
Food Standards Agency Westminster

Annual Report and Accounts 2013/14

(For the year ended 31 March 2014)

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

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This is part of a series of departmental publications which, along with the Main Estimates 2013/14 and the document Public Expenditure: Statistical Analyses 2014 present the Government's outturn for 2013/14 and planned expenditure for 2014/15.



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Annual Report

Strategic Report

Chief Executive's statement



The Food Standards Agency is the Government department responsible for protecting public health and the interests of consumers in relation to food. We focus on food safety, from farm to fork, and food authenticity – making sure that food is what it claims to be.

Since we were set up in 2000 we have contributed to real improvements in food safety in the UK. Our regular consumer surveys, workshops and focus groups suggest that these improvements have been matched by increases in people's confidence in food.

However, people still fall ill due to foodborne disease, unhygienic food-preparation practices in and out of the home and allergic reactions to inappropriately-labelled foods.

This year we have continued our campaign to reduce cases of foodborne disease by focusing on campylobacter. Campylobacter is a bacterium that is often present on raw poultry. It is the most common cause of food poisoning in the UK. To tackle this we are spearheading a national campaign: 'Acting on Campylobacter Together'.

The main source of campylobacter is raw and improperly-cooked chicken, so the campaign involves all sections of the poultry food chain – farmers, processors and retailers – as well as other Government departments and consumers.

Industry leaders have indicated that they are serious in their commitment to this campaign, and we will be acting to ensure that this intent is translated into an investment in solutions.

Partnership working is central to our approach. An excellent example of this is the continuing success of the Food Hygiene Rating Scheme (FHRS) in England, Wales and Northern Ireland, and the Food Hygiene Information Scheme in Scotland. Of the 406 local authorities in the UK, 402 now support the schemes, and together they have issued ratings to almost 460,000 food businesses. We have been very pleased this year that the Welsh Government has decided to make the display of every food business's FHRS rating compulsory, so that people eating out can make an informed choice – encouraging businesses to improve their hygiene standards. The Northern Ireland Executive also agreed in December 2013 that work could begin on the drafting of a bill to introduce a statutory scheme in Northern Ireland.

An important aspect of our work is ensuring that food safety legislation can be implemented in as straightforward a way as possible by the food industry and trading standards and environmental health officers in local authorities.

Consumers, particularly those with food allergies, will, for example, benefit from our work around the new Food Information for Consumers Regulation, which comes into force on 31 December 2014. In addition to providing food-allergic consumers with updated advice arising from the regulation, we have issued technical guidance for our local authority partners, and support materials for small and medium food businesses.

Another of our responsibilities is the safety of animal feed. Following a November 2012 review of what are called ‘Official Feed Controls’, we revised the feed law code of practice to increase the effectiveness of how local authorities implement food law.

Feed businesses that are members of approved assurance schemes will receive less frequent inspections. This will enable local authorities to focus their inspection resources on higher risk premises. In tandem with this we have improved enforcement officer training and controls on the import of animal feed at ports.

FSA operations staff work in slaughterhouses and meat plants throughout England, Scotland and Wales to make sure that meat is safe to eat and that European legislation to protect consumers is complied with. In Northern Ireland this role is carried out by the Department of Agriculture and Rural Development.

Changes we have made to pig meat inspections – introducing more visual inspection of carcasses in place of routine cutting up of offal – will reduce the risk of cross-contamination.

While retaining our focus on food safety, we are also tackling consumer concerns that have arisen because of food fraud.

During the horse meat incident of 2013, we oversaw more than 50,000 local authority and industry tests for horse in meat products in the UK. Even at the height of the incident, less than 1% of products sampled contained horse meat DNA at levels of 1% or above. While this was unacceptable, as the horse DNA should not have been there at all, we were able to reassure consumers that this was not an issue of food safety.

Testing for horse meat continues and, at the request of the European Union (EU), we are participating in UK sampling of raw beef products such as mince, burgers and sausages, ready meals and canned products.

Our Board asked Professor Pat Troop to review how the FSA dealt with the incident, and in line with her recommendations we have established a new intelligence hub – a team of experts analysing data from a range of sources. We will develop our approach further in the light of recommendations made by Professor Chris Elliott, who is continuing his review of the integrity of the food chain.

To further expand our intelligence network, we have set up an imported food intelligence database and launched a National Monitoring Plan for 2014/15 for products of animal origin imported through UK border inspection posts.

Additional funding we have provided to support port and local authority sampling, as part of the 2013/14 National Co-ordinated Food Sampling Programme, will enable the targeting of a greater range of food authenticity issues. We are also carrying out a study in partnership with the Department for Environment, Food and Rural Affairs to look at the geographic origin of foods claiming to be from the UK.

In addition to our food safety and authenticity responsibilities, the FSA in Scotland (FSAS) and Northern Ireland (FSA in NI) continue to focus on the nutritional aspects of food. (The responsibility for nutrition in England and Wales now lies with these countries’ health departments.)

A new UK-wide voluntary front-of-pack labelling scheme was launched in Scotland and Northern Ireland in June 2013, and FSAS and FSA in NI also worked with Government and industry on new UK salt reduction targets for food, which were published in March 2014. A New Food Body being set up by the Scottish Government will replace the FSAS in 2015.

Our strategy to 2015, which was reviewed by our Board and executive management team in 2012, sets out five outcomes we are working towards to make sure that food is safe and consumers can continue to have trust and confidence in the food they buy and eat. These outcomes are:

- food produced or sold in the UK is safe to eat
- imported food is safe to eat
- food producers and caterers give priority to consumer interests in relation to food
- consumers have the information and understanding to make informed choices about where and what they eat
- business compliance is effectively supported because it delivers consumer protection. This will include a focus on effective, risk-based and proportionate regulation and enforcement

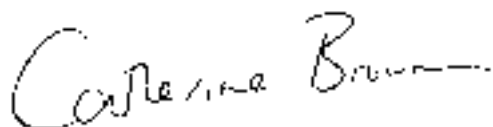
Further information on our progress in meeting these can be found on pages 7 to 13.

While our Strategy to 2015 and these outcomes continue to reflect the work of the FSA, our Board has begun to scope out a strategy for the years 2015-20.

The many workshops, discussions, and meetings we have had with consumers, our staff, stakeholders and experts have reflected the depth and breadth of interest in defining and protecting consumers' interests in relation to food. Our pledge, approved by Parliament when we were established, is "to put the consumer first in everything we do" and we will be working with others as we put together our strategy for the next five years to ensure that we continue to do this effectively.

During the period covered by this Annual Report and Accounts, the FSA has delivered its functions across the UK at a net cost £113.9m. This reflects a continuing drive to improve our efficiency so that we can provide the most effective protection to the public within our allocated budget.

The past year has also been a time during which FSA staff, our colleagues in local authorities, and many others with whom we work have demonstrated an immense level of commitment to the FSA's work and to defending the consumer's interests in relation to food. I would, therefore, like to conclude by thanking all of my colleagues and all of those with whom we work for their efforts. We look forward to working with you over the coming year to continue to deliver for consumers.



Catherine Brown
Chief Executive and Accounting Officer

11 June 2014

Our activities and performance during 2013/14¹

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

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

Highlights of our activities and performance in 2013/14
<p>Foodborne Disease</p> <ul style="list-style-type: none"> ● Campylobacter reduction remains our top food safety priority. Campylobacter is a bacterium that is often present on raw poultry. It is the most common cause of food poisoning in the UK and the main source of campylobacter is raw and improperly-cooked chicken. Human cases of campylobacteriosis to end of December 2013 are 11% lower than the number in the same period of 2012 (50,535 cases in 2013 down from 56,875 in 2012); while this change is encouraging, it is too soon to say if it is a trend or a random variation in reporting. ● The continuing high levels of campylobacter prompted development of a new strategic approach. Since the new strategic approach was endorsed by the Board in September 2013, bilateral discussions with senior industry leaders about business, technical and communications issues have indicated that the industry is taking its commitment to reduce Campylobacter seriously. Pressure will need to be maintained to ensure that this translates into investing in solutions throughout the food chain – from farm to processor, at retail and in communication to consumers. ● Further information is available in the September 2013 Board paper ‘A refreshed strategy to reduce campylobacteriosis from poultry’² and the Annual Report of the Chief Scientist 2012/13.³ <p>Horizon Scanning</p> <ul style="list-style-type: none"> ● While retaining our focus on food safety, we are also addressing the consumer detriment that results from food fraud. We have established an intelligence hub in response to the recommendation by Professor Pat Troop in her review of the FSA response to the horsemeat incident. We will develop our approach further in the light of recommendations made by Professor Chris Elliott in his continuing review of assuring the integrity of the food chain.

1 <http://www.food.gov.uk/about-us/publications/busreps/strategicplan/>

2 www.food.gov.uk/multimedia/pdfs/board/board-papers-2013/fsa-130904.pdf

3 http://multimedia.food.gov.uk/multimedia/pdfs/publication/cstar_2013.pdf

Outcome: imported food is safe to eat

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

Highlights of our activities and performance in 2013/14
<ul style="list-style-type: none"> ● As part of the FSA's growing intelligence network, an Imported Food intelligence database has been established linking directly to the FSA's Incidents, Emerging Risks and Food Fraud databases. It will facilitate greater information and intelligence sharing on imports, helping targeting of ongoing surveillance and checks on imports. ● The FSA has co-ordinated the organisation of increased controls for certain feed and food of non-animal origin, as required under Commission Regulation (EC) 669/2009. This included negotiations with the EU Commission and Member States resulting in a temporary prohibition of betel leaves from Bangladesh due to consistent finding of salmonella. Less restrictive measures for the same product were also agreed for India and Thailand. ● The FSA has developed an Early Warning System for certain food of non-animal origin. This is based on an analysis of Rapid Alerts across the EU which may be deemed as an emerging or repeated risk to public health but which is not currently deemed by the EU as necessary for mandatory controls at EU borders. The FSA issues these analyses to known Food Business Organisations along with Local and Port Health Authorities to give them greater intelligence for a more targeted sampling programme. The FSA also uses this intelligence to inform on policy negotiations and Commission proposals in Brussels ● The UK is the only Member State of the EU to have all Designated Entry Points using the EU web based data collection system TRACES⁴ (Trade Control and Expert System) for the import of food-of non-animal origin. Following training of FSA officials on the EU Better Training for Safer Food programme, the FSA initiated three courses for Port Health and Local authorities on TRACES. This has resulted in a harmonised electronic system of reporting from UK borders reducing the administrative burden for Port Health Authorities and allowing the FSA to analyse the resulting data more easily and speedily. ● The FSA has launched a National Monitoring Plan for 2014/15 for products of animal origin imported through UK Border Inspection Posts (BIPs). This new work, concerning sampling at BIPs for the FSA, has enabled us to set priorities for sampling in the next reporting year but will also allow us to review this programme and review the priorities regularly allowing for a much more flexible risk based programme of checks at UK borders. <p>National Co-ordinated Food Sampling Programme</p> <p>Funding was increased to £2.2 million, from £1.6 million, to support ports and local authority sampling as part of the 2013/14 National Co-ordinated Food Sampling Programme, to help target a greater range of food authenticity issues in the wake of the horsemeat incident, in addition to other food safety and chemical composition issues. The priorities were set centrally by the FSA based on evidence of risks and available intelligence, in consultation with Defra and Department for Health. This Programme has recently been reviewed and the improvements identified are being put in place.</p>

4 **TRACES**, or Trade Control and Expert System, is a web-based veterinarian certification tool used by the European Union for controlling the import and export of live animals and animal products within and without its borders. Its network falls under the responsibility of the European Commission.

Outcome: food producers and caterers give priority to consumer interests in relation to food**Main priorities**

Increase the provision of information about allergens, including in catering establishments

Highlights of our activities and performance in 2013/14**Allergens**

- FSA is working on the implementation of the allergen labelling requirements in the Food Information for Consumers Regulation 1169/2011. We published technical guidance on the allergen aspects of the regulation, together with short leaflets for SMEs to support compliance with the new legal requirements that come into force on 13 December 2014. We have delivered training workshops for Local Authority enforcement officers, working in collaboration with Chartered Institute of Environmental Health (CIEH), Trading Standards Institute (TSI) and Campden BRI. We also re-issued our advice for food allergic consumers following the new rules due to come into force at the end of 2014 working closely with Allergy UK, the Anaphylaxis Campaign, British Dietetic Association, British Retail Consortium, British Nutrition Foundation, Coeliac UK and the Food and Drink Federation.
- FSA has conducted a series of workshops to update local authorities on the requirements of EU Food Information for Consumers Regulation No. 1169/2011 (EU FIC). In addition to this FSA in NI recently updated and reissued the Northern Ireland Food Standards Training Manual bringing it in line with the requirements of EU FIC. The manual, developed by FSA in NI is a comprehensive tool for Environmental Health Officers acting as a reference document for food standards legislation.
- FSA in NI has also delivered a series of presentations on EU FIC/Allergens to staff at the College of Agriculture, Food and Rural Enterprise, catering managers in the education sector, industry stakeholders and health trust dieticians.
- FSA in NI also worked closely with Safefood to evaluate the dining out experiences of people with a food allergy in NI. Similar reports exist for the Republic of Ireland and the Island of Ireland as a whole. The report will be published in September 2014 to coincide with NI Food Allergy Awareness Week.

Nutrition

- FSAS and FSA in NI worked with officials across Government, industry, non-governmental organisations (NGOs) and stakeholders on new UK salt reduction targets for food categories. The new targets set for achievement in 2017, were agreed by the FSA Board and Ministers in Scotland and Northern Ireland and published in March 2014. A urinary sodium survey is now underway which will provide updated population salt intakes for Scotland and Northern Ireland and assess progress toward the recommended average intake of no more than 6g per day.

Highlights of our activities and performance in 2013/14

- In May 2013 FSA in Scotland and the Scottish Government jointly launched a Supporting Healthy Choices framework document and reformulation strategy for engagement with the food and drink Industry to improve public health in Scotland. The documents have undergone an intensive period of consultation through meetings with the food and drink industry (retailers, manufacturers, caterers and their associations) and redrafting. The final version will be launched by the Scottish Public Health Minister in late June 2014. FSA in Scotland continue to monitor both the population and food and drink products progress towards the recommendation and targets within these documents.
- FSA in NI and FSAS have worked with major out of home businesses to ensure that calorie labelling is provided in Scotland and Northern Ireland for consumers. FSA in NI has run a pilot calorie labelling scheme and nine businesses participated in the independent evaluation of the pilot. The final report has been published in December and the key findings have been presented at the Safefood Obesity Forum in Dublin. FSA in NI are planning to launch a regional scheme later in 2014.

Front of Pack nutrition labelling

- New UK-wide voluntary scheme was launched in Scotland and Northern Ireland in June 2013 and has been adopted by all the major retailers and some of the large manufacturers (together accounting for 2/3 of pre-packaged food on the UK market), as well as some smaller companies. FSAS and FSA in NI continue to actively encourage food and drink businesses to introduce the scheme as part of the wider EU FIC labelling changes through bilateral meetings and industry fora.
- FSA continue to work with DH to counter concerns from some MS, European MEPs and the food industry to the UK wide scheme. Key industry and NGO partners are supporting the UK position in Europe.

Outcome: consumers have the information and understanding they need to make informed choices about where and what they eat

Main priorities
Improve public awareness and use of messages about good food hygiene practice at home
Increase provision of information to consumers on hygiene standards of food premises
Work with relevant organisations in Scotland and Northern Ireland to improve public awareness and use of messages about healthy eating

Highlights of our activities and performance in 2013/14
<ul style="list-style-type: none"> ● Extensive press and social media activity during food safety week (FSW) in June resulted in record high levels of coverage for Kitchen Check. The communication activity was led by the FSA at a national level and in partnership with local authorities and others to deliver food safety messages locally, supported by activity in national and regional media, social media as well as bespoke resources to support partnership work. FSA provided a communication toolkit, including a template press release and social media messages to key partners along with a leaflet, poster and activities for young people. 136 partner organisations participated in FSW. ● The results of communication activity for FSW 2013 were drawn from a number of sources including an online survey of local authorities, analysis of PR coverage and social media metrics. FSW 2013 achieved 350 news items including 23 pieces of national coverage, of which 96% was positive – a 50% increase on the previous year. On social media, there were around 2,000 tweets during FSW from individuals, local authorities and civil society organisations, resulting in 3.8 million opportunities to see messages about FSW on Twitter. There was a 12-fold increase on our average activity on Facebook. We also shared images and video created especially for the activity. ● The Food Hygiene Rating (Wales) Act 2013 and associated Regulations came into force 28 November. The legislation makes it compulsory for businesses registered in Wales to display their food hygiene rating in a prominent position at their premises. ● Agreement was given in December by the Northern Ireland Executive to begin drafting a Bill to introduce a statutory scheme in NI. ● As of the end of March 2014, uptake of FHRS or FHIS increased to 402 local authorities (out of a possible 406 local authorities in the UK). A programme of communications activity was undertaken to promote FHRS and FHIS in the run up to Christmas, this included supplying a communications toolkit to local authorities that included posters, web banners, template press releases and tweets, as well as a programme of paid-for advertising that varied from country to country. The campaign had the strap line ‘recipe for a great meal out’ and aimed to encourage consumers to consider hygiene standards as part of planning and booking Christmas parties and meals.

Highlights of our activities and performance in 2013/14

- After the launch of the UK-wide front-of-pack labelling scheme (FoP), FSA in NI and Scotland have worked closely with Department of Health and industry to develop a set of consistent messages launched by the British Retail Consortium (BRC) and Food and Drink Federation (FDF) to be used with industry and consumers to communicate the scheme across the UK.
- Consumer research has been undertaken with the final report due imminently, FSA in NI and FSAS will consider the key findings with a view to improve awareness of the scheme.
- FSAS and FSA in NI have worked with major out of home businesses to ensure that calorie labelling is provided in Scotland and Northern Ireland for consumers. FSA in NI has run a pilot calorie labelling scheme and nine businesses participated in the pilot and a number of UK multiples have provided input into the independent evaluation of the pilot. The final report has been published in December and the key findings have been presented at the Safefood- Obesity Forum in Dublin. FSA in NI continues to work collaboratively with the Food Safety Authority of Ireland on feasibility of all island schemes and the final proposal on a regional roll out of the scheme is being finalised.
- The findings of the feasibility study of the Northern Ireland District Council Nutrition Award has been presented to Chief Environmental Health Officers and the decision has been made to postpone further development of the Award until Local Government Reform process is complete.
- The Eatwell every day resource has undergone consumer testing with a report on recommendations for improvement received. FSAS is now working on updating the resource with a view to having this completed by the end of August 2014.
- Work has been commissioned by the social science research unit to conduct secondary analysis on data from the Food and You Survey's from Scotland and Northern Ireland. This project will consider whether, and what type of, relationships exist between food safety and nutrition practices. FSA in NI continues to work in partnership with other organisations under the auspices of the NI Food in Schools Forum in advocating a 'whole school approach' to all food provided and consumed in school, as well as developing the skills and knowledge to encourage and support healthy eating and lifestyles. This work ensures children and young people receive a consistent message not only in what they are taught in the classroom about healthy eating, but also in the food that is available to them in the canteen, vending machines and tuck shops within their schools.

Outcome: Business compliance is effectively supported because it delivers consumer protection. This includes a focus on effective, risk-based and proportionate regulation and enforcement

Main priorities
Safeguard consumers by making it simpler for businesses to comply with regulations
Support economic growth by removing unnecessary burdens on businesses and performing our export assurance functions effectively
Use our knowledge of what works in driving up business compliance, and in particular empower consumers to become more informed and influential in the market place
Help compliant businesses to thrive by focusing intervention on non compliant businesses, ensuring the non compliant do not benefit at the expense of the compliant
Secure more proportionate, risk based and effective regulation by strengthening our engagement in the EU and in international forums
Work internationally to design a model for a new regulatory and enforcement regime for ensuring meat controls are effective, risk based and proportionate

Highlights of our activities and performance in 2013/14
<p>Provided for improved LA delivery of food law enforcement by:</p> <ul style="list-style-type: none"> ● Providing 101 food law enforcement training courses for 2338 local authority officers on 19 key areas of food law ● Introducing more risk based frequencies for LA food law inspections by revising the LA Food Law Code of Practice to provide for more frequent inspections of businesses with persistent or serious non-compliances and less frequent inspections of broadly compliant businesses. ● Introducing a web based version of the Food Law Code of Practice giving easier and remote access to the code for enforcement officers <p>Provided for improved LA delivery of animal feed law enforcement by:</p> <ul style="list-style-type: none"> ● Introducing a more risk based and efficient approach to animal feed inspections by revising the Feed Law Code of Practice to provide increased use of earned recognition (ER) through reduced inspections of feed businesses with a history of good compliance and/or membership of an FSA approved assurance scheme ● Improving the capability of feed law enforcement officers by revising the Feed Law Code of Practice to introduce new competency requirements and training opportunities/requirements ● Improving the LA feed law enforcement delivery model in England by working in partnership with the National Trading Standards Board to ensure effective channelling of FSA funding and communications to LAs ● Provided for easier and improved food business operator compliance with HACCP requirements by developing with stakeholders and launching a web tool, ' MyHACCP', for use by small food manufacturing businesses.

Principal risks and uncertainties

This information is reported as part of the FSA Governance Statement 2013/14 on page 52.

Composition of the Board and Executive Management Team

Number of persons of each sex who were directors (as of 31 March 2014):

	Male	Female
Executive members	7	4
Board members	5	2

Formal enforcement action

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

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

Formal and informal enforcement action taken during 2013/14

Formal action	Number of notices 1 April 2012 to 31 March 2013	Number of notices 1 April 2013 to 31 March 2014
Hygiene Emergency Prohibition Notice , served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006, giving a food business operator a day's notice of the intention to apply to a court for the granting of a Hygiene Emergency Prohibition Order which would result in an immediate cessation of business	Nil	Nil
Hygiene Improvement Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	388	268
Remedial Action Notice served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006	232	204

Informal action	Number of warning notices 1 April 2012 to 31 March 2013	Number of warning notices 1 April 2013 to 31 March 2014
Written warning	3,234	3,352

Prosecutions

Following an investigation referral, prosecutions are taken by the relevant enforcement authority. In England and Wales, they are taken by the FSA except in animal welfare and some animal by-products and TSE cases where the Crown Prosecution Service (acting on behalf of Defra) or the Welsh Government is the prosecuting authority. In Scotland, the prosecutor for all matters is the relevant Procurator Fiscal. In 2013/14, the FSA Investigations Branch accepted 108 referrals from Operations Group for investigation with a view to prosecution.

The timescales for prosecutions mean that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the cases referred for investigation in 2013/14 have yet to be concluded.

During the course of 2013/14, nine cases investigated by the FSA were concluded at court with five convictions secured.

Complaints to the Parliamentary Ombudsman

Complaints to the Parliamentary Ombudsman from members of the public must be made via a Member of Parliament. During 2012/13, the latest year for which statistics are available⁵, the Ombudsman received two complaints about the FSA, but neither was accepted for investigation. During 2012, the Ombudsman reported on one case that it had accepted for investigation in 2011. The Ombudsman found in the FSA's favour.

The FSA aims to resolve any complaints quickly as close as possible to the point of service and therefore complaints are initially handled at a local service level. If, however, a complainant is not satisfied with the response received from the FSA, he or she can make a formal complaint, using the FSA's two-stage complaints process. Information on how to make a formal complaint is set out on the FSA's website <http://www.food.gov.uk/about-us/data-and-policies/fsacomplaintsprocedure>.

In the first instance, complaints should be sent to the FSA's complaints co-ordinator for investigation at openness.team@foodstandards.gsi.gov.uk. If the complainant is not satisfied with how their complaint has been handled, they may refer their complaint to the FSA's Chief Executive.

The FSA received eleven formal complaints from members of the public and food businesses regulated by the FSA during 2013/14. Two of these complaints were referred to the FSA Chief Executive on appeal. Of all the complaints received, seven were dismissed, two were upheld and two were still under consideration.

The FSA is a member of the Government's Cross-Government Complaints Forum and is working towards compliance with the complaint resolution standards that the forum has agreed.

⁵ Statistical report on government performance on complaints, 6 August 2013
<http://www.ombudsman.org.uk/improving-public-service/annual-government-performance-information>,
 linking to http://www.ombudsman.org.uk/data/assets/excel_doc/0005/21893/Parliamentary-statistics.xls

Comparison of outturn against Estimate

Resource Spend in 2013/14

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

	Estimate £m	2013/14 Net Resource Outturn £m
Total Westminster Funded FSA	104.5	93.2

The comparative figures for 2012/13 are shown below:

	Estimate £m	2012/13 Net Resource Outturn £m
Total Westminster Funded FSA	117.9	90.0

The net cost of the FSA was £93m against available funding of £105m to 31 March 2014.

Total net expenditure was £12m or 11% lower than Estimate. The Westminster Funded FSA saving of £12m is due largely to an underspend of £7m on Programme expenditure through negotiated savings and revised project timing. FSA continues to improve project management and allocation of funding and staffing resources in line with Corporate Priorities. There was also a £7m saving on Annually Managed Expenditure (AME), mainly due to built-in capacity for pension provision volatility. This was offset by unbudgeted severance costs of £2m following restructuring and meat food business operator plant closures.

Reconciliation of resource expenditure between Estimates, Accounts, and Budgets

	£000 2012/13	£000 2013/14
Net Resource Outturn (Estimates)	89,973	93,181
<i>Adjustments to remove:</i>		
Provision voted for earlier years	–	–
<i>Adjustments to additionally include:</i>		
Non-voted expenditure in the OCS	–	–
Consolidated Fund Extra Receipts in the OCS	–	–
Reductions in planned spend unable to be included in the Estimate	–	–
Other adjustments	–	–
Net Operating Cost (Accounts)	89,973	93,181
<i>Adjustments to remove:</i>		
Capital grants to local authorities	–	–
Capital grants financed from the Capital Modernisation Fund	–	–
European Union income and related adjustments	–	–
Voted expenditure outside the budget	–	–
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	–	–
Resource consumption of non departmental public bodies	–	–
Unallocated resource provision	–	–
Other adjustments	–	–
Resource Budget Outturn (Budget)	89,973	93,181
<i>of which</i>		
Departmental Expenditure Limits (DEL)	88,731	89,753
Annually Managed Expenditure (AME)	1,242	3,428

Sustainability reports – England*

During 2013/14, we have rationalised our floor space which has meant our energy and water consumption has reduced. We continued to raise awareness around alternatives to travel and implemented new VC facilities across all our offices. We also raised awareness on our dedicated Greening information page on our intranet and used social media to get feedback from staff.

The following table reports greenhouse gas emissions and related expenditure

Greenhouse gas emissions				
Non Financial indicators	2010/11	2011/12	2012/13	2013/14
Scope 2 (Indirect)				
Electricity (kwh)	2,783,849	2,428,307	2,487,081	1,235,104
Gas (kwh)	1,070,899	583,119	803,468	652,629
Total energy consumption (kwh)	3,854,748	3,011,426	3,290,549	1,887,733

Financial indicators (£)				
Total energy expenditure	267,299	281,062	307,962	174,446
Carbon Reduction Commitment (CRC) expenditure	2,240	1,290	27,324	30,380

Non Financial indicators				
Scope 3** (Indirect)				
Air (kms)	1,624,090	1,257,886	1,558,266	1,275,143
Road (Miles)	415,282	334,171	390,283	338,924
Rail (Miles)	1,524,443	1,854,442	1,794,855	1,715,748

Financial indicators (£)				
Air	–	227,447	294,344	272,976
Road	–	950,228	1,151,843	1,102,032
Rail	–	678,433	752,491	818,145
Government Carbon Offsetting Facility (GCOF) Expenditure ¹	2,335	197	180	

CO ₂ e Tonnes				
Total energy	1,868	1,384	1,455	912
Air	54	41	58	48
Road	27	20	25	21
Rail	20	24	26	25
Total (CO₂e Tonnes)				
Scope 2 + Scope 3	1,969	1,469	1,564	1,006

* Data relates to FSA Headquarters in England only. Data for office in York accounted for by Defra

** UK wide data

The following table reports waste data and related expenditure (we rebaselined in 2012/13 due to a new system for collecting waste)

Waste				
Non Financial indicators (Tonnes)	2012/13	2013/14	2014/15	2015/16
ICT waste recycled externally	0	3		
ICT waste reused externally	0	0		
Waste recycled externally	20	20		
Waste incinerated with energy recovery	14	14		
Waste incinerated without energy recovery	1	1		
Waste to landfill	0	0		
Total waste	35	39		

Financial indicators (£)				
Total waste expenditure	8,112	8,025		

The following table reports water data and related expenditure

Water				
Non Financial indicators (m3)	2010/11	2011/12	2012/13	2013/14
Total water consumption	8,121	5,448	4,428	3,906
Total water consumption per FTEs	22	15	13	12
Benchmark	Poor practice = > 6 m ³ /FTE	Poor practice = > 6 m ³ /FTE	Poor practice = > 6 m ³ /FTE	Poor practice = > 6 m ³ /FTE

Financial indicators (£)				
Water expenditure	16,776	9,823	6,295	7,197

Forward commitments to improve performance.

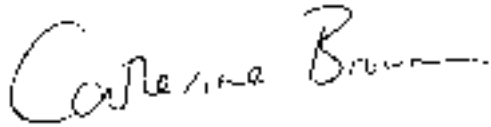
The FSA intends to continue to support staff with information and training to ensure Sustainable Development is taken into account in all that we do.

The FSA is currently on target to meet its Greening commitments on electricity, gas and water with significant reductions shown in the tables between 2010/11 and 2013/14.

EMT has signalled its support for home working which reduces travel by staff, albeit private travel, leading to less carbon emissions globally, supporting a more flexible workforce.

From April 2014, the FSA has introduced monthly management information showing usage against a cap to help team leaders reduce domestic flights levels. The FSA is also actively promoting the use of new video-conferencing facilities to give staff an alternative to travel all of which will ensure the FSA meets its Greening commitment on air travel by March 2015.

The FSA has also introduced a paper usage monitoring and reporting programme which will provide team leaders with details of paper usage which will facilitate the FSA in meeting its Greening commitment on paper usage by March 2015.

A handwritten signature in black ink that reads "Catherine Brown". The signature is written in a cursive style with a horizontal line at the end.

Catherine Brown
Chief Executive and Accounting Officer

11 June 2014

Directors' report

The FSA is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to Ministers. The Board consists of a Chair, Deputy Chair and up to 12 members. The Chair and Deputy Chair are appointed by the Secretary of State for Health, Scottish Ministers, the National Assembly for Wales and Minister for Health, Social Services and Public Safety in NI on behalf of that Department. Two of the Board members are appointed by Scottish Ministers, one by the National Assembly for Wales, and one by the Minister for Health, Social Services and Public Safety in NI on behalf of that Department. The other eight members are appointed by the Secretary of State for Health.

The Board is responsible for the FSA's overall strategic direction, for ensuring that legal obligations are fulfilled, and for ensuring that decisions and actions take proper account of scientific advice, as well as the interests of consumers and other stakeholders. Day to day management of the FSA is exercised through the Executive Management Team (EMT). In addition to the FSA Board, the FSA has advisory committees, chaired by Board members, in Scotland, Wales, and Northern Ireland. The role of the Committee in each country is to advise the Board. The Board is required by statute to take account of their advice in its work. More information about our organisation and structure can be found on our website at food.gov.uk

Details of Board members and Directors

The FSA Board⁶

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

Lord Jeff Rooker	FSA Chair (until 26 July 2013)
Tim Bennett	FSA Chair (Interim) (from 28 July 2013)
Dr Henrietta Campbell CB	Deputy Chair (Interim) from 10 September 2013 and Chair of the Northern Ireland Food Advisory Committee
Dr James Wildgoose	Chair of the Scottish Food Advisory Committee
John W. Spence	Chair of the Welsh Food Advisory Committee (until 30 May 2013)
Dr Roland Salmon	Chair of the Welsh Food Advisory Committee (from 1 June 2013)
Professor Sue Atkinson CBE	Board Member (until 31 December 2013)
Margaret Gilmore	Board Member (until 28 February 2014)
Jeff Halliwell	
Liz Breckenridge	
Professor Paul Wiles	

⁶ More information about how the Board works can be found here: <http://www.food.gov.uk/about-us/how-we-work/our-board/>

Executive Management Team (EMT)⁷

During the year, the membership of the EMT was:

Catherine Brown	Chief Executive
Dr Andrew Wadge	Chief Scientist (until 31 January 2014)
Dr Alison Gleadle	Director, Food Safety (until 30 June 2013)
Andrew Rhodes	Chief Operating Officer
Rod Ainsworth	Director of Regulatory and Legal Strategy
Chris Hitchen	Director of Finance and Strategic Planning (from 3 September 2013) – was previously Director of Finance
Lynne Bywater	Director, Human Resources
Stephen Humphreys	Director, Communications
Gerry McCurdy	Director, FSA in Northern Ireland (until 31 August 2013)
Steve Wearne	Director, Policy (from 3 September 2013), was Director, FSA in Wales (until 30 April 2013)
Maria Jennings	Director, FSA in Northern Ireland (from 9 September 2013)
Nina Purcell	Director, FSA in Wales (from 3 February 2014)
Geoff Ogle	Director, FSA in Wales (Interim) from 1 May 2013 – 2 February 2014, Portfolio Director from 3 February 2014
Charles Milne	Director, FSA in Scotland

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 EMT are disclosed in the Remuneration Report.

FSA advisory committees

During the year, the membership of the food advisory committees was:

Northern Ireland

Dr Henrietta Campbell	Chair
David Lindsay	
Dorothy Black	
Brian Smyth	
Sydney Neill	
Christine Kennedy	
Colin Reid	

Scotland

Dr James Wildgoose	Chair
Liz Breckenridge	Deputy Chair
Dr Carrie Ruxton	
Dr Lesley Stanley	
Bernard Forteach	
Andrew Murphy	Until 1 March 2014
Alison Jones	
Professor William McKelvey	Until 1 March 2014

⁷ More information about the Executive Management Team can be found here: <http://www.food.gov.uk/about-us/how-we-work/aboutourstaff/profiles/>

Wales

John W. Spence	Chair (until 30 May 2013)
Dr Roland Salmon	Chair from 1 June 2013
Kate Hovers	Until 30 June 2013
David Peace	From 1 July 2013
Professor Louise Fielding	Until December 2013
Steve Bolchover	Until 30 June 2013
Derek Morgan	
Dr Hugh Jones	
Sue Jones	
Dr Norma Barry	From 1 July 2013

Audit Committee

Membership of the FSA Audit Committee:

Dr Henrietta Campbell	Chair from January 2013
Margaret Gilmore	Until 28 February 2014
Dr James Wildgoose	
Jeff Halliwell	
Professor Paul Wiles	
Liz Breckenridge	
Caroline Mawhood	(Co-opted Adviser)

Risk Committee

Membership of the FSA Risk Committee:

Non-Executive Members

Margaret Gilmore	Chair (until 28 February 2014)
Professor Paul Wiles	Chair (from 1 March 2014)
Sue Atkinson	Until 31 December 2013
Dr Roland Salmon	
Dr Henrietta Campbell	
Dr James Wildgoose	
John W. Spence	Until 31 May 2013

Executive Members

Catherine Brown	Chief Executive
Chris Hitchen	Director of Finance and Strategic Planning
Steve Wearne	Director, Policy
Andrew Rhodes	Chief Operating Officer

Information about the succession and Development Committee can be found at <http://www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/successiondevelopmentcommittee>

Management commentary

Directors' report – business review

The following management commentary discloses the matters required to be disclosed in the business review under section 417 of the Companies Act 1968.

Preparation of accounts

The Westminster Resource Accounts have been prepared in accordance with the direction given by HM Treasury. They are presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000. The costs of FSA offices in Scotland, Wales, and Northern Ireland are funded through the relevant devolved authority.

Supplier payment policy

It is FSA policy to pay all invoices not in dispute within five days of receipt. During 2013/14, 95% of all invoices were paid within this target. The policy is likely to remain the same for 2014/15.

Off-payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

	Main department	Agencies	ALBs
No. of existing engagements as of 31 March 2014	6		
<i>Of which...</i>			
No. that have existed for less than one year at time of reporting.	2		
No. that have existed for between one and two years at time of reporting.			
No. that have existed for between two and three years at time of reporting.	2		
No. that have existed for between three and four years at time of reporting.	1		
No. that have existed for four or more years at time of reporting.	1		

Confirmation that all existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

	Main department	Agencies	ALBs
No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	0		
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	N/A		
No. for whom assurance has been requested			
<i>Of which...</i>			
No. for whom assurance has been received			
No. for whom assurance has not been received			
No. that have been terminated as a result of assurance not being received.			

Financial instruments

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

Monitoring spending on consultancy and temporary staff

Consultancy spend in 2013/14 was £53k relating to 6 suppliers with the greatest spend by one supplier being £24k.

Mainstreaming sustainable development (SD), adapting to climate change and rural proofing

Sustainable development (SD) is taken into account in FSA policy through the Government mandated Impact Assessment (IA) process. This includes assessing the impact on businesses including those in rural locations. The impact on nature and the potential to influence and mitigate against climate change is also considered along with equality and diversity aspects as a matter of course. Stakeholders are engaged throughout the policy making process to ensure the best possible information and data is collected to inform our policies.

We continue to monitor and manage potential impacts our work may have on climate change, and to assess how we may need to adapt our work in response to the effects of climate change. For example, the pattern and incidence of foodborne infections may be affected by increasing ambient temperatures. We also scan for emerging risks, including those resulting from climate change or from measures to mitigate or adapt to climate change. Our work is aligned with the National Adaptation Plan, in collaboration with other departments and agencies.

Social and community Issues

FSA is supportive of its employees undertaking volunteering activities and facilitating this through the provision of paid special leave at both individual and team level.

Our Special Leave Policy also supports employees who want to contribute to the wider community by participating in civic and/or public duties, though in some circumstances there is a statutory right to time off for these. Time off with pay can be granted to staff who undertake one or more of the following roles:

- a magistrate/JP;
- a local councillor;
- a school governor;
- a member of any statutory tribunal e.g. an Employment Tribunal or The Children's Panel;
- a member of the managing or governing body of an educational establishment;
- a member of a school council or board in Scotland;
- a member of the General Teaching Councils for England and Wales;
- a member of the Environment Agency or the Scottish Environment Protection Agency;
- in England and Wales, a member of the prison independent monitoring boards or in Scotland, a member of the prison visiting committees or in Northern Ireland on the boards of prison visitors;
- in Northern Ireland, a member of a police authority or district policing partnership, a health authority or primary care trust.

We also have provisions under which special leave can be granted:

- to Reservists, Cadet forces, and Special Constabulary training;
- to employees who are chosen to represent the Civil Service in individual or team sporting events or who are selected to participate in international events, such as the Olympic/ Paralympic and Commonwealth Games;
- to staff who are nominated to attend Honours ceremonies;
- to staff who participate in activities associated with Civil Service societies such as the Charity for Civil Servants or Civil Service Sports Council.
- to staff who are summoned to attend court for a non-work-related matter
- to staff required to provide jury service

Reporting on Better Regulation

The FSA applies the principles of good regulation to all of our regulatory activities. The vast majority of food law in the UK originates from directly applicable European legislation. The FSA promotes the UK Government's better regulation agenda in EU negotiation and has achieved significant successes as detailed in the examples below.

The FSA applies good regulation principles in implementing EU regulations. For example, we do not go beyond the minimum requirements of the regulations by introducing gold plating unless there are strong consumer protection reasons for doing so. We also produce guidance and

other material to help businesses comply with the law, and promote consistency and proportionality in how official controls and enforcement are applied across the UK.

One-in, One-out/One-in, Two-out

The 'One-in, Two-out' rule replaced 'One-in, One-out' from January 2013 requiring departments to find twice the value in savings for every new regulation applicable in England that imposes a new financial burden on businesses. The requirements apply to domestic measures only and therefore the vast majority of legislation implemented by the FSA is outside of scope of the initiative.

FSA's One-in, One-out balance at the end of December 2012 was a net reduction of the burden on business of £130,000. The FSA One-in, Two-out balance at the end of March 2014 is a zero net cost to business. The FSA is also currently estimating an "out" of approximately £700k, subject to validation by the RPC. This arises from reductions we have made to local authority inspection frequencies for food businesses by increasing the level of earned recognition within the intervention rating scheme in the FSA Food Law Code of Practice.

Regulatory Policy Committee

The independent Regulatory Policy Committee (RPC) comments on the quality of analysis and evidence presented in Impact Assessments (IAs) in England. Between 1 April 2013 and 31 March 2014 the FSA made seven applications for RPC validation of five IAs. **One** IA was initially unsuccessful but after addressing RPC concerns the IA was resubmitted and received RPC validation of the equivalent annual net cost to business (EANCB). **Two** IAs were confirmed as deregulatory by the RPC at consultation stage, and **two** IAs received Red (not fit for purpose) opinions. One of these was resubmitted to the RPC, but the additional supporting evidence presented was still considered insufficient and the RPC retained their Red opinion for the IA.

Both IAs that received red opinions from the RPC were primarily unsuccessful due to a lack of supporting evidence. The FSA is committed to ensuring that our evidence is robust and is currently reviewing the RPC's opinions for both IAs that failed to be validated by the RPC. We will seek to strengthen our evidence base to support the EANCB figure presented and resubmit the IAs for RPC validation.

Small business

Business compliance with food law is the best way of ensuring safer food and protecting consumers. Complying with food law and ensuring safer food is in businesses own interest to sustain customer loyalty, build brand assurance and support future growth potential, as well as protecting themselves from any enforcement action resulting from non-compliance. The FSA has long recognised the importance of reducing regulatory burdens that might otherwise impede compliance. Approximately 99% of the UK food businesses are small (11%) or micro (88%) and therefore the FSA is focused on the needs of small businesses.

The FSA's Safer Food Better Business (SFBB) is specifically aimed at small food businesses and remains one of the most often quoted examples of how regulators help businesses and support growth. In order to ensure continued benefit from SFBB the FSA applied for an exemption to the Government's Advertising, Marketing and Communications Control in order to continue offering the packs free of charge to food business operators. Based on the evidence of effectiveness the FSA was granted an exemption for new food businesses.

The FSA identified the need to provide effective export assurance to UK businesses as part of its refreshed strategic plan, published in May 2013, and has created a new team focused on

delivering assurance for UK food exports and to support business growth in this area. Our support and advice on compliance with export requirements to Defra, the Competent Authority for third country exports, has resulted in the approval of UK businesses to export products of animal origin to countries such as Russia, China, Japan, USA and Singapore. We have also worked closely with local authorities to better understand the support they require to offer an effective service to businesses in respect of exports of non- animal origin products and are developing guidance and other resources to meet their needs.

Following continued success and strong interest in the FSA funded food business compliance coaching scheme – introduced for host boroughs and “live sites” (where large screens were erected) in the run-up to the Olympics and continued into 2013 across England – the FSA has extended the coaching further into 2014 and committed to retain funding of the scheme into 2014/15. The focus remains on take-away establishments with low levels of compliance. During the period of April 2013 and March 2014 FSA funded coaching has been delivered to 1,975 businesses.

Red Tape Challenge

The Red Tape Challenge (RTC)⁸ focuses on specific themes of regulation and provides an opportunity for those affected to submit their views. Contributions are then used by departments to produce a set of proposals for regulatory reform.

The FSA has participated in RTC themes for Hospitality⁹ and Agriculture¹⁰. To date initiatives delivered by the FSA in England under the Hospitality Theme include:

- A reduction to the total number of statutory Instruments (SIs) from 34 to 17, as part of our commitment to developing a simplified system of food safety legislation.
- Improved signposting of guidance on our website; the introduction of a new guidance template to make guidance more user-friendly and easier to search and the launch of our new web-based guidance search tool.
- Removal of requirement for childminders who provide food to children in their care to register separately as food businesses.
- Publication of community and village halls guidance, providing examples of scenarios where food provision would not be covered by food hygiene legislation.

The Agriculture Theme covered FSA interests in animal feed, TSEs and animal by-products. Under this Theme we have published guidance for farmers adding additives to animal feed¹¹. Other initiatives include consolidation of Animal Feed SIs from 4 to 2 and putting in place a formal system of Earned Recognition for feed business¹².

Sunset and Review

Sunset clauses are required for national legislation, whereas most food law is derived from the EU. It has not been necessary therefore, for the FSA to introduce any sunset clauses into legislation. We have, however, applied statutory reviews to 7 SIs that provide for enforcement

8 <http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

9 <http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/hospitality-food-and-drink/>

10 <http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/agriculture/>

11 <http://www.food.gov.uk/business-industry/guidancenotes/hygguid/guidfarm>

12 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275742/red-tape-challenge-agriculture-proposals.pdf

of FSA legislation. The earliest statutory review clauses applied by FSA was into legislation that came into force 1 July 2011¹³ and the first 5-year review period will be reached in 2016.

The FSA has not completed any post implementation reviews (PIR) during 2013/14. We have, however, commenced PIR of the revised official control inspection regime for on-farm dairy hygiene in England and Wales.

Alternatives to regulation

Listeriosis remains the number one cause of death due to foodborne disease in the UK. A significant proportion of reported outbreaks occur in hospitals. There are legal limits for *Listeria monocytogenes* in food but there are strong arguments for food supplied to hospitals and other healthcare settings to contain levels below these limits. The FSA is working in partnership with hospitals/care settings and the food manufacturing industry to promote a national agreement on a critical limit for *L. monocytogenes* in chilled ready-to-eat foods supplied to hospitals and other care settings. We believe that an agreement between large care providers and industry is a more proportionate and risk based alternative to seeking a change in EU legislation. Industry agreed standards will be driven by business incentives and other market forces rather than the threat of enforcement.

The Food Hygiene Rating Scheme (FHRS) continues to operate on a voluntary basis in England and at present in Northern Ireland. The Food Hygiene Information Scheme (FHIS) is voluntary in Scotland. Research with food businesses found that more than a third of those displaying their rating at the premises had found this to have had a positive impact, such as greater customer confidence, better reputation amongst customers and more customers. So that others can benefit in this way, we produced a toolkit¹⁴ with advice and resources to help businesses use their rating as a marketing tool.

Implementation and guidance

The FSA was one of the pioneer regulators who helped to develop the Accounting for Regulator Impact initiative (ARI), requiring regulators to engage with industry and agree impacts for non-legislative matters such as guidance. Examples of FSA proposals that are being developed using ARI include a revised policy for the authorisation to transport warm (above temperature) meat and accepting carcasses of animals slaughtered on-farm under emergency slaughter conditions.

To build on our participation in the ARI initiative we created the 'help shape our policies section'¹⁵ of our website in July 2013. The section details current FSA proposals – both legislative and non-legislative – and invites stakeholders to get involved in developing them. Stakeholders can also subscribe to receive email alerts for updates to proposals that interest them.

As an additional follow up to the Government's Red Tape Challenge initiative the FSA started a guidance review in summer 2013 to discover how micro food businesses found out how to comply with food law and how FSA guidance should best be formatted and communicated to help them. An online survey we published as part of the review received 384 responses, including 129 from micro-businesses. In implementing the review findings we are working to improve our website and revise our guidance. We are also working with Defra to co-ordinate all food-related guidance into one location and make it simpler, quicker and clearer for businesses to understand and comply with their obligations.

13 <http://www.legislation.gov.uk/ukxi/2011/1517/contents/made>

14 www.food.gov.uk/business-toolkit-fhrs

15 <http://www.food.gov.uk/news-updates/help-shape-our-policies>

The FSA works closely with industry in producing guidance to help small businesses comply with food law. We provided direct policy and science advice to the development of joint Food & Drink Federation and the British Retail Consortium industry guidance for allergen labelling for pre-packed food¹⁶ published in March 2013. We also worked closely with industry and local authorities to improve our E.coli O157: control of cross-contamination guidance. This has been revised in line with industry views and disseminated to businesses through industry members of the working group established by the FSA to review the guidance. We have also commissioned scientific research to look at alternative controls to complete separation of complex equipment and the outcomes of this research will be incorporated into the guidance following further industry engagement in April 2014.

Focus on Enforcement

The Focus on Enforcement (FoE) series of reviews looked at activity by national regulators and local authorities in England that affects, or is perceived to affect, the day-to-day running of micro and small businesses. The report on small food manufacturers, along with the FSA response, was published¹⁷ in January 2013.

Since publication, the FSA has undertaken a number of significant activities. Including revising the E.coli O157: control of cross-contamination guidance and researching alternative controls as set out above. Other actions include the introduction of an independent business appeals panel to look into appeals or complaints about local authority actions or requirements. This will also offer second opinions to business – the absence of which was a key concern of small businesses identified during the review. “My HACCP”, a new online web tool has also been launched to provide support for small food manufacturers on HACCP.

EU regulations

The FSA played an active role in the EU review of current meat controls to develop more risk-based and proportionate controls that come into force in June 2014. The revised official controls on pig meat will benefit industry in various ways, such as introducing visual inspection by default and providing a significantly more risk-based framework for Trichinella controls. This supports the UK's long term policy objective of securing derogations from Trichinella testing for England and Wales. We also successfully negotiated an alternative to EU proposals for significantly increased salmonella testing for pig meat by proposing to maintain the current sampling requirements while strengthening controls by introducing a lower threshold for action on positive samples. Maintaining the current sampling levels prevents new burdens being placed on industry while maintaining the same level of controls and consumer protection.

The European Commission was in favour of setting regulatory limits for the mycotoxins (T2 and HT2) in cereal and cereal products. However, as no immediate health risk was identified in EFSA's Scientific Opinion, the FSA advocated for alternatives to legal limits such as encouraging good practice and monitoring data. A Commission Recommendation on the presence of mycotoxins has since been published on monitoring data as an alternative to regulatory limits. Through close working with industry the FSA brought together UK experts to develop guidance on implementing the Recommendation and this was accepted as the basis for European guidance. This prevented greater burdens being placed on industry.

¹⁶ http://www.foodhealthinnovation.com/media/7157/guidance_on_allergen_labelling_2013.pdf

¹⁷ <http://discuss.bis.gov.uk/focusonenforcement/review-findings/food-review-regulatory-reform-package-announced-summary/>

The FSA worked closely with the European Commission in negotiating a position for opium alkaloids in poppy seeds. Poppy seeds can be grown exclusively for food use or as a by-product of poppy grown for pharmaceutical purposes as is the case in the UK. Opium alkaloid levels may be higher in poppy grown for pharmaceutical use, however, processing substantially decreases levels. As an alternative to regulatory limits, the FSA negotiated support for a Code of Practice to reduce levels of opium in poppy seeds and worked closely with poppy producers to ensure that final proposals did not prohibit continued UK manufacturing. The UK poppy industry had indicated that regulatory limits would have severely affected them, whereas the adopted Code of Practice protects consumers but avoids the need for more burdensome legislation to be introduced.

By working closely with industry in the UK and in 3rd countries that export products to the EU, the FSA was able to assess the likely impacts of the proposed controls on smoke flavourings. For example the initial proposed controls would have resulted in a number of products being taken off the market and/or high reformulation costs for industry. The FSA was able to influence the EU Commission and Member States to ensure a more proportionate and risk based outcome for the controls on smoke flavourings. As a result the agreed positive list of smoke flavourings offers a high level of protection to consumer health whilst ensuring the controls on the use of these substances are proportionate to the risks.

FSA intervention on EU requirements for a zero tolerance for the presence of packaging material in animal feed derived from surplus food was supported by strong industry evidence on the low levels that could realistically be achieved. This led to a more pragmatic conclusion that presented significant benefits to the UK feed industry and has safeguarded the supply of 500,000 tonnes of valuable and safe feed to the UK market.

The FSA has removed gold plating of EU requirements for radiological testing and saved industry £0.77m per year by introducing an optimised programme of radioactivity monitoring in England, Wales and Northern Ireland based on risk and in line with current internationally recognised best practice. An FSA proposal to allow licensed slaughtermen to carry out home slaughter will also remove gold plating.

The FSA continues actively to negotiate on the European Commission proposals on official controls with a view to achieving UK Government lines, including those that reflect the Business Taskforce recommendation. The official controls proposals, published in May 2013, have potential to significantly affect businesses along the whole of the Agri-food chain. We are actively engaged with stakeholders and other Member States in order to build momentum for our preferred approach.

Recruitment practice

The FSA Recruitment Policy is based on the principles of appointment on merit following open and fair competition in line with the Civil Service Recruitment Principles. The FSA's recruitment policy and process are in place to ensure high calibre individuals are recruited to the FSA through a transparent process which promotes equality and diversity. The FSA is currently rated as moderate for compliance following the annual audit on behalf of the Office of Civil Service Commission. All external recruitment is currently subject to the restrictions of the Civil Service recruitment Freeze and approved by the Chief Executive by exception.

Diversity and Employment of Disabled Persons

The Food Standards Agency is committed to giving full and fair consideration to the recruitment and continued employment of disabled persons. The FSA recruitment policy is described on page 31 of the Annual Report.

The Agency published an update of its Diversity Report in January 2014, which includes information relating to the employment of disabled persons, including promoting the recognition of disability and training and career development of disabled persons.

This report can be found at <http://www.food.gov.uk/about-us/data-and-policies/equality/diversity-report>.

Employee involvement

The Food Standards Agency provides employees with relevant information, which may be on matters of concern to them, by way of the foodWEB intranet site and also through Yammer, which is an internal web-based social media network. In addition the food.gov website also contains information on the Agency, including performance-related and financial information.

The FSA is committed to maintaining effective employee relations with staff and their trade union representatives. The FSA's Recognition and Facility Agreement looks to maintain effective arrangements for formally and informally communicating, consulting and negotiating with staff and/or their union representatives.

The FSA's Staff Group is a consultative group which forms the link between staff and Directors on a wide range of issues; and the Policy Advisory Group is a consultative group which helps to ensure that HR policies reflect the structures, processes and culture within the FSA and support effective people management. In addition, employees are invited to participate in an annual staff survey and contribute to follow-up action plans.

Performance in responding to correspondence from the public

During 2013, the FSA's Private Office Team handled 255 letters and emails from MPs and Peers for reply by Department of Health Ministers and the Chair and Chief Executive of the FSA. 88% of those requiring a response were answered within our target of 20 working days. FSA officials responded to 411 letters and emails sent by members of the public to Ministers, the FSA Chair and Chief Executive, replying to 96% within our 20 day target date.

Health and Safety Reporting

Within the reporting period a number of further improvements were made to our health and safety management system. Most significantly this included the development of documented safe systems of work to be applied to all red and white meat inspection teams. In addition a programme of safety tours was introduced involving a number of managers and staff and covering a range of risk areas. We also continued with the roll out of our programme of training 'Principles of safe use of knives in meat inspection' (FDQ accredited). Throughout the year we remained in dialogue with the HSE on the issue of *M.Bovis* as an occupational zoonotic risk. This issue is now with a sub-group of the Advisory Committee on Dangerous Pathogens and we await the outcome of this dialogue before agreeing further action.

RIDDOR (Reportable Incidents, Diseases and Dangerous Occurrences) 2012/13 – 2013/14

RIDDOR Category	2012/13	2013/14
Fatal	0	0
Major	2	0
>7 day	5	8
Disease	2	2
Dangerous Occurrence	0	0
Total	9	10

Health and Safety Strategic Targets

In 2011/12 the FSA committed to achieve three strategic health and safety performance targets:

Per annum, maintain or improve upon the average percentage of lost time due to work-related injury or illness recorded over the eight quarter periods April 2009 – March 2011 (7.1%).

This target reflected our ambition to at least maintain, if not improve upon, the record low levels of lost time recorded within the reference period. Last year we reported a performance of 9.45% although in the second half of that year the return was 5.4%. This year, for the four quarters ending March 2014 we returned a level of 3.2%.

By March 2014 achieve an annual ‘RIDDOR Incidence Rate’ of 950.00.

Last year we reported a performance of 693.00 (924.00 when adjusted for changes to RIDDOR and the introduction of >7 day from >3 day reporting). For the year ending March 2014 this incidence rate was 773.00 (1083.00 when adjusted).

By March 2014 achieve an annual ‘work-related incidence rate’ of 800.00.

Last year we reported a performance of 462.00. For the year ending March 2014 this incidence rate was 464.00.

Publicity and advertising

Ensuring that consumers and businesses have the information they need to be safer with food is one of our core priorities. In 2013/14 our work focused on two main areas – firstly on promotion of the Food Hygiene Rating Scheme (FHRS) and, in Scotland, the Food Hygiene Information Scheme (FHIS), and secondly on activities centred on Food Hygiene in the home. There were no sponsorship agreements over £5,000; though partnerships with others have contributed greatly to the reach of our campaign work.

FHRS & FHIS – Consumers

Our consumer research showed that people are more likely to engage with these schemes when dining with others on special occasions or when selecting a venue to eat in unfamiliar

circumstances. We used this particular insight to develop a programme of communications activity for 2013/14 focused on occasion based eating. The objectives of this activity were to:

- encourage consumers to consider food hygiene when selecting food establishments at these important times, along with ambiance, menu, price etc
- increase awareness and recognition of the schemes, particularly in Scotland, Wales and England
- maintain levels of awareness and recognition of the scheme in NI
- encourage consumers to ‘check’ the hygiene rating before booking
- If they don’t see a hygiene rating displayed in the window then encourage them to ‘ask’ the business to enable them to ‘switch’ to a higher rating

The FSA published a series of toolkits from November 2013 – March 2014 focused on eating out at Christmas, Valentine’s Day and when on holiday. This was supported by a programme of paid-for-communications over Christmas and Valentine’s Day. The activity varied by nation and included out-of-home, regional press and online advertising, along with a programme of PR and social media activity. A full evaluation of this work is underway and will report in 2015. Total UK budget for this work was £240,000.

FHRS & FHIS – Businesses

An increasing number of consumers are becoming aware of the FHRS and are actively looking for ratings when out and about. Businesses in turn are beginning to see the impact of this. More than a third say that displaying their FHRS rating is having a positive impact, with benefits such as greater customer confidence, better reputation among customers and more customers. We were keen to highlight this so that other businesses may benefit, and developed a range of resources for both businesses and local authorities including:

- Leaflets for businesses rated 3 or 4 highlighting the benefits of display and some simple tips about how to achieve a 5
- A leaflet for businesses rated 5 on the benefits of display and promotion
- A simple ‘how to’ guide for businesses with a rating of 5 with suggestions about how they can incorporate the rating in the promotion
- Web banners that businesses rated 5 can put on their website

These resources were published on www.food.gov.uk on 19 September and promoted through social media and trade press with coverage achieved in a range of titles including the Morning Advertiser, Fry Magazine and Convenience Store as well as through trade groups such as NI Business Direct and Association of Convenience Stores. The budget for this work was £40,000.

Food Safety Week (FSW) 2013¹⁸

Our activity during Food Safety Week 2013 centred on a ‘Kitchen Check’ that enabled consumers to assess their own home kitchen habits and take action on their food safety practices. We wanted to challenge assumptions about food safety risks in the home and motivate consumers take actions to improve their own food safety behaviour.

¹⁸ <http://www.food.gov.uk/news-updates/campaigns/kitchen-check/>

The communication activity was led by the FSA at a national level and in partnership with local authorities and others to deliver food safety messages locally, supported by activity in national and regional media, social media as well as bespoke resources to support partnership work. FSA provided a communication toolkit, including a template press release and social media messages to key partners along with a leaflet, poster and activities for young people. 136 partner organisations participated in FSW.

The results of communication activity for FSW 2013 were drawn from a number of sources including an online survey of local authorities, analysis of PR coverage and social media metrics. FSW 2013 achieved 350 news items including 23 pieces of national coverage, of which 96% was positive – a 50% increase on the previous year. On social media, there were around 2,000 tweets during FSW from individuals, local authorities and civil society organisations, resulting in 3.8 million opportunities to see messages about FSW on Twitter. There was a 12-fold increase on our average activity on Facebook. The cost of this activity was £65,000.

Christmas Food Safety Campaign 2013¹⁹

Between 11 and 27 December 2013, the FSA ran a Christmas social media campaign on food safety at home to inform and engage consumers with tips and advice for ‘Making Christmas Go Further’, including on the safe handling of leftovers and checking ‘use by’ dates. The campaign centred on Twitter, as well as using Facebook and Pinterest to share messages. We issued a communication toolkit to encourage local authorities to participate in the campaign and share our messages.

We held a Twitter chat with food safety experts on Monday 23 December in partnership with Love Food Hate Waste. We used Twitter to schedule our key messages every day in the run up to, and after, Christmas. We used five Christmas-themed images, each with a food safety tip to bring our messages to life. Across the Twitter activity engagement levels were higher than our average. The total cost of the Christmas activity was £5,000.

Details of sponsorship agreements over £5,000

No sponsorship agreements have been undertaken during 2013/14.

¹⁹ <http://www.food.gov.uk/news-updates/campaigns/food-at-christmas/make-christmas-go-further/>

Going concern

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

Pensions

FSA employees are civil servants. Most are members of the Principal Civil Service Pension Scheme (PCSPS). This is a central government unfunded pension scheme. Pension payments are made through the PCSPS resource account.

Board members are not civil servants. Therefore they are not members of the PCSPS. However, some have similar pension arrangements independent of the PCSPS.

Some employees are members of the LGPS. This is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 1995. It is administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared for the whole LGPS.

Disclosure of Board members' interests

Board members are appointed to act collectively in the public interest, not to represent specific sectors. Provisions for declaration of interests and withdrawal from meetings are intended to prevent the Chair, Deputy Chair, and members being influenced, or appearing to be influenced, by their private interests in the exercise of their collective public duties.

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

Details of Board members, their register of interests, and the Code of Conduct are on our website: <http://www.food.gov.uk/about-us/how-we-work/our-board/>

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with Schedule 4 of the Food Standards Act 1999. The audit fee for all the FSA's accounts for the year was £84,000. I have taken all necessary steps to make myself aware of relevant audit information and to ensure that information is made available to the auditors.

No payments were made to the auditors for non-audit work in 2013/14.

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 6.2 days per employee, compared with 6.3 for the each of the previous two years.

Public sector information

The FSA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Reporting of personal/sensitive data losses and/or incidents

This information is reported as part of the FSA Governance Statement 2013/14 on page 52.

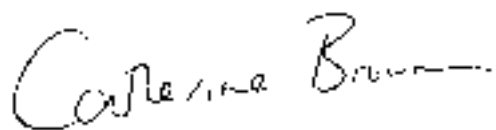
Important events which have occurred since the end of the financial year

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

Departmental Core Tables

This information can be found on our website:

<http://www.food.gov.uk/about-us/publications/busreps/annualreport/>

A handwritten signature in black ink that reads "Catherine Brown". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Catherine Brown
Chief Executive and Accounting Officer

11 June 2014

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

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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 Commission can be found at www.civilservicecommission.org.uk

This report has been prepared in accordance with guidance EPN 380. The tables in the remuneration report are subject to audit.

Service contracts for Board members are listed below:

Name	1st Term of Appointment	Duration of 1st Term Contract	2nd Term of Appointment	Duration of 2nd Term of Contract
Lord Jeff Rooker	27 July 2009	4 years, left 28 July 2013	–	–
Tim Bennett ¹ (Interim Chair from 28 July 2013)	1 May 2012	3 years	–	–
John W Spence	1 April 2007	3 years	1 April 2010	3 years, extended by 2 months. Left 31 May 2013
Michael Parker CBE	1 June 2006	3 years	1 June 2009	3 years, left 31 May 2012
Clive Grundy	1 February 2008	3 years	1 February 2011	3 years, Resigned 30 November 2012
Margaret Gilmore	1 March 2008	3 years	1 March 2011	3 years, left 28 February 2014
Professor Sue Atkinson CBE	1 February 2008	2 years	1 February 2010	3 years, extended 11 months. Left 31 December 2013
Dr Henrietta Campbell CB	1 September 2010	3 years	1 September 2013	3 years
Dr James Wildgoose	1 March 2011	3 years	1 March 2014	3 years
Jeff Halliwell	1 June 2012	3 years	–	–
Liz Breckenridge	1 June 2012	3 years	–	–
Paul Wiles	1 June 2012	3 years	–	–
Sharmila Nebhrajani	1 June 2012	3 years, Resigned 30 November 2012	–	–
Roland Salmon	1 June 2013	3 years	–	–

Notes

1. Tim Bennett previously served as a Board Member from 1 March 2007 to 30 April 2012

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

All members of the Executive Management Team are permanent members of staff except Catherine Brown who has a fixed term contract.

Name	1st Term of Appointment	Duration of 1st Term Contract	2nd Term of Appointment	Duration of 2nd Term of Contract
Catherine Brown	16 October 2012	3 years		

There is no provision made for compensation relating to the early termination of any board or executive management team members.

Salary and pension entitlements

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

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

a) Remuneration

Executive Management Team

Single total figure of remuneration										
	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pensions benefits (£'000) ¹		Total (£'000)	
	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13
Catherine Brown (Chief Executive)	140-145	60-65	10-15	-	15,000 ²	-	55-60	(5)-0	220-225	60-65
Steve Wearne ³	90-95	100-105	10-15	10-15	-	-	45-50	10-15	145-150	105-110
Andrew Wadge ⁴	65-70	70-75	-	5-10	-	-	(15)-(10)	(5)-0	55-60	80-85
Terrence Collis ⁵	-	20-25	-	-	-	-	-	15-20	-	35-40
Stephen Humphreys (Director Communications)	80-85	65-70	-	-	-	-	20-25	15-20	105-110	100-105
Chris Hitchen (Director Finance & Strategic Planning)	90-95	80-85	5-10	-	-	-	30-35	30-35	130-135	115-120
Lynne Bywater (Director Human Resources)	70-75	70-75	-	-	-	-	30-35	30-35	105-110	100-105
Charles Milne (Director FSA in Scotland)	90-95	95-100	-	-	-	-	5-10	70-75	95-100	165-170
Gerry McCurdy ⁶	30-35	80-85	-	-	-	-	(15)-(10)	0-5	20-25	80-85
Andrew Rhodes (Chief Operating Officer)	110-115	110-115	10-15	-	-	-	25-30	20-25	145-150	130-135
Alison Gleadle ⁷	-	95-100	-	-	-	-	-	10-15	-	105-110
Rod Ainsworth (Director of Regulatory and Legal Strategy)	110-115	110-115	-	-	-	-	40-45	40-45	150-155	150-155
Maria Jennings (Director FSA, Northern Ireland) ⁸	40-45	-	-	-	-	-	5-10	-	35-40	-
Nina Purcell (Director FSA, Wales) ⁹	10-15	-	-	-	-	-	20-25	-	35-40	-
Geoff Ogle ¹⁰	70-75	-	-	-	-	-	15-20	-	90-95	-
Tim Smith ¹¹	-	90-95	-	10-15	-	-	-	0-5	-	160-165

Notes

- 1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- 2 £4,900 of Catherine Brown's Benefits in Kind relates to travel undertaken in 12/13 but reimbursed in 13/14.
- 3 Steve Wearne was Director, FSA in Wales until 30th April 2013, Interim Director of Food Safety 1st May 2013 to 2nd September 2013 and Director, Policy from 3rd September 2013.
- 4 Andrew Wadge was Chief Scientist until 31st January 2014.
- 5 Terrence Collis was Director, Communications until June 2012.
- 6 Gerry McCurdy was Director, FSA in Northern Ireland until 31st August 2013.
- 7 Alison Gleadle was Director Food Safety Group until 31st March 2013.
- 8 Maria Jennings is Director, FSA in Northern Ireland from 9th September 2013.

- 9 Nina Purcell is Director, FSA in Wales from 3rd February 2014.
- 10 Geoff Ogle was Interim Director, FSA in Wales from 1st May 2013 to 2nd February 2014 and is Portfolio Director from 3rd February 2014.
- 11 Tim Smith was Chief Executive to October 2012.
- 12 All starter and leaver salaries are shown for their actual periods of employment. The corresponding full year equivalent was £140-145K for Tim Smith 2012/13, £140-145K for Catherine Brown 2012/13, £95-100K for Terrance Collis 2012/13, £80-85 for Stephen Humphreys 2012/13, £75-80K for Geoffrey Ogle 2013/14, £135-140K FTE for Andrew Wadge 2013/14, £80-85K for Gerry McCurdy 2013/14, £65-70K for Maria Jennings 2013/14 and £75-80K for Nina Purcell 2013/14.

	2013-14	2012-13
Band of Highest Paid Director's Total Remuneration	150-155	140-145
Median Total Remuneration	32	32
Ratio	4.74	4.51

Food Standards Agency Board

Single total figure of remuneration								
	Salary (£'000)		Benefits in kind (to nearest £100)		Pensions benefits (£'000) ¹		Total (£'000)	
	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13
Lord Jeff Rooker, Chair	15-20	50-55	–	–	–	–	15-20	50-55
Tim Bennett, Deputy Chair	45-50	20-25	–	–	–	–	45-50	20-25
John W Spence	0-5	20-25	–	–	2	6	5-10	25-30
Michael Parker CBE	–	0-5	–	–	–	–	–	0-5
Clive Grundy	–	5-10	–	–	–	–	–	5-10
Margaret Gilmore	5-10	10-15	–	–	–	–	5-10	10-15
Professor Sue Atkinson CBE	5-10	5-10	–	–	–	–	5-10	5-10
Dr Henrietta Campbell CB	25-30	25-30	–	–	–	–	25-30	25-30
Dr James Wildgoose	20-25	20-25	–	–	–	–	20-25	20-25
Jeff Halliwell	10-15	5-10	–	–	–	–	10-15	5-10
Liz Breckenridge	15-20	10-15	–	–	–	–	15-20	10-15
Paul Wiles	10-15	5-10	–	–	–	–	10-15	5-10
Sharmila Nebhrajani (from 1 June to 30 November 2012)	–	5-10	–	–	–	–	–	5-10
Roland Salmon	20-25	–	–	–	–	–	20-25	–

Notes

- 1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- 2 All starter and leaver salaries are shown for their actual period of employment. The corresponding full year equivalents for 12/13 were £10-15K for Clive Grundy, £10-15K for Michael Parker, £10-15K for Jeff Halliwell, £10-15K for Liz Breckenridge, £10-15K for Paul Wiles, £10-15K for Sharmila Nebhrajani and in 13/14 £20-£25K for John Spence, £10-£15K for Sue Atkinson, £50-£55K for Lord Jeff Rooker, £10-£15K for Margaret Gilmore and £20-25K for Roland Salmon in 13/14.

Salary

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

Bonuses

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

The Committee provides a breakdown of awards to the Cabinet Office, covering performance group distribution, analysis of bonuses awarded and feedback on the operation of the system. The bonuses reported in 2012/13 relate to performance in 2011/12 and the bonuses reported in 2013/14 relate to performance in 2012/13.

Benefits in Kind

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

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Food Standards Agency in the financial year 2013/14 was £150k-155k (2012/13 was £140k-145k). This was 4.74 times (2012/13, 4.45) the median remuneration of the workforce, which was £32k (2012/13, £32k).

Remuneration ranged from £16k to £127k (2012/13 was £15k-£140k)

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

This is different to the total remuneration reported for Executive Management Team members which includes a pension benefit valuation. This is to allow like for like comparison of average staff and highest paid director remuneration.

*(b) Pension benefits***Executive Management Team**

		2013-14				
		Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV
Bands		£5,000	£2,500			
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Tim Smith	Chief Executive (to October 2012)	-	-	-	273	-
Catherine Brown	Chief Executive (from October 2012)	20-25	2.5-5	234	187	25
Steve Wearne	Director, FSA Wales	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 5-7.5	475	414	32
Andrew Wadge	Chief Scientist	45-50 plus lump sum of 135-140	(2.5)-0 plus lump sum of (2.5)-0	960	914	(8)
Terrence Collis*	Director, Communications (to June 2012)	-	-	-	200	-
Stephen Humphreys	Director, Communications (from June 2012)	15-20	0-2.5	226	193	15
Chris Hitchen	Director, Finance & Strategic Planning	5-10	0-2.5	86	63	13
Lynne Bywater	Director, Human Resources	10-15	0-2.5	156	124	19
Charles Milne	Director, FSA Scotland	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	692	644	6
Gerry McCurdy	Director, FSA Northern Ireland	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	891	878	1
Andrew Rhodes*	Director, Operations	15-20	0-2.5	158	133	9
Alison Gleadle	Director, Food Safety Group	-	-	-	350	-

Rod Ainsworth	Director, Legal, International, Regulation & Audit	10-15	2.5-5	149	106	28
Nina Purcell	Director, FSA Wales	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 2.5-5	569	547	19
Maria Jennings	Director, FSA Northern Ireland	20-25	0-2.5	324	304	3
Geoff Ogle	Portfolio Director	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 2.5-5	491	449	12

		2012-13				
		Accrued Pension at pension age as at 31/3/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2013	CETV at 31 March 2012	Real increase in CETV
Bands		£5,000	£2,500			
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Tim Smith	Chief Executive (to October 2012)	15-20	0-2.5	273	270	3
Catherine Brown	Chief Executive (from October 2012)	15-20	0-2.5	178	171	(2)
Steve Wearne	Director, FSA Wales	25-30 plus lump sum of 75-80	0-2.5	414	384	6
Andrew Wadge	Chief Scientist	40-45 plus lump sum of 130-135	0-2.5	914	867	(2)
Terrence Collis*	Director, Communications (to June 2012)	10-15	0-2.5	200	184	15
Stephen Humphreys	Director, Communications (from June 2012)	10-15	0-2.5	193	170	12
Chris Hitchen	Director, Finance & Strategic Planning	5-10	0-2.5	64	43	12
Lynne Bywater	Director, Human Resources	10-15	0-2.5	125	96	14

Charles Milne	Director, FSA Scotland	35-40 plus lump sum of 105-110	2.5-5	644	555	57
Gerry McCurdy	Director, FSA Northern Ireland	35-40 plus lump sum of 115-120	0-2.5	878	830	1
Andrew Rhodes*	Director, Operations	10-15	0-2.5	133	112	9
Alison Gleadle	Director, Food Safety Group	20-25 plus lump sum of 65-70	0-2.5	350	322	7
Rod Ainsworth	Director, Legal, International, Regulation & Audit	5-10	0-2.5	108	70	26

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

Food Standards Agency Board

		2013/14				
		Accrued pension and related lump sum at age 60 31 March 2014	Real increase in pension and related lump sum at age 60 31 March 2014	CETV at 31 March 2014 ²	CETV at 31 March 2013	Real increase in CETV
<i>Bands</i>		£5,000	£2,500			
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
John W Spence ¹		0-5	0-2.5	45	43	2

		2012/13				
		Accrued pension and related lump sum at age 60 31 March 2013	Real increase in pension and related lump sum at age 60 31 March 2013	CETV at 31 March 2013	CETV at 31 March 2012	Real increase in CETV
<i>Bands</i>		£5,000	£2,500			
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
John W Spence		0-5	0-2.5	49	42	6

Notes

- 1 John W Spence left the FSA board on 31st May 2013.
- 2 The closing CETV quoted is at John W Spence's date of leaving 31st May 2013.

A number of former FSA Board members benefit from a by-analogy pension scheme similar to the PCSPS. The scheme is now closed to new members and there are no active scheme members since Mr Spence left 31 May 2013.

Civil Service Pensions

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

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium, classic plus** and **nuvos**. Increase to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**.

In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension was uprated in line with Pensions Increase legislation. 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.gov.uk/pensions

Cash Equivalent Transfer Values

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

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

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

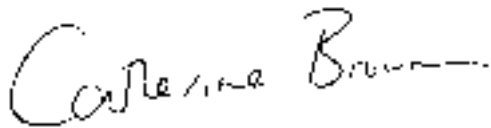
Real Increase in CETV

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

Compensation for loss of office

Gerry McCurdy left under Voluntary Redundancy terms on 31 August 2013. He received contractual payments under the terms of the Civil Service Compensation Scheme totalling £81,694, made up of compensation £56,000, pay in lieu of notice £21,000 and compensation for loss of pension during the notice period £4,694.

Andrew Wadge left under Voluntary Redundancy terms on 31 January 2014. He received a contractual compensation payment of £226,000 under the terms of the Civil Service Compensation Scheme.



Catherine Brown
Chief Executive and Accounting Officer

11 June 2014

Statement of Accounting Officer's responsibilities

Under section 5(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Food Standards Agency (FSA) to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the FSA and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

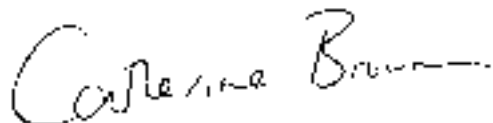
observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

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

prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as principal Accounting Officer of the FSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the FSA's assets, are set out in *Managing Public Money* published by the HM Treasury.



Catherine Brown
Chief Executive and Accounting Officer

11 June 2014

FSA Governance Statement 2013/2014

Introduction

1. As Accounting Officer for the Food Standards Agency (FSA) I am responsible for ensuring that the Department has an effective governance framework in place to support the delivery of the FSA's strategy, ensure value for money, manage risks and ensure effective organisational performance. The FSA is a UK-wide non-Ministerial Government Department, and I am accountable to the Westminster Parliament and the relevant Devolved Parliament and Assemblies in Scotland, Wales and Northern Ireland through Health Ministers.
2. **FSA Board and Committee Assurance**
As a non-Ministerial Government Department, the FSA is led by a non-Executive Board which complies with the relevant requirements of the Corporate Governance Code²⁰. In line with the FSA's culture of openness the Board holds its decision-making meetings in public, and they are broadcast live via the FSA's website, and the agendas, papers and minutes of Board meetings are published.
3. During the course of the year, there has been a significant level of change to the FSA Board and Executive Management team as detailed in the Directors' report. In particular there have been four retirements from the FSA Board, including Lord Rooker as Chair in July 2013. Ministers in all four administrations have appointed Tim Bennett (FSA Deputy Chair) as interim Chair and Henrietta Campbell as interim Deputy Chair whilst the recruitment of a new Chair progresses. One new Board Member has joined during the year with a further three due to join in early 2014/15. All new members are given a comprehensive induction programme which includes briefing in relation to all aspects of the FSA's governance structure and supporting processes.
4. The Board is supported and advised by Food Advisory Committees in each of the devolved countries²¹, and by an Audit Committee, a Risk Committee and a Succession & Development Committee and their terms of reference and attendance records are available on our website.²²
5. The Chairs of the Food Advisory Committees report formally to each Open Board meeting on issues considered. The Chairs of the Audit, Risk, and Succession & Development Committees report annually to the FSA Board.

Assurances from the Audit, Risk, and Succession & Development Committees

6. As Accounting Officer, I am invited to attend all meetings of the FSA's Audit, Risk, and Succession & Development Committees. These committees have met regularly throughout the year and have provided valuable and constructive challenge. In compiling this Statement, I have reviewed the annual reports produced by each of their respective Chairs (copies of which are available on the FSA website). From September 2014 the FSA will merge the Audit and Risk Committees in line with best practice.

20 www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx

21 www.food.gov.uk/scotland/about-fsa-scotland/advisorycommittee
www.food.gov.uk/wales/about-fsa-wales/advisorycommitteewales
www.food.gov.uk/northern-ireland/about-fsa-ni/advisorycommittee

22 www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees

7. During the course of the year, the Risk Committee²³ has considered a range of issues which have included: potential risk issues arising from the horsemeat incident and subsequent reviews and action being undertaken by the FSA to mitigate them; business continuity incidents that have occurred during the course of the year; information security; issues arising from the roll-out of new IT equipment across the FSA estate; and the Agency's review of its corporate level risks as outlined in paragraph 24 of this statement. In their annual report to the Board, the Chair of the Risk Committee has concluded that the FSA continues to give risk a high level of attention and priority, with the work over the year continuing the improvement in Risk Management that has been seen since the Committee was set up.
8. The Audit Committee²⁴ co-opted an independent finance specialist during the year to ensure the committee had the necessary finance expertise while Board member recruitment was undertaken. It has considered a range of issues including: the FSA's consolidated accounts for 2012/13; the NAO's draft Audit Completion Report; the Head of Internal Audit's 2012/13 Opinion; various key audit reports (details of which are outlined in the Chair's Annual Report); and the Audit Plan for 2014/15. In undertaking its activities, it has also sought to comply with the requirements of HM Treasury's Audit & Risk Assurance Committee Handbook. This has included non-Executive members having a bilateral meeting with representatives of the Agency's external auditors, the NAO and the Head of Internal Audit to ensure a clear understanding of expectations and current issues. It has also included Members completing a survey on the effectiveness of the Committee during February this year which was based on the current self-assessment tool produced by the NAO. Action points arising from this are scheduled to be discussed at the June 2014 meeting. In the annual report to the FSA Board, the Audit Committee Chair concludes that risk, control and governance arrangements in place during the year were satisfactory and will address the areas for improvement identified in the internal audit reports.
9. The Succession & Development Committee²⁵ advises on all matters relating to the recruitment of Board Members and their induction and development. A recruitment process has been undertaken during the course of the year to recruit new members to replace those that have retired. To inform this, a skills and experience audit of existing Board Members was completed, with the information gathered being used to inform and update the person specification for the role.

The Executive Management Team

10. The Executive Management Team (EMT) supports me, as the FSA's Accounting Officer, in delivering the FSA strategy and directing the day-to-day business of the FSA. The EMT meets every two weeks.
11. Membership of the EMT comprises of ten Directors and myself, including a suitably qualified Finance Director. I have made a number of structural changes to my Executive Management Team during the year. One of the most significant changes has been to introduce a full time Director of Science & Evidence post reporting to the Director of Policy. The new Chief Scientific Advisor post reports directly to me and advises the Board on key scientific issues. These changes better integrate our scientific evidence work with

23 www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/riskcommittee

24 www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/auditcommittee

25 www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/successiondevelopmentcommittee

our policy making. Our Scientific Advisory Committees and General Advisory Committee on Science (GACS)²⁶ continue to provide an independent challenge and assurance function.

External Assurance Reviews

12. The FSA has supported a number of external assurance reviews which have contributed to assuring the effectiveness of our governance framework, while also identifying some opportunities for improvement.

External Review of the FSA's Governance

13. The FSA's Capability Review²⁷ published in January 2013 identified a need for the FSA Board and Executive to work together more effectively. An external Governance Review was commissioned to consider: whether the FSA's governance was compliant with best practice both within and outside Government; whether the FSA's governance structure assists the FSA to deliver its strategic objectives and most effectively to hold the Executive to account; and whether the FSA's governance structure provides value for money and makes best use of the non-Executive and Executive resources available to it. Following completion of this review, a small joint Board/Executive Governance Steering Group was established to consider its recommendations, the outcomes of which were discussed at the Board's Open Board meeting in January 2014.

14. Key recommendations agreed at this meeting were:

- **Transparency & Openness** will remain a central principle within the FSA's governance arrangements, and will be enhanced by proposed new ways of working and reporting.
- **The creation of a Business Committee** to replace the existing Business Board. This will provide appropriate high level oversight and scrutiny of financial and operational matters at Board level, provide advice to the Chief Executive in the discharge of her Accounting Officer responsibilities, and support the translation of policy into effective results. For the first time, its membership will include Executive members as well as all members of the Board and it will meet in open session where possible.
- **Effectiveness.** The Board will undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Members in line with best practice outlined in the Corporate Governance in Central Government Departments: Code of Good Practice 2011. In addition to this, three minuted closed sessions will be held each year to discuss issues related to governance, the performance of the Chief Executive, and the functioning of the relationship with the Executive from a Board perspective.
- **Reporting.** The Board will approve an annual report of its activities and performance which will be laid before the Westminster Parliament, the Scottish Government, the Welsh Government and the Northern Ireland Assembly.

We have already made progress implementing the recommendations with the first meeting of the Business Committee having taken place in March 2014. A further outcome of the Governance Review was the decision taken by the FSA Board in March 2014 to merge the Audit and Risk Committees into a single Audit and Risk Assurance Committee in line with Cabinet Office guidance. The terms of reference of this merged Committee are

²⁶ www.food.gov.uk/science/ouradvisors

²⁷ www.food.gov.uk/news-updates/news/2013/jan/capability-review

to be discussed at the Board's June 2014 meeting, with the first meeting of the new Committee taking place in September 2014.

NAO Review of Efficiency for the FSA

15. In the latter part of 2012/13, the FSA commissioned the NAO to undertake an Efficiency Review²⁸ to identify whether the FSA is delivering the official controls required for the UK meat industry under EU and UK legislation as efficiently as possible. The review encompassed both frontline and support functions, and the NAO delivered its report at the end of May 2013 (a copy of which is available on the FSA website). The recommendations are being taken forward, including further work to ensure that the discount system for meat charging incentivises efficiency for Food Business Operators and therefore supports efficiency in terms of FSA resources.

Reviews into the incident relating to the adulteration of beef products with horse and pig meat and DNA

16. In last year's Governance Statement I reported on the above incident and the fact that a number of reviews had been commissioned by the FSA and the UK administrations. These have all concluded (with the exception of the Elliott Review²⁹, for which an interim report was published in December 2013 and a final report is due this summer) with key themes for the FSA including:

- The need for improved intelligence sharing and analysis;
- The need for a more coordinated and proactive approach to food crime and the role for central government, local authorities and the food industry in this area;
- The need for the FSA to strengthen its Major Incident Plan.

The FSA has developed an action plan to oversee delivery of those recommendations that either fall directly to us or we have a role in delivering (details of which can be found on our website) in order to ensure that we continuously improve capability to respond to future incidents.

Financial Management Review

17. We strive to improve continually our financial controls and financial capability across the Agency. During the course of the year, and in line with the Civil Service Reform agenda, we commissioned CIPFA to undertake a review of the FSA's approach to Financial Management. Their report was issued in October 2013. It highlighted a number of strengths including: the championing of Financial Management improvement by senior management; strong control and compliance in relation to Financial Management; the existence of a strong core Finance Team, a clear understanding by staff across the Agency of the need to deliver Value for Money (supported by the initiation of a Continuous Improvement programme) and strong financial stewardship and above average finance support to the rest of the Agency. It also highlighted a number of areas for improvement, an action plan for which was approved by EMT in February 2014 which included the following key recommendations;

- greater clarity on accountability and Financial Management capability below senior management level;

²⁸ <http://ultimedia.food.gov.uk/multimedia/pdfs/board/board-papers-2013/fsa-130708-nao-efficiency-review.pdf>

²⁹ www.food.gov.uk/news-updates/news/2013/dec/elliott-review

- greater integration of business plans and budgets, supported by performance dashboards;
- further embedding a ‘Value for Money’ culture;
- full implementation of Portfolio Management;
- Improving our forecasting of Programme spend.

Improvements seen during the course of the year have included the closer alignment of financial spend by Strategic Outcome and Initiative. The Board agreed the FSA’s 2014/15 budget at its Business Committee meeting in March 2014.

Financial Control Review

18. Whilst unqualified opinions were received from the NAO in relation to our Wales, Scotland, Northern Ireland and Consolidated Accounts for 2012/13, a £48k breach of our Capital Expenditure controls was identified on our Westminster Accounts which led to their qualification. This was in relation to a misallocation of Capital Expenditure on IT equipment which resulted in a breach of the Capital Parliamentary Control total. I am satisfied that improved controls and approval processes are now in place to ensure that directly attributable costs of all assets are correctly reported and all other improvement areas identified by the NAO in their management letter are being addressed.

NAO government wide review of Whistleblowing

19. The FSA has strengthened its Whistleblowing policy by making clearer reference to the procedures the FSA has in place for whistle-blowers in line with recommendations made in the cross-department NAO report into Whistleblowing policies. In the report the FSA had only one out of eight criteria found to be less than satisfactory, with six criteria scoring good or excellent. The full report can be found at: <http://www.nao.org.uk/wp-content/uploads/2014/01/Government-whistleblowing-policies.pdf>

Macpherson review of Quality Assurance of Government models

20. In response to the Macpherson Review of Quality Assurance of Government Models³⁰ we have reviewed our list of business critical models, and we have processes in place to quality assure their inputs, methodology and outputs. We are improving our processes related to communicating any risks or limitations across all sources of evidence, so that they are properly logged, managed and communicated to decision makers and policy makers.

Internal Management Controls

FSA Risk Management framework and capacity to manage risk

21. The FSA has a well-established Risk Management framework that is used to provide reasonable assurance to the FSA Board, Risk Committee and Executive Management Team (EMT) that risks to achieving business objectives are being effectively controlled, and those involved are clear as to their roles and responsibilities.
22. During the course of the year the EMT has undertaken a substantial review of the content of the corporate level risk register which included constructive challenge from the Risk Committee. This resulted in a more strategic and balanced set of risks with improved

³⁰ www.gov.uk/government/publications/review-of-quality-assurance-of-government-models

categorisation of different kinds of risks. This new approach is complementary to the systematic bottom up risk management already in place across the Agency.

23. Corporate level risks are defined by the FSA as those which:
- Materially alter our ability to achieve our strategic outcomes;
- and/or
- Fundamentally damage the ability of the FSA to operate (including reputational risks);
- and/or
- Cannot be managed or mitigated at the current level within the organisation.
24. Each of the risks on the register has an executive “owner” and a mitigation plan. At the end of the financial year, the principal risks on the FSA’s corporate level risk register included:
- Complexity and pace of change compromises our ability to identify and respond to new and emerging risks;
 - Failure to influence/inform EU bodies affects our ability to protect consumers;
 - Failure to reduce campylobacter in poultry – and hence related public health impacts – despite it being a top priority for the FSA;
 - Failure to create an environment within the FSA which enables/encourages our people to make the most effective contribution.
25. A Risk Management Strategy outlining our aspirations for further embedding a Risk Management culture across the FSA, together with an implementation plan was approved by the Executive team and Risk Committee earlier in the year. This will raise the FSA’s maturity in Risk Management as set out in HM Treasury’s Risk Management Assurance Framework. We have an established network of Risk Advisors to help consistently embed Risk Management across the FSA and an internal audit review of the FSA’s Risk Management framework in 2014/15 to report on progress.

Director Assurance Statements

26. At the start of the financial year, Directors agree to operate an adequate system of internal controls over a budget delegation received from me as Accounting Officer, including forecasting, managing risk and ensuring adequate segregation of duties. As part of the year end process Directors complete an assurance statement setting out how an effective system of internal controls has been maintained. I have reviewed all of the statements produced by my Directors and can confirm that no serious issues have been reported in relation to the effectiveness of our internal controls.

Data Security

27. We continue to take our responsibilities in relation to data security seriously and comply with Central Government reporting requirements, and I can confirm there have been no serious security incidents within the year.
28. The FSA has updated its Counter Fraud strategy and guidance in the year and Internal Audit have taken lead responsibility for the area in line with Government guidance. The FSA has had no instances of Fraud reported in the year and continues to reinforce its zero tolerance

approach through supporting staff in understanding their role in preventing and identifying fraud.

Head of Internal Audit's Opinion on the FSA's governance, management and risk control

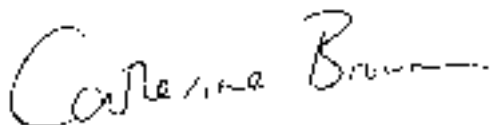
29. Based on the results of the audit work completed during the year and understanding the Agency's control environment, the Head of Internal Audit's opinion is that the FSA has maintained adequate risk control and governance arrangements.
30. The results of the business audits conducted during the year found that the controls and risk management over finance, information retention and management information on homeworkers were good. Two audits were rated as 'requiring improvement'- these were the information security and national co-ordinated food sampling audits. Official Controls were found to be satisfactory, with good or reasonable controls operating with regards to shellfish controls, microbiological criteria and traceability testing. Weaknesses in controls were found and 'requiring improvement' ratings were given for two audits relating to dairy hygiene and cutting establishments. Management have taken appropriate action to address issues identified in all audits rated as 'requiring improvement'.
31. There was a continued reduction in the total number of audit recommendations made, the number outstanding and the number overdue implementation, despite an increase in the number of reports issued in the year. However, in total, four audit reports were issued with a 'requires improvement' rating this year, compared with three in 2012/13.
32. Two recurring themes have been identified in the year, and raised with management. Firstly, both business and official controls audits identified the risks to delivery and control brought about by teams focussing narrowly on their specific work areas. This was particularly noticeable at the start of the financial year. However, the changes in director responsibilities have started to address this. The second theme relates to Risk Management. In the year, the corporate risk register was revised, the Risk Management strategy refreshed and new Risk Advisers appointed. There is, however, scope to improve the consistency of risk management at divisional/branch level in the FSA and Risk Management will be the focus of an audit in 2014/15.
33. In submitting his opinion, the Head of Internal Audit has confirmed that there were no limitations placed on the scope of the Internal Audit activities during 2013/14, and that he considers the breadth of the work conducted in audits performed during the year sufficient to provide me, as the Accounting Officer, with an evaluation and opinion on the effectiveness of governance and risk management processes in those areas audited. He has also confirmed that he is satisfied that the work conducted by the Internal Audit team complies with the standards outlined in the Public Sector Internal Audit Standards.

Looking ahead to 2014/15 & Beyond

34. Looking ahead to 2014/15 we will continue to seek to improve the effectiveness of our governance, risk and control structures and mechanisms. This will include: the move to a combined Audit and Risk Assurance Committee; further enhancement of our horizon scanning and intelligence gathering capabilities to help inform our Risk Management approaches; and the greater integration of our business planning and budgeting processes.

Significant internal control weaknesses

35. I am able to report that there were no significant weaknesses in the FSA's systems of internal controls in 2013/14 which affected the achievement of the FSA's key strategic outcomes, aims, objectives and policies.
36. I can also confirm that there have been no Ministerial Directions given during the course of the year.



Catherine Brown
Chief Executive and Accounting Officer

11 June 2014

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 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

12 June 2014

Statement of Parliamentary Supply (SOPS)

Summary of Resource and Capital Outturn 2013/14

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Food Standards Agency to prepare a Statement of Parliamentary Supply and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

£000								2013/14	2012/13
	Estimate				Outturn				Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total
Departmental Expenditure Limit									
– Resource	SOPS2	94,580		94,580	89,753		89,753	4,827	88,731
– Capital	6 & 7	5,079		5,079	3,149		3,149	1,930	1,458
Annually Managed Expenditure									
– Resource	SOPS2	9,953		9,953	3,428		3,428	6,525	1,242
– Capital		–		–	–		–	–	–
Total Budget		109,612		109,612	96,330	–	96,330	13,282	91,431
Non-Budget									
– Resource		–		–	–		–	–	–
Total		109,612		109,612	96,330	–	96,330	13,282	91,431
Total Resource	4	104,533		104,533	93,181		93,181	11,352	89,973
Total Capital	6 & 7	5,079		5,079	3,149		3,149	1,930	1,458
Total		109,612		109,612	96,330		96,330	13,282	91,431

Net Cash Requirement 2013/14

£000	Note	2012/13	2013/14		2012/13
		Estimate	Outturn	Outturn	Outturn
				compared with Estimate: saving/(excess)	
	SOPS4	98,121	94,033	4,088	87,509
Administration Costs 2013/14		2013/14 Estimate	2013/14 Outturn		2012/13 Outturn
	SOPS3	38,916	38,374		40,315

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimate and Outturn are given in the Strategic Report on page 16.

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS1 Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FRoM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

SOPS1.3 Capital Grants

Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FRoM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

SOPS1.4 Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. (PPAs resulting

from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

SOPS1.5 Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

SOPS1.6 Provisions – Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply was differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

SOPS2 Net Outturn

SOPS2.1 Analysis of net resource outturn by section

£000	2013/14											2012/13
	Outturn							Estimate			Outturn	
	Administration			Programme				Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total	
	Gross	Income	Net	Gross	Income	Net	Total					
Spending in Departmental Expenditure Limit												
Voted:												
A FSA Westminster (DEL)	43,476	(5,102)	38,374	84,276	(32,897)	51,379	89,753	94,580	4,827	4,827	88,731	
Annually Managed Expenditure												
Voted:												
B FSA Westminster (AME)	–	–	–	3,428	–	3,428	3,428	9,953	6,525	6,525	1,242	
Total	43,476	(5,102)	38,374	87,704	(32,897)	54,807	93,181	104,533	11,352	11,352	89,973	

SOPS2.2 Analysis of net capital outturn by section

£000	2013/14							2012/13
	Outturn				Estimate			Outturn
	Gross	Income	Net	Net	Net total compared with estimate	Net total compared to Estimate, adjusted for virements	Net	
Spending in Departmental Expenditure Limit								
Voted:								
A FSA Westminster (DEL)	3,188	(39)	3,149	5,079	1,930	1,930	1,458	
Non-voted:								
A FSA Westminster (DEL)	–	–	–	–	–	–	(472)	
Annually Managed Expenditure								
Voted:								
B FSA Westminster (AME)	–	–	–	–	–	–	–	
Total	3,188	(39)	3,149	5,079	1,930	1,930	986	

SOPS3 Reconciliation of outturn to net operating cost and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net operating cost

			2013/14 £000 Outturn	Restated 2012/13 £000 Outturn
		Note	<u> </u>	<u> </u>
Total resource outturn in Statement of Parliamentary Supply	Budget	SOPS2	93,181	89,973
	Non-Budget		–	–
			<u>93,181</u>	<u>89,973</u>
Add: Adjustment for IAS 19 (revised)			–	1,680
Net Operating Costs in Statement of Comprehensive Net Expenditure			<u>93,181</u>	<u>91,653</u>

SOPS3.2 Outturn against final Administration Budget and Administration net operating cost

	2013/14 £000	2012/13 £000
	<u> </u>	<u> </u>
Estimate – Administration costs limit	38,916	43,327
Outturn – Gross Administration Costs	43,476	44,571
Outturn – Gross Income relating to administration costs	(5,102)	(4,256)
Outturn – Net Administration Costs	<u>38,374</u>	<u>40,315</u>
Reconciliation to Operating Costs: Less: provisions utilised (transfer from Programme)	(34)	–
Administration Net Operating Costs	<u>38,340</u>	<u>40,315</u>

SOPS4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
Resource Outturn	SOPS2.1	104,533	93,181	11,352
Capital Outturn	SOPS2.2	5,079	3,149	1,930
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	6-7	(1,410)	(932)	(478)
New provisions and adjustments to previous provisions	13	(13,174)	(9,026)	(4,148)
Other non-cash items	3	(128)	(60)	(68)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in debtors	11		(1,972)	1,972
(Increase)/decrease in creditors	12		4,095	(4,095)
Use of provisions	13	3,221	3,938	(717)
Cash contribution to pension deficit	13		1,660	(1,660)
Net cash requirement		98,121	94,033	4,088

Statement of Comprehensive Net Expenditure

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values on non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

An explanation of the restatement of the 2012/13 comparatives is given in Note 1.20.

For the year ended 31 March 2014

£000		2013/14			Restated 2012/13
	Note	Staff Costs	Other Costs	Income	
Administration Costs:					
Staff costs	2	21,907			23,009
Other costs	3		21,535		21,562
Income	5			(5,102)	(4,256)
Programme expenditure:					
Staff costs	2	52,222			51,990
Other costs	4		35,516		34,072
Income	5			(32,897)	(34,724)
Totals		74,129	57,051	(37,999)	91,653
Net Operating Cost for the year ended 31 March 2014				93,181	91,653
Total expenditure				131,180	130,633
Total income				(37,999)	(38,980)
Net Operating Cost for the year ended 31 March 2014				93,181	91,653
Other Comprehensive Net Expenditure					
Actuarial (gain)/loss	13			(13,840)	1,887
Total comprehensive expenditure for the year ended 31 March 2014				79,341	93,540

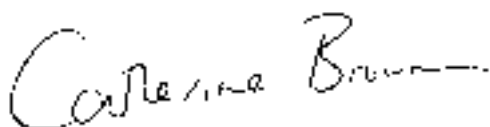
The notes on pages 72 to 100 form part of these accounts

Statement of Financial Position

This statement presents the financial position of the Food Standards Agency. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

as at 31 March 2014

£000		2013/14	2012/13
	Note		
Non-current assets			
Property, plant and equipment	6	3,749	1,578
Intangible assets	7	853	807
Total non-current assets		4,602	2,385
Current assets			
Trade and other receivables	11	3,878	5,029
Other current assets	11	6,231	7,052
Cash and cash equivalents	10	2,614	9,702
Total current assets		12,723	21,783
Total assets		17,325	24,168
Current Liabilities			
Trade and other payables	12	(4,474)	(4,596)
Provisions	13	(1,153)	(1,477)
Other Liabilities	12	(15,092)	(24,914)
Total current liabilities		(20,719)	(30,987)
Non-current assets plus/less net current assets/liabilities		(3,394)	(6,819)
Non-current liabilities			
Net pension liability	13	(69,530)	(80,345)
Other provisions	13	(6,030)	(5,303)
Other payables	12	(8,523)	(9,762)
Total non-current liabilities		(84,083)	(95,410)
Total Assets less liabilities		(87,477)	(102,229)
Taxpayers' equity and other reserves			
General fund		(87,477)	(102,229)
Total taxpayers' equity		(87,477)	(102,229)



Catherine Brown
Chief Executive and Accounting Officer
11 June 2014

The notes on pages 72 to 100 form part of these accounts

Statement of Cash Flows

For the year ended 31 March 2014

		2013/14	Restated
		£000	2012/13
		£000	£000
Cash flows from operating activities	Note		
Net operating cost	SOCNE	(93,181)	(91,653)
	3, 6, 7		
Adjustment for non-cash transactions	& 13	10,144	9,776
(Increase)/Decrease in trade and other receivables	11	1,972	(511)
Increase/(Decrease) in trade and other payables	12	(11,183)	9,164
less movements relating to items not passing through the Statement of Comprehensive Net Expenditure	12	7,088	(7,234)
Use of provisions	13	(3,938)	(3,476)
Provisions not required written back	13	(87)	(457)
Cash contribution to pension deficit	13	(1,660)	(1,660)
Net cash outflow from operating activities		(90,845)	(86,051)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2,880)	(1,216)
Purchase of intangible assets	7	(308)	(242)
Net cash outflow from investing activities		(3,188)	(1,458)
Cash flows from financing activities			
From the Consolidated Fund (Supply)		86,945	94,743
Net Financing		86,945	94,743
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(7,088)	7,234
Cash and cash equivalents at the beginning of the period	10	9,702	2,468
Cash and cash equivalents at the end of the period	10	2,614	9,702
		(7,088)	7,234

The notes on pages 72 to 100 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

	Note	General Fund	Total Reserves
		£000	£000
Balance at 1 April 2012		(96,262)	(96,262)
Changes in taxpayers' equity for 2012-13			
Actuarial gain/(loss)		(1,887)	(1,887)
Non-cash charges – auditors remuneration	3	64	64
Net operating cost for the year		(91,653)	(91,653)
Total recognised income and expense for 2012-13		(93,476)	(93,476)
Net Parliamentary Funding – drawdown		94,743	94,743
Net Parliamentary Funding – deemed		2,468	2,468
Supply payable/(receivable) adjustment		(9,702)	(9,702)
		87,509	87,509
Balance at 31st March 2013		(102,229)	(102,229)
Changes in taxpayers' equity for 2013-14			
Actuarial gain/(loss)		13,840	13,840
Non-cash charges – auditors remuneration	3	60	60
Net operating cost for the year		(93,181)	(93,181)
Total recognised income and expense for 2013-14		(79,281)	(79,281)
Net Parliamentary Funding – drawdown		86,945	86,945
Net Parliamentary Funding – deemed		9,702	9,702
Supply payable/(receivable) adjustment		(2,614)	(2,614)
		94,033	94,033
Balance at 31st March 2014		(87,477)	(87,477)

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

The notes on pages 72 to 100 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement of Accounting Policies

1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food Standards Agency (FSA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the FSA are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The Westminster FSA statement of financial position at 31st March 2014 shows a negative taxpayers' equity of £87,477,000 (2012/13: £102,229,000). This reflects the inclusion of liabilities falling due in future years (including a net pension liability of £69.5m), 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 surrenderable to the Fund.

In common with other government departments, the future financing of the Agency's liabilities is to be met accordingly by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2014/15 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention modified, to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

1.3 Non-Current Assets

Non-current assets are items of the Agency's property that have a value greater than or equal to £5,000 (inclusive of irrecoverable VAT) and have a useful life of greater than one year. The capitalisation policy applies to all construction, capital improvements which enhance the functionality of a building, major equipment purchases and other capital projects totalling £5,000 or more. This also applies to multiple low cost items of a similar nature which are functionally interdependent or collectively improve efficiency within the FSA. When consolidated, these would create an asset to the Agency. If these collectively have a cost in

excess of £5,000 and an intended useful period in excess of a year then the items are usually consolidated as one asset.

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 “FRM,6.2.8, h)and j)”, depreciated historical cost is now used as a proxy for current value on the basis that this realistically reflects consumption of the asset.

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

1.4 Property, Plant and Equipment

The FSA does not currently own any land or buildings.

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

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

1.5 Intangible Assets

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

1.6 Depreciation and Amortisation

Assets are depreciated from the month following the date of acquisition. Depreciation and amortisation are at the rates calculated to write-off the valuation of property, plant and equipment and intangible fixed assets respectively by applying the straight-line method over the following estimated useful lives. Estimated useful lives are reviewed during the year and assets relifed where applicable:

	2013/14	2012/13
Property, plant and equipment		
Computer equipment	2–4 years	2–4 years
Office machinery	2–8 years	2–8 years
Furniture, fixtures and fittings	4–7 years	7 years
Intangible assets:		
Computer software and software licences	2–7 years	2–7 Years

1.7 Inventories

The FSA does not hold any inventories.

1.8 Research & Development Expenditure

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

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

1.9 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income for the year is recognised on an accruals basis reflecting the value of the work undertaken and is shown net of Value Added Tax. The FSA has income from meat official controls and related work, milk and dairies sampling and from assessments and consultations on radioactive discharges.

Income from meat official controls and related work is recognised as time recorded by staff multiplied by charging rates and invoiced to both industry and government customers. With regards to meat official controls, until 27 September 2009, income was recognised at the lower of cumulative throughput charges or time based charges. However, with effect from 28 September 2009, time costs were charged with discounts applied to bring the charges down to the level of the 2008/09 charges, provided that throughput and resources were unchanged. The FSA made additional charges to FBOs in respect of the 2010/11 and 2011/12 financial years, after the end of each year, in order to ensure compliance with the EU's minimum charge per carcase requirements under Regulation (EC) 882/2004. To meet this requirement in 2012/13 and 2013/14 the FSA invoiced the shortfall after six months, nine months and after the end of the financial year. Additional charges have been included in note 5 as programme income relating to meat official controls.

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

1.10 Administration and Programme Expenditure

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

1.11 Pensions

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

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

There are currently 448 FSA employees who are active members of the Local Government Pension Scheme (LGPS). LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by London Pension Fund Authority. The scheme is subject to regular valuations by an independent, professionally qualified actuary. These determine the level of contributions required to fund future benefits.

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

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

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

The contributions to PCSPS are set out in Note 2 and the costs in relation to the LGPS scheme are in Note 13.

1.12 Early Departure Costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% (2012/13 2.35%) in real terms.

1.13 Operating Leases

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

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

1.14 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSA is audited by the Comptroller and Auditor General (C&AG). No charge by the C&AG is made for this service but a non cash charge representing the cost of the audit is included in the accounts. There were no other non-audit services that the FSA was charged for in the year.

1.15 Value Added Tax

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

1.16 Provisions

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

Provisions are recognised in the accounts where;

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

The Early Retirement Provision has been discounted, other provisions have not been discounted as the resulting adjustments are not considered material to these accounts.

1.17 Contingent Liabilities

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

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

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

1.18 Financial Assets and Liabilities

The FSA holds the following financial assets and liabilities:

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

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

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

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

1.19 Website capitalisation costs

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

1.20 Restatement of comparative figures

Comparative figures for 2012/13 have been restated where appropriate to reflect the implications of IAS 19 (revised) which was effective for accounting periods beginning on or after 1 January 2013.

2 Staff numbers and related costs

Staff costs comprise:

A Administration costs

	2013/14		2012/13
	£000	£000	£000
	STAFF	BOARD	TOTAL
Wages and salaries	16,432	205	16,637
Social security costs	1,405	27	1,432
Other pension costs	3,163	–	3,163
Sub total	21,000	232	21,232
Agency Staff	675	–	675
Total	21,675	232	21,907
Less recoveries in respect of outward secondments	(95)	–	(95)
Total net costs	21,580	232	21,812

B Programme costs

	2013/14	2012/13
	£000	£000
Wages and salaries	22,968	23,873
Social security costs	1,863	1,972
Other pension costs	3,840	3,924
Agency Staff	784	98
Contract inspectors and veterinary costs	22,767	22,123
Total	52,222	51,990
Less recoveries in respect of outward secondments	(16)	(114)
Total net costs	52,206	51,876

Programme wages and salaries includes the cost of employed meat hygiene inspectors, veterinary managers and Operations support staff.

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 2013. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at www.civilservice.gov.uk/pensions.

For 2013/14, employer's contributions of £4.6m (2012/13 £4.6m) were payable to the PCSPS at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008/09 and

remain unchanged in 2013/14. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £16,852 (2012/13 £24,471) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. The FSA as an employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £985 (2012/13 £1,347), 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.

2013/14

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	–	6	6
£10,000–£25,000	–	4	4
£25,000–£50,000	–	5	5
£50,000–£100,000	1	11	12
£100,000–£150,000	–	4	4
£150,000–£200,000	–	–	–
£200,000 and above	–	2	2
Total number of exit packages	1	32	33
Total resource cost £	98,027	1,653,947	1,751,974

2012/13

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	–	–	–
£10,000–£25,000	–	3	3
£25,000–£50,000	–	15	15
£50,000–£100,000	2	13	15
£100,000–£150,000	–	5	5
£150,000–£200,000	–	–	–
£200,000 and above	–	–	–
Total number of exit packages	2	36	38
Total resource cost £	139,532	1,406,774	1,546,306

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

There were 6 early retirements on ill health grounds in 2013/14 at a cost of £18,853. In 2012/13 there were no early retirements on ill health grounds.

D Local Government Pension Scheme

The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2014, contributions of £2.7m (2012/13 £2.5m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2014, this rate was 18.2% (2012/13 18.2%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund deficit was £20.8m (March 2010 £23.1m). The Agency agreed to increase the funding to the scheme, payable for 12 years. For 2013/14 £1.7m was paid and for 2014/15 £1.9m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2016. This triennial valuation process will be carried out in the summer of 2016 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2017, including the deficit payment.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £68.6m as at 31 March 2014 compared with a calculated deficit of £79.5m as at 31 March 2013. The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2014/15 to be £2.2m.

E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2013/14 was as follows.

	Average number of persons employed	
	2013/14	2012/13
Permanent staff	1,131	1,172
Temporary	508	488
Board	8	10
Total	1,647	1,670

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

3 Other Administration Costs

	2013/14	2012/13
	£000	£000
Rentals under operating leases	6,335	6,541
Non-cash items:		
Depreciation and impairment loss	624	410
Amortisation	183	314
Loss on disposal of property, plant and equipment and intangible non current assets	39	473
Auditors' remuneration and expenses	60	64
Other expenditure:		
Accommodation costs	3,945	4,540
Board and staff overheads	3,603	1,865
Administration costs	1,294	1,487
IT costs*	5,439	5,854
Committee costs	13	14
	21,535	21,562

* Relevant Central IT costs are recharged to Devolved Offices from FSA Westminster.

4 Net Costs by Group

Group					2013/14	Restated 2012/13
	Administration		Programme		Net operating cost £000	Net operating cost £000
	Costs £000	Income £000	Costs £000	Income £000		
Private Office	1,422	–	–	–	1,422	1,747
Regulatory and Legal Strategy Directorate	2,480	11	–	–	2,469	2,553
Comms Group	2,034	38	1,175	–	3,171	3,407
Policy and Science Group	7,864	272	12,120	2,115	17,597	18,619
Operations	4,854	3	67,912	30,782	41,981	38,635
Finance Group	20,056	4,759	–	–	15,297	17,311
Human Resources	2,125	–	–	–	2,125	2,364
Centrally Managed	2,607	19	6,531	–	9,119	7,017
Totals	43,442	5,102	87,738	32,897	93,181	91,653

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

Groups derive income from the following activities or services;

Regulatory and Legal Strategy Directorate – Sundry services

Comms Group - Sundry services

Policy and Science Group – Assessments/consultations on radioactive discharges and Integrated Advice for Consumers

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

Finance Group – Sub-letting of accommodation, recovered court costs and sundry services

Centrally Managed - Recovered court costs and fees

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

The restated 2012/13 comparative figures reflect that Security & Estates (£6,591k) and Planning & Performance (£801k) have been transferred to the Finance Division.

5 Income

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

	2013/14	2012/13
	£000	£000
All operating income is included within public expenditure		
Administration income:		
From Government Departments and others	5,102	4,256
Programme income:		
Meat controls industry income	27,674	28,073
Meat Hygiene related work Government income	3,094	4,528
Milk and Dairy Hygiene – sampling	14	13
Assessments and consultations on radioactive discharges	2,115	2,110
	<u>32,897</u>	<u>34,724</u>
Total income	<u>37,999</u>	<u>38,980</u>

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

	2013/14			2012/13		
	£000	£000	£000	£000	£000	£000
	Income	FullCost	Surplus (Deficit)	Income	FullCost	Surplus (Deficit)
FSA						
Industry	27,674	52,110	(24,436)	28,073	53,720	(25,647)
Government	3,094	2,943	151	4,528	4,236	292
Assessments and consultations on radioactive discharges	2,115	2,335	(220)	2,110	2,617	(507)
	<u>32,883</u>	<u>57,388</u>	<u>(24,505)</u>	<u>34,711</u>	<u>60,573</u>	<u>(25,862)</u>

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

The FSA's financial objective is to recover costs fully. There currently remains a considerable shortfall between the costs for the FSA of delivering meat official controls and the income received from Food Business Operators (FBOs) for these services. This is effectively a subsidy of approximately £24.4m from the FSA to the meat industry, which was received by 52% of FBOs (95% of premises that slaughter and 33% of cutting premises) across GB in 2013/14. EU regulations provide for support from the charging system for small/rural slaughterhouses. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations. As a consequence some FBOs need to be invoiced supplementary charges to bring the overall level of charge up to the EU minimum or the full cost of official controls; the

FSA can charge no more than the full cost. Invoices for the supplementary charges are issued after 6, 9 and 12 months of the financial year.

During 2013-14 the Steering Group on Meat Charging has taken forward work on the reform of the current discounts on meat official controls charges. The Steering Group is made up of industry stakeholders and is led by an independent chair. The objective is a system which prevents inefficiency, supports improving compliance (within a de-regulatory remit), appropriately supports Small Medium Enterprises and provides more balanced discount arrangements that remove distortions in the market relating to the current discounts, and avoids anti-competitiveness. The Steering Group is scheduled to deliver its final proposals during 2014-15.

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

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

6 Property, plant and equipment

	Fixtures and Fittings £000	Office Equipment £000	Computer Equipment £000	Total £000
Cost or valuation				
Cost at 1 April 2013	227	79	1,624	1,930
Additions	950	89	1,841	2,880
Disposals	(27)	–	(33)	(60)
At 31st March 2014	1,150	168	3,432	4,750
Depreciation				
Cost at 1 April 2013	61	40	251	352
Charged in year	126	14	552	692
Disposals	(17)	–	(26)	(43)
At 31st March 2014	170	54	777	1,001
Carrying amount at 31st March 2014	980	114	2,655	3,749
Carrying amount at 31st March 2013	166	39	1,373	1,578
Asset financing				
Owned	980	114	2,655	3,749
Carrying amount at 31st March 2014	980	114	2,655	3,749
Cost or valuation				
Cost at 1 April 2012	1,267	284	1,543	3,094
Additions	19	29	1,168	1,216
Disposals	(1,059)	(234)	(1,087)	(2,380)
At 31st March 2013	227	79	1,624	1,930
Depreciation				
Cost at 1 April 2012	595	212	1,129	1,936
Charged in the year	174	35	202	411
Disposals	(708)	(207)	(1,080)	(1,995)
At 31st March 2013	61	40	251	352
Carrying amount at 31st March 2013	166	39	1,373	1,578
Asset financing				
Owned	166	39	1,373	1,578
Carrying amount at 31st March 2013	166	39	1,373	1,578

7 Intangible assets

Intangible assets comprise computer software and software licences.

	Computer software and software licences £000
Cost or valuation	
Cost at 1 April 2013	1,783
Additions	308
Disposals	(35)
At 31st March 2014	2,056
Amortisation	
Cost at 1 April 2013	976
Charged in year	240
Disposals	(13)
At 31st March 2014	1,203
Carrying amount at 31st March 2014	853
Carrying amount at 31st March 2013	807
Cost or valuation	
Cost at 1 April 2012	1,970
Additions	242
Disposals	(429)
At 31st March 2013	1,783
Amortisation	
Cost at 1 April 2012	1,004
Charged in year	314
Disposals	(342)
At 31st March 2013	976
Carrying amount at 31st March 2013	807

8 Capital and other commitments

8.1 Capital commitments

At 31 March 2014 there were commitments for the purchase of capital items to the value of £0.456m for the upgrade of the FSA's IT infrastructure (31 March 2013 £1.542m).

8.2 Commitments under leases

8.2.1 Operating leases

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

	2013/14	2012/13
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:	7,781	7,782
Not later than one year	25,548	33,091
Later than one year and not later than five years	–	240
Later than five years	33,329	41,113
Other:	154	86
Not later than one year	131	118
Later than one year and not later than five years	285	204

The FSA lease arrangements

Total future minimum lease rental income from Ofsted, Medical Research Council (MRC), Government Digital Service (GDS) and Cabinet Office is given in the table below for each of the following periods.

	2013/14	2012/13
	£000	£000
Total future minimum lease rental income from Ofsted, MRC, GDS and Cabinet Office		
Land and buildings:		
Not later than one year	3,766	3,386
Later than one year and not later than five years	5,797	6,960
Later than five years	–	–
	9,563	10,346

8.3 Other financial commitments

The FSA did not have any other financial commitments as at 31 March 14.

9 Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

10 Cash and cash equivalents

	2013/14	2012/13
	£000	£000
Balance at 1 April	9,702	2,468
Net changes in cash and cash equivalents	(7,088)	7,234
Balance at 31 March	2,614	9,702

	2013/14	2012/13
	£000	£000
The following balances at 31 March were held at:		
Government Banking Service	2,614	9,702
Balance at 31 March	2,614	9,702

11 Trade receivables, financial and other current assets

	2013/14	2012/13
	£000	£000
Amounts falling due within one year:		
Trade receivables	1,547	2,581
VAT recoverable	2,189	2,288
Other receivables	142	160
	<u>3,878</u>	<u>5,029</u>
Other current assets:		
Prepayments and accrued income	6,231	7,052
Amounts due from the Consolidated Fund in respect of supply	–	–
	<u>6,231</u>	<u>7,052</u>
	10,109	12,081

11.1 Intra-Government Balances

	2013/14 £000	2012/13 £000
	Amounts falling due within one year	Amounts falling due within one year
Balances with other central government bodies	2,955	4,541
Balances with local authorities	–	–
Subtotal: intra-government balances	<u>2,955</u>	<u>4,541</u>
Balances with bodies external to government	7,154	7,540
Total balances payable at 31 March	<u>10,109</u>	<u>12,081</u>

12 Trade payables and other current liabilities

	2013/14 £000	2012/13 £000
Amounts falling due within one year		
Other taxation and social security	1,144	1,239
Trade payables	2,706	2,531
Other payables	624	826
	<u>4,474</u>	<u>4,596</u>
Other current liabilities:		
Accruals and deferred income	12,478	15,212
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,614	9,702
	<u>15,092</u>	<u>24,914</u>
	<u>19,566</u>	<u>29,510</u>
Amounts falling due after more than one year		
Other payables, accruals and deferred income	8,523	9,762
	<u>8,523</u>	<u>9,762</u>

12.1 Intra-Government Balances

	2013/14		2012/13	
	£000	£000	£000	£000
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
Balances with other central government bodies	6,716		14,703	–
Balances with local authorities	1,181		1,889	–
Balances with NHS bodies	125		90	–
Balances with public corporations and trading funds	116		53	–
Subtotal: intra-government balances	8,138	–	16,735	–
Balances with bodies external to government	11,428	8,523	12,775	9,762
Total balances payable at 31 March	19,566	8,523	29,510	9,762

13 Provisions for liabilities and charges

Pension provisions

	2013/14		Restated 2012/13	
	Board Pension	LGPS Pension	Board Pension	LGPS Pension
	£000	£000	£000	£000
Net pension liability at 1 April	865	79,480	694	75,003
Total service and interest costs	36	7,411	41	5,187
Employer contributions	(34)	(2,728)	(23)	(2,464)
Deficit payment	–	(1,660)	–	(1,660)
Actuarial (gain)/loss	54	(13,894)	153	3,414
Net pension liability at 31 March	921	68,609	865	79,480

Early departure and other provisions

	2013/14			2012/13		
	Early departure	Legal claims	Dilapidations	Early departure	Legal claims	Dilapidations
			£000			£000
Balance at 1 April	4,562	576	1,642	5,403	109	1,107
Provided in the year	437	136	1,093	421	651	535
Provisions not required written back	(25)	(62)	–	(405)	(52)	–
Provisions utilised in the year	(983)	(300)	–	(1,000)	(132)	–
Borrowing costs (unwinding of discount)	107	–	–	143	–	–
Balance at 31 March	4,098	350	2,735	4,562	576	1,642

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

				2013/14
	Early departure	Legal claims	Dilapidations	£000
Within one year	803	350	–	1,153
Total current provisions liability	803	350	–	1,153
Between one and five years	1,792	–	2,735	4,527
Between five and ten years	683	–	–	683
Thereafter	820	–	–	820
Total non-current provisions liability	3,295	–	2,735	6,030
Provisions balance at 31 March 2014	4,098	350	2,735	7,183

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

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

13.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% (2012/13 2.35%) in real terms.

13.1.1 Other

Legal Claims

A provision has been created to cover legal issues affecting the FSA. The different elements to this are described below.

A provision has been created for employment tribunals to cover the estimated amounts required to settle the claims and costs for unfair dismissal and other issues for which the FSA has admitted liability. Claims against the FSA where liability has been denied are not included.

Dilapidations

A provision has been created in respect of estimated dilapidation costs for Aviation House in London. The provision has been created based on independent survey carried out by a third party.

13.1.2 FSA Board Pension Provision

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

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2014 is £921,000 (2012/13 £865,000).

The disclosure includes a £62,000 entry, relating to the changes in the actuarial assumptions underlying the scheme liabilities. This increase in liabilities has come about as a result of the net effect of a £60,000 increase in liabilities resulting from the change to the financial assumptions and a £2,000 increase in liabilities resulting from the continued realignment of the current base mortality assumptions in order to remain consistent with those which are to be adopted for the accounting assessment of the main PCSPS.

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

In the short-term changes in the scheme liability may be primarily driven by the assumptions used for future assessments (particularly the financial assumptions prescribed by HM Treasury).

Financial assumptions

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

	<u>31 March 2014</u>	<u>31 March 2013</u>
Inflation/Pension increase rate	2.50%	1.70%
Rate of increase in salaries	4.50%	3.95%
Gross discount rate	4.35%	4.10%

Mortality

Life expectancy is based on the actuarial PA92-10 tables. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	<u>31 March 2014</u>		<u>31 March 2013</u>	
	Males	Females	Males	Females
Current Pensioners	24.1 years	26.2 years	23.9 years	25.8 years
Future Pensioners	26.8 years	28.9 years	26.7 years	28.5 years

Present value of scheme liabilities

	<u>Value at 31.03.14 £'000</u>	<u>Value at 31.03.13 £'000</u>	<u>Value at 31.03.12 £'000</u>	<u>Value at 31.03.11 £'000</u>	<u>Value at 31.03.10 £'000</u>
Liability in respect of					
Active members	–	(52)	(42)	(98)	(164)
Deferred pensioners	(228)	(196)	(231)	(207)	(254)
Current pensioners	(693)	(617)	(421)	(318)	(411)
	<u>(921)</u>	<u>(865)</u>	<u>(694)</u>	<u>(623)</u>	<u>(829)</u>

Analysis of movement in scheme liability

	<u>2013/14 £'000</u>	<u>2012/13 £'000</u>
Scheme liability at 1 April	(865)	(694)
Movement in the year:		
Current service cost (net of employee contributions)	(1)	(7)
Interest cost	(35)	(33)
Employee Contributions	–	(1)
Actuarial (Loss)/Gain	(54)	(153)
Benefits paid	34	23
Net pension liability at 31 March	<u>(921)</u>	<u>(865)</u>

Analysis of amount charged to operating profit

	<u>2013/14</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Current service cost (net of employee contributions)	(1)	(7)
Interest cost	<u>(35)</u>	<u>(33)</u>
	<u>(36)</u>	<u>(40)</u>

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

	<u>2013/14</u> <u>£'000</u>	<u>2012/13</u> <u>£'000</u>
Experience (losses)/gains arising on the scheme liabilities	8	(119)
Changes in financial assumptions underlying the present value of scheme liabilities	<u>(62)</u>	<u>(34)</u>
Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity	<u>(54)</u>	<u>(153)</u>

History of experience gains and losses

	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
Experience (losses)/gains on scheme liabilities:				
Amount (£000)	8	(119)	(34)	112
Percentage of scheme liabilities	0.9%	-13.8%	-4.9%	18.1%

13.2 Provision for pension liability

13.2.1 The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the period ended 31 March 2014, contributions of £2.7m (2012/13 £2.5m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2014, this rate was 18.2% (2012/13 18.2%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund deficit at March 2013 was £20.8m (March 2010 £23.1m). The Agency agreed to increase the funding to the scheme, payable for 12 years. For 2013/14 £1.7m was paid and for 2014/15 £1.9m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2016. This triennial valuation process will be carried out in the summer of 2016 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2017, including the deficit payment.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £68.6m as at 31 March 2014 compared with a calculated deficit of £79.5m as at 31 March 2013.

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

The actuary has estimated the employer's contributions for 2014/15 to be £2.2m.

Financial Assumptions

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

	<u>31/03/14</u>	<u>31/03/13</u>
Inflation/Pension increase rate (RPI)	3.6%	3.4%
Inflation/Pension increase rate (CPI)	2.8%	2.6%
Salary Increases	4.6%	4.3%
Discount Rate	4.5%	4.4%

Mortality

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

	Males	Females
Current Pensioners	22.0 years	24.7 years
Future Pensioners	24.3 years	27.0 years

Movement in liabilities

	<u>31/03/14</u>	<u>Restated</u> <u>31/03/13</u>
	<u>£'000</u>	<u>£'000</u>
Opening Defined Benefit Obligation	209,246	189,011
Current service cost	3,573	3,230
Interest cost	9,107	8,593
Change in financial assumptions	2,910	12,707
Change in demographic assumptions	(1,577)	–
Experience loss/(gain) on defined benefit obligation	(14,336)	181
Estimated benefits paid net of transfers in	(5,440)	(5,281)
Past service costs, including curtailments	238	90
Contributions by Scheme participants	873	870
Unfunded pension payments	(158)	(155)
Closing Defined Benefit Obligation	<u>204,436</u>	<u>209,246</u>

Movement in assets

	2013/14	Restated
	£'000	2012/13
	£'000	£'000
Opening Fair Value of Employer's Assets	129,766	114,008
Interest on assets	5,702	5,234
Return on assets less interest	(1,063)	11,154
Other actuarial gains/(losses)	1,954	–
Administration expenses	(195)	(188)
Contributions by Employer including unfunded	4,388	4,124
Contributions by Scheme participants	873	870
Estimated benefits paid plus unfunded net of transfers in	(5,598)	(5,436)
Closing Fair Value of Employer Assets	135,827	129,766

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

	Value at		Value at	
	31.03.2014	% at	31.03.2013	% at
	£000	31.03.2014	£000	31.03.2013
Equities	71,988	53%	94,729	73%
LDI/Cashflow matching	8,150	6%	n/a	n/a
Target return portfolio	40,748	30%	12,977	10%
Alternative assets	n/a	n/a	19,465	15%
Infrastructure	5,433	4%	n/a	n/a
Commodities	1,358	1%	n/a	n/a
Property	4,075	3%	n/a	n/a
Cash	4,075	3%	2,595	2%
Market value of assets	135,827	100%	129,766	100%
Present value of scheme liabilities	(204,436)		(209,246)	
Net pension liability	(68,609)		(79,480)	

13.2.2 Movement in deficit during the year

	2013/14	Restated
	£000	2012/13
	£000	£000
Scheme liability at 1 April	(79,480)	(75,003)
Service cost	(3,811)	(3,320)
Administration expenses	(195)	(188)
Employer contributions	2,728	2,464
Payment of deficit	1,660	1,660
Other finance net interest charged (note 13.2.3)	(3,405)	(3,359)
Actuarial (loss)/gain (note 13.2.4)	13,894	(1,734)
Net pension liability	<u>(68,609)</u>	<u>(79,480)</u>

13.2.3 Analysis of the amount charged to operating deficit

	2013/14	Restated
	£000	2012/13
	£000	£000
Service cost	3,811	3,320
Administration expenses	195	188
	<u>4,006</u>	<u>3,508</u>
Employer contributions to be set off	(2,728)	(2,464)
Amount (credited)/charged to operating cost	<u>1,278</u>	<u>1,044</u>

Analysis of the net amount charged to operating cost

	2013/14	Restated
	£000	2012/13
	£000	£000
Net interest on the defined liability/(asset)	<u>3,405</u>	<u>3,359</u>

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

	2013/14	Restated
	£000	2012/13
	£000	£000
Actual return less expected return on pension scheme assets	2,468	11,154
Experience gains and losses arising on the scheme liabilities	14,336	(181)
Changes in financial assumptions underlying the present value of scheme liabilities	(2,910)	(12,707)
Actuarial loss recognised in the Statement of Changes in Taxpayers' Equity	13,894	(1,734)

13.2.5 Sensitivity Analysis

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of Total Obligation	200,817	204,436	208,124
Projected Service Cost	3,404	3,478	3,554
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of Total Obligation	205,001	204,436	203,874
Projected Service Cost	3,478	3,478	3,478
Adjustment to pension increases and deferred valuation	+0.1%	0.0%	-0.1%
Present value of Total Obligation	207,617	204,436	201,315
Projected Service Cost	3,556	3,478	3,403
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of Total Obligation	197,825	204,436	211,047
Projected Service Cost	3,371	3,478	3,586

14 Contingent liabilities

The Department has the following contingent liabilities:

There are a number of claims being made by employees and others for injuries sustained in the workplace totalling £630,700. No provision has been made for these cases, however, a provision of £140,000 has been made for personal injury claims where liability has been admitted.

The total contingent liabilities are £667,700 (2012/13 £215,000).

15 Losses and Special Payments

The FSA made 9 special payments amounting to £37,572 in 2013/14 (2012/13: 13 payments, £47,000). The majority of the cases refer to compensation and personal injury claims. The FSA have also written off £62,638 of bad debts, all of which relate to the income from meat hygiene inspections.

An analysis by category is shown below.

	No of cases	Value £000
Cash losses	–	–
Store losses	–	–
Fruitless payments	–	–
Constructive losses	–	–
Claims waived and abandoned	39	63
Special Payments	9	38

16 Related-Party Transactions

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

The FSA had a number of significant transactions with other Government Departments and other central Government bodies including Defra, CEFAS, Department of Health, FERA, AHVLA, LPFA, MRC and Ofsted.

17 Entities within the Departmental Boundary

The FSA has no other entities within the Departmental Boundary.

18 Events after the reporting period

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

There are no reported events after the reporting period.

19 Early adoption of IFRSs, amendments and interpretations

The FSA have not adopted any IFRSs, amendments or interpretations early.

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

The IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective from January 2013, with EU adoption from 1 January 2014. None of these new or amended standards are likely to be applicable or are anticipated to have future material impact on the financial statements of the FSA.

21 Authorisation for issue

The Accounting Officer authorised these financial statements for issue on 12 June 2014.

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 ended 31 March 2014 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 2013-14.
3. If the Treasury has made an order for the year under section 4A(3) and (4) of the Government Resources and Accounts Act 2000, a department must detail the same information for each body designated in the Order under its name. This means that the department must also detail in its accounts the resources acquired, held or disposed of during the year by each of its designated bodies, and each such body’s use of resources during the year.
4. The Treasury made the following designation order for financial year 2013-14: the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013 (S.I. 2013/488). The list of bodies designated in the Schedules to that Order are amended by the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2013 (S.I. 2013/3187). The amendments designate additional bodies, change the names of some designated bodies and remove some bodies from being designated.
5. The accounts of Government departments, with the details outlined above (for itself and its designated bodies) shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2014 and of the net resource outturn, the application of resources, changes in taxpayers’ equity and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
6. 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 2014 and of the net resource outturn, changes in taxpayers’ equity and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and
 - (c) demonstrate that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.
7. 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 HM Treasury.

Ross Campbell

Deputy Director, Government Financial Reporting
Her Majesty's Treasury

20 December 2013

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