Presented pursuant to the Government Resources and Accounts Act 2000 c20 s.6

Food Standards Agency Westminster

Resource Accounts 2008-09

(For the year ended 31 March 2009)

LONDON: The Stationery Office 8 July 2009
HC 459 £10.50

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Preparation of Accounts

The Food Standards Agency (FSA) Westminster Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The Westminster consolidated accounts are laid before Parliament under the Government and 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 1st April 2000 by Act of Parliament (Food Standards Act 1999). The main purpose of the agency is:

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

On 1st April 2000, the Meat Hygiene Service (MHS) became an executive agency of the FSA. The MHS was originally established on 1st April 1995 as an executive agency of the Ministry of Agriculture, Fisheries and Food. The MHS is funded by Westminster and is therefore consolidated into this account.

Aims of the Food Standards Agency

Our Strategic Plan to 2010 sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet and food law enforcement over a five year period. Our aim is to be trusted as the UK's most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it easier for people to choose a healthy diet.

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

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

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

Our vision is: **safe food and healthy eating for all**

We are committed to achieve this through our core values:

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

Management Commentary

a) The responsibilities of the FSA

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

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

- inspection and enforcement action to protect consumers;
- monitoring local authority enforcement – auditing and improving local authority performance;
- nutrition – providing advice and guidance on the nutritional composition of food;
- providing information on a healthy, balanced diet, to promote and protect public health;
- food contaminants – defining tolerable levels, risk management and policy;
- food additives, contact materials, and novel foods – including safety assessment and surveillance;
- microbiological safety and food hygiene including providing advice on the management of 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.

b) Resource spend in 2008/09

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

	2008/09	
	Estimate	Net Operating Cost
	£m	£m
Westminster FSA Headquarters	103.2	97.0
Meat Hygiene Service	34.1	35.8
Total Westminster Funded FSA	**137.3**	**132.8**

The comparative figures for 2007/08 are shown below:

	2007/08	
	Estimate	Net Operating Cost
	£m	£m
Westminster FSA Headquarters	113.0	108.0
Meat Hygiene Service	39.4	42.0
Total Westminster Funded FSA	152.4	150.0

The net cost of the Westminster FSA was £133.0m against available funding of £137.3m to 31 March 2009. Expenditure was therefore generally in line with both budget and forecasts.

The net cost of the MHS was £36m for the year. Expenditure was also broadly in line with both budgets and forecasts. The Meat Hygiene Service, as an executive agency, prepares its own annual report and accounts. These accounts provide a detailed analysis of costs and income, as well as performance against targets. The MHS annual report and accounts are available from 'The Stationery Office' (www.tso.co.uk/bookshop).

c) Performance Reporting

The FSA's 2008/09 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 resource accounts for the Food Standards Agency. Copies of this report are also available from 'The Stationery Office', and the FSA's website.

Performance during the year is summarised below:

Food Safety

Strategic priorities	Our performance
We will work with industry to achieve a 50% reduction in the incidence of UK produced chickens which test positive for Campylobacter by the end of December 2010	Although data from the preliminary results have yet to be fully analysed, early indications are that as a result of our interventions the incidence of Campylobacter is down to around 45%.
We will develop effective interventions to tackle food safety problems at source before they become incidents, by the end of December 2010	We have made good progress on our incident prevention strategy, e.g., the programme board has approved the communications plan; we have signed an information-sharing arrangement with USDA; we have set up an emerging risk team to take forward horizon scanning work; and we have targeted some research organisations to tender for a four month key ingredient project. A plan is in place to develop and validate LC-MS as an alternative to the mouse bioassay for the detection of diarrhetic shellfish toxins.
We will work with industry to achieve a 50% reduction in the incidence of pigs which test positive for Salmonella at slaughter by the end of December 2010	We are preparing a paper for consultation on the proposed baseline to measure the 50% reduction target. The baseline is likely to be based on data from EU harmonised surveillance and will be backdated. Prototype assessment tools are being piloted by industry and will contribute towards delivery of this target.
Working with stakeholders, we will provide guidance and support to help small catering businesses. By the end of December 2010, all food businesses are working actively to achieve compliance with food safety management requirements with at least 75% fully compliant	The direction of travel is satisfactory but the target is unlikely to be achieved. The target of 75% fully compliant businesses is ambitious and a more realistic figure would be around 60%. This was always an aspirational target and consideration is being given to asking the Board to agree a more realistic target
We will develop and pilot a tool that allows the effectiveness of slaughterhouse procedures on the risk of contamination of carcasses to be assessed by the end of 2009	The Board agreed a revised target for this work. The toolkit has been launched. It scores the impact of certain processing practices. The target is on course to be completed by the end of 2009.
We will implement an action plan to deliver recommendations of the Food Fraud Task Force which fall within the period of this Strategic Plan	This target is complete.
We will promote and aid development of a sensitive, rapid and cost effective live test for TSEs by the end of December 2010	A cost-effectiveness analysis is being commissioned to determine whether, were an ante-mortem test available and added to the EU list of approved tests, this would be of benefit to the UK Government. The target is to be in a position to take a strategic decision on the future of this work by December 2009.

Eating for Health and Choice

Strategic priorities	Our performance
We will work with health departments and other stakeholders to reduce the average salt intake of UK adults from the current 9.5g to 6g per day by the end December 2010 and to reduce the salt intake of children, in line with Scientific Advisory Committee on Nutrition age-specific recommendations, also by end December 2010. We will monitor progress to ensure that we remain on course to achieve the target	We have considered consultation responses and secured internal agreement to targets for 2010 and 2012. Detailed stakeholder discussions have been carried out to ensure a robust impact assessment that deals with concerns raised by some businesses and BERR. The programme of actions to drive salt reduction remains on track, but will (almost certainly) not achieve the necessary behaviour change required to meet the target by 2010.
We will work with health departments and other stakeholders to develop and implement, by the end December 2008, a strategy for calorie intakes which contributes to achieving a balance between calorie intake and energy output	We have worked to deliver the saturated fat campaign, including extensive media activity and work with stakeholders. Pre-consultation discussions with stakeholders on reformulation and portion size are near to completion.
We will work with health departments and other stakeholders to reduce average intake of saturated fat (for everyone from age five upwards) from the current level of 13.4% to below 11% of food energy by end of December 2010	The programme of actions to drive saturated fat reduction remains on track, but will (almost certainly) not achieve the necessary behaviour change required to meet the target by 2010.
By end of December 2008 we will have completed an independent evaluation of the impacts of front of pack labelling on consumer purchasing behaviour and knowledge and begun discussions on future approaches with stakeholders.	The initial draft report of the independent evaluation has been received and we are collating FSA expert comments to assist the independent panel's consideration of the draft.

Effective Delivery

Strategic priorities	**Our performance**
For UK-related regulations, achieve a 25% reduction (on 2005 baseline) by the end of April 2010 of the administrative burden over whose implementation the UK has some control	We have made significant progress on reducing the administrative burden. Through more proportionate traceability guidance and the Safer Food Better Business initiative we had delivered savings of £44m by end March 2009. However, administrative burdens introduced in legislation after the baseline was set have added to the reduction target and we now need to achieve £136m of saving if we are to reach our £68m target. The focus of our work over the next year will be to deliver the £81m of potential savings identified. Together with the £44m already delivered will result in total savings of £125m, leaving us short by £11m, but still a substantial achievement. This assessment was included in our Simplification Report and Plan 2008/09 published in December. Both Treasury and BERR ministers have recognised that delivery of 90% of our target would be a significant achievement given the scale of the challenge. In addition, we hope that post-2010 we will secure further administrative burden reduction through further simplification and successful negotiation in Europe

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

Structure and Organisation

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

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

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

The FSA Board

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

Dame Deirdre Hutton – FSA Chair
Dr Ian Reynolds – FSA Deputy Chair
Other Board members:
Professor Graeme Millar – Chair of the Scottish Food Advisory Committee
Professor Bill Reilly
John W Spence – Chair of the Welsh Food Advisory Committee
Dr Maureen Edmondson – Chair of the Northern Ireland Food Advisory Committee
Tim Bennett
Michael Parker
Chris Pomfret
Nancy Robson
Sandra Walbran
Clive Grundy
Margaret Gilmore
Professor Sue Atkinson CBE

FSA Management Team

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

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

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

Corporate Governance

Parliamentary Accountability

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

The FSA Board

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

The FSA Board meets around 10 times per year. Many of these Board meetings are held in public, across the United Kingdom, 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.

FSA Audit Committee

The FSA has an Audit Committee to advise the Accounting Officer and Board in relation to issues of control, governance and assurance. The Chair of the Audit 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 FSA Audit Committee was:

Professor Graeme Millar – Chair
Michael Parker
Chris Pomfret
John W Spence
Tim Bennett
Clive Grundy
Richard Harbord – external non FSA Board Member

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

The Audit Committee discussed a range of issues during the year, including internal audit work in the following areas:

- MHS Service Level Agreement
- Finance Systems and Frameworks Review
- IT Procurement
- Human Resources
- Procurement
- FSA Westminster assurance
- FSA Scotland assurance
- FSA Wales assurance

- FSA Northern Ireland assurance
- Information Security (ISO 27001)
- FSA Wales programme expenditure
- Fraud Awareness
- IFRS

The FSA Risk Committee seeks to establish improved risk modelling and management across the organisation. This committee is chaired by Chris Pomfret, and includes a mix of executive and non executive staff as members. Although risk management is under constant review, the following have been identified as significant risk categories which could impinge on the FSA achieving its aims and objectives:

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

Funding of the FSA

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

The Meat Hygiene Service

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

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

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

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

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

Staff Relations

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

Pensions

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

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

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

Equal Opportunities

The FSA aims to be a modern and equitable employer, and recognises and encourages the potential of a diverse workforce. The FSA is committed to equal opportunities and aims to ensure that everyone who works for or with the FSA should be treated fairly and with respect. Consequently, no employee or job applicant will be discriminated against either directly or indirectly on such grounds as race, gender, marital status, nationality, ethnicity, colour, religion, political beliefs, disability, age, sexual orientation, responsibility for dependants, working pattern or position in the organisation. The FSA operates a guaranteed interview scheme for people with disabilities (as defined by the Disability Discrimination Act 1995) who meet the minimum essential criteria for the appointment. The FSA employs 37 staff who have declared a disability.

Supplier Payment Policy

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt, or the agreed contractual terms if otherwise specified. Since January 2009, following Treasury guidance, it has been the FSA's policy to pay all invoices not in dispute within 10 days of receipt. During the year, until December 2008, in excess of 94% of invoices were paid on time. Since January 2009, when the policy was changed to payment within 10 days, in excess of 96% of invoices were paid on time.

Environmental Policy

We are fully committed to conserving energy, water and other resources and reducing waste. We monitor the energy efficiency of Aviation House through the building management system software. We are a member of the Holborn Business Partnership, and seek to take account of sustainability in all aspects of our work. We have a sustainable Development Action Plan to enable us to monitor ourselves against plans and milestones. At present over half our waste is recycled.

Further details of the government's approach can be found at www.defra.gov.uk/sustainable/government.

Financial Instruments

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

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Government Resources and Accounts Act 2000. The audit fee for the year was £75,250. This included an additional £8,250 to cover the work on conversion to international accounting standards. The National Audit Office sub-contracted the FSA's audit to KPMG LLP on a two year contract.

I am not aware of any relevant information that has not been made available to the auditors. I have taken all necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Going Concern

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

Reporting of sickness absence data

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

Reporting of personal/sensitive data losses and/or incidents

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

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

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

Remuneration Report

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

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

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

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

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

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments 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.

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

Service contracts for Board Members are listed below:

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

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

*Sandra Walbran's contract terminated on 31 May 2008
*Professor Bill Reilly's contract terminated on 31 January 2009

Salary and Pension Entitlements

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

a) Remuneration:

Executive Management Board

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

Food Standards Agency Board

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

Remuneration

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument.

(b) Pension benefits:

Executive Management Board

2008-09

		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2009	Total accrued lump sum at age 60 31 March 2009	CETV at 31 March 2009	CETV at 31 March 2008***	Real Increase in CETV
Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Tim Smith	Chief Executive	2.5-5	0-5	–	57	3	48
Richard Calvert	Director of Strategy & Resources	0-2.5	30-35	100-105	561	504	15
David Statham	Director, Enforcement	(2.5)-0	45-50	145-150	1,068	1,051	(13)
Vivienne Collett	Director, Legal Services	0-2.5	40-45	125-130	976	879	11
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	30-35	90-95	599	510	41
Terrence Collis*	Director of Communications	0-2.5	0-5	–	82	51	23
Brian Davies	Human Resources Director	0-2.5	30-35	100-105	751	724	–
Allan Hutton	Finance Director	0-2.5	10-15	35-40	220	219	1
Gill Fine*	Director of Consumer Choice & Dietary Health	0-2.5	10-15	–	157	112	21
Dr George Paterson	Director, FSA Scotland	0-2.5	10-15	30-35	217	192	(5)
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	130-135	1,064	1,027	–
Gerry McCurdy	Director, FSA Northern Ireland	2.5-5	30-35	95-100	687	570	71
Steve Wearne	Director, FSA Wales	2.5-5	15-20	55-60	282	224	36
Steve McGrath**	Chief Executive MHS	0-2.5	10-15	–	199	153	29

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

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

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

Executive Management Board

2007-08

		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2008	Total accrued lump sum at age 60 31 March 2008	CETV at 31 March 2008	CETV at 31 March 2007	Real Increase in CETV
Bands		£2,500 (£000)	£5,000 (£000)	£5,000 (£000)	(£000)	(£000)	(£000)
Tim Smith	Chief Executive (From 1 April 2008)	n/a	n/a	n/a	n/a	n/a	n/a
Richard Calvert	Director of Strategy & Resources	5-7.5	30-35	95-100	542	384	92
David Statham	Director, Enforcement	0-2.5	45-50	145-150	1,107	952	24
Vivienne Collett	Director, Legal Services	0-2.5	35-40	115-120	948	802	29
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	25-30	80-85	536	440	30
Terrence Collis	Director of Communications	0-2.5	0-5	–	54	23	25
Brian Davies	Human Resources Director	0-2.5	30-35	100-105	762	654	18
Allan Hutton	Finance Director	0-2.5	10-15	35-40	243	199	15
Gill Fine	Director of Consumer Choice & Dietary Health	0-2.5	5-10	–	124	76	23
Dr George Paterson	Director, FSA Scotland	0-2.5	5-10	25-30	207	173	24
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	130-135	1,097	954	21
Steve Wearne	Director, FSA Wales	0-2.5	15-20	45-50	218	184	n/a
Steve McGrath	Chief Executive MHS	0-5	5-10	–	163	100	45

Food Standards Agency Board

2008-09

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

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

Food Standards Agency Board

2007-08

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

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could 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 for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out 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, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

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

The Cash Equivalent Transfer Value (CETV)

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 buying 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.

The real increase in the value of the CETV

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

Compensation for loss of office

Allan Hutton left under Compulsory Early Retirement terms on 30 June 2008. The total compensation paid to Allan Hutton is as follows:

A lump sum compensation payable at date of leaving of £55 – 60k

An annual compensation payment of £15 – 20k payable until the age of 60

A lump sum compensation payment of £65 – £70k payable at age 60.

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

Tim J Smith
Chief Executive and Accounting Officer
29 June 2009

Statement of Accounting Officer's Responsibilities

1. Under the Government Resources and Accounts Act 2000, the Food Standards Agency (the Department) is required to prepare resource accounts for each financial year. This is to conform with a Treasury direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

4. In preparing the accounts, the Principal Accounting Officer is required to comply with the Financial Reporting Manual (FReM) prepared by HM Treasury, and in particular to;

   a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

   b. make judgements and estimates on a reasonable basis;

   c. state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and

   d. prepare the accounts on a going-concern basis.

5. In addition, HM Treasury has appointed an Agency Accounting Officer (Steve McGrath) to be accountable for those parts of the Department's accounts that relate to the Meat Hygiene Service resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Chief Executive's overall responsibility as Accounting Officer for the Department's accounts.

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

Tim J Smith
Chief Executive and Accounting Officer
29 June 2009

Statement on Internal Control

1 Scope of responsibility

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

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

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

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

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- a strategic plan which sets out the FSA's main aims and objectives for 2005-2010;
- Internal Audit arrangements, which comply with Government standards, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls in the devolved offices;
- regular reports by Internal Audit, which include an independent annual opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit Committee, constituted in line with HM Treasury's Audit Committee Handbook, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports to the FSA Board on the work of the Committee;
- a Risk Committee which provides advice, support and challenge in relation to organisational risks and embedding a risk-aware culture across the FSA;
- a risk management process that includes regular discussions about risk at corporate and group levels;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration group performance, resources and business risk;
- monthly financial performance reports which are discussed at the Executive Management Board;

- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority, to meet their objectives and their compliance with corporate governance responsibilities;

- assurance from the Chief Executive of the Meat Hygiene Service on internal controls; and

- clear rules and procedures on the FSA Intranet, which are regularly reviewed and updated.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3 Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business planning and they are reviewed and reported on regularly throughout the year. Risk owners formally review risks at least once a quarter and report back to the FSA Board through the organisation's quarterly Performance Management Report.

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

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

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

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

4 The risk and control framework

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

- **High level risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the corporate high level risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;

- **Group level risks:** these are identified and monitored by Directors and their senior management teams. All Directors are accountable for ensuring risks are identified and managed within their group, and where appropriate, risks are escalated to the high-level risk register;

- **Major project risks**: these are managed to project management standards and are included in a risk register. We use project management techniques based on PRINCE methodology for IT and other applications. In addition there are well defined and documented procedures (and a specific IT system) for the procurement and management of the FSA's £17m research portfolio; and

- **Local risks**: the FSA has decided that lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

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

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

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

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

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

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

5 Review of effectiveness

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

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control. Additional measures to strengthen controls will be incorporated if gaps are identified. The FSA recognises the importance of effective and secure data handling across government. Our assessment is that the risk of personal or sensitive information loss by the FSA remains low. However, we intend to implement additional security and management measures as part of our IS Strategy to further strengthen our current position.

The FSA's Internal Audit arrangements include a risk-based audit programme, agreed with the Audit Committee, linked to the strategic risks of the organisation. These audit arrangements comply with

Government Internal Audit standards. Work undertaken by Internal Audit during the year largely focused on FSA's corporate functions. The areas reviewed included financial frameworks, IT contracting, procurement and human resources. The service level agreement between the FSA and MHS was also audited. Controls and procedures were generally found to be acceptable. However, in the areas of procurement, IT contracting and official controls charging in relation to government customers, these areas were found to be requiring significant improvement.

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

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

Tim J Smith
Chief Executive and Accounting Officer
29 June 2009

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Food Standards Agency for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Consolidated Cash Flow Statement and Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government and Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the Management Commentary, the FSA Board and Environmental Policy sections, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating costs, consolidated operating costs applied to the departmental strategic objectives, recognised gains and losses and consolidated cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury's directions issued under the Government Resources and Accounts Act 2000; and

- information which comprises the Management Commentary, the FSA Board and the Environmental Policy sections included in the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

3 July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

		2008-09							2007-08
		Estimate			Outturn				Outturn
Request for resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net total outturn compared with Estimate: saving/ (excess)	
		£000	£000	£000	£000	£000	£000	£000	£000
House of Commons	2	194,448	(57,109)	137,339	174,528	(41,722)	132,806	4,533	149,900
Total resources		**194,448**	**(57,109)**	**137,339**	**174,528**	**(41,722)**	**132,806**	**4,533**	**149,900**
Non-operating A in A		–	–	–	–	–	–	–	–

Net cash requirement 2008-09

		2008-09			Restated 2007-08
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	143,681	143,448	233	147,012

Summary of income payable to the Consolidated Fund

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

Explanations of variances between Estimate and Outturn

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

The notes on pages 33 to 62 form part of these accounts.

Operating Cost Statement
for the year ended 31 March 2009

								2007-08	
							2008-09		
		Core Department			**Consolidated**			Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
		£000	£000	£000	£000	£000	£000	£000	£000
Administration Costs:									
Staff costs	9	30,274	–	–	30,274	–	–	31,286	3,186
Other administration costs	10	–	20,606	–	–	20,606	–	23,494	23,494
Operating income	13	–	–	(847)	–	–	(847)	(220)	(220)
Programme Costs									
Request for resources:									
Staff Costs	9	–	–	–	42,792	–	–	–	51,911
Programme costs	11	–	48,871	–	–	80,856	–	55,403	88,968
Income	11	–	–	(1,921)	–	–	(40,875)	(1,953)	(45,539)
Totals		**30,274**	**69,477**	**(2,768)**	**73,066**	**101,462**	**(41,722)**	108,010	149,900
Net Operating Cost				**96,983**			**132,806**	108,010	149,900

All income and expenditure are derived from continuing operations.

The notes on pages 33 to 62 form part of these accounts.

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	**2008-09** Core Department	**2008-09** Consolidated	2007-08 Core Department	2007-08 Consolidated
		£000	£000	£000	£000
Net gain on revaluation of fixed assets	22	–	–	27	27
Actuarial (loss)/gain in the pension scheme	21	–	(15,338)	–	17,778
Recognised gains and losses for the financial year	20b	**–**	**(15,338)**	27	17,805

The notes on pages 33 to 62 form part of these accounts.

Balance Sheet

as at 31 March 2009

					2008				2007
			Core Department		**Consolidated**		**Core Department**		**Consolidated**
	Note	£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets:									
Tangible assets	14	2,341		3,651		2,375		3,359	
Intangible assets	15	651		813		704		886	
			2,992		**4,464**		3,079		4,245
Debtor falling due after more than one year	17		–		**48**		–		61
Current assets:									
Debtors	17	11,488		14,275		8,392		14,416	
Cash at bank and in hand	18	–		–		–		–	
		11,488		14,275		8,392		14,416	
Creditors (amounts falling due within one year)	19	(21,795)		(25,365)		(22,304)		(35,762)	
Net current liabilities			**(10,307)**		**(11,090)**		(13,912)		(21,346)
Total assets less current liabilities			**(7,315)**		**(6,578)**		(10,833)		(17,040)
Creditors (amounts falling due after more than one year)	19	(11,525)		(11,525)		(11,434)		(11,434)	
Provision for liabilities and charges	20	(2,178)		(4,072)		(3,432)		(3,681)	
			(13,703)		**(15,597)**		(14,866)		(15,115)
Net liabilities excluding pension deficit			**(21,018)**		**(22,175)**		(25,699)		(32,154)
Pension scheme deficit	20b		–		(44,416)		–		(27,990)
Net liabilities			**(21,018)**		**(66,591)**		(25,699)		(60,144)
Taxpayer's equity									
General fund	21		(21,018)		(66,591)		(25,699)		(60,144)
Revaluation reserve	22		–		–		–		–
			(21,018)		**(66,591)**		(25,699)		(60,144)

Tim J Smith
Chief Executive and Accounting Officer
29 June 2009

The notes on pages 33 to 62 form part of these accounts.

Consolidated Cash Flow Statement
as at 31 March 2009

	Note	**2008-09**	Restated 2007-08
		£000	£000
Net cash outflow from operating activities	23	(141,910)	(144,427)
Capital expenditure and financial investment	23	(1,538)	(2,585)
Financing from the Consolidated Fund	23	143,210	148,111
(Decrease)/Increase in cash in the period		**(238)**	1,099

The notes on pages 33 to 62 form part of these accounts.

Consolidated Statement of Net Operating Costs by Departmental Aims and Objectives

for the year ended 31 March 2009

	Gross	Income	2008-09 Net
	£000	£000	£000
Aim 1			
Food Safety:	131,986	(40,695)	91,291
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;			
Aim 2			
Eating for Health:	25,016	(717)	24,299
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.			
Aim 3			
Choice:	17,526	(310)	17,216
– to enable consumers to make informed choices.			
Net operating costs	**174,528**	**(41,722)**	**132,806**

	Gross	Income	2007-08 Net
	£000	£000	£000
Aim 1			
Food Safety:	150,794	(45,696)	105,098
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;			
Aim 2			
Eating for Health:	24,360	(26)	24,334
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.			
Aim 3			
Choice:			
– to enable consumers to make informed choices.	20,505	(37)	20,468
Net operating costs	**195,659**	**(45,759)**	**149,900**

Costs have been apportioned to individual aims on a divisional basis which best reflects the resources consumed. These costs include staff costs as explained in note 9 to the accounts.

The notes on pages 33 to 62 form part of these accounts.

Notes to the accounts

1 Accounting Policies

1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Food Standards Agency (FSA) are described below. They have been applied consistently in dealing with items which are considered material to the accounts. The accounting policies of the Meat Hygiene Services and Food Standards Agency are the same unless highlighted to the contrary.

The Westminster FSA balance sheet at 31st March shows a negative taxpayer's equity of £66,589,000. 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 accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2009/10 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

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

1.2 Accounting Convention

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

1.3 Basis of Consolidation

These accounts comprise the consolidation of the core FSA (Westminster funded) and its executive agency, the Meat Hygiene Service (MHS). Transactions between entities included in the consolidation are eliminated. The MHS produces and publishes its own annual report and accounts. All MHS income and expenditure are reported as programme income and expenditure.

1.4 Fixed Assets

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

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

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

1.5 Intangible Fixed Assets

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

1.6 Tangible Fixed Assets

Fixed assets which individually cost less than £5,000 are capitalised if they collectively constitute a group asset (for example, computers, fixtures and fittings).

The FSA does not currently own any land or buildings.

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

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

1.7 Depreciation and Amortisation

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

Tangible assets	
Computer servers and computer equipment	4 years
Office machinery	7 years
Furniture, fixtures and fittings	7 years
Vehicles	4 years
Intangible assets:	
Computer Software and software licences	7 Years

1.8 Stocks and Work in Progress

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

1.9 Research & Development

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

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

1.10 Operating Income

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

1.11 Administration and Programme Expenditure

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

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

1.12 Cost of Capital

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

1.13 Pensions

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

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

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

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

1.14 Early Departure Costs

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

1.15 Operating Leases

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

1.16 Audit Costs

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

1.17 Value Added Tax

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

1.18 Provisions

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

Provisions are recognised in the accounts where;

a) there is a present obligation as a result of a past event;

b) it is probable that a transfer of economic benefits will be required to settle the obligation, and;

c) a reliable estimate can be made of the amount.

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

1.19 Contingent Liabilities

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

i) Items over £100,000 (or lower, where required by specific statue) 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 statue or where material in the context of resource accounts) which are required by the Financial Reporting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.20 Financial Assets and Liabilities

FSA holds the following financial assets and liabilities:

1) Assets
   – Cash and cash equivalents
   – Trade Receivables – current
   – Trade Receivables – non-current

2) Liabilities
   – Trade and other payables
   – Other payables >1 year
   – Provisions arising from contractual arrangements

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

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

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

2. Analysis of net resource outturn by section

							2008-09	2007-08
					Outturn		**Estimate**	
	Admin	Other Current	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total Outturn Compared with Estimate Excess/ (Deficit)	Prior Year Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources								
Westminster – Core	50,880	38,432	89,312	(2,768)	86,544	103,239	16,695	108,010
Meat Hygiene Service	–	85,216	85,216	(38,954)	46,262	34,100	(12,162)	41,890
Total	**50,880**	**123,648**	**174,528**	**(41,722)**	**132,806**	**137,339**	**4,533**	149,900

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

3a Reconciliation of outturn to net operating cost.

			2008-09	2007-08
	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
	£000	£000	£000	£000
Net Resource Outturn	132,806	137,339	4,533	149,900
Net operating cost	**132,806**	**137,339**	**4,533**	149,900

3b. Outturn against final Administration Budget

	Budget	2008-09 Outturn	2007-08 Outturn
	£000	**£000**	£000
Gross Administration Budget	52,515	50,880	54,781
Income allowable against the Administration Budget	(1,375)	(847)	(220)
Net outturn against final Administration Budget	**51,140**	**50,033**	54,561

4. Reconciliation of resources to net cash requirement

	Note	Estimate	Outturn	2008-09 Net total outturn compared with Estimate: saving/ (excess)	Restated 2007-08 Outturn
		£000	£000	£000	£000
Net Resource Outturn	2	137,339	132,806	4,533	149,900
Capital:					
Acquisition of fixed assets	14/15	1,081	1,538	(457)	2,586
Investments		–	–	–	–
Non-operating A in A:					
Proceeds of fixed assets disposals	14	–	–	–	–
Accruals adjustments:					
Non-cash items	10	(3,439)	(4,755)	1,316	(8,888)
Changes in working capital other than cash	16	8,000	10,243	(2,243)	(3,710)
Changes in creditors falling due after more than one year	19a	–	(91)	91	(92)
Use of provision	20a	700	2,149	(1,449)	345
Cash contribution to pension deficit	23a	–	1,558	(1,558)	6,872
Net cash requirement		**143,681**	**143,448**	**233**	147,012

5. Analysis of income payable to the Consolidated Fund

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

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

	2008-09	2007-08
	£000	£000
Operating income	41,722	45,759
Income authorised to be appropriated-in-aid	(41,722)	(45,759)
Operating income payable to the Consolidated Fund	–	–

7. Non-operating income – Excess A in A

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

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

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

9. Staff numbers and related costs

A. Food Standards Agency – administration costs

			2008-09	2007-08
	£000	£000	£000	£000
	TOTAL	STAFF	BOARD	TOTAL
Wages and salaries	23,170	22,998	172	23,556
Social security costs	1,918	1,905	13	1,971
Other pension costs	4,683	4,621	62	4,889
Sub total	**29,771**	**29,524**	**247**	30,416
Inward secondments	76	76	–	161
Agency Staff	794	794	–	908
Total	**30,641**	**30,394**	**247**	31,485
Less recoveries in respect of outward secondments	(367)	(367)	–	(199)
Total net costs	**30,274**	**30,027**	**247**	31,286

No salary costs have been capitalised.

B. Meat Hygiene Service – programme costs

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

C. PRINCIPAL CIVIL SERVICE PENSION SCHEME

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi-employer defined benefit scheme but the FSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at www.civilservice.gov.uk/pensions.

For 2008-09, employer's contributions £7,673,880.60 were payable to the PCSPS (2007-08 £8,185,941.40) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands. The pension contributions includes contributions for staff employed in the Northern Ireland, Scotland and Wales offices. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008-09 and will remain unchanged until 2009-10. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £29,432.96 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,824.94, 0.08 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £31,257.90.

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

D. Local Government Pension Scheme

The majority, around 60%, of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2009, contributions of £3.1m were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2009, this rate was 17.9% of pensionable remuneration. The rate is unchanged for the year commencing 1 April 2009.

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

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

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

offset due to improvements in:

- investment performance.

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

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

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

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

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

E Average number of persons employed

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

1. Food Standards Agency excluding the MHS

	Westminster	Board Members	Core **2008-09** Total
Aim 1 Food Safety: – to continue to reduce foodborne illness; and – to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	499	8	507
Aim 2 Eating for Health: – to make it easier for all consumers to choose a healthy diet; and thereby – improve quality of life by reducing diet-related diseases.	55	2	57
Aim 3 Choice: – to enable consumers to make informed choices.	62	3	64
	616	**13**	**629**

2. Food Standards Agency including the MHS

	Westminster	Board Members	Meat Hygiene Service	Consolidated **2008-09** Total
Aim 1 Food Safety: – to continue to reduce foodborne illness; and chemical contamination (including radiological contamination) of food;	499	8	1,154	1,661
Aim 2 Eating for Health: – to make it easier for all consumers to choose a healthy diet; and thereby – improve quality of life by reducing diet-related diseases.	55	2	–	57
Aim 3 Choice: – to enable consumers to make informed choices.	62	3	–	65
	616	**13**	**1,154**	**1,783**

3. Food Standards Agency excluding the MHS

	Westminster	Board Members	Restated Core **2007-08** Total
Aim 1 Food Safety: – to continue to reduce foodborne illness; and – to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	446	7	453
Aim 2 Eating for Health: – to make it easier for all consumers to choose a healthy diet; and thereby – improve quality of life by reducing diet-related diseases.	99	2	101
Aim 3 Choice: – to enable consumers to make informed choices.	128	3	131
	672	**12**	684

4. Food Standards Agency including the MHS

	Westminster	Board Members	Meat Hygiene Service	Consolidated **2007-08** Total
Aim 1 Food Safety: – to continue to reduce foodborne illness; and – to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	446	7	1,368	1,821
Aim 2 Eating for Health: – to make it easier for all consumers to choose a healthy diet; and thereby – improve quality of life by reducing diet-related diseases.	98	2	–	100
Aim 3 Choice: – to enable consumers to make informed choices.	128	3	–	131
	672	**12**	**1,368**	2,052

F. Staff Costs by Objective in 2007-08 were as follows:

	2008-09 Westminster	2007-08 Westminster
Aim 1 Food Safety: – to continue to reduce foodborne illness; and – to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	59,183	71,278
Aim 2 Eating for Health: – to make it easier for all consumers to choose a healthy diet; and thereby – improve quality of life by reducing diet-related diseases.	6,576	5,303
Aim 3 Choice: – to enable consumers to make informed choices.	7,307	6,615
	73,066	83,197

Notes:

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

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

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

10. Other Administration Costs

	2008-09		2007-08	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases	6,068	6,068	6,074	6,074
Non-cash items:				
Depreciation and impairment loss	615	615	1,369	1,369
Amortisation	196	196	178	178
Loss on disposal of fixed assets	23	23	–	–
Cost of capital credit	(493)	(493)	(680)	(680)
Auditors' remuneration and expenses	75	75	65	65
Other expenditure:				
Accommodation costs	4,697	4,697	3,938	3,938
Board and staff overheads	4,669	4,669	6,742	6,742
Administration costs	3,794	3,794	4,188	4,188
IT costs	962	962	1,620	1,620
	20,606	**20,606**	23,494	23,494

Notes

a) The financial audit was subcontracted by the National Audit Office to KPMG LLP.

b) For 2008/09 IT costs for the FSA have been allocated to the devolved offices on the basis of the number of terminals.

c) The total of non-cash transactions included in (note 4) the Reconciliation of Resources to Net Cash Requirement and (note 23(a)) the Reconciliation of Operating Costs to Operating Cashflows comprises:

	2008-09
	£000
FSA – Other administration costs – non cash items (as above)	416
Provisions provided for in year	695
MHS Non-cash items:	
Provision arising during the year	4,491
Loss on disposals	4
Depreciation	480
Cost of capital	(1,368)
Auditor's fees	37
	4,755

11. Net Programme Costs

		2008-09		*Reclassified 2007-08
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Research & Development:				
Nutrition	3,785	3,785	4,629	4,629
Microbiological Food Safety	1,235	1,235	1,010	1,010
Meat Hygiene	1,578	1,578	2,332	2,332
Chemical Safety	4,033	4,033	5,143	5,143
Labelling & Standards	648	648	879	879
Radiological Safety	35	35	143	143
Miscellaneous	5	5	76	76
	11,319	**11,319**	14,212	14,212
Enforcement, Monitoring and Campaigns:				
Meat Hygiene Service				
Staff Costs	–	42,792	–	51,911
Interest payable to pension scheme	–	1,805	–	754
Other Expenditure	–	40,619	–	44,968
Meat Hygiene	10,459	20	12,307	150
Chemical Safety	895	895	1,083	1,083
Radiological Monitoring	2,339	2,339	2,468	2,468
Enforcement & Audit/Local Authority	2,918	2,918	2,790	2,790
Microbiological Food Safety	5,484	5,484	11,341	11,341
Press & Publicity	2,305	2,305	3,130	3,130
Healthier Eating Campaigns	3,113	3,113	2,123	2,123
Food Hygiene Campaign	799	799	544	544
Nutrition	4,205	4,205	3,833	3,833
Genetically Modified & Novel Foods	55	55	190	190
Underpinning Science	749	749	490	490
Labelling & Standards	2,380	2,380	292	292
Animal Feedingstuff	59	59	60	60
Food Safety & Education	1,298	1,298	85	85
Miscellaneous	494	494	455	455
	37,552	**69,537**	41,191	74,756
Total non-staff programme costs	**48,871**	**80,856**	55,403	88,968
Total programme costs	**48,871**	**123,648**	55,403	140,879
Less: Programme income				
FSA Westminster – core dept	(1,921)	(1,921)	(1,953)	(1,953)
Meat Hygiene Service	–	(38,954)	–	(43,586)
	(1,921)	**(40,875)**	(1,953)	(45,539)
	46,950	**82,773**	53,449	95,339

Note:
1. Included in the MHS costs above are:
For 2008-09, the auditor's fees of £37,000 and depreciation of £480,000
For 2007-08, the auditor's fees of £33,000 and depreciation of £524,000
2. Reclassified Net Programme Costs:
*The programme headings were revised this year to better reflect the work of the agency. As a result, the 2007-08 headings for the net programme costs have been reclassified.

12. Analysis of net operating cost by spending body

		2008-09	2007-08
	£000	£000	£000
	Estimate	Outturn	Outturn
Spending body:			
FSA – core department	103,239	96,983	108,010
Meat Hygiene Services	34,100	35,823	41,890
Consolidated total	**137,339**	**132,806**	149,900

13 Analysis of Income

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

		2008-09		2007-08
	£000	£000	£000	£000
All operating income is included within public expenditure				
a) FSA – core department				
Administration income:				
From Government Departments and others		847		220
Programme income:				
Milk and Dairy Hygiene – sampling	18		21	
Assessments and consultations on radioactive discharges	1,903		1,932	
	1,921		1,953	
b) Meat Hygiene Service activity	38,954		43,586	
		40,875		45,539
Consolidated total		**41,722**		45,759

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

			2008-09			2007-08
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Meat Hygiene Service activity						
Industry	25,039	60,862	(35,823)	2,377	65,768	(41,996)
Government	24,163	24,163	–	31,971	31,971	–
FSA – core department						
Milk and Dairy Hygiene – sampling and inspections	18	25	(7)	21	23	(2)
Assessments and consultations on radioactive discharges	1,903	2,342	(439)	1,932	1,931	2
	51,123	**87,392**	**(36,269)**	57,696	99,693	(41,997)

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

14. Tangible fixed assets

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Restated Consolidated Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
Restated cost at 1 April 2008	1,331	6,547	633	5,602	4	14,116
Additions	–	283	37	1,042	–	1,362
Disposals	–	(204)	(8)	(315)	–	(527)
Reclassification	(1,331)	667	–	664	–	–
At 31 March 2009	**–**	**7,293**	**662**	**6,993**	**4**	**14,951**
Depreciation						
Restated cost at 1 April 2008	–	6,365	365	4,024	4	10,758
Charged in year	–	136	65	838	–	1,039
Disposals	–	(190)	(5)	(302)	–	(497)
At 31 March 2009	**–**	**6,311**	**425**	**4,560**	**4**	**11,300**
Net book value at 31 March 2009	**–**	**982**	**237**	**2,433**	**–**	**3,651**
Restated Net book value at 31 March 2008	**1,331**	**182**	**268**	**1,578**	**–**	**3,359**

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

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Restated Core Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
Restated cost at 1 April 2008	1,331	6,401	539	2,338	4	10,613
Additions	–	283	37	285	–	605
Disposals	–	(204)	–	(311)	–	(515)
Reclassification	(1,331)	667	–	664	–	–
At 31 March 2009	**–**	**7,147**	**576**	**2,976**	**4**	**10,703**
Depreciation						
Restated cost at 1 April 2008	–	6,220	275	1,740	4	8,239
Charged in year	–	136	64	412	–	612
Disposals	–	(190)	–	(299)	–	(489)
At 31 March 2009	**–**	**6,166**	**339**	**1,853**	**4**	**8,362**
Net book value at 31 March 2009	**–**	**981**	**237**	**1,123**	**–**	**2,341**
Restated Net book value at 31 March 2008	**1,331**	**182**	**264**	**598**	**–**	**2,375**

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

15. Intangible fixed assets

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

	Restated Consolidated Purchased software licences	Restated Core Purchased software licences
	£000	£000
Cost or valuation		
Restated cost at 1 April 2008	2,474	1,639
Additions	176	143
At 31 March 2009	**2,650**	**1,782**
Amortisation		
Restated cost at 1 April 2008	1,588	935
Charged in year	249	196
At 31 March 2009	**1,837**	**1,131**
Net book value at 31 March 2009	**813**	**651**
Restated Net book value at 31 March 2008	**886**	**704**

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

16. Movements in working capital, other than cash

	2008-09	2007-08
	£000	£000
(Decrease)/Increase in debtors within one year	(141)	(910)
(Decrease)/Increase in debtors after more than one year	(13)	33
Decrease/(Increase) in creditors within one year	10,397	(2,833)
	10,243	(3,710)

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

17. Debtors

(a) Analysis by type

		2008-09		Restated 2007-08
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	663	3,701	258	3,752
VAT recoverable	1,173	2,018	1,498	2,675
Other debtors	187	220	214	283
Prepayments and accrued income	3,918	7,627	3,799	7,235
Amounts owed from the Consolidated Fund for supply but not received at year end	5,547	709	2,623	471
	11,488	**14,275**	8,392	14,416
Amounts falling due after more than one year:				
Other debtors	–	48	–	61
	11,488	**14,323**	8,392	14,477

(b) Intra-Government Balances

	2008-09	2007-08	**2008-09**	2007-08
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	4,235	4,944	–	–
Balances with local authorities	4	7	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
Subtotal: intra-government balances	**4,239**	4,951	**–**	–
Balances with bodies external to government	10,038	8,994	48	61
Total debtors at 31 March	**14,277**	13,945	**48**	61

18. Cash at bank and in hand

	2008-09		2007-08	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	–	–	–	2,246
Net changes in cash balances	–	–	–	(2,246)
Balance at 31 March	**–**	**–**	–	–
The following balances at 31 March were held at:				
Office of HM Paymaster General	(5,547)	(922)	(2,623)	(752)
Commercial banks and cash in hand	–	213	–	281
Balance at 31 March	**(5,547)**	**(709)**	(2,623)	(471)

19. Creditors

(a) Analysis by type

	2008-09		2007-08	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year				
Bank overdraft	5,547	709	2,623	471
Other taxation and social security	730	1,546	714	1,662
Trade creditors	2,509	4,547	4,315	6,785
Other creditors	472	1,515	474	1,533
Accruals and deferred income	12,537	17,048	14,178	25,311
Amounts issued from the Consolidated Fund for supply but not spent in year	–	–	–	–
	21,795	**25,365**	22,304	35,762
Amounts falling due after more than one year				
Long term liabilities (rent)	11,525	11,525	11,434	11,434
	33,320	**36,890**	33,738	47,196

Long term liabilities includes accruals for both lease incentives and timing difference of lease payments.

(b) Intra-Government Balances

	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	2,251	2,377	–	–
Balances with local authorities	158	1,735	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	94	57	–	–
Subtotal: intra-government balances	**2,503**	4,169	**–**	–
Balances with bodies external to government	22,862	31,121	11,525	11,434
Total creditors at 31 March	**25,365**	35,290	**11,525**	11,434

20a. Provisions for liabilities and charges

Consolidated

	Early departure costs	FSA Board Pension Provision	Legal claims	Onerous Leases	Personal Injury Claims Provision	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008	2,976	542	163	–	–	3,681
Arising during the year	1,925	51	–	347	217	2,540
Provisions written back	(135)	–	–	–	–	(135)
Utilised during the year	(1,874)	–	(140)	–	–	(2,014)
Balance at 31 March 2009	**2,892**	**593**	**23**	**347**	**217**	**4,072**
Balance at 31 March 2008	2,976	542	163	–	–	3,681

Core Department

	Early departure costs	FSA Board Pension Provision	Legal claims	Total
	£000	£000	£000	£000
Balance at 1 April 2008	2,727	542	163	3,432
Arising during the year	644	51	–	695
Provisions written back	(135)	–	–	(135)
Utilised during the year	(1,674)	–	(140)	(1,814)
Balance at 31 March 2009	**1,562**	**593**	**23**	**2,178**
Balance at 31 March 2008	2,727	542	163	3,432

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms. In past years the FSA paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

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

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

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

20b Provision for pension liability

20b 1 The majority of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2009, contributions of £3.1m were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2009, this rate was 17.9% of pensionable remuneration. The rate is unchanged for the year commencing 1 April 2009.

The latest full actuarial revew of the scheme considered the position at 31 March 2007. This valuation considered that the general position has deteriorated since the last valuation due to:
– improving life expectancy, both for current and prospective pensioners.
– early retirements due to redundancy, ill health etc.

offset due to improvements in:
– investment performance.

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

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

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

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

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

Financial Assumptions

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

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

Mortality

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

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

Movement in liabilities

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

Movement in assets

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

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

	Long term rate of return expected at 31.03.09	**Value at 31.03.09**	Long term rate of return expected at 31.03.08	Value at 31.03.08
		£000		£000
Equities	7.0%	47,199	7.5%	59,598
Bonds	5.5%	8,281	6.3%	19,256
Property	6.0%	20,701	6.7%	17,931
Cash	4.0%	6,624	4.8%	2,992
Market value of assets		82,805		99,777
Present value of scheme liabilities		(127,221)		(127,767)
Net pension liabilities		(44,416)		(27,990)

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

– scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;

– benefit structure, including details of any discretionary benefits and any proposals to amend the scheme; and

– following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept that, as a consequence the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 20b.4 and 20b.5. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

20b. 2 *Analysis of movement in scheme liability*

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

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

	Year to 31 March 2009	Year to 31 March 2008
	£000	£000
Current service costs	(2,664)	(4,809)
Past service cost	(1,623)	–
Curtailment and settlements	(1,974)	(336)
Total operating charge (A)	(6,261)	(5,145)

	Year to 31 March 2009	Year to 31 March 2008
	£000	£000
Amount charged to programme costs (note 11)		
Expected return on pension scheme assets	7,149	6,928
Interest on pension scheme liabilities	(8,954)	(7,682)
Net cost (B)	(1,805)	(754)
Net revenue account cost (A)-(B)	(8,066)	(5,899)

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

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

20b. 5 *History of experience gains and losses*

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

21. Reconciliation of net operating cost to changes in general fund

		2008-09		Restated 2007-08
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	(25,699)	(60,144)	(28,326)	(74,027)
MHS Actuarial (loss)/gain	–	(15,338)	–	17,778
Parliamentary funding drawn down	100,210	143,210	112,111	148,111
Deemed	–	–	–	–
Deemed Supply	(2,623)	(471)	(3,814)	(1,568)
Excess Vote – prior year	–	–	–	–
Supply Debtor – current year	5,547	709	2,623	471
Net Operating Cost	(96,983)	(132,806)	(108,010)	(149,900)
Non Cash Charges:				
Cost of Capital	(493)	(1,863)	(680)	(1,959)
Auditors' remuneration	75	112	65	98
Transferred to general fund of realised element of revaluation reserve	–	–	44	44
Adjustment – Meat Hygiene Internal Cash Funding	(1,052)	–	–	–
Adjustment to Fixed Assets/General Fund	–	–	290	817
Adjustment re Prior period			(2)	(9)
Balance at 31 March	**(21,018)**	**(66,591)**	(25,699)	(60,144)

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

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

An adjustment of £1,052,000 was made to the General Fund for the elimination of intercompany balances relating to the service level agreement with the Meat Hygiene Service for Meat Hygiene work. This adjustment only affects Core FSA.

22. Revaluation Reserve

	2008-09		Restated 2007-08	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	–	–	307	358
Arising on revaluation during the year	–	–	27	27
Adjustment – Write back of revaluation	–	–	(290)	(341)
Transferred to general fund in respect of realised element of revaluation reserve	–	–	(44)	(44)
Balance at 31 March	**–**	**–**	–	–

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

23. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating cost to operating cash flows

	2008-09	Restated 2007-08
	£000	£000
Net operating cost	132,806	149,900
Adjustment for non-cash transactions	(4,755)	(8,888)
(Decrease)/Increase in debtors	(154)	(877)
Decrease/(Increase) in creditors	10,306	(679)
less movements in creditors relating to items not passing through the OCS	–	(2,246)
Use of provisions	2,149	345
Cash contribution to pension deficit	1,558	6,872
	141,910	144,427

(b) Analysis of capital expenditure and financial investment

	2008-09	Restated 2007-08
	£000	£000
Tangible fixed asset additions	1,362	2,309
Intangible fixed asset additions	176	277
Proceeds of disposal of fixed assets	–	–
Net cash outflow from investing activities	**1,538**	2,585

(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for resources	1,538	–	–	1,538
Total 2008-09	**1,538**	**–**	**–**	**1,538**
Total 2007-08 Restated	2,585	–	–	2,585

(d) Analysis of financing

	2008-09	2007-08
	£000	£000
From the Consolidated Fund (Supply) – current year	143,210	148,111
Net Financing	143,210	148,111

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

	2008-09	Restated 2007-08
	£000	£000
Net cash requirement	(143,448)	(147,012)
From the Consolidated Fund (Supply) – current year	143,210	148,111
(Decrease)/Increase in cash	(238)	1,099

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

Programme grants have been allocated as follows:

	2008-09	2007-08
	£000	£000
Aim 1		
Food Safety: – to continue to reduce foodborne illness; and – to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	71,185	78,009
Aim 2		
Eating for Health: – to make it easier for all consumers to choose a healthy diet; and thereby – improve quality of life by reducing diet-related diseases.	6,622	11,276
Aim 3		
Choice: – to enable consumers to make informed choices.	4,966	6,055
	82,773	95,339

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

25. Commitments under leases

Operating leases

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

		2008-09		2007-08
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
Land and buildings:				
Expiry after more than 5 years	5,938	5,938	5,938	5,938
	5,938	**5,938**	5,938	5,938
Other:				
Expiry within 1 year	–	40	58	137
Expiry after 1 year but not more than 5 years	7	379	7	113
	7	**419**	65	250

26. Other financial commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £39,598,588 up to 31 March 2014.

	2008-09		2007-08	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Expiry within 1 year	18,388	18,388	18,941	18,941
Expiry after 1 year but not more than 5 years	20,978	20,978	30,498	30,498
Expiry after more than 5 years	232	338	338	338
	39,598	**39,704**	49,777	49,777

27. Contingent liabilities

i) There is a compensation claim being sought against the FSA for £40,000. This case will be defended. No provision has been made for this in the accounts.

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

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

28. Related-Party Transactions

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

The Food Standards Agency has related party transactions with it's executive agency, the Meat Hygiene Service (MHS). The MHS undertook work on Specified Risk Material and Meat Products on behalf of FSA.

Intercompany transactions with MHS of £10,439,000 were eliminated from the accounts. As at 31 March 2009, the FSA had mdae a payment in advance of £1,052,000 to MHS.

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

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

– Veterinary Laboratories Agency (part of DEFRA).

– Centre for Environment, Fisheries & Aquaculture (part of DEFRA)

– Central Science Laboratory (part of DEFRA)

– Animal Health (part of DEFRA)

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

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

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

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

29. Financial Instruments

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

Liquidity risk

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

Currency risk

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

Credit risk

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

Interest rate risk

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

Financial assets

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

	Currency	Total	Floating Rate	Fixed Rate	**Consolidated** Non-interest bearing
		£000	£000	£000	£000
At 31 March 2009					
Sterling		48	–	–	48
Other		–	–	–	–
Gross Financial Asset		**48**	**–**	**–**	**48**
At 31 March 2008					
Sterling		61	–	–	61
Other		–	–	–	–
Gross Financial Asset		**61**	**–**	**–**	**61**

Financial liabilities

	Currency	Total	Floating Rate	Fixed Rate	**Core** Non-interest bearing
		£000	£000	£000	£000
At 31 March 2009					
Sterling		19,250	–	–	19,250
Other		–	–	–	–
Gross Financial liability		**19,250**	**–**	**–**	**19,250**
At 31 March 2008					
Sterling		17,489	–	–	17,489
Other		–	–	–	–
Gross Financial Liability		**17,489**	**–**	**–**	**17,489**

Note: Non-interest bearing financial liabilities include provisions for early retirement provisions, FSA Board pensions provision and long term rent commitment

	Currency	Total	Floating Rate	Fixed Rate	Consolidated Non-interest bearing
		£000	£000	£000	£000
At 31 March 2009					
Sterling		60,722	44,416	–	16,306
Other		–	–	–	–
Gross Financial liability		**60,722**	**44,416**	**–**	**16,306**
At 31 March 2008					
Sterling		43,576	27,990	–	15,586
Other		–	–	–	–
Gross Financial Liability		**43,576**	**27,990**	**–**	**15,586**

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

Floating rate financial liabilities comprise: LGPS Pension provision

Foreign currency risk

The Agency has no foreign currency income or expenditure.

Fair Values

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

	Currency	Book value	Fair value	Core Basis of valuation
		£000	£000	
Financial assets:				
Cash		–	–	Cash basis
Debtors over 1 year		–	–	
Total		**–**	**–**	

	Currency	Book value	Fair value	Consolidated Basis of valuation
		£000	£000	
Financial assets:				
Cash				
Debtors over 1 year		48	48	Cash basis
Investments		–	–	
Total		**48**	**48**	

Core

	Currency	Book value	Fair value	Basis of valuation
		£000	£000	
Financial liabilities:				
Bank overdraft		5,547	5,547	Cash basis
Creditors over 1 year:				
Early retirements		1,562	1,562	
Finance leases		–	–	
Board Pension Provisions		593	593	
Other		11,548	11,548	
Total		**19,250**	**19,250**	

Consolidated

	Currency	Book value	Fair value	Basis of valuation
		£000	£000	
Financial liabilities:				
Bank overdraft		709	709	Cash basis
Creditors over 1 year:				
LGPS pension provision		44,416	44,416	
Early retirement provisions		2,893	2,893	
Board Pension Provisions		593	593	
Personal injury claims provision		217	217	
Onerous leases provision		347	347	
Contracts with embedded derivatives		15	15	
Provisions under contracts		–	–	
Loans		–	–	
Other		11,548	11,548	
Total		**60,738**	**60,738**	

30. Losses and Special Payments

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

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

31. Capital Commitments

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

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

32. Prior Period Adjustments

The Prior Period Adjustments relate to fixed assets valuation as a result of reverting from modified historic cost accounting to historic cost accounting as of 1st April 2008. The impact of the prior period adjustments is a reduction in the (credit) balance on the General Fund by £817,000 of which £527,000 relates to MHS. The change in accounting principle would have resulted in a difference in the depreciation charge for 2007-08 of £44,000. This is not considered material to the financial statements, therefore the Operating Cost Statement has not been adjusted.

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

(i) Revaluation reserve of £341,000 released to the General Fund

(ii) Write back of asset revaluation of £471,000 to the General Fund

(iii) Increase in Cost of Tangible Fixed Assets of (£424,000), comprising of Fixtures & Fittings (£1,212,000), Office Equipment of (£77,000), Computer Equipment of £1,713,000, Motor Vehicles of (£1,000).

(iv) Increase in Accumulated Depreciation of Tangible Fixed Assets of £135,000, comprising of Fixtures & Fittings (£1,057,000), Office Equipment of (£49,000), Computer Equipment of £1,242, Motor Vehicles of (£1,000).

(v) Increase in Cost of Intangible Fixed Assets of £690,000 relating to Software Licences

(vi) Increase in Accumulated Depreciation of Intangible Fixed Assets of £511,000.

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

33. Post Balance Sheet Events

In accordance with the requirements of FRS 21 Events after the balance sheet, the post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no reportable post balance sheet events up to this date. The financial accounts do not reflect events after this date.

Accounts Direction Given by the Treasury in Accordance with Section 5(2) of the Government Resources and Accounts Act 2000

1. This direction applies to those **government departments** and **pension schemes** listed in the attached appendix.

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

3. The accounts for **government departments** shall be prepared so as to:

   (a) give a true and fair view of the state of affairs at 31 March 2009 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and

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

4. The accounts for **pension schemes** shall be prepared so as to:

   (a) give a true and fair view of the state of affairs at 31 March 2009 and of the net resource outturn and cash flows for the financial year then ended;

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

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

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

Ken Beeton
Director, Financial Management and Reporting, Her Majesty's Treasury

18 December 2008

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