued	accrued	31 March	31 March	Increase
		in Pension	Pension	lump sum	2008	2007	in CETV
		at age 60	at age 60	at age 60			
		at age 60	31 March	31 March	2008	2007	
		2008	2008	2008			
Bands		£2.500	£5.000	£5.000	(£000)	(£000)	(£000)
		(£000)	(£000)	(£000)			
Tim Smith	Chief Executive (From 1 April 2008)	n/a	n/a	n/a	n/a	n/a	n/a
Richard Calvert	Director of Strategy and Resources	5-7.5	30-35	95-100	542	384	92
David Statham	Director, Enforcement	0-2.5	45-50	145-150	1,107	952	24
Vivienne Collett	Director, Legal Services	0-2.5	35-40	115-120	948	802	29
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	25-30	80-85	536	440	30
Terrence Collis	Director of Communications	0-2.5	0-5	-	54	23	25
Brian Davies	Human Resources Director	0-2.5	30-35	100-105	762	654	18
Allan Hutton	Finance Director	0-2.5	10-15	35-40	243	199	15
Gill Fine	Director of Consumer Choice and Dietary Health	0-2.5	5-10	-	124	76	23
Dr George Paterson	Director, FSA Scotland	0-2.5	5-10	25-30	207	173	24
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	130-135	1,097	954	21
Steve Wearne	Director, FSA Wales	0-2.5	15-20	45-50	218	184	n/a
Steve McGrath	Chief Executive MHS	0-5	5-10	-	163	100	45

Food Standards Agency Board

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

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

		2007-08				
		Accrued pension and related lump sum at age 60	Real increase in pension and related lump sum at age 60	CETV at 31 March 2008	CETV at 31 March 2007	Real Increase in CETV
Bands		31 March 2008	31 March 2008	31 March 2008	31 March 2007	
		£2,500 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair	2.5-5	0-2.5	64	40	21
Dr Ian Reynolds	Deputy Chair	0-2.5	0-2.5	15	2	11
Professor Graeme Millar		0-2.5	0-2.5	16	10	5
Professor Bill Reilly		0-2.5	0-2.5	12	7	4
John W Spence		0-2.5	0-2.5	6	-	5
Maureen Edmondson		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Michael Parker		-	-	-	-	-
Chris Pomfret		-	-	-	-	-
Nancy Robson		-	-	-	-	-
Sandra Walbran		-	-	-	-	-
Clive Grundy		-	-	-	-	-
Margaret Gilmore		-	-	-	-	-
Professor Sue Atkinson CBE		-	-	-	-	-
Richard Ayre		-	-	-	-	-
Christine Dunn		-	-	-	-	-

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

Civil Service Pensions

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

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

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

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

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

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

Cash Equivalent Transfer Values

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

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

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

Real Increase in CETV

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

Compensation for loss of office

Allan Hutton left under Compulsory Early Retirement terms on 30 June 2008. The total compensation paid to Allan Hutton was a lump sum compensation payable at date of leaving of £55 – 60k, an annual compensation payment of £15 - 20k payable until the age of 60, and a lump sum compensation payment of £65 - £70k payable at age 60.

David Statham left the FSA on 30 September 2008 on Approved Early Retirement. He received an annual compensation of £45-50k until the age of 60.

Tim J Smith

Chief Executive and Accounting Officer

29 June 2009

Statement of Accounting Officer's responsibilities

- 1 Under the Government Resources and Accounts Act 2000, 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.

Tim J Smith

Chief Executive and Accounting Officer

29 June 2009

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 FSA's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. This statement covers the whole of the FSA, i.e., the Westminster-funded FSA (including the Meat Hygiene Service), FSA Scotland, FSA Wales, and FSA Northern Ireland.

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

I have been appointed as Accounting Officer for the Westminster-funded FSA by 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), which operates 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;
- a strategic plan which sets out the FSA's main aims and objectives for 2005-2010;
- 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 Audit Committee Handbook, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports to the FSA Board on the work of the Committee;
- a Risk Committee which provides advice, support and challenge in relation to organisational risks and embedding a risk-aware culture across the FSA;
- a risk management process that includes regular discussions about risk at corporate and group levels;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration group performance, resources and business risk;
- monthly financial performance reports which are discussed at the Executive Management Board;
- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority, to meet their objectives and their compliance with corporate governance responsibilities;
- assurance from the Chief Executive of the Meat Hygiene Service on internal controls; and
- clear rules and procedures on the FSA Intranet, which are regularly 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 them efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2009 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 planning and they are reviewed and reported on regularly throughout the year. Risk owners formally review risks at least once a quarter and report back to the FSA Board through the organisation's quarterly Performance Management Report.

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

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 reviewed each year and amended to reflect lessons learnt and to build in examples of best practice.

We also have representatives on the Risk Improvement Group. This is a cross-government group which shares good practice and the lessons learned in other departments.

Additionally, a Risk Committee was established to review how the FSA identifies, models and manages risk. The committee is made up of both executive and non-executive members, and has close links to the Audit Committee. The committee has overseen the process to fully integrate risk management in our planning and performance management for 2008/09.

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:

- **High level risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the corporate high level risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **Group level risks:** these are identified and monitored by Directors and their senior management teams. All Directors are accountable for ensuring risks are identified and managed within their group, and where appropriate, risks are escalated to the high-level risk register;
- **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 Food Standards Agency operates within the framework of the Food Standards Act 1999; and within a strong framework of EU law.

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 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. 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.

In relation to internal risks, the FSA have a clear set of rules and procedures (Rules and Tools). This covers all aspects of finance, procurement and general areas of governance. We have also strengthened our procedures in areas such as data security. The FSA takes the management of data security seriously. No material losses of sensitive or personal data were reported during the year. The FSA has ISO 27001 accreditation. An internal audit on the management of information was recently conducted and that did not uncover any material weaknesses.

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

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 recognises the importance of effective and secure data handling across government. Our assessment is that the risk of personal or sensitive information loss by the FSA remains low. However, we intend to implement additional security and management measures as part of our IS Strategy to further strengthen our current position.

The FSA's Internal Audit arrangements include a risk-based audit programme, agreed with the Audit Committee, 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 largely focused on FSA's corporate functions. The areas reviewed included financial frameworks, IT contracting, procurement and human resources. The service level agreement between the FSA and MHS was also audited. Controls and procedures were generally found to be acceptable. However, in the areas of procurement, IT contracting and official controls charging in relation to government customers, these areas were found to be requiring significant improvement.

Internal audit also conducted a year end audit of the FSA information security arrangements. This audit was based on the current mandatory Cabinet Office security policy framework. The above section on information control is consistent with the conclusions of the internal audit review.

Finally, Internal Audit also conducted audits in the FSA's devolved offices. The audit in FSA Northern Ireland of financial systems did not raise any significant issues. However, during the year financial audits on FSA Scotland and Wales did identify areas that required further strengthening. These have also been reflected in the year end financial audit of the Westminster Office.

Tim J Smith

Chief Executive and Accounting Officer

29 June 2009

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 2009 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 Consolidated Cash Flow Statement and the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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, the information, which comprises Our resource spend in 2008-09, Measuring success, Environmental policy, The FSA Board and Our accounts sections included in the Annual 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. The other information comprises the remaining sections of the Annual Report and the unaudited part of the Remuneration Report. 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 opinions

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

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 2009, and the net cash requirement, net resource outturn, net operating costs, consolidated operating costs applied to departmental strategic objectives, recognised gains and losses and consolidated cash flows 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 in accordance with HM Treasury directions issued under the Food Standards Act 1999; and
- information which comprises Our resource spend in 2008-09, Measuring success, Environmental policy, The FSA Board and Our accounts sections included in the Annual Report, is consistent with the financial statements.

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.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
3 July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

Request for resources	Note	Estimate			Outturn			2008-09	2007-08
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
House of Commons	2	194,448	(57,109)	137,339	174,528	(41,722)	132,806	4,533	149,900
Northern Ireland Assembly	2	12,592	(3,385)	9,207	11,863	(3,289)	8,574	633	9,212
Scottish Parliament	2	10,400	–	10,400	10,236	–	10,236	164	9,736
National Assembly for Wales	2	3,502	–	3,502	3,493	–	3,493	9	3,391
Total resources		220,942	(60,494)	160,448	200,120	(45,011)	155,109	5,339	172,239
Non-operating A in A		–	–	–	–	–	–	–	(18)

Net cash requirement

	Note	Estimate	Outturn	2008-09	Restated
				Net total outturn compared with Estimate: saving/ (excess)	2007-08
		£000	£000	£000	£000
Net cash requirement	4	168,659	166,456	2,203	169,623

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 for the year was in line with expectation, and the variance was more than 3% below combined estimate.

The notes on pages 42 to 74 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2009

	Note	2008-09						2007-08	
		Core Department incl. Devolved			Consolidated			Core	Consoli-
		Staff	Other	Income	Staff	Other	Income	Depart-	dated
		Costs	Costs	£000	Costs	Costs	£000	ment	£000
		£000	£000	£000	£000	£000	£000	£000	
Administration Costs:									
Staff costs	9	35,862	-	-	35,862	-	-	36,514	36,514
Other administration costs	10	-	23,889	-	-	23,889	-	25,789	25,789
Operating income	13	-	-	(848)	-	-	(848)	(221)	(221)
Programme Costs									
Request for resources:									
Staff costs	9	-	-	-	42,792	-	-	-	51,911
Programme costs	11	-	65,593	-	-	97,577	-	73,380	106,945
Income	13	-	-	(5,210)	-	-	(44,163)	(5,113)	(48,699)
Total		35,862	89,482	(6,058)	78,654	121,466	(45,011)	130,349	172,239
Net Operating Cost				119,286			155,109	130,349	172,239

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008-09		2007-08	
		Core	Consolidated	Core	Consolidated
		Department	£000	£000	Department
Net gain on revaluation of fixed assets	22	-	-	46	46
Actuarial gain/(loss) in the pension scheme	20b	-	(15,338)	-	17,772
Recognised gains and losses for the financial year		-	(15,338)	46	17,818

The notes on pages 42 to 74 form part of these accounts.

Balance Sheet
as at 31 March 2009

	Note	Core Department		2009 Consolidated		Core Department		Restated 2008 Consolidated	
		£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets:									
Tangible assets	14	2,803		4,113		2,850		3,834	
Intangible assets	15	654		819		710		895	
			3,457		4,932		3,560		4,729
Debtor falling due after more than one year	17		–		48		–		61
Current assets:									
Debtors	17	8,123		14,888		8,241		16,417	
Cash at bank and in hand	18	–		3,979		3,692		5,844	
		8,123		18,867		11,933		22,261	
Creditors (amounts falling due within one year)	19	(20,671)		(32,196)		(28,376)		(46,137)	
Net current liabilities			(12,548)		(13,329)		(16,443)		(23,876)
Total assets less current liabilities			(9,091)		(8,349)		(12,883)		(19,086)
Creditors (amounts falling due after more than one year)	19	(11,525)		(11,525)		(11,434)		(11,434)	
Provision for liabilities and charges	20	(2,177)		(4,072)		(3,886)		(4,136)	
			(13,702)		(15,597)		(15,320)		(15,570)
Net liabilities excluding pension deficit			(22,793)		(23,946)		(28,203)		(34,656)
Provision for pension deficit	20b		–		(44,416)		–		(27,990)
Net liabilities			(22,793)		(68,362)		(28,203)		(62,646)
Taxpayer's equity									
General fund	21		(22,793)		(68,362)		(28,203)		(62,646)
Revaluation reserve	22		–		–		–		–
			(22,793)		(68,362)		(28,203)		(62,646)

Tim J Smith
Chief Executive and Accounting Officer
29 June 2009

The notes on pages 42 to 74 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2009

		2008-09	Restated 2007-08
	Note	£000	£000
Net cash outflow from operating activities	23	(164,780)	(166,937)
Capital expenditure and financial investment	23	(1,676)	(2,685)
Financing from the Consolidated Fund	23	143,210	148,111
Financing from the Devolved Authorities	23	21,381	23,181
(Decrease)/Increase in cash in the period		(1,865)	1,670

The notes on pages 42 to 74 form part of these accounts.

Consolidated Statement of Net Operating Costs by Departmental Aims and Objectives
for the year ended 31 March 2009

	<u>Gross</u>	<u>Income</u>	<u>2008-09</u>
	£000	£000	Net
			£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;	157,571	(43,984)	113,587
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.	25,020	(717)	24,303
Aim 3			
Choice:			
– to enable consumers to make informed choices.	17,529	(310)	17,219
Net operating costs	<u>200,120</u>	<u>(45,011)</u>	<u>155,109</u>

	<u>Gross</u>	<u>Income</u>	<u>2007-08</u>
	£000	£000	Net
			£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;	168,545	(48,855)	119,690
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.	28,386	(26)	28,360
Aim 3			
Choice:			
– to enable consumers to make informed choices.	24,228	(39)	24,189
Net operating costs	<u>221,159</u>	<u>(48,920)</u>	<u>172,239</u>

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 notes on pages 42 to 74 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 2008-09 Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM 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 FRoM 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 2009 shows a negative taxpayer's equity of £68,362,000. 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 the 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 2009-10 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Following the decision of HM Treasury to commit fully to full compliance with International Financial Reporting Standard (IFRS) 1 'First Time Adaption of International Financial Reporting Standards', the Agency, in common with other government departments, will prepare next year's financial statements in accordance with the 2009-10 IFRS-based (iFRoM) Financial Reporting Manual.

1.2 Accounting Convention

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

1.3 Basis of Consolidation

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

Additionally, the FSA consolidated accounts incorporate results from the FSA devolved offices in Scotland, Northern Ireland and Wales. These are funded directly by the Scottish Parliament, Northern Ireland Assembly and National Assembly for Wales respectively. The Westminster funded FSA, Food Standards Agency 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 Fixed Assets

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

Consequently, the revaluation adjustments are immaterial and for this reason, we have decided to discontinue revaluations and also write back all previous revaluations. As permitted by the 2008-09 FReM, 5.2.7h) and j), depreciated historical cost is now used as a proxy for current value on the basis that this realistically reflects consumption of the asset.

Under FRS15, the FSA has taken the decision to move to historic cost accounting with effect from 1 April 2008. Therefore, assets are no longer re-valued as under modified historic cost accounting. This change brings FSA's fixed asset policy in line with the International Financial Reporting Standards which do not use MHCA. This will provide relative comparative figures which are more reliable and easily understood.

1.5 Intangible Fixed Assets

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

1.6 Tangible Fixed Assets

Fixed assets which individually cost less than £5,000 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.

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

1.7 Depreciation and Amortisation

Freehold land and assets in the course of construction are not depreciated. All other assets are depreciated from the month following the date of acquisition. Depreciation and amortisation is at the rates calculated to write-off the 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	7 Years
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1.8 Stocks and Work in Progress

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

1.9 Research & Development

Expenditure on research is not capitalised 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.

1.10 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income represents total accrued income for the year, and is shown net of Value Added Tax. The FSA has income from milk and dairies sampling work and from assessments and consultations on radioactive discharges. It 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).

1.11 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the cost of running the Department as identified under the administration cost-control regime set by HM Treasury, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against 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, is regarded as programme costs for the purposes of resource accounting.

1.12 Cost of Capital

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

1.13 Pensions

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

1.14 Early Departure Costs

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

1.15 Operating Leases

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

1.16 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSA is audited by the Comptroller and Audit General, with the work sub contracted to KPMG 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.

1.17 Value Added Tax

The net amount of Value Added Tax (VAT) due to or from Her Majesty's Revenue and Customs is shown as a debtor or creditor on the balance sheet. Irrecoverable VAT is charged to the operating cost statement, or if it is incurred on the purchase of a fixed asset it is capitalised in the cost of the asset.

1.18 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount 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.

1.19 Contingent Liabilities

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

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

1.20 Financial Assets and Liabilities

FSA holds the following financial assets and liabilities:

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

Financial Assets and Liabilities are accounted for under FRS25, Financial Instruments: Presentation, FRS26 Financial Instruments: Recognition and Measurement and FRS29 Financial Instruments: Disclosure.

Cash balances are measured as the amounts received in FSA's bank account. FSA does not currently have cash equivalents. Trade and other payables are measured at fair value, with use of agreed invoiced amount, or management estimate in the case of accrued expenditure, forming the basis for valuation.

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

2. Analysis of net resource outturn by section

	2008-09					2007-08		
	Outturn					Estimate		Prior-year outturn £000
	Admin- istration cost £000	Other Current £000	Gross resource expen- diture £000	A in A £000	Net Total £000	Net Total Estimate £000	Net total outturn compared with Estimate excess/ (deficit) £000	
Request for Resources								
Westminster – Core	50,880	38,432	89,312	(2,768)	86,544	103,239	16,695	108,009
Northern Ireland Assembly – Core	1,306	10,557	11,863	(3,289)	8,574	9,207	633	9,212
Scottish Parliament – Core	4,585	5,651	10,236	–	10,236	10,400	164	9,737
National Assembly for Wales – Core	2,148	1,345	3,493	–	3,493	3,502	9	3,391
Meat Hygiene Service	–	85,216	85,216	(38,954)	46,262	34,100	(12,162)	41,890
Total	58,919	141,201	200,120	(45,011)	155,109	160,448	5,339	172,239

Explanations of variances between Estimate and outturn.

Expenditure for the year was in line with expectation, and the variance was more than 3% below combined estimate.

3. Reconciliation of outturn to net operating cost

	2008-09			2007-08
	Outturn £000	Supply Estimate £000	Outturn compared with Estimate £000	Outturn £000
Net Resource Outturn	155,109	160,448	5,339	172,239
Net operating cost	155,109	160,448	5,339	172,239

4. Reconciliation of resources to net cash requirement

				Restated
			2008-09	2007-08
			Net total outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Estimate	Outturn	Outturn
		£000	£000	£000
Net Resource Outturn	2	160,448	155,109	172,239
Capital:				
Acquisition of fixed assets	14/15	2,082	1,676	2,703
Non-operating A in A:				
Proceeds of fixed assets disposals	14	–	–	(18)
Accruals adjustments:				
Non-cash items	10	(2,829)	(4,934)	(9,009)
Changes in working capital other than cash	16	(42)	10,534	(3,417)
Changes in creditors falling due after more than one year		9,000	(91)	(92)
Use of provision	20a	–	2,604	345
Cash contribution to pension deficit	23a	–	1,558	6,872
Net cash requirement		168,659	166,456	169,623

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

	2008-09	2007-08
	£000	£000
Operating income	(45,011)	(48,920)
Income authorised to be appropriated-in-aid	45,011	48,920
Operating income payable to the Consolidated Fund	–	–

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**

	FSA(HQ) Westminster				2008-09	2007-08
	Total	Staff	Board	Sub-Total	£000 Devolved Offices	£000 Total
Wages and salaries	27,357	22,998	172	23,170	4,187	27,456
Social security costs	2,247	1,905	13	1,918	329	2,283
Other pension costs	5,505	4,621	62	4,683	822	5,656
Sub Total	35,109	29,524	247	29,771	5,338	35,395
Inward secondments	189	76	–	76	113	236
Agency staff	931	794	–	794	137	1,082
Total	36,229	30,394	247	30,641	5,588	36,713
Less recoveries in respect of outward secondments	(367)	(367)	–	(367)	–	(199)
Total Net Costs	35,862	30,027	247	30,274	5,588	36,514

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

	2008-09	2007-08
	£000	£000
Wages and salaries	33,524	40,998
Social security costs	2,725	3,150
Other pension costs	6,166	7,438
Temporary staff	410	325
Total	42,825	51,911
Less recoveries in respect of outward secondments	(33)	–
Total net costs	42,792	51,911

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 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at www.civilservice.gov.uk/pensions.

For 2008-09, employer's contributions £7,673,880.60 were payable to the PCSPS (2007-08 £8,185,941.40) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008-09 and will remain unchanged until 2009-10.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £29,432.96 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 £1,824.94, 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 £31,257.90

There were no early retirements on ill health grounds in 2008-09.

D Local Government Pension Scheme

The majority, around 60%, of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2009, contributions of £3,100,000 were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2009, this rate was 17.9% of pensionable pay. The rate is unchanged for the year commencing 1 April 2009.

The latest full actuarial review of the scheme considered the position at 31 March 2007.

This valuation concluded that the general position has deteriorated since the last valuation due to:

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

offset due to improvements in:

- investment performance.

On the basis of the full actuarial valuation the MHS Fund deficit was £27,600,000. The agency agreed to increase the funding to the scheme, payable for 20 years. For 2009/10 £1,600,000 will be paid.

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

An updated valuation, under FRS17 criteria, resulted in a calculated deficit of £44,400,000 as at 31 March 2009 compared with a calculated deficit of £28,000,000 as at 31 March 2008.

The projected unit method of valuation has been used to calculate the service cost under FRS17.

The actuary has estimated the employer's contributions for 2009-10 to be £4,600,000.

E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2008-09 is shown in the table below. These figures include those working in the FSA and MHS (including senior management) as included within the the consolidated departmental resource account.

1. Food Standards Agency excluding the MHS

	Westminster	Board Members	Devolved Offices	Core 2008-09 Total
	£000	£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;	499	8	88	595
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.	55	2	27	84
Aim 3				
Choice:				
– to enable consumers to make informed choices.	62	3	27	92
	616	13	142	771

2. Food Standards Agency including the MHS

	Westminster	Board Members	Devolved Offices	Meat Hygiene Services	Consolidated 2008-09 Total
	£000	£000	£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;	499	8	88	1,154	1,749
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.	55	2	27		84
Aim 3					
Choice:					
– to enable consumers to make informed choices.	62	3	27		92
	616	13	142	1,154	1,925

3. Food Standards Agency excluding the MHS

	Westminster	Board Members	Devolved Offices	Restated Core 2007-08 Total
	£000	£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;	446	7	72	525
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.	99	2	26	127
Aim 3				
Choice:				
– to enable consumers to make informed choices.	128	3	31	162
	673	12	129	814

4. Food Standards Agency including the MHS

	Westminster	Board Members	Devolved Offices	Meat Hygiene Services	Restated Consolidated 2007-08 Total
	£000	£000	£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;	446	7	72	1,367	1,892
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.	99	2	26		127
Aim 3					
Choice:					
– to enable consumers to make informed choices.	128	3	31		162
	673	12	126	1,367	2,181

2007-08 staff figures are re-stated because the previous years' information did not distinguish between Food Standards Agency including and excluding MHS. We have now re-stated 2007-08 staff numbers to show the split.

F Staff Costs by Objective in 2008-09 were as follows:

	2008-09		
	Westminster	Devolved Offices	Total
	£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;	59,184	3,464	62,648
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.	6,576	1,061	7,637
Aim 3			
Choice:			
– to enable consumers to make informed choices.	7,307	1,062	8,369
	73,067	5,587	78,654
			2007-08
	Westminster	Devolved Offices	Total
	£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;	71,274	2,929	74,203
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.	5,303	1,056	6,359
Aim 3			
Choice:			
– to enable consumers to make informed choices.	6,615	1,243	7,858
	83,192	5,228	88,420

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

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

For further details on MHS staff costs and numbers please refer to the 2008-09 MHS Annual Report and accounts.

10. Other Administration Costs

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases	6,515	6,515	6,457	6,457
Non-cash items:				
Depreciation	764	764	1,544	1,544
Amortisation	199	199	181	181
Loss/(Gain) on disposal of fixed assets	26	26	(13)	(13)
Cost of capital credit	(559)	(559)	(779)	(779)
Auditors' remuneration and expenses	111	111	100	100
Other expenditure:				
Accommodation costs	5,291	5,291	4,521	4,521
Board and staff overheads	5,297	5,297	7,357	7,357
Administration costs	4,002	4,002	4,445	4,445
IT costs	2,066	2,066	1,798	1,798
Committee costs	165	165	163	163
Other costs	12	12	15	15
Other expenditure	23,889	23,889	25,789	25,789

Notes

- a) The financial audit was subcontracted by the National Audit Office to KPMG LLP.
- b) For 2008/09 IT costs for the FSA have been allocated to the devolved offices on the basis of the number of terminals.
- c) 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:

	2008-09
	£000
Other administration costs – non cash items (as above)	541
Provisions provided for in year	695
Indirect Funding	54
MHS Non-cash items:	
Provision arising during the year	4,491
Loss on disposals	4
Depreciation	480
Cost of capital credit	(1,368)
Auditor's fees	37
Total non-cash transactions	4,934

11. Net programme costs

	2008-09		*Reclassified 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Research & Development:				
Meat Hygiene	1,578	1,578	2,332	2,332
Nutrition	3,785	3,785	4,629	4,629
Microbiological Food Safety	1,661	1,661	1,622	1,622
				-
Chemical Safety	4,033	4,033	5,149	5,149
Labelling & Standards	648	648	879	879
Radiological Safety	35	35	143	143
Miscellaneous	5	5	76	76
	11,745	11,745	14,830	14,830
Enforcement, Monitoring and Campaigns:				
Meat Hygiene Service				
Staff Costs	-	42,792	-	51,911
Interest payable to pension scheme	-	1,805	-	754
Other Expenditure	-	40,619	-	44,968
Meat Hygiene	16,752	6,313	19,480	7,323
Radiological Monitoring	2,339	2,339	2,468	2,468
Food Hygiene Campaign	799	799	544	544
Press & Publicity	2,491	2,491	3,266	3,266
Healthier Eating Campaigns	3,112	3,112	2,123	2,123
Nutrition	4,610	4,610	4,212	4,212
Chemical Contaminants	895	895	1,083	1,083
Sampling Step Change	749	749	490	490
Animal Feedingstuff	59	59	60	60
Medical and Legal	7,002	7,002	12,877	12,877
Food Safety and Education	4,081	4,081	3,045	3,045
Enforcement and Audit	7,757	7,757	7,504	7,504
Food Labelling & Standards	2,467	2,467	410	410
Novel Food & Chemical Safety Toxicology	55	55	190	190
Legal	264	264	317	317
Miscellaneous	416	415	481	481
	53,848	85,832	58,550	92,115
Total non-staff programme costs	65,593	97,577	73,380	106,945
Total programme costs	65,593	140,369	73,380	158,856
Less: Programme income				
FSA Westminster – core dept	(5,209)	(5,209)	(5,113)	(5,113)
Meat Hygiene Service	-	(38,954)	-	(43,586)
	(5,209)	(44,163)	(5,113)	(48,699)
	60,384	96,206	68,267	110,157

Note:

1. Included in the MHS costs above are:

For 2008-09, the auditor's fees of £37,000 and depreciation of £480,000

For 2007-08, the auditor's fees of £33,000 and depreciation of £524,000

2. Reclassified Net Programme Costs

*The programme headings were revised this year to better reflect the work of the agency. As a result, the 2007/08 headings for the net programme costs have been reclassified.

12. Analysis of net operating cost by spending body

	2008-09		2007-08
	£000	£000	£000
	Estimate	Outturn	Outturn
Spending body:			
FSA – core department			
Westminster	103,239	96,983	108,010
Scottish Parliament	10,400	10,236	9,736
Northern Ireland Assembly	9,207	8,574	9,212
National Assembly for Wales	3,502	3,493	3,391
Meat Hygiene Services	34,100	35,823	41,890
Consolidated total	160,448	155,109	172,239

13. Analysis of Income

	2008-09			2007-08
	£000	£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	848		221	
		848		221
Programme income:				
Milk and Dairy Hygiene – sampling	17		21	
Income from Meat Hygiene inspections in Northern Ireland	3,289		3,160	
Assessments and consultations on radioactive discharges	1,903		1,932	
		5,209		5,113
Meat Hygiene Service activity		38,954		43,586
		44,163		48,699
Consolidated total		45,011		48,920

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

	2008-09		2007-08	
	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Surplus/ (Deficit)
Meat Hygiene Service activity				
Industry	25,039	60,862	(35,823)	(41,996)
Government	24,163	24,163	–	–
FSA – core department				
Milk and Dairy Hygiene – sampling and inspections	17	25	(8)	(2)
Income from Meat Hygiene inspections in Northern Ireland	3,289	3,289	–	–
Assessments and consultations on radioactive discharges	1,903	2,342	(439)	379
	54,411	90,681	(36,270)	(41,619)

This income includes intra group trading. There is also a further £191k of miscellaneous income that is not classified as either industry or government by the Meat Hygiene Service, which has not been included in the figures above.

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

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
Restated cost at 1 April 2008 ¹	1,331	7,033	1,384	5,744	66	15,558
Additions	–	348	80	1,072	–	1,500
Disposals	–	(204)	(8)	(321)	–	(533)
Reclassification	(1,331)	667	–	664	–	–
At 31 March 2009	–	7,844	1,456	7,159	66	16,525
Depreciation						
Restated cost at 1 April 2008 ¹	–	6,690	873	4,153	8	11,724
Charged in year	–	173	154	845	16	1,188
Disposals	–	(190)	(5)	(305)	–	(500)
At 31 March 2009	–	6,673	1,022	4,693	24	12,412
Net book value at 31 March 2009	–	1,171	434	2,466	42	4,113
Restated Net book value at 31 March 2008	1,331	343	511	1,591	58	3,834

¹The opening balances include an adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca). Note 32 of these accounts give detailed breakdown of the journals required to arrive at the restated position.

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
Restated cost at 1 April 2008 ¹	1,331	6,888	1,290	2,480	66	12,055
Additions	–	348	80	315	–	743
Disposals	–	(204)	–	(317)	–	(521)
Reclassification	(1,331)	667	–	664	–	–
At 31 March 2009	–	7,699	1,370	3,142	66	12,277
Depreciation						
Restated cost at 1 April 2008 ¹	–	6,545	782	1,869	9	9,205
Charged in year	–	173	153	419	16	761
Disposals	–	(190)	–	(302)	–	(492)
At 31 March 2009	–	6,528	935	1,986	25	9,474
Net book value at 31 March 2009	–	1,171	435	1,156	41	2,803
Restated net book value at 31 March 2008	1,331	343	508	611	57	2,850

¹The opening balances include an adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca). Note 32 of these accounts give detailed breakdown of the journals required to arrive at the restated position.

15. Intangible fixed assets

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

	Consolidated Purchased software licences	Core Purchased software licences
	£000	£000
Cost or valuation		
Restated cost at 1 April 2008 ¹	2,493	1,658
Additions	176	143
At 31 March 2009	2,669	1,801
Amortisation		
Restated cost at 1 April 2008 ¹	1,598	948
Charged in year	252	199
At 31 March 2009	1,850	1,147
Net book value at 31 March 2009	819	654
Restated net book value at 31 March 2008	895	710

¹The opening balances include an adjustment for prior year revaluations following the decision to discontinue modified historic cost accounting (mhca).

16. Movements in working capital, other than cash

	2008-09	2007-08
	£000	£000
(Decrease)/Increase in debtors within one year	(1,529)	967
(Decrease)/Increase in debtors greater than one year	(13)	33
Decrease/(Increase) in creditors within one year	12,076	(4,417)
	10,534	(3,417)

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

17. Debtors**a Analysis by type**

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	1,131	4,169	503	3,997
VAT recoverable	1,726	2,571	2,945	4,122
Other debtors	75	108	214	283
Prepayments and accrued income	4,332	8,040	4,579	8,015
Amounts owed from the Consolidated Fund for supply but not received at year end	859	–	–	–
	8,123	14,888	8,241	16,417
Amounts falling due after more than one year:				
Other debtors	–	48	–	61
	8,123	14,936	8,241	16,478

b Intra-Government Balances (Consolidated)

	2008-09	2007-08	2008-09	2007-08
	Amounts falling due within one year		Amounts falling due after more than one year	
	£000	£000	£000	£000
Balances with other central government bodies	4,080	6,487	–	–
Balances with local authorities	4	7	–	–
Balances with MHS Trusts	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
Subtotal: intra-government balances	4,084	6,494	–	–
Balances with bodies external to government	10,804	9,923	48	61
Total debtors at 31 March	14,888	16,417	48	61

18. Cash at Bank and in Hand

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	3,692	5,844	1,928	4,174
Net changes in cash balances	(3,692)	(1,865)	1,764	1,670
As at 31 March	–	3,979	3,692	5,844
The following balances at 31 March are held at:				
Office of HM Paymaster General	(859)	3,766	3,692	5,563
Commercial banks and cash in hand	–	213	–	281
	(859)	3,979	3,692	5,844
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	(859)	3,979	3,692	5,844

19. Creditors

a Analysis by type

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year				
Bank Overdraft	859	–	–	–
Other taxation and social security	771	1,587	758	1,706
Trade creditors	3,173	5,211	5,703	8,173
Other creditors	552	1,595	552	1,610
Accruals and deferred income	15,316	19,824	17,671	28,804
Amounts issued from the Consolidated Fund for supply but not spent in year	–	3,979	3,692	5,844
	20,671	32,196	28,376	46,137
Amounts falling due after more than one year				
Long term liabilities (rent)	11,525	11,525	11,434	11,434
	32,196	43,721	39,810	57,571

b Intra-Government Balances (Consolidated)

	2008-09	2007-08	2008-09	2007-08
	Amounts falling due within one year		Amounts falling due after more than one year	
	£000	£000	£000	£000
Balances with other central government bodies	5,877	7,853	–	–
Balances with local authorities	204	2,426	–	–
Balances with MHS Trusts	–	38	–	–
Balances with public corporations and trading funds	103	2,751	–	–
Subtotal: intra-government balances	6,184	13,068	–	–
Balances with bodies external to government	26,011	33,068	11,525	11,434
Total creditors at 31 March	32,195	46,136	11,525	11,434

20a Provisions for Liabilities and Charges

						Consolidated
	Early departure provision	FSA Board Pension provision	Legal claims	Onerous Lease Provision	Personal Injury Claims Provision	Total
	£000	£000	£000	£000	£000	£000
As at 1 April 2008	2,976	542	618	-	-	4,136
Arising during the year	1,925	51	-	347	217	2,540
Provisions written back	(135)	-	(394)	-	-	(529)
Utilised during the year	(1,874)	-	(201)	-	-	(2,075)
As at 31 March 2009	2,892	593	23	347	217	4,072
As at 31 March 2008	2,976	542	618	-	-	4,136

					Core Department
	Early departure provision	FSA Board Pension provision	Legal claims	Total	
	£000	£000	£000	£000	£000
As at 1 April 2008	2,726	542	618	3,886	
Arising during the year	644	51	-	695	
Provisions written back	(135)	-	(394)	(529)	
Utilised during the year	(1,674)	-	(201)	(1,875)	
As at 31 March 2009	1,561	593	23	2,177	
As at 31 March 2008	2,726	542	618	3,886	

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.

The legal claims provision mainly relates to legal costs in respect of the 'Infant Formula' litigation. A separate provision had previously been included for £395,000 in relation to a potential compensation claim being made in respect of a poultry inspection assistant. However, in the highly unlikely event of the aforementioned case now being brought, the provision has subsequently been written back.

The onerous lease provision is due to the restructuring of the Meat Hygiene Service. They have closed down Regional Offices and are still liable to lease commitments on the properties.

The personal injury claims provision relate to various personal injury claims taken out by staff against the Meat Hygiene Service (MHS). The MHS has admitted liability for these claims but the cases are waiting to be settled.

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 2009, contributions of £3.1m were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2008, this rate was 17.9% of pensionable remuneration. The rate is unchanged for the year commencing 1 April 2009.

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

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

offset due to improvements in:

- investment performance.

On the basis of the full actuarial valuation the MHS Fund deficit was £27.6m. The agency agreed to increase the funding to the scheme, payable for 20 years. For 2009/10 £1.6m will be paid.

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

An updated valuation, under FRS17 criteria, resulted in a calculated deficit of £44.4m as at 31 March 2009 compared with a calculated deficit of £28.0m as at 31 March 2008.

The projected unit method of valuation has been used to calculate the service cost under FRS17.

The actuary has estimated the employer's contributions for 2009-10 to be £4.6m.

Financial Assumptions

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

	<u>31 March 2009</u>	<u>31 March 2008</u>
Inflation/ Pension increase rate	3.1%	3.6%
Salary Increases	4.6%	5.1%
Expected Return on Assets	6.4%	3.6%
Discount Rate	6.9%	6.9%

Mortality

Life expectancy is based on the actuarial PFA92 and PMA92 tables, projected to the calendar year 2033 for non-pensioner and 2017 for pensioners. Based on these assumptions, the average life expectancies at age 65 are summarised below. An additional liability loading of 3.5% for prospective pensioners and 1.7% for current pensioners is applied by the actuary.

	<u>Males</u>	<u>Females</u>
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

Movement in liabilities

	31 March 2009	31 March 2008
	£000	£000
Opening Defined Benefit Obligation	127,767	141,154
Current service cost	2,663	4,809
Interest cost	8,953	7,682
Contributions by members	1,204	1,435
Actuarial Losses/(Gains)	(13,568)	(23,307)
Past service Costs/(Gains)	1,623	-
Losses/(Gains) on Curtailments	1,974	336
Estimated unfunded benefits paid	(141)	(140)
Estimated benefits paid	(3,254)	(4,202)
Closing Defined Benefit Obligation	127,221	127,767

Movement in assets

	31 March 2009	31 March 2008
	£000	£000
Opening Fair Value of Employer's Assets	99,777	94,419
Expected Return on Assets	7,149	6,928
Contributions by Members	1,204	1,435
Contributions by Employer	6,837	6,732
Contributions in respect of Unfunded Benefits	141	140
Actuarial Gains/(Losses)	(28,908)	(5,535)
Unfunded Benefits Paid	(141)	(140)
Benefits Paid	(3,254)	(4,202)
Closing Fair Value of Employer Assets	82,805	99,777

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

	Long term rate of return expected at 31/03/09	Value at 31/03/08 £000	Long term rate of return expected at 31/03/08	Value at 31/03/07 £000
Equities	7.0%	47,199	7.5%	59,598
Bonds	5.5%	8,281	6.3%	19,256
Property	6.0%	20,701	6.7%	17,931
Cash	4.0%	6,624	4.8%	2,992
Market value of assets		82,805		99,777
Present value of scheme liabilities		(127,221)		(127,767)
Net pension liabilities		(44,416)		(27,990)

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 2009	31 March 2008
Inflation/Pension increase rate	3.1%	3.6%
Salary Increases	4.6%	5.1%
Expected Return on Assets	6.4%	3.6%
Discount Rate	6.9%	6.9%

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 20b.4 and 20b.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

	2008-09	2007-08
	£000	£000
Scheme liability at 1 April	(27,990)	(46,735)
Current service cost	(2,664)	(4,809)
Employer contributions	5,420	3,654
Payment of deficit	1,558	3,218
Curtailments and settlements	(1,974)	(336)
Past service cost	(1,623)	–
Other finance net interest charged (note 20b 3)	(1,805)	(754)
Actuarial (loss)/ gain (note 20b 4)	(15,338)	17,772
Scheme liability at 31 March	(44,416)	(27,990)

20b 3 Analysis of the amount charged to operating profit

	Year to 31 March 2009	Year to 31 March 2008
	£000	£000
Current service costs	(2,664)	(4,809)
Past service cost	(1,623)	–
Curtailement and settlements	(1,974)	(336)
Total operating charge (A)	(6,261)	(5,145)
	Year to 31 March 2009	Year to 31 March 2008
	£000	£000
Amount charged to programme costs (note 5)		
Expected return on pension scheme assets	7,149	6,928
Interest on pension scheme liabilities	(8,954)	(7,682)
Net cost (B)	(1,805)	(754)
Net revenue account cost (A)-(B)	(8,066)	(5,899)

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

	2008-09	2007-08
	£000	£000
Actual return less expected return on pension scheme assets	15,347	8,949
Experience gains and losses arising on the scheme liabilities	(9)	(6,177)
Changes in financial assumptions underlying the present value of scheme liabilities	–	(20,544)
Actuarial gain/loss recognised in the statement of total recognised gains losses	<u>15,338</u>	<u>(17,772)</u>

20b 5 History of experience gains and losses

	2008-09	2007-08	2006-07	2005-06	2004-05
Difference between the expected and actual return on scheme assets:					
Amount (£000)	(15,347)	(8,949)	823	10,688	1,774
Value of assets (£000)	82,805	99,777	94,419	84,007	64,672
Percentage of assets	-18.5%	-9.0%	0.9%	12.7%	2.7%
Experience gains/(losses) on liabilities:					
Amount (£000)	9	6,177	(92)	(477)	(221)
Value of assets (£000)	127,221	127,767	141,154	111,267	109,809
Percentage of assets	0.0%	4.8%	-0.1%	-0.4%	-0.2%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(15,338)	17,772	(19,744)	19,643	(653)
Value of assets (£000)	127,221	127,767	141,154	111,267	109,808
Percentage of assets	-12.1%	13.9%	-14.0%	17.7%	-0.6%

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

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(28,203)	(62,646)	(31,111)	(76,815)
MHS Actuarial gain/(loss)	–	(15,338)	–	17,772
Parliamentary Funding Drawn Down	121,591	164,591	135,293	171,293
Deemed Supply	3,692	5,844	1,928	4,174
Supply Debtor – current year	859	(3,979)	(3,692)	(5,844)
Net Operating Cost	(119,286)	(155,109)	(130,349)	(172,239)
Non Cash Charges:				
Cost of Capital credit	(559)	(1,927)	(779)	(2,058)
Auditors' remuneration	111	148	100	133
Indirect funding	54	54	52	52
Transfer to general fund of realised element of revaluation reserve	–	–	61	61
Adjustment – Meat Hygiene Internal Cash Funding	(1,052)	–	–	–
Adjustment to Fixed Assets/ General Fund	–	–	296	823
Prior year adjustment	–	–	(2)	3
Balance at 31 March	<u>(22,793)</u>	<u>(68,362)</u>	<u>(28,203)</u>	<u>(62,646)</u>

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

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

An adjustment of £1,052,000 was made to the General Fund for the elimination of intercompany balances relating to the service level agreement with the Meat Hygiene Service for Meat Hygiene work. The MHS undertook work on Specified Risk Material and Meat Products on behalf of FSA. As at 31 March 2009, the FSA had made payment in advance of £1,052,000 to MHS. This adjustment only affects Core FSA.

22. Revaluation Reserve

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	-	-	353	406
Arising on revaluation during the year	-	-	4	4
Adjustment – Write back of revaluation	-	-	(296)	(349)
Transferred to general fund in respect of realised element of revaluation reserve	-	-	(61)	(61)
Balance at 31 March	-	-	-	-

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

	2008-09	Restated 2007-08
	£000	£000
Net operating cost	155,109	172,239
Adjustment for non-cash transactions	(4,934)	(9,009)
(Decrease)/Increase in debtors	(1,542)	1,000
Decrease/(Increase) in creditors	13,850	(6,179)
less movements in creditors relating to items not passing through the OCS	(1,865)	1,670
Use of provisions	2,604	345
Cash contribution to pension deficit	1,558	6,872
	164,780	166,938

b Analysis of capital expenditure and financial investment by Request for Resources

	2008-09	Restated 2007-08
	£000	£000
Tangible fixed asset additions	1,500	2,426
Intangible fixed asset additions	176	277
Proceeds of disposal of fixed assets	–	(18)
Net cash outflow from investing activities	1,676	2,685

1 Following a revision of its capitalisation policy the FSA wrote off those assets purchased in year affected by the change in threshold.

c Analysis of capital expenditure and financial investment Requested for Resources

	Capital expenditure	A in A	Net Total
	£000	£000	£000
Request for resources	1,676	–	1,676
Total 2008-09	1,676	–	1,676
Total 2007-08 Restated	2,703	(18)	2,685

d Analysis of financing

	2008-09	2007-08
	£000	£000
From the Consolidated Fund	143,210	148,111
From the Devolved Authorities	21,381	23,181
Net Financing	164,591	171,292

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

	2008-09	Restated 2007-08
	£000	£000
Net cash requirement	(166,456)	(169,622)
From the Consolidated Fund (Supply) – current year	164,591	171,292
(Decrease)/Increase in cash	(1,865)	1,670

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

Programme costs have been allocated as follows:

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Aim 1		
Food Safety:	84,662	88,872
– 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:	6,734	13,434
– 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:	4,810	7,851
– to enable consumers to make informed choices.		
	<u>96,206</u>	<u>110,157</u>

A breakdown by activity of total programme costs can be found in note 11.

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.

	<u>2008-09</u>		<u>2007-08</u>	
	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	350	350	126	126
Expiry thereafter	6,061	6,061	6,286	6,286
	<u>6,411</u>	<u>6,411</u>	<u>6,412</u>	<u>6,412</u>
Other:				
Expiry within 1 year	34	74	62	62
Expiry after 1 year but not more than 5 years	12	384	12	12
	<u>46</u>	<u>458</u>	<u>74</u>	<u>74</u>

26. Other financial commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £39,921,637 up to 31 March 2014.

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	18,711	18,711	18,941	18,941
Expiry after 1 year but not more than 5 years	20,978	20,978	30,498	30,498
Expiry after more than 5 years	233	233	921	921
	39,922	39,922	50,360	50,360

27. Contingent liabilities

- i There is a compensation claim being sought against the FSA for £40,000. This case will be defended. No provision has been made for this in the accounts.
- ii There are a number of small claims being made by MHS employees and others for injuries sustained in the workplace, unfair dismissal or other issues. These cases will be defended and as yet the outcome is not known but could cost approximately £159,000. No provision has been made for these cases, however, a provision of £217,000 has been made for cases where liability has been admitted.

There was no provision at the end of the prior year.

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 Food Standards Agency has related party transactions with its executive agency, the Meat Hygiene Service (MHS). The MHS undertook work on Specified Risk Material and Meat Products on behalf of FSA. Intercompany transactions with MHS of £10,439,000 were eliminated from the accounts. As at 31 March 2009, the FSA had made a payment in advance of £1,052,000 to MHS.

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

Department of Environment, Fisheries & Rural Affairs (DEFRA) and its agencies as listed below. Most of the work with DEFRA is for analytical sampling and inspections.

- Veterinary Laboratories Agency (part of DEFRA).
- Centre for Environment, Fisheries & Aquaculture (part of DEFRA)
- Central Science Laboratory (part of DEFRA)
- Animal Health (part of DEFRA)

As at 31 March 2009, £548,341 was due from DEFRA.

Department of Agriculture and Rural Development, Northern Ireland (DARD). Work for DARD includes the auditing and monitoring of enforcement of meat and other foods. As at 31 March 2009, £206,363 was due from DARD.

Central Office of Information (COI). COI provide printing, publicity and campaign work for the FSA. There were no outstanding balances as at 31 March 2009.

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

29. Financial Instruments

'FRS 25, 26 and 29 – Derivatives and Other Financial Instruments' requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Agency is financed by the Government and therefore it is not exposed to the risk faced by business entities. Also financial instruments play no role in creating or changing risk unlike that which would be typical of the listed companies to which FRS 29 mainly applies. The Agency does not have any powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Agency in undertaking its activities.

Liquidity risk

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

Currency risk

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

Credit risk

The Agency has no long term debt and both debtors and creditors fall within one year. The majority of the Agency's income comes from contracts with the Department of Health and other public sector bodies therefore the Agency has no exposure to credit risk. The maximum exposure as at 31 March 2009 is in receivables from customers, as disclosed in the debtors note.

Interest rate risk

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

Financial assets

		Total	Floating Rate	Fixed Rate	Core Non-interest bearing
	Currency	£000	£000	£000	£000
At 31 March 2009					
Sterling		-	-	-	-
Other		-	-	-	-
Gross Financial Asset		-	-	-	-
At 31 March 2008					
Sterling		-	-	-	-
Other		-	-	-	-
Gross Financial Asset		-	-	-	-

		Total	Floating Rate	Fixed Rate	Consolidated Non-interest bearing
	Currency	£000	£000	£000	£000
At 31 March 2009					
Sterling		4,027	-	-	4,027
Other		-	-	-	-
Gross Financial Asset		4,027	-	-	4,027
At 31 March 2008					
Sterling		5,905	-	-	5,905
Other		-	-	-	-
Gross Financial Asset		5,905	-	-	5,905

Financial liabilities

		Total	Floating Rate	Fixed Rate	Core Non-interest bearing
	Currency	£000	£000	£000	£000
At 31 March 2009					
Sterling		13,702	-	-	13,702
Other		-	-	-	-
Gross Financial liability		13,702	-	-	13,702
At 31 March 2008					
Sterling		15,320	-	-	15,320
Other		-	-	-	-
Gross Financial Liability		15,320	-	-	15,320

Note: Non-interest bearing financial liabilities are comprised of provisions for early retirement, pension provision and provision for legal claims.

Currency	Total	Floating Rate	Fixed Rate	Consolidated Non-interest bearing
	£000	£000	£000	£000
At 31 March 2009				
Sterling	61,662	44,416	–	17,246
Other	–	–	–	–
Gross Financial liability	61,662	44,416	–	17,246
At 31 March 2008				
Sterling	43,855	27,990	–	15,865
Other	–	–	–	–
Gross Financial Liability	43,855	27,990	–	15,865

Non-interest bearing financial liabilities comprise: Early Retirement Provisions, Provision for Personal Injury Claims and Onerous Lease Provision, Laundry Contract and Photocopier Contract.

Floating rate financial liabilities comprise LGPS Pension provision.

Foreign currency risk

The Agency has no foreign currency income or expenditure.

Fair Values

A comparison, by category, of book values and fair values of the Agency's financial assets and liabilities as at 31 March 2009 is as follows:

	Book value	Fair value	Core Basis of valuation
	£000	£000	£000
Financial assets:			
Cash	–	–	Cash Basis
Debtors over 1 year	–	–	
Total	–	–	
	Book value	Fair value	Consolidated Basis of valuation
	£000	£000	£000
Financial assets:			
Cash	3,979	3,979	Cash Basis
Debtors over 1 year	48	48	
Total	4,027	4,027	

	<u>Book value</u>	<u>Fair value</u>	Core Basis of valuation
	£000	£000	£000
Financial liabilities:			
Bank overdraft	(859)	(859)	Cash Basis
Creditors over 1 year:			
Early retirements	1,561	1,561	
Board Pension Provisions	593	593	
Other	11,548	11,548	
Total	12,843	12,843	

	<u>Book value</u>	<u>Fair value</u>	Consolidated Basis of valuation
	£000	£000	£000
Financial liabilities:			
Creditors over 1 year:			
LGPS pension provision	44,416	44,416	
Early retirement provisions	2,892	2,892	
Board Pension Provisions	593	593	
Personal injury claims provision	217	217	
Onerous leases provision	347	347	
Other	11,548	11,548	
Provisions under contracts	–	–	
Loans	–	–	
Contracts with embedded derivatives	15	15	
Total	60,028	60,028	

30. Losses and Special Payments

During the year the FSA made special payments amounting to £1,000.

However, the Meat Hygiene Service made 27 special payments amounting to £602,000 (£142,000 relating to 35 cases in 2007/08). The majority of the cases refer to compensation and personal injury claims. One payment of £320,000 was made relating to a personal injury case.

31. Capital Commitments

At the end of the year there were commitments of £9,000 for the purchase of capital items.

At the end of the previous year there were commitments of £34,000 for the purchase of capital items.

32. Prior Period Adjustments

The Prior Period Adjustments relate to fixed assets valuation as a result of reverting from modified historic cost accounting to historic cost accounting as of 1st April 2008. The impact of the prior period adjustments is a reduction in the (credit) balance on the General Fund by £823,000 of which £527,000 relates to MHS. The change in accounting principle would have resulted in a difference in the depreciation charge for 2007-08 of £44,000. The prior year adjustment would not have had a material impact on the Operating Cost Statement in 2007/08.

The entries relating to the change in fixed assets valuation policy, which has been treated as a Prior Year Adjustment are as follows:

- i Revaluation reserve of £349,000 released to the General Fund
- ii Write back of asset revaluation of £471,000 to the General Fund
- iii Increase in Cost of Tangible Fixed Assets of £289,000, comprising of Fixtures & Fittings (£1,272,000), Office Equipment (£187,000), Computer Equipment £1,750,000, Motor Vehicles (£2,000).
- iv Increase in Accumulated Depreciation of Tangible Fixed Assets of (£1,103,000), comprising of Fixtures & Fittings (£132,000), Office Equipment (£132,000), Computer Equipment (£1,276,000), Motor Vehicles (£1,000).
- v Increase in Cost of Intangible Fixed Assets of £694,000 relating to Software Licences
- vi Increase in Accumulated Depreciation of Intangible Fixed Assets of £514,000.

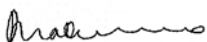
Since these entries are Prior Period Adjustments and the historic cost accounting has been applied from 1 April 2008, there is no effect on the 2008-09 results of the Food Standards Agency.

33. Post Balance Sheet Events

There were no reportable post balance sheet events between the balance sheet date and the 8th 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. This Accounts Direction applies to the consolidated resource accounts of the Food Standards Agency in respect of the Estimate approved by the House of Commons under section 5 of the Government Resources and Accounts Act 2000; the sums paid by the Welsh Assembly Government under section 39(3)(a) of the Food Standards Act 1999 ("the Act"); the sums paid out of the Scottish Consolidated Fund under section 39(3)(b) of the Act; and the sums appropriated by an Act of the Northern Ireland Assembly under section 39(3)(c) of the Act.
2. The Food Standards Agency shall prepare consolidated resource accounts for the year ended 31 March 2008 and all subsequent years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ("the FReM") which is in force for that year.
3. The consolidated resource accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.
5. This Accounts Direction supersedes all previous Directions issued by HM Treasury.

**David Watkins**

Head of the Financial Reporting Policy Team, HM Treasury
14 November 2007

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF FINANCE AND PERSONNEL IN ACCORDANCE WITH SECTION 9(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT (NORTHERN IRELAND) 2001

1. This direction applies to those **Northern Ireland departments** and club **pension schemes** listed in the attached appendix.
2. These departments and **pension schemes** shall prepare resource accounts for the year ended 31 March 2009 and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the relevant edition of the *Government Financial Reporting Manual* ("the FReM").
3. The accounts for **Northern Ireland departments** shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2009 and subsequent financial years 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 or material transactions that have not conformed to the authorities which govern them.
4. The accounts for club **pension schemes** shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2009 and subsequent financial years 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 the Assembly 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 FReM should be discussed in the first instance with DFP.



DAVID THOMSON
Treasury Officer of Accounts
22 April 2009

FOOD STANDARDS AGENCY**DIRECTION BY THE SCOTTISH MINISTERS
in accordance with section 39(7) and Schedule 4 of the Food Standards
Act 1999**

1. 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 financial year ended 31 March 2006 and subsequent years. The statement shall comprise:

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

2. The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the year, the capital expenditure for the year and reconcile the net resource outturn to the sums paid out of the Scottish Consolidated Fund for the year. Subject to these requirements the statement shall also be prepared in accordance with the requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared. A separate foreword, statement of the state of affairs at 31 March, and a statement of resources applied to objectives, recognised gains and losses, and cashflows for the year will not be required.

3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 1 October 2001 is hereby revoked.



Signed by the authority of the Scottish Ministers
Dated 17 January 2006

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

The Food Standards Agency ("the Agency") shall report its funding and expenditure in relation to sums paid by the Welsh Assembly Government in a Statement of Accounts for the year ended 31 March 2008 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 in the year and reconcile the net resource outturn to the sums provided by the Welsh Assembly Government for the financial year. Subject to these requirements the statement of account shall also be prepared in accordance with the requirements of the edition of the Government Financial Reporting Manual ("the FReM") issued by HM Treasury 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, statement of resources applied to objectives, statement of recognised gains and losses and cashflow statement for the year then ended will not be required.

This direction shall be reproduced as an appendix to the statement of accounts. This direction revokes any directions issued previously.

Signed by Authority of the Welsh Assembly Government:
5 November 2007

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

1. This direction applies to those **government departments** and **pension schemes** listed in the attached appendix.
2. These departments and pension schemes shall prepare resource accounts for the year ending 31 March 2009 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ("the FReM") which is in force for 2008-09.
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 2009 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 2009 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.

Ken Beeton

Director, Financial Management and Reporting, Her Majesty's Treasury
18 December 2008



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