Food Standards Agency Westminster

Annual Report and Accounts 2010/11

(For the year ended 31 March 2011)

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Westminster Annual Report

Preparation of Accounts

The Food Standards Agency (FSA) Westminster Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The accounts are laid before Parliament under the Government Resources and Accounts Act 2000. The costs of the FSA offices in Scotland, Wales and Northern Ireland are funded through the relevant devolved authority.

Statutory Background

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

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

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

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

Aims of the Food Standards Agency

When our Strategy to 2015 was first published in December 2009, we made a commitment to review it annually to make sure it continues to protect public health. The first update of the Strategy, published in March 2011, reflects recent changes to the remit of the FSA, new information on allergens and, following the merger with the Meat Hygiene Service, a more extensive enforcement role for the FSA.

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

The outcomes we aim to deliver through the revised Strategy to 2015 are:

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

The Strategy to 2015 is written in a clear and concise way to help consumers understand it, and is shaped by our core principles of putting the consumer first, openness and transparency, and being science and evidence-based. The full text of the Strategy is available on our website **food.gov.uk**.

A table – 'Strategy to 2015: Performance measures table of successes and impacts' – published with the Strategy sets out how we will know whether we and others are being successful. We are considering the need for specific performance measures to be developed, and we will report against them in future years.

Our Science and Evidence Strategy

To support the delivery of the updated strategy, we have updated our Science and Evidence Strategy 2010/2015, which sets out how we will use science and evidence to meet the challenges of delivering safer food for the nation.

The Science and Evidence Strategy re-iterates our commitment to using the best available science and evidence in an open and transparent manner. We will continue to be guided by independent scientific advice, and we will launch new research partnerships to further our understanding as we seek to manage risk to ensure food safety. The full text of our Science and Evidence Strategy is available on our website **food.gov.uk**.

The responsibilities of the FSA

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

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

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

Financial review

Resource spend in 2010/11

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

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

The comparative figures for 2009/10 are shown below:

	2009/10 Estimate £m	Net Operating Cost £m
Total Westminster Funded FSA	132.9	116.4

The net cost of the Westminster FSA was £68.9m against available funding of £125.4m to 31 March 2011. Total net expenditure was 45% lower than Estimate by £56.5m. The Westminster Funded FSA saving of £56.5m is due largely to an underspend of £35m programme expenditure through restrictions on advertising campaigns and publicity, reduced staff available for project management and £17.2m pension past service gain. There was a £4.3m administration saving on staff costs due to restructuring and Government restrictions on recruitment.

Reconciliation of resource expenditure

Reconciliation of resource expenditure between Estimates, Accounts, and Budgets

	2009/10 £000	2010/11 £000
Net Resource Outturn (Estimates)	**116,444**	**68,891**
Adjustments to remove:		
Provision voted for earlier years	–	–
Adjustments to additionally include:		
Non-voted expenditure in the OCS	–	–
Consolidated Fund Extra Receipts in the OCS	–	–
Reductions in planned spend unable to be included in the Estimate	–	–
Other adjustments	–	–
Net Operating Cost (Accounts)	**116,444**	**68,891**
Adjustments to remove:		
Capital grants to local authorities	–	–
Capital grants financed from the Capital Modernisation Fund	–	–
European Union income and related adjustments	–	–
Voted expenditure outside the budget	–	–
Adjustments to additionally include:		
Other Consolidated Fund Extra Receipts	–	–
Resource consumption of non departmental public bodies	–	–
Unallocated resource provision	–	–
Other adjustment	–	–
Resource Budget Outturn (Budget)	**116,444**	**68,891**
of which		
Departmental Expenditure Limits (DEL)	132,871	125,407
Annually Managed Expenditure (AME)	–	–

Core Tables

The following five tables are included in the Annual Report and Accounts from 2010/11. They are designed to allow users to review financial performance over past and future periods and currently provide information up until the end of the new Spending Review period. Tables are consistent in their presentation across government departments and allow users to make comparison

Table 1: FSA – Total departmental spending

£000

	2005/06 Outturn	2006/07 Outturn	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Estimated Outturn	2011/12 Plans	2012/13 Plans	2013/14 Plans	2014/15 Plans
Resource DEL										
Section A: Food Standards Agency Westminster DEL	124,537	130,037	132,919	124,165	117,498	85,474	113,826	108,145	103,140	98,448
Total Resource DEL	**124,537**	**130,037**	**132,919**	**124,165**	**117,498**	**85,474**	**113,826**	**108,145**	**103,140**	**98,448**
Resource AME										
Section B: Food Standards Agency Westminster AME	1,843	5,187	8,631	391	3,012	(12,717)	9,953	9,953	9,953	9,953
Total Resource AME	**1,843**	**5,187**	**8,631**	**391**	**3,012**	**(12.717)**	**9,953**	**9,953**	**9,953**	**9,953**
Of which										
Take up of provisions	2,163	5,883	8,976	2,405	3,931	(10,089)	12,530	12,530	12,530	12,530
	(320)	(696)	(345)	(2,014	(919)	(2,628)	(2,577)	(2,577)	(2,577)	(2,577)
Total Resource Budget	**126,380**	**135,227**	**141,550**	**124,556**	**120,510**	**72,757**	**123,779**	**118,098**	**113,093**	**108,401**
Of which										
Depreciation [2]	2,182	2,142	2,104	1,244	1,382	1,208	1,180	977	810	702
Capital DEL										
Section A: Food Standards Agency Westminster DEL	1,353	874	2,583	1,538	421	173	307	310	279	353
Total Capital DEL	**1,353**	**874**	**2,583**	**1,538**	**421**	**173**	**307**	**310**	**279**	**353**
Of which										
Net capital procurement[4]	1,353	874	2,583	1,538	421	173	307	310	279	353
Total Capital Budget	**1,353**	**874**	**2,583**	**1,538**	**421**	**173**	**307**	**310**	**279**	**353**
Total departmental spending[5]	**125,551**	**133,956**	**142,029**	**124,850**	**119,549**	**71,722**	**122,906**	**117,431**	**112,562**	**108,052**
Of which										
Total DEL	123,708	128,769	133,398	124,459	116,537	84,439	112,953	107,478	102,609	98,099
Total AME	1,843	5,187	8,631	391	3,012	(12,717)	9,953	9,953	9,953	9,953

1 Net of income from sales of goods and services
2 Includes impairments
4 Expenditure of tangible and intangible fixed assets net of sales
5 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation.

Note – The Outturn figures above differ to the Annual Accounts' Statement of Comprehensive Net Expenditure due to a Machinery of Government change. Defra has transferred its budget to the FSA for certain checks on cattle slaughtered for human consumption aged over 30 months. In 2009/10 this is a difference of £4,066k and in 2010/11 £3,866k. This change is not reflected in the Annual Accounts as it was not effective until 1 April 2011, however the Core Tables data for all periods have been adjusted in line with Treasury guidance.

Reconciliation of Outturn to Annual Accounts net expenditure:

	2009/10 £000	2010/11 £000
Net Operating Cost in Annual Accounts	£116,444	£68,891
Over Thirty Months MOG change	£4,066	£3,866
Total Resource Budget Outturn	£120,510	£72,757

Total Resource DEL has been steadily decreasing since 2007/08 with a significant reduction in 2010/11 mainly due to government spending restrictions. The majority of the 2010/11 £29m underspend to Budget is programme expenditure as a result of restrictions on advertising campaigns / publicity and reduced staff levels available for project management. The planned expenditure for 2011/12 is significantly higher than the reported Outturn for 2010/11, but is a reduction to the 2010/11 baseline budget figure of £116m and shows a trend of future spending reduction in line with government policy.

Total Resource AME has significantly increased in the Spending Review period. This is to reflect the introduction of the Clear Line of Sight initiative and the implications for reporting provisions. The FSA AME budget for 2010/11 £11,078k, was significantly higher than the Outturn credit of (£12,717k). This variance of £23,795k was caused by 2 key factors: firstly, the accounting change for retail price index to consumer price index for pensions uprating resulting in a (£17,133k) credit to 2010/11 Net Expenditure; secondly, the budget for Resource AME took into account the volatile nature of the FSA provisions particularly the LGPS pension deficit which is reported in accordance with actuarial valuations under the accounting standard IAS19. The plans for the spending review period also reflect the future uncertainty in creation of provisions.

Capital DEL expenditure has reduced significantly from 2009/10. This is following a prior period of significant investment in IT infrastructure and a review of our capitalisation policy which has resulted in less items being classified as capital expenditure.

Table 2: Total departmental spending

	2010/11 Original provision	2010/11 Supplementary estimate	2010/11 Final outturn
			£000
Resource DEL			
Section A: Food Standards Agency Westminster (DEL)	130,388	114,329	85,474
Total Resource DEL	**130,388**	**114,329**	**85,474**
Resource AME			
Section B: Food Standards Agency Westminster (AME)	1,247	11,078	(12,717)
Total Resource AME	**1,247**	**11,078**	**(12,717)**
Of which			
Take up of provisions	1,247	11,078	(10,089)
Release of provisions		(2,661)	(2,628)
Total Resource Budget	**131,635**	**125,407**	**72,757**
Of which			
Depreciation [2]	1,861	1,861	1,208
Capital DEL			
Section A: Food Standards Agency Westminster (DEL)	601	601	173
Total Capital DEL	**601**	**601**	**173**
Of which			
Net capital procurement[4]	601	601	173
Total Capital Budget	**601**	**601**	**173**
Total departmental spending[5]	**130,375**	**124,147**	**71,722**
Of which			
Total DEL	129,128	113,069	84,439
Total AME	1,247	11,078	(12,717)

1 Net of income from sales of goods and services
2 Includes impairments
4 Expenditure of tangible and intangible fixed assets net of sales
5 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation.

Note – the supplementary estimate is adjusted for the Machinery of Government changes transferring the function of labelling to Defra and nutrition to the Department of Health (£16.1m).

In addition, an increase to the AME budget is to cover provision movement volatility, particularly the LGPS Pension deficit (£9.8m).

Table 3: Westminster Statement of Financial Position

Assets and liabilities on the statement of financial position at end of year	2006/07 outturn	2007/08 outturn	2008/09 outturn	2009/10 outturn	2010/11 outturn
Assets					
Non-current assets					
Intangible	638	886	813	1276	858
Property Plant and Equipment					
Of which:					
Land and buildings					
Plant and machinery					
Fixtures and fittings inc IT assets	2,591	3,359	3,651	2,129	1,408
Investments	–	–	–	–	–
Current assets	17,129	14,660	14,470	18,264	14,595
Liabilities					
Current (<1 year)	(34,703)	(37,142)	(26,477)	(32,078)	(17,815)
Non-current (>1 year)	(11,342)	(14,199)	(14,685)	(15,172)	(15,475)
Provisions	(47,982)	(31,671)	(48,488)	(107,268)	(51,723)
Total Capital Employed	(73,669)	(64,107)	(70,716)	(132,849)	(68,152)

Assets and liabilities on the statement of financial position at end of year	20011/12 outturn	2012/13 outturn	2013/14 outturn	2014/15 outturn
Assets				
Non-current assets				
Intangible	836	822	788	819
Property Plant and Equipment				
Of which:				
Land and buildings				
Plant and machinery				
Fixtures and fittings inc IT assets	1,094	858	681	548
Investments	–	–	–	–
Current assets	14,595	14,595	14,595	14,595
Liabilities				
Current (<1 year)	(16,413)	(16,413)	(16,413)	(16,413)
Non-current (>1 year)	(14,696)	(13,918)	(13,139)	(12,361)
Provisions	(51,723)	(51,723)	(51,723)	(51,723)
Total Capital Employed	(66,307)	(65,779)	(65,211)	(64,535)

Note – Significant movement on Provisions from 2006/07 to 2010/11 is due to the LGPS pension deficit volatility which is reported in accordance with actuarial valuations under the accounting standard IAS19. The forecast plans period assumes no movement due to uncertainty in future actuarial assumptions.

Table 4:
Administration budget – Westminster

£000

	2005/06 Outturn	2006/07 Outturn	2007/08 Outturn	2008/09 Outturn	2009/10 Outturn	2010/11 Estimated Outturn	2011/12 Plans	2012/13 Plans	2013/14 Plans	2014/15 Plans
Section A: Food Standards Agency Westminster DEL	38,204	43,871	43,938	45,219	45,647	45,491	46,225	42,427	39,107	36,096
Total administration budget	**38,204**	**43,871**	**43,938**	**45,219**	**45,647**	**45,491**	**46,225**	**42,427**	**39,107**	**36,096**
Of which:										
Expenditure	59,798	66,321	44,145	44,706	47,113	48,892	50,816	47,126	43,922	41,043
Income	(21,594)	(22,450)	(207)	513	(1,466)	(3,401)	(4,591	(4,699)	(4,815)	(4,947)

Adjusted FSA administration budget – Westminster

£000

Adjustment (MHS admin cost)	7,951	9,130	9,144	9,411	9,500	–	–	–	–	–
Total administration budget adjusted	**46,155**	**53,001**	**53,082**	**54,630**	**55,147**	**45,491**	**46,225**	**42,427**	**39,107**	**36,096**

Note – Following the merger of the MHS into the FSA Operations group on 1 April 2010, and subsequent restructure of the FSA, certain Programme costs for MHS corporate services were reclassified as Administration costs. These consisted of; Staff costs £5.4m, Depreciation £0.2m, Amortisation £0.4m, Accommodation £1.4m, Administration £0.7m and IT costs £1.4m.

Adjusted figures assume the years prior to 2009/10 were pro rated in line with FSA figures for 2005/06 – 2007/08.

Table 5:

Staff in post – Westminster

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

	Average number of persons employed		
	2008/09	2009/10	2010/11
Permanent staff	1,748	1,406	1,276
Temporary	518	546	512
Board	13	12	12
TOTAL	**2,279**	**1,964**	**1,800**

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

Note – Permanent staff have reduced over the 3 year period in line with Government restrictions on recruitment and savings in positions through restructuring and efficiency measures. The increase in temporary staff from 2008/09 to 2009/10 is a result of additional corporate services agency staff being used during the FSA / MHS integration period.

Performance Reporting

The FSA's 2010/11 Annual Report, required by the Food Standards Act 1999, explains in detail the work and achievements of the organisation during the year. It is published with the consolidated accounts for the Food Standards Agency. Copies of this report are also available from 'The Stationery Office', and the FSA's website.

We report here on progress against the outcomes and priorities in our original Strategy to 2015. From 2011/12 onwards, we will report against our Strategy to 2015 published in March 2011

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

Main priorities
Reduce foodborne disease using a targeted approach – tackling campylobacter in chicken as a priority.
Increase horizon scanning and improve forensic knowledge of, and intelligence on, global food chains to identify and reduce the impact of potential new and re-emerging risks – particularly chemical contamination.

Highlights of our activities and performance in 2010/11
During 2010 we reviewed and refreshed our Foodborne Disease Strategy (FDS) to ensure there was a clear focus on delivery of a reduction in foodborne illness, one of our main priorities. The Strategy adopts a targeted approach by tackling two key foodborne pathogens, campylobacter and listeria, as an initial priority. We ran a full public consultation on the new FDS, and it was finalised by the end of 2010. As part of the FDS, we have worked closely with our partners (the British Poultry Council, the British Retail Consortium, and Defra) on the Joint Government/Industry Working Group on Campylobacter Reduction. We have agreed a joint action plan to test interventions to reduce campylobacter in chicken, on farm and in the slaughterhouse. Supported by modelling of the effect of different interventions, the Working Group has agreed a robust and achievable evidence-based target for reduction on carcasses, to be achieved by 2015 with initial results expected by 2013. The joint government and industry target was published in December 2010. Industry has put in place a voluntary harmonised monitoring programme, and we will put in place an independent quality assessment of this monitoring alongside a minimal programme of independent monitoring. We hosted a major two-day international conference in March 2010 on Campylobacter Reduction in Chicken. The meeting was attended by international regulators and experts, the UK poultry industry and retailers, the European Commission, and the European Food Safety Authority. The meeting considered strategies that had been effective in other countries, and the feasibility of, or barriers to, using them effectively in the UK. The proceedings of the meeting were published in June 2010[1].

[1] food.gov.uk/multimedia/pdfs/campyloconf.pdf

We agreed a five-year joint campylobacter research programme with the Biotechnology and Biological Sciences Research Council and Defra. It is the first time all three organisations have agreed a common set of objectives for campylobacter research. The joint strategy and initial calls for new research were published in July 2010[2].

Also in relation to Campylobacter, the FSA in NI and Scotland together commissioned a study to evaluate training provided to Catching Teams in 2008, identifying effectors for good/poor practice in relation to bio-security implementation on poultry farms.

We issued guidance to clarify the steps food businesses need to take to control the risk of contamination from the food bug *E. coli* O157. Outbreaks of *E. coli* in Scotland in 1996 and Wales in 2005 resulted in serious illness or death for some affected individuals. The outbreaks were attributed to cross-contamination arising from poor handling of food. The new guidance reminds food businesses what they should be doing to protect their customers from the serious consequences of *E. coli* food poisoning. For example, key measures include identification of separate work areas, surfaces and equipment for raw and ready-to-eat food, and use of separate complex equipment, such as vacuum-packing machines, slicers, and mincers for raw and ready-to-eat food. Many businesses will already be following the steps in the guidance, but it is intended to provide reassurance that they are doing everything they can to prevent cross-contamination. We also expect local authorities to use the guidance when inspecting businesses in their areas.

There has been new data on the number of cases of illness due to norovirus, emphasising the importance of our current work on this organism. However, tackling campylobacter continues to be the main priority.

In 2010 the FSA in NI provided evidence and input into the Northern Ireland Executive (MacKenzie), and Agriculture and Rural Development Committee Reviews into the 2008 Dioxin Incident. Senior FSA officials met with the Head of the NI Civil Service and the Permanent Secretaries of DHSSPS, DARD and the Department of Enterprise, Trade and Investment (DETI) shortly after the MacKenzie review to take forward recommendations flowing from the Reviews. The FSA in NI has worked extensively to take account of the recommendations from the reviews and work continues to implement the action plan.

Outcome: imported food is safe to eat.

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

[2] food.gov.uk/multimedia/pdfs/campylobacterstrategy.pdf

Highlights of our activities and performance in 2010/11
A key focus of the programme of work on imports has been implementing new arrangements for better controls on high-risk foods not of animal origin, for example, toxins from mould often found on imported nuts and dried fruit. Arrangements are now fully in place and helping to deliver more risk-based and targeted checks at ports. In parallel, we invested more in developing horizon scanning and intelligence capability about emerging risks and food fraud. The long-term importance of the work was identified in the analysis underpinning the development of the Strategy to 2015, particularly regarding emerging risks in food and feed from non-EU countries. Further work is required to understand global food chains and patterns of imports, placing much greater emphasis on the need for closer working and building intelligence links internationally to reduce problems at source. In the UK, greater pooling of information across regulatory authorities, and with the food industry, is needed to target official controls and own checks by industry to where the risks and issues are.

Outcome: food products and catering meals are healthier.

Main priorities
Continue to achieve reductions in levels of saturated fat, salt, and calories in food products*.
Encourage the development, promotion, and availability of healthier options when shopping and eating out*.
Make sure that portion sizes appropriate for a healthy diet are available and promoted*.

* Responsibility transferred from the FSA to the Department of Health in England and to the Welsh Assembly Government in Wales from 1 October 2010.

Highlights of our activities and performance in 2010/11
We continued with one of the most successful and cost effective public health campaigns ever: the salt campaign. Our work with industry on reducing salt in processed foods has been a key success and this, along with an increased awareness of the dangers of salt, has contributed to people in the UK reducing their salt intake by nearly a gram a day and consequently saving more than 6,000 lives a year. Our work on saturated fat and calories campaigns has stimulated public debate that continues on a daily basis. Efforts to provide the evidence on advertising to children persuaded government to bring in regulations for television advertising. On 1 October 2010 responsibility for nutrition policy in England transferred to the Department of Health and in Wales to the Assembly Government. The FSA continues to advise and support Ministers in Scotland and Northern Ireland on nutrition policy. The FSA in Scotland supports the Scottish Government’s National Food and Drink Policy. The aim is to help improve Scotland’s diet by providing effective support and expert nutrition advice to ensure that there are consistent messages on all aspects of food policy, including production and catering.

In Northern Ireland, within DHSSPS' overarching Investing for Health Strategy, we have continued to work to deliver the outcomes identified for the FSA in 'Fit Futures – Focus on Children and Young People' and the Obesity Prevention Strategic Framework. We have been a key representative on the Obesity Prevention Steering Group (OPSG) and its sub groups, with the FSA's Head of Engagement, Preparedness, Dietary Health and Standards in NI chairing its Food and Nutrition sub group. Strategically, we continue to work at a cross-departmental level to progress the recommendations from the Fit Futures report. Involvement in the Framework for Preventing and Addressing Overweight and Obesity in Northern Ireland 2011-2012 will be the focus of work for the future.

Assessment of emerging risks data shows continuing occurrence of food allergy incidents. Of particular interest is the extent of hospitalisations and associated data, with recording of the causative agents for severe allergic reactions providing firmer evidence of the number of such reactions caused by foods. These new data highlight the importance of our work in this area across the whole of the UK, and suggest the need for more emphasis on increasing provision of information about allergens. An obvious focus for this will be unpackaged foods, particularly in the catering sector, as a significant proportion of reactions occur when buying such products. We already have work under way and will review and assess this, concentrating on how it can help food businesses provide appropriate food allergy and food intolerance information to customers.

We continue to work in partnership with food businesses, consumer support organisations, health professionals, and regulators in the UK and internationally. The focus is to drive forward development of allergen management thresholds (action levels) to be used in the risk assessment of food allergy incidents, and to inform decisions on the use of allergen cross-contamination advisory warnings (such as 'may contain'). This would bring increasing consumer confidence and trust in those warnings that are used.

Outcome: consumers understand about food and healthy eating, and have the information they need to make informed choices.

Main priorities
Improve public awareness and use of messages about healthy eating and good food hygiene practice at home
Increase provision of information to consumers on the hygiene standards of food premises when they choose where to eat
Increase the availability of information on calories in meals in catering establishments *
Promote the adoption of a single, simple and effective front-of-pack labelling approach *
Develop and promote integrated government advice for consumers on food issues *

* Responsibility transferred from the FSA to the Department of Health in England and to the Welsh Assembly Government in Wales from 1 October 2010.

Highlights of our activities and performance in 2010/11

The national Food Hygiene Rating Scheme (FHRS) provides consumers with information on food hygiene standards to help them to choose where to eat out or shop for food. Food outlets, such as restaurants, takeaways, pubs and supermarkets, are inspected by local authority food safety officers to check that their hygiene standards meet legal requirements. The standards found at these inspections are rated on a scale ranging from 0 at the bottom to a top rating of 5. The aim is to encourage businesses to improve standards and reduce the incidence of foodborne illness.

The FHRS was launched on 30 November. A number of local authorities are already rolling out the scheme and publishing ratings at **food.gov.uk/ratings**. We are encouraging remaining authorities to follow the lead of these 'early adopters' and put the scheme in place as soon as they can. Lord Young of Graffham's report on the review of health and safety laws – *Common Sense Common Safety* [3] – provided very strong support for this work. The aim is to have the FHRS established across England, Wales, and Northern Ireland in readiness for the 2012 Olympics and Paralympic Games. A similar scheme – the Food Hygiene Information Scheme – is being run in Scotland. Scottish local authorities that have already rolled out the scheme are publishing inspection results at **food.gov.uk/ratings**.

Ministers agreed a different approach for front of pack labelling as part of the Food Information Regulation negotiations. They agreed a percentage guideline daily amount approach, with other forms of expression being permitted.

The cross-government funders agreed to close Integrated Advice to Consumers website project by the end of October 2010, by which time the following outputs were delivered:

- a project closure report that sets out the work undertaken and insights gained;
- a set of consumer messages drawn from the current evidence on sustainable diets;
- recommendations for structuring and presenting this information based on user research undertaken as part of the project.

We continue to track consumer awareness of the FSA and understanding of food hygiene issues, as it is essential that our work with consumers continues to be underpinned by trust and confidence in the FSA as a source of independent advice on food.

[3] number10.gov.uk/wp-content/uploads/402906_CommonSense_acc.pdf

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

Main priorities
Secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk
Develop our knowledge of what works in driving up business compliance with regulations
Safeguard consumers by making it easier for businesses to comply with regulations, and minimise burdens on businesses
Secure more proportionate, risk-based and effective regulation by strengthening our engagement in the EU and in international forums
Work internationally to design a model for a new regulatory and enforcement regime for ensuring meat controls are effective

Highlights of our activities and performance in 2010/11

The Report of the Public Inquiry into the outbreak of *E.coli* O157 in Wales in 2005 was published in March 2009. To address the recommendations from the report, the Food Hygiene Delivery Programme (FHDP) was established. It prioritises, directs, and measures progress in an ambitious and comprehensive programme of work to improve food hygiene delivery and enforcement across the UK, covering all foodborne pathogens and all food groups.

The FHDP supports the Strategy to 2015 outcomes that food produced or sold in the UK is safe to eat and that regulation is effective, risk-based and proportionate. It complements the Foodborne Disease Strategy which is designed to deliver the strategic priority of reducing foodborne disease using a targeted approach.

Key achievements in 2010/11 include:

- new guidance to food businesses and authorised officers on controlling *E. coli* cross-contamination;
- enhanced training of more than 3,000 authorised officers on effective evaluation of food safety management systems;
- improvements to the current legislation have been identified, with a consultation on extending the use of Remedial Action Notices (a key enforcement tool) running from February to May 2011;
- an overhaul of the audit process and protocols FSA uses to audit local authorities;
- a review of evidence to investigate the culture and behaviours in businesses and enforcement bodies, and the communication between individuals in these two groups;
- the pursuit of the development of a common policy and approach move to full cost recovery for official controls in respect of meat hygiene.

We formed a new Operations Group on 1 April 2010 when the Meat Hygiene Service, formerly an executive agency, became a fully integrated part of the FSA. The group streamlines our approach to compliance with official food and feed controls; improves our effectiveness as a regulator; improves public health protection; and builds on and strengthens our relationship with our stakeholders.

We have UK responsibility for delivery of official controls (such as dairy hygiene, eggs, and shellfish) through other enforcement agencies, including the Department for Food and Rural Affairs, Animal Health, the Department of Agriculture and Rural Development Northern Ireland, and the Scottish Government's Rural Payments and Inspections Directorate.

We provide the essential vehicle for a cross-cutting approach to official controls delivery, contrasting with the product-specific delivery of controls under previous structures. The cross-cutting approach promotes greater consistency in official controls delivery and ensures proportionality across all food sectors. One example of this is the proposed change to official controls on dairy farms. We identified that three different risk-scoring regimes existed for setting official inspection frequencies on dairy farms. The frequency of inspection in England, Wales, and Northern Ireland was found to be excessive relative to other food businesses. In some instances dairy farms were being inspected as frequently as high risk food businesses handling raw and cooked meat for sale direct to the final consumer.

Amended official controls on dairy farms will be implemented in 2011. In Northern Ireland the controls will be phased in over a period of two years from July 2011. These will harmonise the risk rating schemes used on dairy farms with those used in assessing other food businesses. They will also acknowledge the additional assurance provided by pasteurisation, other processing and industry testing further down the milk production chain, and the inspection of dairy farms undertaken by the Assured Dairy Farm third-party certification scheme. The amended official controls regime will maintain consumer protection and deliver cost savings for the taxpayer and the industry.

The FSA Board agreed to a review of Official Controls Delivery in January 2011. Budgetary pressures on the many bodies involved in delivering food safety make it all the more important to ensure fundamental public health safeguards are resilient and sustainable.

The review will be overseen by an independent representative with the majority of work undertaken by FSA staff. The review will be principle-based and objective with no pre-determined outcomes. In addition to considering a more centralised model of delivery, the review will consider fully the scope for making improvements to the current system.

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 Minister for Health, Social Services and Public Safety in NI on behalf of that Department. Two of the Board members are appointed by Scottish Ministers, one by the National Assembly for Wales, and one by the Minister for Health, Social Services and Public Safety in NI on behalf of that Department. These members have special responsibility for Scottish, Welsh, and Northern Irish issues. The other eight members were appointed by the Secretary of State for Health.

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

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

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

More information about our organisation and structure can be found on our website at **food.gov.uk.**

Details of Board members and Directors

The FSA Board

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

Lord Jeff Rooker	FSA Chair
Dr Ian Reynolds	FSA Deputy Chair
Professor Graeme Millar CBE	Chair of the Scottish Food Advisory Committee (to February 2011)
Dr David Cameron	Chair of the Scottish Food Advisory Committee (from February 2011)
John W Spence	Chair of the Welsh Food Advisory Committee
Dr Henrietta Campbell	Chair of the Northern Ireland Food Advisory Committee
Tim Bennett	
Chris Pomfret	(to March 2011)
Clive Grundy	
Professor Sue Atkinson CBE	
Michael Parker CBE	
Nancy Robson	
Margaret Gilmore	
Dr James Wildgoose	(from March 2011)
Professor Maureen Edmondson OBE	(to August 2010)

Executive Management Board (EMB)

During the year, the membership of the EMB was:

Tim Smith	Chief Executive
Dr Andrew Wadge	Chief Scientist; Joint Director Food Safety (to October 2010)
Alison Gleadle	Acting Director, Corporate Services (to October 2010); Director, Food Safety (from October 2010)
Andrew Rhodes	Director, Operations (from August 2010)
Steve McGrath	Director, Operations (to August 2010)
Terrence Collis	Director, Communications, Planning, Security, and Estates
Rod Ainsworth	Director of Legal, International, Regulation, and Audit
Chris Hitchen	Finance Director
Lynne Bywater	Human Resources Director
Charles Milne	Director, FSA in Scotland
Gerry McCurdy	Director, FSA in Northern Ireland
Steve Wearne	Director, FSA in Wales; Joint Director Food Safety (to October 2010)

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.

Corporate Governance

Parliamentary Accountability

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

The FSA Board

The FSA Board members are independent non-executives. They join the Board following open recruitment, and are expected to follow the Nolan principles of public life. The FSA maintains a register of Board Member details and interests.

The FSA Board meets around 10 times per year. Many of these Board meetings are held in public, across the United Kingdom, in line with the Agency's commitment to openness and transparency. The minutes of these Board Meetings are available on the FSA's website.

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

Internal Controls

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

- the FSA has an Audit Committee chaired by an independent non-executive. The Chair of the Audit Committee reports regularly to the main FSA Board;
- the FSA's Internal Audit function operates in accordance with Government Internal Audit Standards; and

- the FSA has a Risk Committee which was established to improve the organisation's risk identification, modelling and management. The members of the Risk Committee are drawn from both the Executive and the Board.

Audit Committee

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

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

Chris Pomfret (Chair)	Tim Bennett
Margaret Gilmore	Clive Grundy
Michael Parker	Graeme Millar (to February 2011)

Risk Committee

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

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

Non-executive Board members	Executive members
Margaret Gilmore (Chair)	Tim Smith
Chris Pomfret	Terrence Collis
Tim Bennett	Andrew Wadge
Graeme Millar (to February 2011)	Chris Hitchen
Michael Parker	
Nancy Robson	
Dr Henrietta Campbell (from February 2011)	

Funding of the FSA

The FSA is a non-Ministerial Government Department funded through resource based supply.

Employment of disabled persons

The Food Standards Agency is committed to the employment and career development of people with disabilities. We guarantee an interview to anyone with a disability whose application meets the basic minimum criteria for the post.

The FSA is committed to providing equality of opportunity and encouraging diversity, eliminating all forms of discrimination, harassment and bullying and creating an environment where everyone is treated with dignity and respect at all times. It is further committed to helping and encouraging all employees to develop their potential, to ensure that the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

The FSA will avoid unlawful discrimination in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits, discipline and selection for redundancy. Decisions about recruitment and selection, promotion and training will be made objectively and without unlawful discrimination in line with the Civil Service Commissioners' Recruitment Principles. The FSA will monitor workforce data in accordance with the requirements of its Public Sector duty and will consider appropriate action to address any issues that may be identified as a result of the monitoring process.

Employee involvement

The FSA is committed to securing and promoting staff engagement and involvement. It values the opinions and views of staff and recognises that staff are able to contribute more effectively to the operation and development of the organisation when they know their duties and responsibilities; obligations and rights; FSA and Civil Service requirements; and have an opportunity of making their views known on issues that affect them.

The FSA is committed to maintaining effective employee relations with its staff and their union representatives. The FSA Recognition and Facilities Agreement, established in April 2011, seeks to develop and establish effective arrangements for formally and informally communicating, consulting and negotiating with staff and / or their union representatives with a view to:

- the FSA achieving its objectives;
- managing changes affecting staff in a positive, open and supportive manner;
- the promotion of equality of opportunity;
- improving the quality of the working conditions of staff;
- maintaining a stable workforce;
- improving organisational performance, management performance and decision making and employee performance and commitment;
- facilitating greater openness, involvement and empowerment of staff; and
- engendering greater trust and increased job satisfaction.

The FSA considers that good employee relations and employee engagement are an important factor in achieving its values, behaviours and objectives. The FSA will continue to seek to ensure that staff and the trade unions are given the opportunity to contribute to the continued success of the FSA.

Pensions

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

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.

Some staff are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared in respect of the whole Local Government Pensions Scheme.

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 48 staff who have declared a disability.

Supplier Payment Policy

It is the FSA's policy to pay all invoices not in dispute within 5 days of receipt. During 2010/11 80% of all invoices were paid within this target. This policy is likely to remain the same for 2011/12.

Sustainability reports

Our remit is to protect the interests of consumers in relation to food, both now and in the future, with a focus on food safety. In doing so, we will take sustainable development into account in all of our activities and policy decisions.

We continue to be committed to sustainable policies and undertake to choose the most sustainable policy option. Only in exceptional circumstances will we not do so. In these cases the reasons will be clearly communicated and every effort made to minimise the resulting negative impacts.

Our Sustainable Development Action Plan (SDAP) 2010/11 aimed to support the principles of sustainable development. The main priority in our SDAP was to embed sustainable development in policy making and in particular into the Impact Assessment process and Board papers. The Sustainable Development Commission commended the FSA for its progress and recommended that other government departments look to the FSA as an example of embedding Sustainable Development into policy making.

In Spring 2010, the Coalition Government announced its focus on 'becoming the greenest Government ever' and the FSA is committed to this.

We are also committed to carbon reduction, energy efficiency, and recycling on our estate. All activities on our estate must comply with departmental and cross-government policies on sustainable development. Delivering a sustainable estate means adopting an approach to our work that respects all three elements of the sustainable development agenda – economic, social and environmental.

We are pleased once again to have been recognised for running our estate sustainably. The FSA (HQ) has exceeded government targets for reducing carbon emissions, waste and for increasing recycling. Although this is an excellent achievement we recognise there is room for improvement. Our main objective is to work towards having an Electronic Management System in place in 2011.

Further information can be found on our website at:
food.gov.uk/aboutus/how_we_work/sustainability/

Information on environment, social and community issues

The staff of the FSA raise money for a variety of charities on a voluntary basis and this will continue over the two years covered in our SDAP. Staff are also encouraged to volunteer for work on local community projects. For example, in 2009 one divisional team devoted a day's voluntary work to the London Wildlife Trust. FSA in Scotland is in the process of initiating a small volunteering pilot with Aberdeen Foyer, who work with vulnerable young people and Community Food Initiatives North East (CFINE), a charity that aims to improve health. York colleagues have had a Volunteering Policy in place since 2005, whereby staff are entitled to one day's special leave with pay in a 12 month period to take part in voluntary work within the local community (subject to the requirements of the business).

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 the Food Standards Act 1999. The audit fee for the FSA Westminster accounts for the year was £70,000. I have taken all necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern

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

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 5.9 days per employee compared with 5.8 and 5.8 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 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 misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The tables in the remuneration report are subject to audit.

Service contracts for Board members are listed below:

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

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

Salary and pension entitlements

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

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

a) Remuneration

Executive Management Board

		2010/11			2009/10
		Total Remuneration	Of which Bonuses	Benefits in Kind	Total Remuneration
Bands		£5,000 (£000)	£5,000 (£000)	£1,000 (£000)	£5,000 (£000)
Tim Smith	Chief Executive	205 – 210	15 – 20	–	215 – 220
Steve Wearne	Director, FSA Wales	105 – 110	10 – 15	–	100 – 105
Andrew Wadge	Chief Scientist	115 – 120	10 – 15	–	115 – 120
Terrence Collis	Director of Communications	95 – 100	–	–	105 - 110
Chris Hitchen	Director of Finance, Procurement and IT	80 – 85	–	–	15 – 20
Lynne Bywater	Director of Human Resources	70 – 75	–	–	15 – 20
Charles Milne	Director, FSA Scotland	90 – 95	–	–	75 – 80
Gerry McCurdy	Director, FSA Northern Ireland	80 – 85	–	–	90 – 95
Steve McGrath	Director of Operations (to August 2010)	120 – 125	–	–	130 – 135
Andrew Rhodes	Director of Operations (from August 2010)	85 – 90	–	–	–
Alison Gleadle	Director of Food Safety Group	85 – 90	–	–	–
Rod Ainsworth	Director of Legal	110 – 115	–	–	–
Alex Rae	Acting Director of Legal (to March 2010)	–	–	–	30 – 35
Gill Fine	Director of Consumer Choice and Dietary Health (to March 2010)	–	–	–	95 – 100

Food Standards Agency Board

		2010/11		2009/10	
		Total Remuneration	Benefits in Kind	Total Remuneration	Benefits in Kind
Bands		£5,000 (£000)	£5,000 (£000)	£1,000 (£000)	£5,000 (£000)
Lord Rooker	Chair	50 – 55	0.6	35 – 40	–
Dr. Ian Reynolds	Deputy Chair	40 – 45	1.4	45 – 50	1.9
Professor Graeme Millar	(to 28 February 2011)	20 – 25	1.5	20 – 25	4.9
John W Spence		20 – 25	1.6	25 – 30	2.1
Maureen Edmondson	(to 31 August 2010)	10 – 15	2.2	25 – 30	5.7
Tim Bennett		10 – 15	2.2	10 – 15	3.6
Michael Parker CBE		10 – 15	–	10 – 15	–
Chris Pomfret	(to 31 March 2011)	10 – 15	2.6	10 – 15	4.0
Nancy Robson		10 – 15	5.1	10 – 15	6.0
Clive Grundy		10 – 15	1.1	10 – 15	1.2
Margaret Gilmore		10 – 15	2.0	10 – 15	2.0
Professor Sue Atkinson CBE		10 – 15	–	10 – 15	–
Dr. David Cameron		15 – 20	5.4	10 – 15	6.0
Dr. Henrietta Campbell CB	(from 1 September 2010)	10 – 15	1.5	–	–
James Wildgoose	(from 1 March 2011)	5 – 10	0.3	–	–

Remuneration

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

Bonuses

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

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

Benefits in Kind

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

(b) Pension benefits

Executive Management Board

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

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

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

		2009/10					
		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2010	Total accrued lump sum at age 60 31 March 2010	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV
Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Tim Smith	Chief Executive	2.5 – 5	5 – 10	–	120	58	51
Steve Wearne	Director of Corporate Services (from 27 July 2009) and Director, FSA in Wales	2.5 – 5	20 – 25	65 – 70	338	277	42
Andrew Wadge	Director of Food Safety Policy, Chief Scientist	2.5 – 5	30 – 35	100 – 105	681	581	66
Terrence Collis*	Director of Communications	2.5 – 5	5 – 10		134	79	48
Chris Hitchen	Finance Director (from 11 January 2010)	0 – 2.5	0 – 5	–	3	0	3
Lynne Bywater	Human Resources Director (from 4 January 2010)	0 – 2.5	0 – 5	–	34	19	10
Charles Milne	Director, FSA in Scotland (from 1 June 2009)	5 – 7.5	25 – 30	85 – 90	485	366	97
Gerry McCurdy	Director, FSA in Northern Ireland	2.5 – 5	35 – 40	105 – 110	541	464	46
Steve McGrath	Chief Executive, MHS	2.5 – 5	10 – 15	–	257	196	44
Alex Rae	Acting Director of Legal (to March 2010)	0 – 2.5	35 – 40	105 – 110	744	732	28
Gill Fine	Director of Consumer Choice and Dietary Health (to March 2010)	0 – 2.5	10 – 15	–	204	155	26

Food Standards Agency Board

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

* 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

		2009/10				
		Accrued pension and related lump sum at age 60 31 March 2010	Real increase in pension and related lump sum at age 31 March 2010	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV
Bands		£2,500 (£,000)	£2,500 (£000)	(£000)	(£000)	(£000)
Lord Rooker	Chair (from 27 July 2009)	–	–	–	–	–
Dr. Ian Reynolds	Deputy Chair	0 – 5	0 – 2.5	61	41	16
Professor Graeme Millar		0 – 5	0 – 2.5	37	28	7
John W Spence		0 – 5	0 – 2.5	24	16	7
Maureen Edmondson		–	–	–	–	–
Tim Bennett		–	–	–	–	–
Michael Parker CBE		–	–	–	–	–
Chris Pomfret		–	–	–	–	–
Nancy Robson		–	–	–	–	–
Clive Grundy		–	–	–	–	–
Margaret Gilmore		–	–	–	–	–
Professor Sue Atkinson CBE		–	–	–	–	–
Dr. David Cameron		–	–	–	–	–

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

Civil Service Pensions

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

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

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

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

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

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

Cash Equivalent Transfer Values

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

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

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

Real Increase in CETV

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

Tim J Smith

Chief Executive and Accounting Officer

27 June 2011

Statement of Accounting Officer's responsibilities

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

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

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

HM Treasury has appointed the Permanent Head of the Department as principal Accounting Officer of the department.

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

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Food Standards Agency's assets, are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting.

Tim J Smith

Chief Executive and Accounting Officer

27 June 2011

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Food Standards Agency (FSA)'s policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money.*

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 Executive Management Board attend meetings of the Board. I meet with the Board Chair each week.

I have been appointed as Accounting Officer for the Westminster-funded FSA by Her Majesty's Treasury, and for FSA in Northern Ireland by the Department of Finance and Personnel. I also act in this capacity for FSA in Wales and FSA in Scotland. Although the activities of these offices are funded through the devolved authorities, they remain part of the UK FSA.

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 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Our capacity to handle risk continues to improve as risk management becomes better integrated into the regular working of the department.

During 2010/11, we implemented a 'risk improvement plan' which has helped deliver that improved capacity. A particular improvement has been in the Executive Management Board's review of strategic-level risks: the high level risk register is now reviewed by Directors each month, and by the Risk Committee at every meeting. Through application of risk scanning, a clear escalation procedure, better communication, and improved quality assurance, our risk registers now better reflect the up-to-date position on mitigation.

The Risk Committee Chair has reported to the Board that the Executive made significant steps in 2010/11 to embed effective and efficient risk management, by comprehensively reviewing and updating the current system. The system is now 'fit for purpose' and able to provide the information and assurances the Committee requires on risk management.

The Executive Management Board has incorporated risk management and internal controls into our approach to business planning. Business and financial planning processes explicitly consider performance, resources, and business risks. Processes are reviewed each year, and amended to reflect lessons learned and to build in examples of best practice. Risk owners formally review risks at least once a month and report back to the Board through risk registers and progress reports.

I believe that we have an effective risk handling capacity, and reports from internal auditors support this, but I recognise that ensuring maintenance and improvement of this capacity is one of the main challenges that we face each year.

The risk and control framework

The main processes in place for identifying, evaluating, and managing risks are:

- **high level risks** are identified and recorded in a risk register, and monitored monthly by the Executive Management Board. Each risk is owned by a Director who is responsible for implementing countermeasures and contingencies to manage the likelihood and/or impact of the risk;
- **group level risks** are identified and recorded in a risk register, and monitored regularly by Directors and their senior management teams. Directors are accountable for risk management within their groups and, where appropriate, for escalating risks to the high level risk register;
- **major project risks** are identified and recorded in a risk register, and monitored by project teams. We follow PRINCE 2 project management principles for IT and other major projects. Procurement and management of our research portfolio follows well-defined and documented procedures;
- **local risks**: registers were not mandatory in 2010/11. Local managers had discretion over how to manage such risks.

Key mechanisms for controlling risk include Directors' regular discussions with their senior management teams on ongoing activities, programmes, and projects. This control is supported by Senior Responsible Owners and programme and project boards.

We manage risks which impact on the public. In matters of risk appetite and public health, we take a precautionary approach. That means action may be taken before there is conclusive proof of a hazard. Actions will be proportionate to the best judgement of the risk based on evidence available, and will be reviewed if new evidence emerges.

The Board holds all its policy decision-making meetings in public. Venues and agendas are published in advance. Papers are publicly available. Meetings are webcast live via our website. Webcasts are archived on our website as publicly available video-on-demand.

We are required by statute to consult on our activities with those affected by our decisions. Consultation with stakeholders is an essential part of fulfilling our core values. On key issues, we meet stakeholders and discuss differing points of view. In 2010/11, we undertook a full public consultation on the revision of our Strategy to 2015.

Our risk and control framework has been further strengthened in 2010/11. A key priority will be to ensure that this continues in the coming year.

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

On 1 April 2010 the Meat Hygiene Service, formerly our executive agency, became an integral part of the FSA. Following the merger, the FSA opening balances were successfully migrated to the Oracle Financials accounting system. In 2010/11, all financial transactions were recorded in one financial system. A "substantial" internal audit rating was given for work on implementation of the Oracle Financials system. Financial controls were aligned and strengthened, including improving the month-end process, and improving financial reporting and monthly reconciliation processes. With the implementation of Oracle I-procurement, new delegated authorities were introduced to improve procurement controls.

In 2010/11, machinery of government changes to our remit in England and Wales mean we have worked to re-focus on our core business of food safety. Actions taken include revising our Strategy to 2015 to set out the outcomes and main priorities we aim to achieve, and reorganising work around programme and project management activity.

To maintain and review effectiveness of the system of internal control, I have been supported by:

- the Executive Management Board, which I chair, comprising all UK Directors and normally meeting monthly: the high level risk register and financial performance reports are standing items on the agenda.
- weekly meetings of Directors, where discussion of emerging risks and the escalation of existing risks is actively encouraged.
- signed annual assurance statements from all Directors covering scope of responsibility; capacity to handle risk; review of effectiveness; and significant control problems.
- signed quarterly reports from budget managers on management of budgets within their delegated authority, and compliance with corporate governance responsibilities.
- internal audit arrangements, including a risk-based audit programme linked to strategic risks, and audit of corporate governance and controls. Internal Audit issues regular reports on completed elements of the audit programme, and expresses an independent annual opinion of the adequacy and effectiveness of our system of internal control including recommendations for improvement.
- an Audit Committee, constituted in line with HM Treasury's Audit Committee Handbook, to advise me as Accounting Officer. The Committee has a fully non-executive membership and meets four times a year. The Chief Executive and Director of Finance attend all Committee meetings, providing a direct link to the senior management team. The Chair reports to the Board on the work of the Committee.
- a Risk Committee providing advice, support and challenge concerning organisational risks and embedding a risk-aware culture across the FSA. The Committee has both executive and non-executive members, includes the Chair of the Audit Committee in its membership, and meets four times a year. The Chair reports annually to the Board on the actions taken by the Executive to improve the effectiveness of risk management.
- a risk management process that aims to provide reasonable assurance that strategic outcomes can be achieved. The process promotes local accountability and risk ownership as essential parts of risk management. It prioritises risk based on likelihood and impact, and enables the Executive Management Board to manage effectively our strategic risks.
- our representation on the cross-government Risk Improvement Group, which shares good practice and lessons learned.
- successful extension of our ISO27001 certification across the whole of Aviation House in 2010. In 2011 Aviation House and Foss House, York were verified and merged into a combined certificate.

- compliance with Cabinet Office instructions, whereby all laptops and remote working tools are encrypted and all new or re-built equipment is configured to comply with Cabinet Office guidelines. All software is logged on our central software asset register and we are currently reviewing our records and procedures with FAST (Federation against software theft). We have been approved to FAST 'silver' level and are working towards 'gold' accreditation.
- an outline plan for implementing the cross-government Financial System Risk Review, which includes minimising the risk of fraudulent transactions. Additional procurement controls have been introduced with the implementation of Oracle I-procurement.
- the training of all directors in health and safety issues to raise awareness of new legislative requirements and responsibilities.

The FSA is also subject to scrutiny by our stakeholders. This is facilitated by our open and transparent approach to decision making. In March 2011, Consumer Focus Wales published its second report on implementation (by the FSA, Welsh local authorities, the Welsh Assembly Government, and other relevant organisations) of the recommendations of the Public Inquiry into the 2005 outbreak of *E. coli* O157 in South Wales. Overall, Consumer Focus Wales made a positive assessment of the activities of the FSA over the past year, recognising there were 'great strides made', particularly in achieving the adoption of the Food Hygiene Ratings Scheme by all 22 local authorities in Wales.

I believe we have improved our internal controls, and that we continue to strengthen our resilience, flexibility, and responsiveness.

The coming years will be extremely challenging as we will be required to make very significant reductions in budgets while still delivering our desired outcomes and priorities. We have already identified areas where we believe we can make further improvements in 2011/12 and beyond, including:

- undertaking a major piece of work to harmonise all possible terms and conditions of service to reduce risk of equality challenges.
- recognising that a culture of risk awareness needs to be further embedded throughout the FSA: risk registers are now mandatory at local level, and we will shortly be adopting an updated risk policy and will be working over the forthcoming year to implement it, and to train staff accordingly.
- focusing on further improvements to our financial processes, including reviewing the role and grading of budgetary control officer posts, improving the reconciliation process and timing, and improving the forecast accuracy, VAT knowledge and knowledge of accounting principles within groups.
- researching the possibility and viability of extending our ISO27001 certificate to cover the offices in Cardiff, Belfast, and Aberdeen: this will be explored further during the 2011 annual security visits.
- embedding a corporate project and programme management framework supported by guidance and training as appropriate, which aims to ensure effective and coherent delivery of strategic planning, corporate and business planning, performance management, and business improvement.
- taking forward our ongoing Operations Programme, reviewing all operational delivery functions currently undertaken.
- reviewing incident resilience: we are thoroughly reviewing our capability to respond to several high level incidents at the same time.

There are two main areas requiring further improvements to enhance control and governance, although they are considered to be minor weaknesses in the FSA's controls. Firstly, there has been significant change in the central finance function as a result of the re-location of the function from London to York and the implementation of a new Oracle financial system. This has resulted in changes in procedures that will continue to evolve over time. Secondly, although there has been some work the process of project management, a clear process would aid teams to apply effective project methodology. These are considered to be minor weaknesses in the FSA's controls.

Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the FSA's system of internal controls in 2010/11 which affected the achievement of the FSA's outcomes and priorities.

Tim J Smith

Chief Executive and Accounting Officer

27 June 2011

Certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Food Standards Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary Section of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

29 June 2011

Statement of Parliamentary Supply

Summary of Resource Outturn

								2010/11 £000	2009/10 Restated £000
		Estimate			Outturn				Outturn
	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net total outturn compared with Estimate: saving/(excess)	Net Total
Request for resources 1	3	168,869	(43,462)	125,407	111,806	(42,915)	68,891	56,516	113,240
Total resources		**168,869**	**(43,462)**	**125,407**	**111,806**	**(42,915)**	**68,891**	**56,516**	**113,240**
Non-operating cost A-in-A		–	–	–	–	–	–	–	–

Net cash requirement 2010/11

				2010/11 £000	2009/10 Restated £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
Net cash requirement	5	112,969	92,163	20,806	110,209

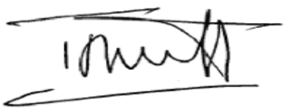
Summary of income payable to the Consolidated Fund

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

Explanations of variances between Estimate and Outturn

The variance between estimate and outturn is due to restrictions on advertising campaigns, publicity, recruitment and pension past cost credit.

More details are given at Note 3 and in the Management Commentary section of the Annual Report.



Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

The notes on pages 47 to 85 form part of these accounts.

Statement of Comprehensive Net Expediture

For the year ended 31 March 2011

				2010/11 £000	2009/10 £000 Restated
	Note	Staff Costs	Other Costs	Income	
Administration Costs:					
Staff costs	10	27,398			23,761
Other administration costs	11		22,468		24,102
Operating income	14			(3,403)	(1,568)
Programme Costs					
Request for resources:					
Staff Costs	10	53,290			58,290
Past Service Cost Credit	10	(17,075)			
Programme costs	12/10		25,725		49,043
Income	14			(39,512)	(37,184)
Totals		**63,613**	**48,193**	**(42,915)**	**116,444**
Net Operating Cost				**68,891**	**116,444**

All income and expenditure are derived from continuing operations.

Tim J Smith
Chief Executive and Accounting Officer
27 June 2011

The notes on pages 47 to 85 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Note	£000	2010/11 £000	£000 Restated	2009/10 £000 Restated
Non-current assets					
Property, plant and equipment	15	1,408		2,129	
Intangible assets	16	858		1,276	
Total non -current assets			**2,266**		**3,405**
Current assets					
Trade and other receivables	18	4,344		7,283	
Other current assets	18	6,940		5,817	
Cash and cash equivalents	19	3,311		5,164	
Total current assets			**14,595**		**18,264**
Total assets			**16,861**		**21,669**
Current Liabilities					
Trade and other payables	20	(3,310)		(9,586)	
Other Liabilities	20	(14,505)		(22,492)	
Total current liabilities			**(17,815)**		**(32,078)**
Non-current assets plus/ less net current assets/liabilities			**(954)**		**(10,409)**
Non-current liabilities					
Provisions	21	(51,723)		(107,268)	
Other payables	20	(15,475)		(15,172)	
Total non-current liabilities			**(67,198)**		**(122,440)**
Assets less liabilities			**(68,152)**		**(132,849)**
Taxpayers' equity					
General fund			(68,152)		(132,849)
Total taxpayers' equity			**(68,152)**		**(132,849)**

Tim J Smith

Chief Executive and Accounting Officer

27 June 2011

The notes on pages 47 to 85 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2011

	Note	2010/11 £000	2009/10 £000 Restated
Cash flows from operating activities			
Net operating cost	3	(68,891)	(116,444)
Adjustment for non-cash transactions	11	8,264	5,513
(Increase) /Decrease in trade and other receivables	18	1,817	1,370
Increase/(Decrease) in trade and other payables	20	(13,960)	2,322
less movements relating to items not passing through the Statement of Comprehensive Net Expenditure		451	–
Use of provisions	21	(911)	(919)
Provisions not required written back	21	(17,156)	–
Cash contribution to pension deficit	21	(1,707)	(1,631)
Net cash outflow from operating activities		**(92,093)**	**(109,789)**
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(13)	(243)
Purchase of intangible assets	16	(57)	(178)
Net cash outflow from investing activities		**(70)**	**(421)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		86,548	131,678
From the Consolidated Fund (Supply) - prior year		5,164	709
Net Financing		**91,712**	**132,387**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(451)	22,177
Adjustment to cash and cash equivalents in relation to MoG changes	2	(1,402)	(16,304)
		(1,853)	**5,873**
Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund			
Cash and cash equivalents at the beginning of the period	19	5,164	(709)
Cash and cash equivalents at the end of the period	19	3,311	5,164
		(1,853)	**5,873**

The notes on pages 47 to 85 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

	Note	General Fund £000	Total Reserves £000
Balance at 1 April 2009		**(70,716)**	**(70,716)**
Changes in taxpayers' equity for 2009/10			
Actuarial gain/(loss)	21	(57,399)	(57,399)
Non-cash charges – auditors remuneration	11	98	98
Net operating cost for the year		(116,444)	(116,444)
Adjustment for MoG changes to OCS		(16,304)	(16,304)
Adjustment for MoG changes to current liabilities (accruals)		1,402	1,402
Total recognised income and expense for 2008-09		**(188,647)**	**(188,647)**
Net Parliamentary Funding – drawdown		132,387	132,387
Net Parliamentary Funding – deemed		(709)	(709)
Supply payable/(receivable) adjustment		(5,164)	(5,164)
		126,514	126,514
Balance at 31 March 2010		**(132,849)**	**(132,849)**
Changes in taxpayers' equity for 2010/11			
Actuarial gain/(loss)	21	42,744	42,744
Non-cash charges – auditors remuneration	11	83	83
Net operating cost for the year		(68,891)	(68,891)
Adjustment for MoG changes to current liabilities (accruals)		(1,402)	(1,402)
Total recognised income and expense for 2010/11		**(27,466)**	**(27,466)**
Net Parliamentary Funding – drawdown		91,712	91,712
Net Parliamentary Funding – deemed		5,164	5,164
Supply payable/(receivable) adjustment		(4,713)	(4,713)
		92,163	**92,163**
Balance at 31 March 2011		**(68,152)**	**(68,152)**

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 notes on pages 47 to 85 form part of these accounts.

NOTES TO THE ACCOUNTS

1 Statement of Accounting Policies

1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food Standards Agency (FSA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the FSA are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare a Statement of Parliamentary Supply.

The Westminster FSA statement of financial position at 31 March 2011 shows a negative taxpayers' equity of £68,152,000 (2009/10: £132,849,000). This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of supply approved annually by Parliament, to meet the Agency's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money can be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from the Agency's income, are surrendable to the Fund.

In common with other government departments, the future financing of the Agency's liabilities is to be met accordingly by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2011/12 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention.

1.3 Non-Current Assets

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

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

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

1.4 Property, Plant and Equipment

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

The FSA does not currently own any land or buildings.

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

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

1.5 Intangible Assets

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

1.6 Depreciation and Amortisation

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

	2010/11	**2009/10**
Property, plant and equipment		
Computer servers and computer equipment	4 years	4 years
Office machinery	7 years	7 years
Furniture, fixtures and fittings	7 years	7 years
Vehicles	4 years	4 years
Intangible assets:		
Computer software and software licences	Life of licence or 7 years if in perpetuity	7 Years

1.7 Inventories

FSA does not hold any inventories.

1.8 Research & Development Expenditure

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

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

1.9 Operating Income

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

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

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

1.10 Administration and Programme Expenditure

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

1.11 Cost of Capital

The FSA has accounted for the removal of a requirement to include a cost of capital charge in 2010/11. The impact of this change on the comparative data for 2009/10 is:

	2009/10 £000
Net Resource Outturn	113,240
Removal of the cost of capital charge	3,204
Adaptation of IAS 36, Impairment of assets	–
Adjusted Net Resource Outturn	116,444

The cost of capital charge has been removed due to an amendment to the FReM.

1.12 Pensions

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

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

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

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

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

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

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

1.13 Early Departure Costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% (2009/10 1.8%) in real terms.

1.14 Operating Leases

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

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

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

1.15 Audit Costs

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

1.16 Value Added Tax

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

1.17 Provisions

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

Provisions are recognised in the accounts where;

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

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

1.18 Contingent Liabilities

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

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

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

1.19 Financial Assets and Liabilities

The FSA holds the following financial assets and liabilities:

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

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

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

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

1.20 Website capitalisation costs

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

2 Machinery of Government changes to FSA

Machinery of Government changes resulted in the merger of MHS with FSA (1 April 2010) and transfer of Nutrition Division (on 20 July 2010) and Labelling Division (on 1 October 2010) from the FSA to the Department of Health and Defra respectively. The numbers of staff that were transfered are Nutrition 73 and Labelling 22 and MHS 1,356 (349 contarctors and agency staff).

The MHS was responsible for official controls in all approved fresh meat premises. The principal activities of the MHS included:

Enforcing legislation on:

- hygiene
- Specific Risk Materials (SRM) and other animal by-products
- animal welfare at slaughter
- emergency controls related to animal disease outbreaks
- rejection of meat nutrition advice, surveys and nutrition research

Providing meat inspection and controls on health-marking

Collecting and dispatching samples for statutory veterinery medicines residue testing

Under the transfer to health departments in England and Wales they will be responsible for:

- nutritional labelling
- nutrition and health claims, dietetic food and food supplements
- calorie information in catering establishments
- reformulation to reduce salt, saturated fat and sugar levels in food and reducing portion size
- nutrition advice, surveys and nutrition research

The Department of Health will also be responsible for supporting the work of the Scientific Advisory Committee on Nutrition (SACN).

The transfer to Defra adds to current labelling responsibilities, such as welfare, marketing standards and eco labelling. It will also deal with labelling that does not relate to food safety or nutrition. This includes:

- general lead on food labelling legislation and relevant EU negotiations
- lead on the EU Food Information proposal
- country of origin labelling
- food composition standards and labelling such as fruit juice and fruit nectars, jams and bottled water
- technical advice on compositional standards for food without specific legislation, e.g.soft drinks and cereal products
- fish labelling
- use of marketing terms e.g. natural, fresh, clear labelling, vegan and vegetarian labelling
- food authenticity programme

Costs incurred during 2010/11 by FSA for Nutrition and Labelling were billed to the Department of Health and Defra. Costs incurred up to 30 September 2010 have been recovered by the FSA .

Details of 2010/11 expenditure for Nutrition and Labelling are as follows;

	2010/11	MOG Changes Nutrition	2010/11 Labelling	2010/11 Post MOG changes
	£000	**£000**	**£000**	**£000**
Administration Costs				
Staff costs	29,801	(1,924)	(479)	27,398
Other administration costs	23,098	(599)	(31)	22,468
Operating income	(3,903)	500	–	(3,403)
	48,996	(2,023)	(510)	46,463
Programme Costs				
Staff costs	53,290			53,290
Past Service Cost Credit	(17,075)			(17,075)
Programme costs	30,461	(4,679)	(57)	25,725
Income	(40,788)	1,276	–	(39,512)
Net Operating Cost	**74,884**	**(5,426)**	**(567)**	**68,891**

Machinery of Government changes have resulted in the following changes to the 2009/10 comparative data

Statement of Comprehensive Net Expenditure

		2009/10 Restated Core	MOG Changes MHS	Nutrition	Labelling	2009/10 Post MOG changes
	Notes	**£000**	**£000**	**£000**	**£000**	**£000**
Administration Costs						
Staff costs	10	29,248	–	(4,266)	(1,221)	23,761
Other administration costs	11	24,967	–	(767)	(98)	24,102
Operating income	14	(2,081)	–	507	6	(1,568)
		52,134	–	(4,526)	(1,313)	46,295
Programme Costs						
Staff costs	10		58,290			58,290
Programme costs		43,192	18,006	(11,639)	(516)	49,043
Income	14	(1,977)	(36,897)	1,690	–	(37,184)
Net Operating Cost		**93,349**	**39,399**	**(14,475)**	**(1,829)**	**116,444**

2009/10 also has been restated due to cost of capital changes

Statement of Financial Position

	Notes	2009/10 Restated Core £000	MOG Changes MHS £000	Nutrition £000	Labelling £000	2009/10 Post MOG changes £000
Non-current assets						
Property, plant and equipment	15	1,765	364	–	–	2,129
Intangible assets	16	462	814	–	–	1,276
Total non-current assets		**2,227**	**1,178**	**–**	**–**	**3,405**
Current assets						
Trade and other receivables	18	3,206	4,077	–	–	7,283
Other current assets	18	2,705	3,112	–	–	5,817
Cash and cash equivalents	19	385	4,779	–	–	5,164
Total current assets		**6,296**	**11,968**	**–**	**–**	**18,264**
Total assets		**8,523**	**13,146**	**–**	**–**	**21,669**
Current Liabilities						
Trade and other payables	20	(5,996)	(3,590)			(9,586)
Other Liabilities	20	(16,868)	(7,026)	956	446	(22,492
Total current liabilities		**(22,864)**	**(10,616)**	**956**	**446**	**(32,078)**
Non-current assets plus/less net current assets/liabilities		**(14,341)**	**2,530**	**956**	**446**	**(10,409)**
Non-current liabilities						
Provisions	22	(2,826)	(104,442)	–	–	(107,268)
Other payables	20	(15,172)		–	–	(15,172)
Total non-current liabilities		**(17,998)**	**(104,442)**	**–**	**–**	**(122,440)**
Assets less liabilities		**(32,339)**	**(101,912)**	**956**	**446**	**(132,849)**
Taxpayers' equity						
General fund		(32,339)	(101,912)	956	446	(132,849)
Total taxpayers' equity		**(32,339)**	**(101,912)**	**956**	**446**	**(132,849)**

3 Analysis of net resource outturn by section

	2010/11								2009/10 Restated
	£000								£000
	Outturn						Estimate		Outturn
	Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total Estimate	Net Total Outturn compared with Estimate Excess/ (Deficit)	Net Total
Request for Resources 1									
Improving food safety and the balanfce of people's diets									
Food Standards Agency	49,866	90,655	1,077	141,598	(42,915)	98,683	114,329	15,646	110,228
FSA AME	–	(12,717)	–	(12,717)	–	(12,717)	11,078	23,795	3,012
Total	**49,866**	**77,938**	**1,077**	**128,881**	**(42,915)**	**85,966**	**125,407**	**39,441**	**113,240**

The variance between estimate and outturn is due to restrictions on advertising campaigns, publicity, recruitment and pension past service cost credit.

More details are given in the Management Commentary section of the Annual Report.

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

4.1 Reconciliation of net resource outturn to net operating cost

	2010/11				2009/10 Restated
	£000				£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	3	68,891	125,407	56,516	113,240
Cost of Capital Prior Year		–	–	–	3,204
Net operating cost		**68,891**	**125,407**	**56,516**	**116,444**

4.2 Outturn against final Administration Budget

	2010/11		2009/10 Restated
	£000		£000
	Budget	Outturn	Outturn
Gross Administration Budget	54,999	49,866	47,863
Income allowable against the Administration Budget	(4,558)	(3,403)	(1,568)
Net outturn against final Administration Budget	**50,441**	**46,463**	**46,295**

5 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2010/11 Net total Outturn compared with Estimate: saving/ (excess)	2009/10 Restated Outturn
		£000	£000	£000	£000
Resource Outturn	3	125,407	68,891	56,516	116,444
Acquisition of property, plant and equipment and intangibles	15/16	601	70	531	421
Investments		–	–	–	–
Non-operating A in A :					
Proceeds of asset disposals	15	–	–	–	–
Non-cash items	11	(15,700)	(8,264)	(7,436)	(5,513)
Changes in working capital other than cash	18/20	–	11,390	(11,390)	(3,206)
Changes in payables falling due after more than one year		–	303	(303)	(487)
Use of provision	21	2,661	911	1,750	919
Provisions not required written back	21		17,156	(17,156)	–
Cash contribution to pension deficit	21	–	1,707	(1,707)	1,631
Net cash requirement		**112,969**	**92,163**	**20,806**	**110,209**

The variance between estimate and outturn is due to restrictions on advertising campaigns, publicity and recruitment.

More details are given in the Management Commentary section of the Annual Report.

6 Analysis of income payable to the Consolidated Fund

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

7 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010/11 £000	2009/10 Restated £000
Operating income	14	42,915	38,752
Adjustments for transactions between RfRs			
Gross Income		42,915	38,752
Income authorised to be appropriated-in-aid		(42,915)	(38,752)
Operating income payable to the Consolidated Fund	6	–	–

8 Non-operating income – Excess A in A

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

9 Non-operating income not classified as A in A

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

10 Staff numbers and related costs

Staff costs comprise :

A Administration costs

	2010/11			2009/10 Restated
	£000	£000	£000	£000
	Total	Staff	Board	Total
Wages and salaries	19,393	19,132	261	17,656
Social security costs	1,612	1,612	_	1,456
Other pension costs	3,695	3,695	–	3,490
IAS19 Board Pension past service cost credit (note 21.1.2) *	(81)	(81)	–	–
Sub total	**24,619**	**24,358**	**261**	**22,602**
Inward secondments				204
Agency Staff	2,779	2,779	–	975
Total	**27,398**	**27,137**	**261**	**23,781**
Less recoveries in respect of outward secondments				(20)
Total net costs	**27,398**	**27,137**	**261**	**23,761**

No salary costs have been capitalised.

B Programme costs

	2010/11 £000	2009/10 Restated £000
Wages and salaries	24,065	30,253
Social security costs	1,868	2,384
Other pension costs	3,811	4,869
IAS19 LGPS pension scheme costs (Note 21.2.3)	1,466	(944)
Agency Staff	57	839
Contract inspectors and veterinary costs	22,023	21,065
Total	**53,290**	**58,466**
Less recoveries in respect of secondments	–	(176)
Total	**53,290**	**58,290**
IAS19 LPGS past service cost credit (note 21.2.2) *	(17,075)	–
Total net costs	**36,215**	**58,290**

Following the 'One Agency' merger of the MHS into the FSA Operations Group on 1 April 2010, and subsequent restructure of the FSA, £5.4m programme staff costs were reclassified as administration staff costs.

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

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

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

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

C Principal Civil Service Pension Scheme

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

For 2010/11, employer's contributions of £6.1m (2009/10 £7.0m) were payable to the PCSPS at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008/09 and remain unchanged in 2010/11. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £30,730 (2009/10 £27,805) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. The FSA as an employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,347 (2009/10 £2,073), 0.08 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Reporting of Civil Service compensation scheme

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	–	1	1
£10,000 - £25,000	–	5	5
£25,000 - £50,000	–	13	13
£50,000 - £100,000	–	11	11
£100,000 - £150,000	–	5	5
£150,000 - £200,000	–	4	4
£200,000 and above	–	5*	5
Total number of exit packages	**–**	**44**	**44**
Total resource cost £	–	3,932,314	3,932,314

* within this total is one compulsory redundancy

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

There were 4 early retirements on ill health grounds in 2010/11 costing £0.5m (2009/10 nil).

D Local Government Pension Scheme

The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2011, contributions of £2.6m (2009/10 £2.9m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2010, this rate was 17.9% (2009/10 17.9%) of pesionable remunertion.

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

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

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

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

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £45.9m as at 31 March 2011 compared with a calculated deficit of £102.6m as at 31 March 2010. The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2011/12 to be £4.4m.

E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2010/11 was as follows.

	Average number of persons employed	
	2010/11	**2009/10**
Permanent staff	1,276	1,406
Temporary	512	546
Board	12	12
Total	1,800	1,964

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

11 Other Administration Costs

	2010/11 £000	2009/10 Restated £000
Rentals under operating leases	6,514	6,395
Non-cash items:		
Depreciation and impairment loss	733	667
Amortisation	475	154
Loss on disposal of property, plant and equipment	–	102
Auditors' remuneration and expenses	83	52
Other expenditure:		
Accommodation costs	5,341	3,765
Board and staff overheads	3,333	7,373
Administration costs	2,054	4,913
IT costs	3,910	605
Committee costs	25	76
	22,468	**24,102**

Following the 'One Agency' merger of the MHS into the FSA Operations Group on 1 April 2010, and subsequent restructure of the FSA, the following programme costs were reclassified as administration costs. Depreciation £0.2m, Amortisation £0.4m, Accommodation £1.4m, Administration £0.7m and IT costs £1.4m.

Notes

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

b) The total of non-cash transactions included in (note 5) the Reconciliation of Net Resources Outturn to Net Cash Requirement and the Consolidated Statement of Cash flows comprises:

		2010/11 £000	2009/10 Restated £000
FSA – Other administration costs – non cash items (as above)		1,291	975
Provisions provided for in year		6,973	1,130
Non-cash items:			
Provision arising during the year	*	–	2,801
Loss on disposals	*	–	–
Depreciation	*	–	561
Auditor's fees	*	–	46
		8,264	5,513

* MHS non-cash items are not separately disclosed in 2010/11 as they are instead included within the FSA non-cash items for 2010/11.

12 Net Costs by Group

	2010/11					2009/10 Restated
	Administration Expenditure	Programme Expenditure	Administration Income	Programme Income	Net operating cost	Net operating cost
	£000	£000	£000	£000	£000	£000
Group						
Chief Executive	1,847	–	–	–	1,847	
Legal, International, Regulation & Audit	2,433	–	(31)	–	2,402	
Chief Scientist	1,890	2,370	(3)	–	4,257	
Comms, Planning, Security and Estates	13,130	1,880	(2,910)	–	12,100	
Food Safety	8,359	8,907	(380)	(1,983)	14,903	
Operations	4,000	65,903	–	(37,529)	15,242	
Finance, IT and Procurement	12,581	–	(26)	–	12,555	
Human Resources	4,767	–	(53)	–	4,714	
Centrally Managed	859	12	–	–	871	
Totals	**49,866**	**61,940**	**(3,403)**	**(39,512)**	**68,891**	**116,444**

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

Groups and Devolved Authorities derive income from the following activities or services;

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

Chief Scientist - Sundry services

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

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

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

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

Human Resources – Sundry services

The FSA receives more than 10% of its income from Defra (£8,196k). This is reported in the Operations Group reporting segment.

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

Following the 'One Agency' merger of the MHS into the FSA Operations Group on 1 April 2010, and subsequent restructure of the FSA, segmental information on a comparable basis for the prior year is not available and costs to develop it would be excessive.

13 Analysis of Net Operating cost by spending body

	2010/11 £000	2009/10 Restated £000
	Outturn	Outturn
Spending body:		
FSA – Westminster	67,814	113,240
Grants paid to Local Authorities	855	–
Grants paid to other bodies	222	–
Consolidated total	**68,891**	**113,240**

14 Income

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

	2010/11 £000	2009/10 Restated £000
All operating income is included within public expenditure		
a) FSA – core department		
Administration income:		
From Government Departments and others	3,403	1,568
Programme income:		
Meat Hygiene related work	37,511	35,207
Milk and Dairy Hygiene – sampling	18	19
Assessments and consultations on radioactive discharges	1,983	1,958
	39,512	37,184
Total income	**42,915**	**38,752**

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

	2010/11			2009/10 Restated		
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
FSA						
Industry	27,482	56,375	(28,893)	24,080	60,887	(36,807)
Government	10,029	10,508	(479)	11,146	11,146	–
Assessments and consultations on radioactive discharges	1,983	1,983	–	1,958	1,955	3
	39,494	68,866	(29,372)	37,184	73,988	(36,804)

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

The FSA's financial objective is to recover costs fully. In relation to official control charges for meat, Ministers previously agreed to an annual subsidy. However the FSA Board at the November 2009 Board meeting iterated the expectation of moving towards full cost recovery in the coming years. In line with this objective the FSA launched a consultation on 10 November 2010, which closed on 1 February 2011, on proposals to achieve full cost recovery.

There currently remains a considerable shortfall between the costs for the FSA of delivering the meat hygiene official controls and income received from Food Business Operators (FBOs) for these services. This is effectively a subsidy of approx £29m from the FSA to the meat industry, which will be received by 70% of FBOs across the UK in 2010/11. EU regulations provide for support from the charging system for small/rural slaughterhouses. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations.

The FSA has an objective of recovering its costs in full in respect of work carried out for other Government Departments (in line with the principles of Managing Public Money).

In relation to assessments and consultations on radioactive discharges, the financial objective is to recover costs fully. This objective has been achieved for 2010/11.

15 Property, plant and equipment

	Fixtures and Fittings £000	Office Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost or valuation					
Cost at 1 April 2010	1,148	417	3,402	–	4,967
Additions	–	–	13	–	13
Disposals	–	–	(1,217)	–	(1,217)
Reclassification	–	–	–	–	–
At 31 March 2011	**1,148**	**417**	**2,198**	**–**	**3,763**
Depreciation					
Cost at 1 April 2010	294	238	2,306	–	2,838
Charged in year	164	53	517	–	734
Disposals	–	–	(1,217)	–	(1,217)
At 31 March 2011	**458**	**291**	**1,606**	**–**	**2,355**
Net book value at 31 March 2011	**690**	**126**	**592**	**–**	**1,408**
Net book value at 31 March 2010	**854**	**179**	**1,096**	**–**	**2,129**
Asset financing					
Owned	690	126	592	–	1,408
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
Net book value at 31 March 2011	**690**	**126**	**592**	**–**	**1,408**
Cost or valuation					
Cost at 1 April 2009	7,292	663	4,617	4	12,576
Additions	37	–	206	–	243
Disposals	(6,181)	(246)	(1,419)	(4)	(7,850)
Reclassification	–	–	–	–	–
At 31 March 2010	**1,148**	**417**	**3,404**	**–**	**4,969**
Depreciation					
Cost at 1 April 2009	6,311	424	3,107	4	9,846
Charged in the year	164	60	620	–	844
Disposals	(6,181)	(246)	(1,419)	(4)	(7,850)
At 31 March 2010	**294**	**238**	**2,308**	**–**	**2,840**
Net book value at 31 March 2010	**854**	**179**	**1,096**	**–**	**2,129**
Net book value at 31 March 2009	**981**	**239**	**1,510**	**–**	**2,730**
Asset financing					
Owned	854	179	1,096	–	2,129
Finance leased					
On balance sheet PFI contracts					
Net book value at 31 March 2010	**854**	**179**	**1,096**	**–**	**2,129**

16 Intangible assets

Intangible assets comprise computer software and software licences

	Computer software and software licences
	£000
Cost or valuation	
Cost at 1 April 2010	4,533
Additions	57
Disposals	(2,009)
At 31 March 2011	**2,581**
Amortisation	
Cost at 1 April 2010	3,257
Charged in year	475
Disposals	(2,009)
At 31 March 2011	**1,723**
Net book value at 31 March 2011	**858**
Net book value at 31 March 2010	**1,276**
Cost or valuation	
Cost at 1 April 2009	5,026
Additions	178
Disposals	(671)
At 31 March 2010	**4,533**
Amortisation	
Cost at 1 April 2009	3,288
Charged in year	538
Disposals	(569)
At 31 March 2010	**3,257**
Net book value at 31 March 2010	**1,276**

17 Financial Instruments

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

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

FSA holds the following financial assets and liabilities:

1) Assets
   - Cash and cash equivalents (Note 19)
   - Trade Receivables - current (Note 18)
   - Trade Receivables - non-current (Note18)
2) Liabilities
   - Trade and other payables (Note 20)
   - Other payables > 1 year (Note 20)
   - Provisions arising from contractual arrangements (Note 21)

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

Liquidity risk

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

Currency risk

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

Credit risk

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

The maximum exposure as at 31 March 2011 is in receivables from customers disclosed in the trade receivables note (Note 18).

Interest rate risk

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

18 Trade receivables and other current assets

	2010/11 £000	2009/10 £000
Amounts falling due within one year:		
Trade receivables	2,317	4,242
VAT recoverable	1,892	2,804
Other receivables	135	200
	4,344	7,246
Other current assets:		
Prepayments and accrued income	6,940	5,817
Amounts due from the Consolidated Fund in respect of supply	–	–
	6,940	5,817
	11,284	13,063
Amounts falling due after more than one year:		
Trade receivables	–	38
Prepayments and accrued income	–	38

18.1 Intra-Government Balances

	2010/11 £000 Amounts falling due within one year	2010/11 £000 Amounts falling due after more than one year	2009/10 £000 Amounts falling due within one year	2009/10 £000 Amounts falling due after more than one year
Balances with other central government bodies	3,830	–	5,220	–
Balances with local authorities	–	–	–	–
Subtotal: intra-government balances	3,830	–	5,220	–
Balances with bodies external to government	7,454		7,842	38
Total balances receivable at 31 March	**11,284**	**–**	**13,062**	**38**

19 Cash and cash equivalents

	2010/11 £000
Balance at 1 April 2009	(709)
Net changes in cash and cash equivalents	5,873
Balance at 31 March 2010	**5,164**
Net changes in cash and cash equivalents	(1,853)
Balance at 31 March 2011	**3,311**

	2010/11 £000	2009/10 £000
The following balances at 31 March were held at:		
Government Banking Service	2,911	4,974
Commercial banks and cash in hand	400	190
Balance at 31 March	**3,311**	**5,164**

20 Trade payables and other current liabilities

	2010/11 £000	2009/10 Restated £000
Amounts falling due within one year		
Bank overdraft	–	–
Other taxation and social security	1,126	2,092
Trade payables	1,520	2,183
Other payables	664	5,311
	3,310	9,586
Other current liabilities :		
Accruals and deferred income	9,792	17,328
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,713	5,164
	14,505	22,492
	17,815	32,078
Amounts falling due after more than one year		
Other payables, accruals and deferred income	15,475	15,172
	15,475	**15,172**

20.1 Intra-Government Balances

	2010/11		2009/10 Restated	
	£000	**£000**	**£000**	**£000**
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	7,409	15,475	9,152	15,172
Balances with local authorities	207	–	579	–
Balances with public corporations and trading funds	359	–	450	–
Subtotal: intra-government balances	**7,975**	**15,475**	**10,181**	**15,172**
Balances with bodies external to government	9,840			21,897
Total balances payable at 31 March	**17,815**	**15,475**	**32,078**	**15,172**

21 Provisions for liabilities and charges

		Other					
	Early departure costs	FSA Board Pension Provision	Legal claims	Onerous Leases	Personal Injury Claims Provision	LGPS Pension Provision	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	2,892	593	23	347	217	44,416	48,488
Provided in the year	986	298	–	–	215	2,432	3,931
Provisions not required written back	23	–	(23)	–	–	–	–
Provisions utilised in the year	(660)	(62)	–	(71)	(126)		(919)
Payment to reduce deficit						(1,631)	(1,631)
Actuarial loss arising						57,399	57,399
Balance at 1 April 2010	3,241	829	–	276	306	102,616	107,268
Provided in the year	2,304	66				4,603	6,973
Provisions not required written back		(81)				(17,075)	(17,156)
Provisions utilised in the year	(815)	(28)			(68)		(911)
Payment to reduce deficit						(1,707)	(1,707)
Actuarial Loss / (Gain)		(163)				(42,581)	(42,744)
Balance at 31 March 2011	**4,730**	**623**	**–**	**276**	**238**	**45,856**	**51,723**

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

	Early Departure Costs	Onerous Leases	Personal Injury Claims Provisions	Total
	£000	£000	£000	£000
In the remainder of the Spending				
within one year	1,015	257	238	1,510
between one and five years	2,810	19		2,829
between five and ten years	755			755
thereafter	150			150
Balance at 31 March 2011	**4,730**	**276**	**238**	**5,244**

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

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

21.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% (2009/10 1.8%) in real terms.

21.1.1 Other

A provision has been created in respect of several onerous issues which relate to office space occupied by the former regional offices of the MHS (Meat Hygiene Service). The amount provided has been calculated by reference to the periods specified in the leases.

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

21.1.2 FSA Board Pension Provision

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

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2011 is £623,000 (2009/10 £829,000).

The disclosure includes a decrease of £51,000 as a result of changes in the assumptions underlying the scheme liabilities made up of £39,000 decrease in liabilities due to financial assumption changes and £12,000 decrease in liabilities due to changes to the mortality assumptions.

This reflects the decrease in liabilities as a result of the move to CPI, from RPI, pension indexation.

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

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

Financial assumptions

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

	March 31, 2011	March 31, 2010
Inflation/ Pension increase rate	2.65%	2.75%
Rate of increase in salaries	4.90%	4.29%
Gross Discount Rate	5.60%	4.60%

Mortality

Life expectancy is based on the actuarial PA92-08 tables. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	March 31, 2011		March 31, 2010	
	Males	**Females**	**Males**	**Females**
Current Pensioners	24.1 years	27.3 years	23.9 years	27.1 years
Future Pensioners	26.5 years	29.9 years	26.0 years	29.1 years

Present value of scheme liabilities

	Value at 31.03.2011	**Value at 31.03.2010**	**Value at 31.03.2009**	**Value at 31.03.2008**	**Value at 31.03.2007**
	£000	**£000**	**£000**	**£000**	**£000**
Liability in respect of					
Active members	(98)	(164)	(226)	(164)	(79)
Deferred pensioners	(207)	(254)	(182)	(193)	(198)
Current pensioners	(318)	(411)	(189)	(179)	(182)
	(623)	**(829)**	**(597)**	**(536)**	**(459)**

Analysis of movement in scheme liability

	2010/11 £000	**2009/10 £000**
Scheme liability at 1 April	**(829)**	**(597)**
Movement in the year:		
Current service cost (net of employee contributions)	(28)	(39)
Interest cost	(35)	(37)
Employee Contributions	(3)	(5)
Actuarial (Loss) / Gain	163	(167)
Benefits paid	28	16
Past service Cost (Note 10)	81	–
Net individual pension transfer-in	–	–
Settlements and curtailments	–	–
Scheme liability at 31 March	**(623)**	**(829)**

Analysis of amount charged to operating profit

	Year to March 31, 2011	**Year to March 31, 2010**
	£000	**£000**
Current service cost (net of employee contributions)	(28)	(39)
Interest cost	(35)	(37)
Past service Cost (Note 10)	81	–
Settlements and curtailments	–	–
	18	(76)

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

	2010/11 £000	2009/10 £000
Experience (losses) / gains arising on the scheme liabilities	112	(1)
Changes in financial assumptions underlying the present value of scheme liabilities	51	(166)
Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity	163	(167)

History of experience gains and losses

	2010/11	2009/10	2008/09	2007/08	2006/07
Experience (losses) / gains on scheme liabilities:					
Amount (£000)	112	(1)	(25)	(12)	–
Percentage of scheme liabilities	18.1%	-0.1%	-4.2%	-2.3%	0.0%

21.2 Provision for pension liability

21.2.1 The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2011, contributions of £2.6m (2009/10 £2.9m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2010, this rate was 17.9% (2009/10 17.9%) of pensionable remuneration.

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

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

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

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

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £45.9m as at 31 March 2011 compared with a calculated deficit of £102.6m as at 31 March 2010.

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

The actuary has estimated the employer's contributions for 2011/12 to be £4.4m.

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:

	March 31, 2011	March 31, 2010
Inflation/ Pension increase rate (RPI)	3.5%	3.9%
Inflation/ Pension increase rate (CPI)	2.7%	N/A
Salary Increases	4.5%	5.4%
Expected Return on Assets	6.7%	6.8%
Discount Rate	5.5%	5.5%

Mortality

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

	Males	Females
Current Pensioners	20.8 years	23.3 years
Future Pensioners	22.8 years	25.2 years

Movement in liabilities

	March 31, 2011 £000	March 31, 2010 £000
Opening Defined Benefit Obligation	211,569	127,221
Current service cost	3,982	2,120
Interest cost	10,302	8,730
Contributions by members	972	1,111
Actuarial losses / (gains)	(45,708)	76,465
Past service Costs	(17,075)	–
Losses on Curtailments	85	568
Estimated unfunded benefits paid	(147)	(133)
Estimated benefits paid	(5,862)	(4,513)
Closing Defined Benefit Obligation	**158,118**	**211,569**

Movement in assets

	March 31, 2011 £000	March 31, 2010 £000
Opening Fair Value of Employer's Assets	108,953	82,805
Expected Return on Assets	7,165	5,354
Contributions by Members	972	1,111
Contributions by Employer	4,161	5,130
Contributions in respect of Unfunded Benefits	147	133
Actuarial gains / (losses)	(3,127)	19,066
Unfunded benefits paid	(147)	(133)
Benefits Paid	(5,862)	(4,513)
Closing Fair Value of Employer Assets	**112,262**	**108,953**

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

	Long term rate of return expected at 31.03.2011	Value at 31.03.2011 £000	% at 31.03.2011	Long term rate of return expected at 31.03.2010	Value at 31.03.2010 £000	% at 31.03.2010
Equities	7.4%	77,461	69%	7.5%	76,267	70%
Target return portfolio	4.5%	13,471	12%	4.5%	10,895	10%
Alternative assets	6.4%	15,717	14%	6.5%	15,253	14%
Cash	3.0%	3,368	3%	3.0%	5,448	5%
Corporate bonds	5.5%	2,245	2%	5.5%	1,090	1%
Market value of assets		112,262			108,953	
Present value of scheme liabilities		(158,118)			(211,569)	
Net pension deficit		**(45,856)**			**(102,616)**	

21.2.2 Movement in deficit during the year

	2010/11 £000	**2009/10 £000**
Scheme liability at 1 April	(102,616)	(44,416)
Current service cost	(3,982)	(2,120)
Employer contributions	2,601	3,632
Payment of deficit	1,707	1,631
Curtailments and settlements	(85)	(568)
Past service cost (Note 10)	17,075	–
Other finance net interest charged (note 21.2.3)	(3,137)	(3,376)
Actuarial (loss)/ gain (note 21.2.4)	42,581	(57,399)
Scheme liability at 31 March -LGPS Pension Provision	(45,856)	(102,616)

21.2.3 Analysis of the amount charged to operating deficit

	2010/11 £000	**2009/10 £000**
Current service costs	3,982	2,120
Past service cost (Note 10)	(17,075)	–
Curtailment and settlements	85	568
	(13,008)	2,688
Employer contributions to be set off	(2,601)	(3,632)
Amount (credited)/charged to operating cost (Note10 B)	(15,609)	(944)

	2010/11 £000	**2009/10 £000**
Analysis of the net amount charged to operating cost		
Expected return on pension scheme assets	(7,165)	(5,354)
Interest on pension scheme liabilities	10,302	8,730
Net cost	**3,137**	**3,376**

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

	2010/11 £000	2009/10 £000
Actual return less expected return on pension scheme assets	336	19,066
Experience gains and losses arising on the scheme liabilities	33,289	441
Changes in financial assumptions underlying the present value of scheme liabilities	8,956	(76,906)
Actuarial loss recognised in the Statement of Changes in Taxpayers' Equity	42,581	(57,399)

21.2.5 History of experience gains and losses

	2010/11	2009/10	2008/09	2007/08	2006/07
Difference between the experience and actual return on scheme assets:					
Amount (£000)	(3,127)	19,066	(28,908)	-5,535	823
Value of assets (£000)	112,408	108,953	82,805	99,777	94,419
Percentage of scheme assets	-2.8%	17.5%	-34.9%	-5.5%	0.9%
Experience gains/(losses) on scheme liabilities:					
Amount (£000)	36,752	441	(382)	2,763	(92)
Total present value of liabilities (£000)	158,118	211,569	127,222	127,767	141,154
Percentage of scheme liabilities	23.2%	0.2%	-0.3%	2.2%	-0.1%
Total amount recognised in the Statement of Changes in Taxpayers' Equity					
Actuarial (loss)/gain (£000)	42,581	(57,399)	(15,340)	17,772	(19,744)
Total present value of liabilities (£000)	158,118	211,569	127,221	127,767	141,154
Percentage of scheme liabilities	26.9%	-27.1%	-12.1%	13.9%	-14.0%
Cumulative actuarial (loss)/gain (£000)	(13,140)	(55,721)	1,678	17,018	(754)

22 Commitments under leases

22.1 Operating leases

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

	2010/11 £000	2009/10 £000
Obligations under operating leases comprise:		
Land and buildings:		
Not later than one year	6,485	6,333
Later than one year and not later than five years	25,942	25,331
Later than five years	30,676	36,287
	63,103	**67,951**
Other:		
Not later than one year	626	179
Later than one year and not later than five years	426	462
	1,052	**641**

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

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

	2010/11 £000	2009/10 £000
Total future minimum lease rental income from Ofsted		
Land and buildings:		
Not later than one year	1,669	1,577
Later than one year and not later than five years	2,011	3,178
Later than five years	946	1,449
	4,626	**6,204**

23 Other financial commitments

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

	2010/11 £000	2009/10 £000
Not later than one year	10,125	17,938
Later than one year and not later than five years	15,895	16,541
Later than five years	–	–
	26,020	**34,479**

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

24 Contingent liabilities

The Department has the following contingent liabilities:

i There is a claim made by an ex contractor, who provided the FSA with meat inspection and veterinary staff, over payment for rest breaks. This claim has been contested but may cost approximately £130,000.

ii There are a number of claims being made by employees and others for injuries sustained in the workplace, unfair dismissal or other issues. These cases will be defended and as yet the outcome is not known but could cost approximately £1,966,000. Of this total £1,301,000 relates to personal injury and £665,000 for employment tribunal cases. No provision has been made for these cases, however, a provision of £238,000 has been made for personal injury claims where liability has been admitted.

iii A number of employment tribunals claims have been made by Prospect, one of the FSA's recognised trade unions for the purpose of collective bargaining, in response to the announcement that staff were subject to the Government's two year pay freeze. These claims have been contested by the FSA but may cost approximately £463,000.

The total contingent liabilities is therefore £2,559,000 (2009/10 £340,000).

25 Related-Party Transactions

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

The FSA had a number of significant transactions with other Government Departments and other central Government bodies:

Department of Environment, Food & Rural Affairs (Defra) and its agencies as listed below. Most of the work with Defra is for analytical sampling and inspections. Transactions with Defra totalled £17,434k during the year. As at 31 March 2011, £139k was due from Defra.

- Veterinary Laboratories Agency (part of Defra): Transactions totalled £1,681k during the year. As at 31 March 2011 £nil was owed to the VLA.

- Centre for Environment, Fisheries & Aquaculture (part of Defra): Transactions during the year totalled £4,075k. As at 31 March 2011 £nil was owed to CEFAS.
- Food and Environmental Research Agency (part of Defra): Transactions during the year totalled £1,783k . As at 31 March 2011 £nil was owed to FERA.
- Animal Health (part of Defra): Transactions during the year totalled £1,665k . As at 31 March 2011 £6k was owed from Animal Health.
- Other work with other Defra totalled £8,230k, of which £133k was due as at 31 March 2011.
- Rural Payments Agency (RPA): Work relating to Cattle Passports is undertaken principally for the RPA. Transactions during the year totalled £1,271k. As at 31 March 2011 £201k was due from the RPA.

Health Protection Agency (HPA): Transactions during the year totalled £178k. There were no outstanding balances at 31 March 2011.

Department of Health (DoH): Transactions with the DoH totalled £7,076k (of which £5,426 related to MoG changes). At 31 March 2011 £nil was due from the DoH.

Veterinary Medicines Directorate (VMD): Transactions with VMD totalled £519k during the year and £nil was outstanding as at 31 March 2011.

Medical Research Council (MRC): Transactions with MRC totalled £1,265k during the year. As at 31 March 2011 £nil was due to MRC.

Environment Agency (EA): Transactions with EA totalled £156k during the year. As at 31 March 2011 £20k was due from EA.

Central Office of Information (COI): COI provide printing, publicity and campaign work for the FSA. There were no outstanding balances as at 31 March 2011.This work totalled £1,291k during the year.

Office for Standards in Education, Children's Services and Skills (OFSTED): OFSTED lease several floors of the Agency's head office in London. Transactions totalled £2,426k during the year. As at 31 March 2011 £3k was due from OFSTED.

26 Entities within the Departmental Boundary

The FSA has no other entities within the Departmental Boundary.

27 Losses and Special Payments

The FSA made 28 special payments amounting to £86,000 in 2010/11 (2009/10: 19 payments, £250,000). In addition, a provision of £238,000 has been made in respect of estimated future payments relating to these cases and a further 3 cases. The majority of the cases refer to compensation and personal injury claims.

An analysis by category is shown below.

	No of cases	Value £000
Cash losses	–	–
Store losses	–	–
Fruitless payments	–	–
Constructive losses	–	–
Claims waived and abandoned	–	–
Special payments	28	86

28 Capital Commitments

At 31 March 2011 there were no commitments for the purchase of capital items (31 March 2010 nil).

29 Events after the reporting period

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

As outlined in Note 21, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

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

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

None of these proposed changes and amendments are expected to have a material impact on the accounts.

New IFRSs

IFRS9 Financial Instruments

IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.

Financial Instruments

The IASB intend that IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. As a first instalment, the chapters on classification and measurement of financial assets have been issued. Later instalments will cover financial liabilities, impairment methodology, and hedge accounting.

Under IFRS 9, financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flow characteristics. They should be measured initially at fair value, and subsequently at either fair value or amortised cost.

IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.

Date of issue November 2009

Effective date 1 January 2013

Amendments to IFRSs

IFRS 7 Financial Instruments: Disclosure

In response to the credit crisis, IFRS 7 has been strengthened to require more disclosure on transfer transactions (e.g. securitisations) involving financial assets, including the extent of any risks which may remain with the entity following the transfer.

Date of issue 1 October 2010

Effective date 1 July 2011

Amendments to IFRSs and IFRICs resulting from Annual Improvements to IFRSs (May 2010)

IFRS 7 Financial Instruments: Disclosure

This amendment explains the reason for providing qualitative and quantitative disclosures on risks and the benefits to users of financial statements of being able to link the two. On credit risk, the amendment: - removes the option to omit disclosure of quantitative disclosures on credit risk etc. where the impact is not material (leaving this judgement to the auditors); - removes the requirement to disclose maximum exposure to credit risk if that risk is limited to the carrying amounts of the relevant assets; - adds the requirement to disclose the effect of any collateral held on the maximum exposure to credit risk, even where the unmitigated risk is (as above) equal to the carrying amount of the relevant assets; and – removes the requirement to make disclosures on assets where credit terms which would otherwise have been breached have been renegotiated.

Date of issue 1 May 2010

Effective date 1 January 2011

IAS 1 Presentation of Financial Statements

Very minor amendment allowing items of other comprehensive income for respective elements of equity to be presented in the notes rather than in the SOCE itself.

Date of issue 1 May 2010

Effective date 1 January 2011

New Interpretations

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on accounting for 'debt for equity swaps' (where the terms of a financial liability are renegotiated to allow the debtor to extinguish part or all of the liability by issuing its own shares to the creditor). The Interpretation applies only to renegotiated financial liabilities and addresses only the accounting by the debtor.

Date of issue 1 November 2009

Effective date 1 July 2010

Amendments to Interpretations

IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment allows, in certain circumstances, an entity to treat the prepayment of future contributions to a pension scheme where there is a minimum funding requirement as an asset.

Date of issue 1 November 2009

Effective date 1 January 2011

In all cases, effective dates refer to periods starting on or after that date by which the new Standard/Interpretation or amendment must be adopted.

Significant FReM changes expected for 2011/12 (representing best practice disclosures in the spirit of IAS 8.30)

FReM ref – Ch 3 Parliamentary Accountability

Estimates from 2011/12 should be based on departmental budgets, and the structure of the Estimates should reflect the split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), with consequential adjustments to the Statement of Parliamentary Supply.

FReM ref – Ch 4 Accounting Boundaries

The change revises the departmental resource accounting boundary to include non-departmental public bodies and other bodies classified to central government by the Office for National Statistics.

The FReM also interprets IAS 27 in relation to the consolidation boundary.

FReM ref – Ch 11 Income and Expenditure

This change reflects the proposed changes to the treatment of income in (Westminster) Estimates, whereby voted totals will be net of income and the concept of 'appropriations-in-aid' disappears.

FReM ref – Chs 5, 6, 7 & 11 Accounting for Capital Government Grants and Similar Financing from Non-Government Sources

Adapts IAS 20 – so that the accounting treatment is extended to all capital non-exchange transactions (including donated assets). Non-exchange revenue relating to capital items should be recognised immediately, except where the funding is subject to a condition.

Adapts IAS 16 – to supplement disclosure requirements to show how additions have been financed, i.e. own capital budget, Government grant, donation, lottery funding.

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 governments departments and pension schemes listed in the attached appendix.

2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2011 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for 2010/11.

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 2011 and of the net resource outturn, the application of resources, changes in taxpayers' equity 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 2011 and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended;

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and

(c) demonstrate that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

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 and true and fair view. In such cases, informed and unbiased judgement should be used to devise and 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 concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

Chris Wobschall
Head, Assurance and Financial Reporting Policy, Her Majesty's Treasury
22 December 2010

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