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# **Food Standards Agency**

## **Annual Report and Consolidated Accounts 2011/12**

(For the year ended 31 March 2012)

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# Food Standards Agency

## Annual Report and Consolidated Accounts 2011/12

(For the year ended 31 March 2012)

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Annual Report presented to Parliament pursuant to Section 4 of the Food Standards Act 1999

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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

The Accounting Officer authorised these financial statements for issue on 16 July 2012

Ordered by the House of Commons to be printed 16 July 2012

This is part of a series of departmental publications that, along with the Main Estimates 2012/13 and the document Public Expenditure: Statistical Analyses 2012, present the Government's outturn for 2011/12 and planned expenditure for 2012/13.

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ISBN: 9780102279183

Printed in the UK by The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID 2496630 07/12

Printed on paper containing 75% recycled fibre content minimum.

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## Chief Executive's statement



I am pleased to lay before the Westminster Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, the Food Standards Agency Annual Report and Consolidated Accounts. This edition covers our performance and activities in 2011/12.

### Meeting new challenges

The past year has been extremely challenging for the Food Standards Agency (FSA). In line with other Government departments the FSA set out to achieve its objectives with reduced resources, fewer staff and less recourse to regulation. I am proud to say that due to the exceptional commitment of everyone at the FSA we have continued to deliver on our objective of ensuring safer food for the nation.

During the past year we accelerated the roll-out of the Food Hygiene Rating Scheme (FHRS) in England, Wales and Northern Ireland and the Food Hygiene Information Scheme (FHIS) in Scotland. These initiatives enable consumers to access information on the hygiene standards of places where they eat out or buy food. Local authority participation in the schemes gained real momentum in 2011/12 with 94% of local authorities across the UK now running the schemes in their area or making a commitment to do so.

We have continued to target campylobacter, the pathogen responsible for causing the highest incidence of food poisoning. We have worked with industry to improve hygiene on poultry farms, and new standards were adopted by the Red Tractor farm assurance scheme in April 2011. In addition, we allocated almost £1.4 million to research during 2011/12, to improve understanding of what works in reducing campylobacter levels on the farm, in the processing plant, and further down the food chain.

As a science and evidence based organisation, research is central to everything we do. In 2011/12 we allocated £25 million to research, and we are committed to maintaining the proportion of our total budget spent on research. One example of how research supports our delivery of safer food is the Second Study of Infectious Intestinal Disease in the Community, which provides evidence on the rates and patterns of intestinal disease in the UK. Further analysis will help us understand the risks presented by different pathogens in food and the actions required to reduce them.

However, not all issues of food safety can be anticipated, and one of the FSA's key roles is to respond to unexpected incidents. During 2011/12 we handled 1,787 food-safety incidents, an increase of 187 on the previous year. Six were 'high-level' incidents that had the potential to cause deaths, serious injury or generate widespread concern. Several originated outside of the UK, for example the E.coli O104 outbreaks in Germany and France linked to sprouted seeds. While the contaminated sprouted seeds were not on sale in the UK, resources were allocated to reassuring consumers about food safety and to providing best practice information on eating and handling sprouted seeds, to reduce the possibility of a similar outbreak occurring in the UK.

### **Always seeking improvements**

To continue improvements in the enforcement of food safety regulation in the UK, we have started a major review of delivery of official controls. This will consider how local authorities and port health authorities monitor and secure business compliance with food and feed law. Stakeholders have assisted us in agreeing the principles that will drive this review and we are now developing methods for assessing how this key public health function can be made more effective for consumers and less complex for businesses and enforcers.

To ensure that the FSA remains the UK's point of reference for food safety, we have continued to test ourselves against our own and others' expectations. During 2011/12 we commissioned an internal review of our strategy, after which we added 'Enforcing food regulations fairly' as our fifth principle. We also commissioned our first Capability Review, which will be taking place through spring and early summer of 2012.

The most high profile of this year's reviews has been the Scudamore review of the FSA in Scotland, commissioned by Scottish health ministers. The review's report, *Future arrangements to secure food standards and safety in Scotland*, was published in early 2012. We will work with Scottish ministers to assist in the implementation of their decisions in response to the review. Any discussion of the implementation arrangements by the Board will be in open session, in line with our principles of openness and transparency.

Such openness and transparency has continued to be a feature of all FSA undertakings. In November 2011 we published the first Operations Group Annual Report. The report highlighted key events during 2010/11 including changes in regulations affecting meat operations delivery. Our aim is to expand it to encompass all aspects of FSA operations delivery.

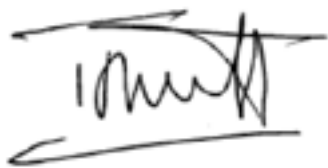
### **Delivering value for money**

Following the integration of the Meat Hygiene Service into the FSA in 2010/11 and the formation of the Operations Group, part of our focus during 2011/12 has been to harmonise the terms and conditions of employment of all FSA staff.

Advances have been made in developing a long-term pay strategy and introducing a single performance management process and competencies framework. We have at the same time continued to make progress in meeting the Westminster Spending Review 2010 target of making by 2014/15 real-terms saving of 33% in administration and 18% in programme expenditure. By the end of 2011/12, against the 2010/11 baseline budget of £118 million, costs have been reduced by £27million. This represents cash savings of £8 million (16%) in administration and £19million (28%) in programme expenditure. The savings have been achieved through central Government controls on marketing and consultancy and through our own internal efficiencies. These included a review of our office accommodation saving £1.4 million and improved procurement of goods and services. Since the 2009/10 financial year, FSA staff numbers across the UK organisation have been reduced by 278 (13%) through an effective reorganisation and restructuring programme and a freeze on external recruitment.

Finally, I would add that during the past 12 months, the FSA has made food-safety preparations for London 2012 a priority. A team was set up across the FSA to ensure a coordinated approach to improving food hygiene standards through the FHRS and the FSA's Safer food, better business food hygiene management system. FSA grant-funding of £1.5 million has helped local authorities undertake additional inspections and food sampling, and FSA training will ensure enforcement officers are working at the top of their game.

The activities in this report demonstrate, I believe, that the FSA continues to be both a strong individual performer and a key team player in ensuring safer food for the nation.

A handwritten signature in black ink, appearing to read 'Tim J Smith', enclosed within a rectangular box.

*Tim J Smith*  
Chief Executive  
Food Standards Agency

9 July 2012

## The Food Standards Agency – who we are and what we do

### The Food Standards Agency

The Food Standards Agency (FSA) is the national authority responsible for ensuring your food is safe to eat. Our strategic objective is 'safer food for the nation'.

Food safety is our concern from the time ingredients come into the country, or leave the farm, right through to when food is sold to you in shops or served to you if you are eating out.

If we become aware that food has been contaminated or adulterated, contains unsafe ingredients, or is labelled in a way that makes it unsafe for some people to eat, we will have it removed from sale. We do this in conjunction with other enforcement organisations, such as port health authorities, trading standards, and environmental health.

Our Food Hygiene Rating Scheme (and the Food Hygiene Information System in Scotland) lets you see the hygiene standards of catering establishments on our website **food.gov.uk/ratings** when you eat out or shop for food. These initiatives are delivered by our local authority partners. Our 'Safer food, better business' initiative makes sure that good food hygiene is central to how food businesses operate.

FSA operations staff work in slaughterhouses and meat plants throughout England, Scotland, and Wales to make sure the meat you buy is safe. In Northern Ireland, this role is carried out by the Department of Agriculture and Rural Development. We also deal with the safety of animal feed.

In Scotland and Northern Ireland we are responsible for the nutritional aspects of diet. In England and Wales this responsibility lies with the English and Welsh departments of health.

In the European Union, our legal experts and policy officials negotiate on behalf of the UK to make sure that EU law reflects the interests of UK consumers.

The hundreds of scientists on our staff and in our independent scientific advisory committees guarantee that all of our work – from day-to-day decision making to the assessment of emerging risks – is evidence-based.

The FSA was set up in 2000 as an independent government department. We are governed by a Board and can publish any advice we offer to Ministers.

Since 2000, there have been 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. Our updated Strategy makes sure that these improvements continue.

### Our core principles

- putting the consumer first;
- openness and transparency;
- science and evidence-based;
- acting independently;
- enforcing food law fairly.



## Our Strategy to 2015

Our updated Strategy to 2015 sets out the six outcomes we work 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 reflect the work of the FSA at all stages of the food supply – from when food enters the UK to when it is sold by retailers and caterers.

The outcomes we aim to deliver are:

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

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

To help measure success against our Strategy to 2015, we track a number of impact indicators. These are an integral part of our quarterly Performance Management Reports. We intend to put information from these reports into the public domain this year, starting with the quarter April-June 2012. We are also continuing to further develop existing and new indicators and these will be added to the Performance Management Reports as they are agreed.

## Our Science and Evidence Strategy

To support the delivery of the Strategy, we updated our Science and Evidence Strategy 2010 to 2015. The Science and Evidence Strategy sets out how we will use science and evidence to meet the challenges of delivering safer food for the nation. It reiterates our commitment to using the best available science and evidence in an open and transparent manner. We will continue to be guided by independent scientific advice, and we will launch new research partnerships to further our understanding as we seek to manage risk to make sure food is safe. The full text of our Science and Evidence Strategy is available on our website **food.gov.uk**

## Our activities and performance during 2011/12

### 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 2011/12   |
|---|
| <ul style="list-style-type: none"> <li>● A key feature of the Foodborne Disease Strategy is the development and implementation of the Campylobacter Risk Management Programme, a 5 year programme which aims to reduce cases of campylobacter. The FSA continues to work in partnership with the British Poultry Council, the National Farmers Union, the British Retail Consortium and Defra through the Joint Working Group on Campylobacter to identify and trial new interventions to reduce contamination on chicken carcasses. The Campylobacter Risk Management work is on track and we have agreed a voluntary target with the industry to reduce the percentage of the most heavily contaminated chickens in the UK from a baseline of 27% in 2008 to 10% in 2015. If successful, it is estimated that we could see a reduction in Campylobacter food poisoning of up to 30%, equivalent to about 90,000 cases per year.</li> <li>● A further important feature of the Foodborne Disease Strategy is the Listeria Risk Management Programme. This aims to reduce the number of cases of (and deaths from) listeriosis in the UK by targeting the population groups, healthcare settings and industry sectors where the risk is highest. The work is being delivered through active partnerships with other government departments, health protection agencies, non-governmental organisations, the NHS, Local Authorities and the food industry. The finalised work programme was published in October 2011 and a number of stakeholder working groups have been established to progress activities.</li> <li>● Norovirus is an important foodborne pathogen, however, significant gaps in our knowledge still exist in this area. A foodborne viruses research programme has been established within the Foodborne Disease Strategy to address this. To help inform where we might most effectively target interventions in future, the research programme aims to improve our understanding of the routes of transmission for norovirus, the role that the whole food chain, including food handlers, plays in UK acquired norovirus infections and the dynamics of the spread of disease. The FSA published results of a study on the prevalence, distribution and levels of norovirus in oysters at production sites in November 2011. These results, along with data generated from other research, will help build the evidence base needed to address the risks posed by norovirus in the food chain in the UK. Data from this study has also informed an EFSA scientific opinion on norovirus in oysters published in January 2012.</li> </ul> |

### Highlights of our activities and performance in 2011/12

- The FSA's Emerging Risk Programme aims to provide a co-ordinated approach to the collation and analysis of intelligence relating to food safety. The programme aims to provide a clearer picture of when, why and how food safety issues develop. The analyses will be used to predict new and re-emerging risks to food safety and to build knowledge of new technologies and novel foods. Following completion of the method development phase of this work programme, systems for the detection of emerging risks in food became fully operational in January 2012 as planned. A comprehensive programme of targeted stakeholder engagement has been developed at local, national and international levels to support the programme. We have convened a cross-Agency Governance Board to oversee the programme and to ensure that issues identified by the Emerging Risks Evaluation Board are appropriately progressed. Work to develop an intelligence network by integrating the emerging risks Memex database with those relating to incidents and food fraud, was completed in March 2012.
- During the last year the Agency handled 1,787 incidents. There were 6 high level incidents over this period, including the E.coli O104 outbreaks in Germany and France linked to sprouted seeds. Our incidents procedures are regularly reviewed in the light of experience and our Incident Response Protocol updated accordingly.

### 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 2011/12

- With an ever increasing prominence in global food supply and emerging risks originating from feed and food sourced from outside the EU, the FSA has introduced a new imports strategy, following discussions at the FSA Board meeting in September 2011. This focuses on investing in analysis and intelligence sharing approaches to develop a deeper understanding of import profiles by product, country of origin, volume and risks. The strategy will allow more effective targeting of checks at the ports and improved surveillance.
- We have co-ordinated organisation of increased controls for certain feed and food of non-animal origin, as required under Commission Regulation (EC) 669/2009.
- A number of additional safeguard measures have also been in place during the course of the year. These included measures controlling imports from Japan following the Fukushima nuclear plant explosion in March 2011 and prohibition of fenugreek seeds and bean imports from Egypt (following the E.coli O104 H4 outbreaks in Germany and France). Special conditions governing the import of particular foodstuffs from certain non-EU countries due to contamination risk by aflatoxins, have remained in place.

**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   |
| <p>Work with relevant organisations in Scotland and Northern Ireland to:</p> <ul style="list-style-type: none"> <li>● continue to achieve reductions in levels of saturated fat, salt, and calories in food products</li> <li>● encourage the development, promotion, and availability of healthier options when shopping and eating out</li> <li>● make sure that portion sizes appropriate for a healthy diet are available and promoted</li> </ul>   |
| Highlights of our activities and performance in 2011/12   |
| <ul style="list-style-type: none"> <li>● The FSA has worked in a variety of ways to increase the provision of information about allergens, including issuing advice to caterers in May 2011 on how to comply with new legislation on claims about gluten in food that came into effect at the beginning of 2012. In terms of research, we are funding a significant programme which includes two major clinical studies investigating the effects of the timing of introduction of allergenic foods into the infant diet on the risk of development of food allergy; and we are close to commissioning a new study to investigate the effect of external factors on the severity and thresholds of allergic reactions.</li> <li>● Partnership working is an essential part of the way we work. We are helping to build a collaborative initiative with a range of international stakeholder groups to derive and agree allergen management thresholds, with the aim of publishing the outcomes by the end of 2012. We are collaborating with the Medical Research Council to co-fund further research on the mechanisms involved in the development of food allergy; and our collaboration with other government departments ensured a satisfactory outcome on the negotiations on the EU Food Information for Consumers Regulation (FIR).</li> <li>● We have worked in partnership throughout the year with Local Authorities, caterers, retailers and other organisations through various work streams to encourage the development, promotion and availability of healthier options when shopping and eating out.</li> <li>● We have progressed work on reformulation; front of pack nutritional labelling; the provision of calorie information and healthier menu options in catering premises; tackling food poverty; improving access to nutritional education; and, supporting policies for food in schools. In Northern Ireland this is primarily achieved through our status as a key delivery partner for the implementation of the Northern Ireland Department of Health, Social Services and Public Safety Framework for <i>Preventing and Addressing Overweight and Obesity in Northern Ireland 2012-2022: A Fitter Future for All</i>. In Scotland, as part of the Scottish Government's <i>Preventing Obesity Route Map</i> the FSA takes the lead on reformulation and front of pack labelling.</li> <li>● In Scotland, our recommendations on saturated fat and energy reduction have been used to recommence dialogue with the food industry to drive reductions in saturated fat and calories in food products in Scotland. We have been asked by the Public Health Minister in Scotland to chair a Reformulation Working Group with a mandate to deliver meaningful outcomes. We aim to use this group to progress work with industry and to enhance and drive positive progress on reformulation and portion size.</li> </ul> |

**Highlights of our activities and performance in 2011/12**

- In Northern Ireland we have continued to work closely with food manufacturers and caterers on the reduction of saturated fat, calories and salt in food products by reformulation. Through our work with the College of Agriculture, Food and Rural Enterprise targeted advice and support has been provided to manufacturers on reformulation. We have also established a catering forum in Northern Ireland for large caterers and catering supplies to share information and showcase industry initiatives.
- We have developed a six month pilot scheme in Northern Ireland, which will run from May to October 2012, to provide calorie information in catering outlets. The pilot will be independently evaluated to explore the challenges that Northern Ireland businesses face to provide calorie information, particularly issues for small and medium sized businesses with a lack of technical expertise. It will also consider the opinions of consumers and explore gaps in knowledge and understanding when using calorie information to make food choices.
- We provided recommendations to the Department of Finance and Personnel (DFP) in Northern Ireland regarding the tender specification for Northern Ireland Civil Service Catering. The input was primarily to promote recommendations in line with the Government Buying Standards for Food and Catering Service, in particular concerning sustainability, nutrition and catering options.
- We have continued to work with a range of partners to incorporate nutritional education into training programmes for those working in the food and hospitality sectors in Northern Ireland. This includes working to standardise training opportunities for workforces, promoting awareness of nutrition issues and associated training.
- In June 2011, the FSA published its Urinary Salt Survey<sup>1</sup>. The survey monitors salt consumption in Scotland and it indicated that consumption in Scottish adults has reduced from 9.0g in 2006 to 8.8g in 2009 against a recommended population intake of 6g per day. The FSA has made salt reduction in bread a priority in Scotland. Bread contributes 18% of salt within the diet and is an accessible form of starchy carbohydrates for consumers. We are currently working with the Scottish Government's reformulation technical advisor and the Scottish Food Enforcement Liaison Committee (SFELC) to reduce salt in bread through craft bakers and their ingredient suppliers within the Scottish market.
- In Scotland, the most recent data from the secondary analysis of the 2009 Living Costs and Food Survey<sup>2</sup> shows that the average intake of saturated fat is 15.3% of food energy, compared to 15.7% in 2001 and for non milk extrinsic sugars (NMES), the average intake is 15.0% of food energy in 2009, compared to 15.6% in 2001. This data is used as indicators of nutrition progress with recommended population intakes for both set at 11.0% of food energy.

1 [http://www.foodbase.org.uk/results.php?f\\_category\\_id=&f\\_report\\_id=681](http://www.foodbase.org.uk/results.php?f_category_id=&f_report_id=681)

2 [http://www.foodbase.org.uk/results.php?f\\_report\\_id=749](http://www.foodbase.org.uk/results.php?f_report_id=749)

## 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 the hygiene standards of food premises when they choose where to eat out or shop for food |
| 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 2011/12  |
|--|
| <ul style="list-style-type: none"> <li>● Between November 2011 and February 2012, the FSA ran a publicity campaign (press and radio) to reinforce existing food safety advice about storage, handling and cooking of food including raw soil-grown vegetables. It was run in the devolved nations for varying periods. Evaluation indicated an increase in awareness of campaign messages in Scotland and Wales compared to England, where the campaign was not run. This increase was higher in Northern Ireland but this was likely to be related to a TV-based campaign run by Safefood shortly before the FSA campaign.</li> <li>● Following the Board's conclusion that there are no food safety grounds for regulating foods from the descendants of cloned cattle and pigs, we sought the views of the public on the proposal that these foods should no longer be regarded as 'novel', i.e. meat and milk from these animals would not require authorisation under the EU novel foods regulation. After further consideration by the Board, the FSA announced in May 2011 that it had revised its interpretation of the legislation, aligning its interpretation with that of the European Commission. We have also undertaken some initial research into public attitudes to nanotechnology, which was published in April 2011. The research showed that participants were more accepting of nanotechnology-enabled food applications with apparent health benefits. Participants expressed general concern relating to long-term safety and environmental impact and they valued transparency; there was support for labelling of nanotechnology-enabled foods and for information about such foods on the UK market. The provision of such information was one of the recommendations of a House of Lords report in 2010 published in spring 2012.</li> <li>● A new Citizens' Forum programme was started to explore consumer views on information about food and feed business compliance. The main areas of exploration will be: <ul style="list-style-type: none"> <li>- Understanding how consumers currently use information when deciding where to eat</li> <li>- Understanding consumers' views about openness and transparency</li> <li>- Identifying consumers' expectations, needs and interest in relation to information about food compliance (including challenging their views about what information they actually need/use)</li> <li>- Exploring views about making compliance information available to the public and how this could work in practice (including issues of accessibility; level of detail; resources; context; implications)</li> </ul> </li> </ul> |



**Highlights of our activities and performance in 2011/12**

- 78 local authorities have launched the Food Hygiene Rating Scheme (FHRS) meaning that 69% of authorities across the three countries are now running the scheme and there are online records for an estimated 44% of businesses within scope (over 217,000). Looking forward, a further 25% of authorities are working towards launch before or just after the London 2012 Olympics and it is anticipated that 97% will have adopted the FHRS before the end of 2012. This includes all 26 district councils in Northern Ireland so that there will be a national scheme there as well as in Wales.
- Independently conducted surveys have indicated that 31% of businesses with FHRS ratings in Wales, 43% in England and 50% in NI, and 47% of those in Scotland with an FHS pass are displaying these somewhere at their premises.
- We have continued to ensure that consumers in Scotland and Northern Ireland have the ability to access information relating to nutrition by creating an interim consumer facing website in Scotland, **[www.eatwellscotland.org](http://www.eatwellscotland.org)** and by providing the official Northern Ireland government website, **[www.nidirect.gov.uk](http://www.nidirect.gov.uk)** with up to date, relevant and accurate information on nutritional issues.
- The scientific report<sup>3</sup> of the eatwell week project in Scotland was published in September 2011. The project revealed that consumers (and some health professionals) may not fully understand the role of starchy foods in a healthy balanced diet. To investigate how both consumers and professionals can understand healthy eating messages, we have commissioned research to explore disparities in perceptions of what a healthy, balanced diet looks like and in order to determine the sources of information that might influence health professionals' delivery of healthy eating advice.
- We have worked to tackle the issue of food poverty in Northern Ireland by supporting FareShare Island of Ireland, a charity that works to combat food poverty by redistributing surplus food that cannot be sold.
- We have progressed a number of initiatives with schools in Scotland and Northern Ireland, working with different partner organisations. In Northern Ireland this includes Activ8 Eatwell, a healthy eating and physical activity programme; the Sixth Form Survival Guide which supports healthy eating and develops practical food skills in students; and a food labeling resource for the GCSE and A Level syllabus. In Scotland the HHEAPS (Hygiene, Healthy Eating and Activity in Primary Schools) programme continues to be rolled out to 16,000 primary school pupils by our partners; work continues with the Scottish Government on their Healthier Scotland Cooking Bus; and we have supported approximately 13,000 secondary school children through the provision of the REHIS Food Hygiene Training Course in Scotland.

3 [www.foodbase.org.uk/results.php?f\\_category\\_id=&f\\_report\\_id=712](http://www.foodbase.org.uk/results.php?f_category_id=&f_report_id=712)

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

| Main priorities  |
|--|
| Safeguard consumers by making it easier for businesses to comply with regulations, and minimise burdens on businesses                |
| Secure more proportionate, risk-based and effective regulation by strengthening our engagement in the EU and in international forums |
| Work internationally to design a model for a new regulatory and enforcement regime for ensuring meat controls are effective          |

| Highlights of our activities and performance in 2011/12  |
|--|
| <ul style="list-style-type: none"> <li>● The FSA Board agreed a compliance and enforcement strategy in July 2011. This aims to safeguard consumers and improve public health by improving overall business compliance. In implementing the strategy, the FSA will focus on better targeted activity; high impact interventions and ensuring compliance in high risk areas.</li> <li>● The compliance and enforcement strategy recognises the importance of greater partnership with the private sector and better recognition of the part that the food industry's own audit and self-checking systems may have within the regulatory regime.</li> <li>● In July 2011, the FSA introduced changes to the delivery of official controls for dairy hygiene in England and Wales. These changes provide proportionate official controls and earned recognition for the assurance provided through dairy farm membership of the Assured Dairy Farm Scheme.</li> <li>● The protection of animal welfare prior to and during slaughter and killing is one of the key functions of the FSA in approved slaughterhouses in Great Britain, with the FSA carrying out this work on behalf of Defra and the Welsh and Scottish Governments. The FSA carried out a week long survey in Great Britain in September to provide assurance that food business operators were taking active steps to comply with legal requirements. The survey demonstrated that 99% of food business operators were fully compliant or demonstrated minor deficiencies with animal welfare requirements. Results are due to be presented to the FSA Board in the summer 2012 and will be used to inform implementation of new welfare at killing regulations in January 2013. A similar survey was carried out by DARD in Northern Ireland in February/March 2012.</li> <li>● Following advice from the FSA on consumer risks, Ministers agreed the FSA's advice to raise the BSE testing of healthy slaughter cattle from 48 to 72 months, with this change introduced in July 2011.</li> <li>● The FSA set up the Future Meat Controls Research Programme in 2010 to gather evidence to support a case for regulatory change. Research has advanced well and is set to continue into 2012. Initial research findings were published in the autumn and have been used to inform the work of the European Food Safety Authority in this area; discussions with the European Commission; other Member States and international trade partners outside the EU.</li> </ul> |



### Highlights of our activities and performance in 2011/12

- The FSA is the lead UK department contributing to the review of Regulation (EC) 882/2004. This legislation sets out the general principles that Member States must adopt when performing official controls to verify compliance with feed and food and animal health and welfare law. The European Commission is looking to address issues relating to the system for financing of official controls, controls on residues of veterinary medicines and EU border controls on live animals and products of animal origin. The Commission also plans to extend the scope of the regulation to include controls verifying compliance with plant health and seeds and propagating material rules. A draft proposal is expected in autumn 2012.
- During the year, the FSA has played a key role in the handling and investigation of food related environmental incidents, supporting Local Authorities tackling food fraud, and any deliberate illegal activity relating to the supply of food or feed.

**Outcome: secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk**

### Main priorities

Secure effective enforcement and implementation of policies within the UK to protect consumers from risks related to food and from fraudulent or misleading practices, targeting the areas where there is highest risk

Strengthen the delivery of official controls

Develop our knowledge of what works in driving up business compliance with regulations

### Highlights of our activities and performance in 2011/12

- The FSA Board commissioned a review of the delivery of official controls in January 2011. Progress reports were considered by the FSA Board in July 2011 and March 2012. A governance structure has been established to ensure the integrity of this key review. An External Advisory Group is in place to ensure there is independent challenge to the review. A Consultative Group, made up of representatives from 30 organisations across the UK, is providing specialist knowledge and expertise on the review.
- At its meeting in March 2012, the FSA Board Meeting agreed to a separate review of the delivery of official controls for feed and this has now been commissioned. This will follow the same principles as the wider official controls delivery review. Options for future delivery of controls for feed will be presented to the Board later in 2012.

**Highlights of our activities and performance in 2011/12**

- The FSA provided a report on enforcement of food law by UK Local Authorities, based on the Local Authority Enforcement Monitoring System (LAEMS) food hygiene, food standards and imported food returns and on the FSA's Local Authority audit activity in 2010/11, to the FSA Board meeting in November 2011. These returns demonstrated an improvement in food business compliance levels from greater targeting of high risk establishments and increased formal actions by Local Authorities. However, there were variations between Local Authorities, with a number reporting declines in staffing levels. These returns are being used to inform the FSA's planned audits of Local Authorities in 2012/13.
- In October 2009, the FSA launched an initiative to improve levels of compliance in a small proportion of FSA approved meat establishments identified as a cause for concern. This initiative has contributed to a significant improvement in overall food business operator compliance in the meat sector since its introduction. The number of broadly compliant businesses in the meat sector has increased from 64% in 2009 to 81% at the end of March 2012, with a reduction in the proportion of cause for concern establishments from 9% to 2.3% in the same period. As part of the FSA's commitment to openness and transparency, the FSA started publishing audits of FSA approved meat establishments on the FSA website in January 2012, along with details of establishments identified as a cause for concern. The FSA has a wide body of research ongoing and evidence gathering to improve our understanding of what works in driving up business compliance with regulations. Current research includes an analysis of the regulatory decisions taken by Local Authority officers, segmentation of SME and micro food business populations, and the development of a tool to assist regulators in diagnosing food safety compliance cultures in food business operators.

**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 2011/12

| Formal action   | Number of notices<br>1 April 2010 to<br>31 March 2011     | Number of notices<br>1 April 2011 to<br>31 March 2012     |
|---|---|---|
| <b>Hygiene Emergency Prohibition Notice</b> , served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006, giving an food business operator a day's notice of the intention to apply to a court for the granting of a <b>Hygiene Emergency Prohibition Order</b> which would result in an immediate cessation of business | Nil   | Nil   |
| <b>Hygiene Improvement Notice</b> served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006   | 133   | 182   |
| <b>Remedial Action Notice</b> served under the Food Hygiene (England) (Scotland) (Wales) Regulations 2006   | 97  | 96  |
| Informal action   | Number of<br>warnings<br>1 April 2010 to<br>31 March 2011 | Number of<br>warnings<br>1 April 2011 to<br>31 March 2012 |
| <b>Written warning</b>  | 2,103   | 1,991   |

## 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-product and TSE cases where Defra or the Welsh Assembly Government is the prosecuting authority. In Scotland, the prosecutor is the relevant Procurator Fiscal.

**Referrals for possible prosecution 2011/12**

| <b>Legislation</b>                        | <b>Number of referrals</b> |
|---|----------------------------|
| Food Hygiene/Safety                       | 121                        |
| Transmissible Spongiform Encephalopathies | 26                         |
| Animal Welfare                            | 11                         |
| Animal By-Products                        | 2                          |
| <b>Total</b>                              | <b>160</b>                 |

The timescales for prosecutions means that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the referrals investigated in 2011/12 have yet to be concluded, while some investigations undertaken in 2010/2011 were finalised in 2011/12.

However, it is possible to report on all those cases that were concluded during 2011/12. Overall, 17 cases (comprising a total of 174 individual charges) were brought before the courts by the FSA, Defra, or Procurators Fiscal during the year. The charges laid in these cases covered a total of 46 separate referrals. Convictions were secured in 14 of the cases. Proceedings were withdrawn in two cases and were stayed in a third.

## Annual Report

### Complaints to the Parliamentary Ombudsman

Complaints to the Parliamentary Ombudsman from members of the public must be made via a Member of Parliament. During 2010/11, the latest year for which FSA statistics are available, the Ombudsman received eight complaints about the Agency. Of these eight cases, none was accepted by the Ombudsman for formal investigation and therefore no action was required by the FSA. The Ombudsman does not accept complaints where the complainant has not first used the complaints process of the public body concerned, or the Ombudsman may conclude that, after an initial assessment, there is no case to answer.

The FSA aims to resolve any complaints quickly and as close as possible to the point of service. 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. At the first stage, formal complaints are generally investigated by the FSA's Complaints Co-ordinator. The FSA received ten formal complaints from members of the public, food business operatives and other stakeholders during 2010/11. Four of these complaints progressed to stage two of the FSA's procedure, which is usually a referral to the FSA's Chief Executive. During 2011/12, the FSA received 13 formal complaints, some of which were in the process of investigation at the end of the financial year. To date, eight complaints progressed to stage two of the procedure.

The complaints range from failure to respond to correspondence within our service standards to criticism of enforcement at meat plants or during food incidents. During 2010/11 no complaints were upheld. In 2011/12, one complaint was upheld and two were partially upheld.

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

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

Day to day management of the FSA is exercised through the Executive Management Board (EMB). In addition to the FSA Board, the FSA has advisory committees, chaired by Board members, in Scotland, Wales, and Northern Ireland. The role of the Committee in each country is to advise the Board. The Board is required by statute to take account of their advice in its work. More information about our organisation and structure can be found on our website at [food.gov.uk](http://food.gov.uk)

## Details of Board members and Directors

### The FSA Board

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

|                            |  |
|----------------------------|--|
| Lord Jeff Rooker           | FSA Chair  |
| Dr. Ian Reynolds           | FSA Deputy Chair<br>(to 19 May 2011)   |
| Tim Bennett                | Additional responsibility as Interim Deputy Chair<br>(from July 2011)  |
| Dr. David Cameron          | Chair of the Scottish Food Advisory Committee<br>(to August 2011)  |
| Dr. James Wildgoose        | Additional responsibility as Interim Chair of the Scottish Food<br>Advisory Committee<br>(from September 2011) |
| John W Spence              | Chair of the Welsh Food Advisory Committee   |
| Dr. Henrietta Campbell CB  | Chair of the Northern Ireland Food Advisory Committee  |
| Clive Grundy               |  |
| Professor Sue Atkinson CBE |  |
| Michael Parker CBE         |  |
| Nancy Robson               |  |
| Margaret Gilmore           |  |

### Executive Management Board (EMB)

During the year, the membership of the EMB was:

|                  |   |
|------------------|---|
| Tim Smith        | Chief Executive   |
| Dr. Andrew Wadge | Chief Scientist   |
| Alison Gleadle   | Director, Food Safety                                     |
| Andrew Rhodes    | Director, Operations                                      |
| Terrence Collis  | Director, Communications, Planning, Security, and Estates |
| Rod Ainsworth    | Director of Legal, International, Regulation, and Audit   |
| Chris Hitchen    | Director, Finance   |
| Lynne Bywater    | Director, Human Resources                                 |
| Charles Milne    | Director, FSA in Scotland                                 |
| Gerry McCurdy    | Director, FSA in Northern Ireland                         |
| Steve Wearne     | Director, FSA in Wales                                    |

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

## **FSA advisory committees**

During the year, the membership of advisory committees was:

### **Northern Ireland**

Dr. Henrietta Campbell CB – Chair

Michael Walker

Alan Bingham

David McCleery

David Mark

David Lindsay

Dorothy Black

Brian Smyth

Tony McCusker – To 31 July 2011

### **Scotland**

Dr. David Cameron – Chair to 30 August 2011

Dr. James Wildgoose – Additional responsibility as Interim Chair of the Scottish Food Advisory Committee from September 2011

Dr. Carrie Ruxton

Dr. Lesley Stanley

Christopher Trotter

Bernard Forteath

Amanda O'Donoghue – To March 2012

Andrew Murphy – From March 2012

Prof William (Bill) McKelvey – From March 2012

Alison Jones – From March 2012

### **Wales**

John W Spence, Chair

Kate Hovers

Andrew Johnson – Up to June 2011

Katie Palmer

Dr. Louise Fielding

Steve Bolchover

Derek Morgan

Dr. Hugh Jones

Susan Jones

**Audit Committee**

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

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

Michael Parker CBE – Chair

Tim Bennett

Margaret Gilmore

Clive Grundy

Dr. David Cameron – To August 2011

Dr. James Wildgoose – From August 2011

**Risk Committee**

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

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

**Non-executive Board members**

Margaret Gilmore – Chair

Tim Bennett

Dr. Henrietta Campbell CB

Michael Parker CBE

Nancy Robson

Dr. David Cameron – To August 2011

John W Spence – From March 2012

**Executive members**

Tim Smith

Chris Hitchen

Terrence Collis

Andrew Wadge



## Management commentary

### Preparation of accounts

The Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. They are presented to the House of Commons in accordance with Paragraph 4(2) of Schedule 4 to the Food Standards Act 1999. 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 2011/12, 87% of all invoices were paid within this target. The policy is likely to remain the same for 2012/13.

### 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 2011/12 was £76k relating to eleven suppliers with the greatest spend by one supplier being £38k. Temporary and contract staff are disclosed in Note 6.

## Sustainability<sup>4</sup>

The FSA is committed to reducing the amount of waste we generate by 25% from a 2009/10 baseline. Our zero waste to landfill target has already been met as since April 2010 all our general waste is sent to incineration. We have a target to reduce our paper use by 10% in 2011/12 and all FSA printers are set to print double-sided black and white at 300dpi. Recycling facilities are available across the Agency's estate along with a desk top recycling facility. Where possible redundant ICT equipment is recycled/reused and we continue to publicise recycling to staff and to provide advice on ways to reduce waste. We work closely with our waste contractor to make efficiencies

### Sustainability reports – England<sup>5\*</sup>

| Waste                             |        |        |         |         |         |
|-----------------------------------|--------|--------|---------|---------|---------|
| Non Financial indicators (Tonnes) | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 |
| Total waste                       | 123    | 128    | 69      | 82      | 84      |
| Recycled/reused waste             | 75     | 96     | 36      | 46      | 30      |
| Landfill                          | 48     | 33     | 33      | 0       | 0       |
| Waste incinerated                 | /      | /      | /       | 31      | 29      |
| Confidential waste                | /      | /      | /       | 5       | 25      |
| Financial indicators (£)          | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 |
| Total disposal costs              | /      | /      | 16785   | 16962   | 17488   |
| Waste recycled/reused             | /      | /      | 4725    | 2771    | 2856    |
| Waste incinerated                 | /      | /      | 6310    | 5810    | 5990    |
| Confidential waste                | /      | /      | 5750    | 8382    | 8642    |

| Finite Resource Consumption Water                |        |        |         |         |         |
|--|--------|--------|---------|---------|---------|
| Non Financial indicators (Cubic Metres)          | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 |
| Total water consumption supplied (office estate) | 11970  | 9567   | 8275    | 8121    | 5448    |
| Water consumption by FTE                         | 21     | 15     | 15      | 22      | 15      |
| Financial indicators (£)                         | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 |
| Total costs                                      | 18249  | 16890  | 13023   | 16776   | 9823    |

4 The above report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability reporting' published at [www.financial-reporting.gov.uk](http://www.financial-reporting.gov.uk)

5 For data for FSA offices in Scotland, Wales and Northern Ireland please see tables in their separate annual reports and accounts available on [food.gov.uk](http://food.gov.uk)

We are committed to reducing our water consumption from a 2009/10 baseline. Water savers have been fitted in all toilets saving one litre per flush. Timers have been fitted on all hot water tea points. We have reduced our water usage from the previous year as in 2010/11 it is 15m<sup>3</sup> per FTE.

| <b>GHG EMISSIONS: ENERGY (Scope 2)</b>                   |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| <b>Non Financial indicators (KWH)</b>                    | 2007/8  | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Electricity  | 3066056 | 3117637 | 2703310 | 2783849 | 2428307 |
| Gas  | 1300517 | 1631216 | 1074955 | 1070899 | 583119  |
| <b>Non Financial indicators (CO<sub>2</sub>e Tonnes)</b> | 2007/8  | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Total Purchased energy                                   | 2119    | 2572    | 1669    | 1868    | 1384    |
| <b>Financial indicators (£)</b>                          | 2007/8  | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Energy expenditure                                       | 258796  | 410541  | 364099  | 267299  | 281062  |
| Carbon Reduction Commitment (CRC) expenditure**          | /       | /       | /       | 2240    | 1290    |

| <b>GHG EMISSIONS: BUSINESS TRAVEL (Scope3)**</b>         |        |         |         |         |         |
|--|--------|---------|---------|---------|---------|
| <b>Non Financial indicators (Distance travelled)</b>     | 2007/8 | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Air (kms)  | /      | 1941144 | 1813843 | 1624090 | 1234111 |
| Road (miles)   | /      | 248905  | 295729  | 446957  | 334171  |
| Rail (miles)   | /      | /       | /       | 1524443 | 1854442 |
| <b>Non Financial indicators (CO<sub>2</sub>e Tonnes)</b> | 2007/8 | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Air  | /      | 56      | 53      | 54      | 41      |
| Road   | /      | 15      | 18      | 27      | 20      |
| Rail   | /      | /       | /       | 20      | 24      |
| Total Business travel                                    | /      | /       | /       | 101     | 85      |
| <b>Financial indicators (£)</b>                          | 2007/8 | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Air  | /      | /       | /       | /       | 227447  |
| Road   | /      | /       | /       | /       | 678433  |
| Rail   | /      | /       | /       | /       | 950228  |
| Government Carbon Offsetting Facility (GCOF) Expenditure | /      | /       | 5001    | 2335    |         |
| <b>Total (CO<sub>2</sub>e Tonnes)</b>                    | 2007/8 | 2008/9  | 2009/10 | 2010/11 | 2011/12 |
| Scope 2 + Scope 3  | /      | /       | /       | 1969    | 1469    |

The FSA is committed to cutting our GHG emissions by 25% from a 2009/10 baseline from the estate and business travel. We continue to take part in two major Government initiatives to offset our GHG emissions – the Carbon Reduction Commitment (CRC) offsets our carbon emissions from energy supplies and the Government Offsetting Facility (GCOF) offsets our carbon emissions from air travel. Both initiatives are UK-wide. We also have a Travel Policy which encourages staff to think about sustainability options when travelling on business and also advocates alternatives to travel such as teleconferencing and videoconferencing.

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

\*\*UK wide data

## Mainstreaming sustainable development

Sustainability is a key factor in how we develop FSA policy and conduct our operations. Sustainability aspects across the three pillars – economic, society and environment – are all taken into account in the development of policy through the Government mandated Impact Assessment process – which we use. This also follows guidance laid down by HM Treasury in the Green Book<sup>6</sup> which can include rural proofing policies, examining specific effects on SMEs and the potential to influence and mitigate against climate change. We consider equality and diversity aspects as a matter of course. Online tools are provided to staff and sustainable development forms a key part of our better regulation training programmes. For further information on how the FSA develops policy please go to [http://www.food.gov.uk/aboutus/how\\_we\\_work/](http://www.food.gov.uk/aboutus/how_we_work/)

## Rural proofing

External facing policies that show good examples of sustainable development include rural proofing. The impact of potential closures of meat processing plants on rural economies was a significant consideration in developing the FSA's policy on 'A New Approach to Charges for Official Controls on Meat; Delivering Efficiency and Reform.'<sup>7</sup> We will continue to monitor closely the development of policies and engage with staff to raise awareness of the issues.

## Sustainable procurement

- Procurement presents the FSA with many opportunities to apply both the Agency's and Government's commitment to adopting practices that promote sustainable thinking. This can be achieved by building sustainable considerations into all aspects of the procurement process. FSA Procurement is committed to seeking continuous improvement in our performance on sustainability, in both our internal and procurement functions, which is consistent with providing value for money for the taxpayer. We achieve this by:
- Complying with all relevant UK Government policies on sustainable development and sustainable procurement, and all relevant legislation and regulations;
- Establishing sustainable development as a clear feature of FSA Procurement decision making, from Board level downwards and ensuring that all colleagues follow the principles of this policy;
- Setting and monitoring relevant sustainability objectives and targets, based on our significant aspects and impacts, and reporting progress regularly through clear, consistent processes;
- Educating, training and motivating colleagues to work in a sustainably responsible manner and to play a full part in developing new ideas and initiatives;
- Communicating openly and proactively with colleagues about sustainability issues and best practice, and co-operating with others in the public and private sectors to develop and promote sustainably sound practices;
- Ensuring that sustainability principles are given due consideration at each stage of the category management process, including:
  - developing an in-depth understanding of the sustainability issues relevant to each category;

<sup>6</sup> [http://www.hm-treasury.gov.uk/data\\_greenbook\\_index.htm](http://www.hm-treasury.gov.uk/data_greenbook_index.htm)

<sup>7</sup> <http://www.food.gov.uk/multimedia/pdfs/iameatcharging.pdf>

- building a detailed appreciation of customers' sustainability requirements, and ensuring that customers have access to a range of sustainable products and services (and supporting information) to assist them in meeting these requirements;
  - working with suppliers, including early market engagement, and working post-award to seek ongoing improvements to suppliers' sustainability performance and that of their supply chains; and
  - Encouraging the appropriate uptake of sustainable products and services across the public sector.
- Striving to improve the sustainability performance of all FSA Procurement activities (including travel, marketing and communications, ICT, estates management, and domestic procurement). This will include:
    - preventing direct and indirect pollution where possible, or striving to reduce it; and
    - making efficient use of all resources and decreasing the consumption of non-renewable resources.

The FSA will take into account 'sustainability' considerations within its procurement practices and within standardised eligibility criteria.

### **Adapting to climate change**

The Agency's report 'Food and climate change: A review of the effects of climate change on food within the remit of the Food Standards Agency' was published on 21 October 2010<sup>8</sup>. Since then the Agency has looked at the findings and considered the implications for UK food policy, within its remit of protecting food safety and has communicated relevant findings to Defra and Department of Health following the machinery of government changes in 2010. The FSA continues to monitor food safety risks and has mechanisms in place to detect changes that may arise as a result of climate change and to respond to protect public health. In particular, the incidence of foodborne infections may be affected by climate change; FSA continues to monitor incidence and advise on outbreaks, and to explore new ways of managing them, working with HPA and others. This year the Agency has increased its capability in horizon scanning by joining up with other Government departments in a programme run at the University of Cranfield in the Centre for Environmental Risks and Futures. The FSA is contributing, with other Departments, to the Government's Climate Change Risk Assessment (led by Defra) and will contribute to the National Adaptation Plan that will be informed by the CCRA.

### **Environmental incidents**

Since 2007, the FSA has produced annual reports of incidents, in line with our policy of openness and transparency. These reports showcase the FSA's work responding to food and environmental contamination incidents in the UK. The latest annual report of incidents covering the 2010 calendar year was published in May<sup>9</sup>. In Appendix 1 to the report there is a 'statistics' section which includes a breakdown of various incident categories, including 'environmental contamination' (pages 27-28 refer). All the FSA annual reports of incidents are available via our website. Our next annual report of incidents is scheduled for publication in May 2012.

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8 <http://www.food.gov.uk/science/research/supportingresearch/strategievidenceprogramme/strategievidenceprogramme/x02projlist/x02001/>

9 <http://www.food.gov.uk/multimedia/pdfs/publication/annualreportofincidents2010.pdf>

## Wellbeing

In 2011/12 the Executive Management Board approved a Wellbeing Strategic Statement based in four key principles;

- effective leadership and management;
- provision of a working environment conducive to health;
- creation of a sense of support and belonging; and
- recognition of health in a physical, mental and social sense.

Much of what the strategy aims to achieve is well served by planned and ongoing pieces of work not least amongst them our Organisational Improvement Programme and the FSA's anti bullying and harassment campaign and further work in this area will feature in the forthcoming year. The FSA supports ongoing plans to develop a widely accepted measurement of workplace wellbeing.

## Information on environment, social, and community issues

All staff have the opportunity to apply for one day's paid special leave per year to support the activities of voluntary organisations that make an impact on local or national communities.

## Reporting on Better Regulation

For devolved issues such as food, the Coalition Government's better regulation agenda applies to England only. However, as a UK-wide body the FSA is delivering across the UK on better regulation and has made progress on both domestic and European legislation in a number of areas. The FSA has maintained a healthy One In, One Out (OIOO) balance, taken forward several Red Tape Challenge initiatives, planned sunseting reviews, received mostly 'fit for purpose' markings on Impact Assessments from the Regulatory Policy Committee, developed non-legislative approaches in partnership with stakeholders and been active at influencing negotiations in Europe.

### One In, One Out

The UK Government's One In, One Out (OIOO) policy requires that any new domestic regulation that imposes a net cost on businesses or civil society must be offset by a reduction in regulatory costs elsewhere. For devolved issues, such as food and feed, OIOO applies to England only. The FSA's balance of INs and OUTs at 31 March 2012 was minus £0.13 million, the amount saved for businesses. This saving was due to the introduction in England and Wales of a system of earned recognition in the dairy sector that significantly reduced the number of inspections for lower risk farms that are members of the Assured Dairy Farms scheme<sup>10</sup>. FSA had no other measures within scope of OIOO during the year.

### Red Tape Challenge

The Red Tape Challenge is also an England only initiative for devolved matters. The FSA's Board agreed proposals in July 2011 to reduce the number of national food safety statutory instruments in England from 34 to 11, with the proviso that no consumer protection would be compromised. Proposals include scrapping six measures where the protection is provided elsewhere and removing 12 regulations through consolidation. Progress up to 31 March 2012 included revoking the Authorised Officers (Meat Inspection) Regulations 1987, and

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<sup>10</sup> <http://www.food.gov.uk/foodindustry/regulation/betregs/ria/ria2011/onfarmdairyhygienecontrolseng>

consultations on a major consolidation of food contact materials, on simplifying rules on qualifications required for public analysts, and on removing all post-Chernobyl controls. Consultations on whether childminders and those running events in community halls should count as food businesses have also been held, as agreed by the Board in November 2011. All other proposed changes are on track to be delivered to their target dates. For transparency, FSA has set up a system that allows people to track progress<sup>11</sup>.

### **Sunsetting Regulations**

The Board agreed at its January 2011 meeting that the FSA should follow the UK Coalition Government's policy on sunseting domestic legislation. Sunseting of legislation is part of the Government's commitment to reduce regulatory burdens and to ensure that the need for each regulation is regularly reviewed. The policy applied from April 2011.

Sunseting requires the insertion of a 'sunset clause' in each new piece of domestic legislation where there is a burden on business. This clause brings about the automatic expiry of that legislation on a defined date, which the Government suggests should normally be after seven years. For all European derived legislation, there will be a statutory duty to conduct a review every five years. Sun setting applies to England only.

In the period from April 2011 to March 2012, 18 sunseting reviews have been planned. Of these, all have a statutory review date in 2016, apart from one in 2015.

### **Impact Assessment**

The independent Regulatory Policy Committee (RPC) reviews all Impact Assessments (IAs) and issues an opinion as to whether they are fit for purpose. Between 1 April 2011 and 31 March 2012 FSA submitted to RPC IAs on five separate policies. Three of these IAs received a fit for purpose assessment. RPC considered two IAs to be not fit for purpose. One of these IAs was re-submitted and received a fit for purpose opinion. The remaining IA that had a not fit for purpose opinion is to be re-submitted in April 2012. In summary, four of the six IAs submitted, or 66%, received a fit for purpose opinion.

### **Alternatives to regulation**

As part of the continuing roll-out of the Food Hygiene Rating Scheme (FHRS), in September 2011 the FSA reached agreement with Transparency Data, who ran the 'Scores on the Doors' scheme, to acquire the existing Scores on the Doors contracts and software, and to work with the firm to encourage remaining Local Authorities to transfer to the FHRS. The agreement enables the FSA to move towards publishing ratings in a single format for thousands more businesses across England, Wales and Northern Ireland.

In August 2011 the FSA produced a DVD<sup>12</sup> for those working in butchers' shops to encourage them to think about the type of food safety risks they face in their business and how they should control them. It features three butchers talking about the steps they have taken to reduce food safety risks. The DVD was produced as part of the FSA's response to addressing the recommendations of the Public Inquiry into the serious outbreak of *E.coli* O157 in Wales in 2005.

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<sup>11</sup> <http://www.food.gov.uk/foodindustry/regulation/betregs/red-tape-challenge/>

<sup>12</sup> 'E.coli O157 – A butcher's guide to staying safe' can be viewed at <http://www.youtube.com/watch?v=pMQoFpH5WiU>



## EU legislation

In summer 2011 the FSA persuaded the European Commission to propose a level of 20 mg/l as the Acceptable Daily Intake for Sunset Yellow (E 110) in soft drinks. The Commission had planned to reduce the level from 50 mg/l to 10 mg/l based on a European Food Safety Authority exposure assessment. This would have had a severe impact on the manufacturers of Irn Bru and Lucozade. The FSA argued successfully, based on its own exposure assessment, that the EFSA exposure assessment had been too conservative. Key to the FSA's success was working with British and European Trade Associations on soft drinks to influence events.

The FSA has been pressing for a review of existing food hygiene legislation, so as to promote improved public health outcomes and achieve significantly reduced costs and burdens on business. Proposals for the review are now expected by summer 2012; the FSA is working closely with the Commission and like-minded Member States to influence and shape the proposals.

## Numbers of senior civil service staff by payband

| Pay Band | Headcount | FTE          | Notes   |
|----------|-----------|--------------|---|
| SCS3     | 1         | 1.00         |   |
| SCS2     | 8         | 7.60         | 1 SCS in Pay Band 2 is 0.60 FTE                                     |
| SCS1     | 13        | 13.00        | 1 starter (wef 1/8/11) 1 leaver (wef 31/12/11)<br>in SCS Pay Band 1 |
|          | <b>22</b> | <b>21.60</b> | (See note below)  |

|   |              |
|---|--------------|
| <b>FTE adjusted for days in post in year:</b> | <b>21.02</b> |
|---|--------------|

## 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. An annual audit of the FSA's compliance with the Civil Service Recruitment Principles is carried out by DLA Piper on behalf of the Office of Civil Service Commission. The FSA is currently rated as low risk for non-compliance.

## Performance in responding to correspondence from the public

During 2011, the FSA's private office team handled 240 letters and emails from MPs for reply by Department of Health Ministers and the Chair and Chief Executive of the FSA, answered 96% within our target of 20 working days. FSA officials responded to 353 'treat officials' letters and emails sent by members of the public to Ministers, the FSA Chair and Chief Executive, replying to 92% within our target date. In addition, the FSA received 435 letters sent by members of the public as part of organised campaigns and responded to 99% within target.

## Health and safety reporting

The FSA advanced a number of key objectives in 2011/12 including the introduction of a single health and safety management system, continuing work in emphasising the application of our zero tolerant approach to bullying and harassment, new measures to control the



occupational road risks associated with driving at work including the grey-fleet and achieving Accreditation by Food and Drink Qualifications to deliver 'Principles of the Safe Use of Knives in Meat Inspection' Level 2 training.

We continued to direct most of our resources toward ensuring the health and safety of our meat inspection teams. However, preparatory work to assess and manage the risks associated with dairy hygiene and shellfish monitoring activity was also undertaken. Challenges remain including a fluctuating injury-incident profile, the need to remain vigilant to the risk of escaped animals and the importance of ensuring that any review of FSA resources deployed within an approved premises is, where relevant, informed by a suitable risk assessment. To this end, in 2011/12 the FSA adopted the HSE's Assessment of Repetitive Tasks Tool (ART) as its principal risk assessment methodology.

In 2010/11 lost time caused by work-related injury and illness reached some of the lowest levels ever recorded by the FSA (measured as a percentage of all lost time), and throughout 2011/12 we maintained this position returning a per quarter average performance of <7%.

### **RIDDOR (Reportable Incidents, Diseases and Dangerous Occurrences) 2010/11 – 2011/12**

| <b>RIDDOR Category</b> | <b>No. of Incidents 2010/11</b> | <b>No. of Incidents 2011/12</b> |
|------------------------|---------------------------------|---------------------------------|
| Fatal                  | 0                               | 0                               |
| Major Injury           | 1                               | 2                               |
| Over 3 Day Injury      | 15                              | 15                              |
| Disease                | 2                               | 1                               |
| Dangerous Occurrence   | 0                               | 0                               |
| Total                  | 18                              | 18                              |

### **Health and Safety Strategic Targets**

This year saw the FSA Executive Management Board agree the introduction of three strategic health and safety performance targets (*actual performance YTD shown in brackets*):

- **Target 1 – Per annum, maintain or improve upon the average percentage of all lost time due to work-related injury and illness recorded over the eight quarter periods April 2009 – March 2011 (7.1%).** This target reflects our ambition to at least maintain, and if not improve upon, the record low levels of lost time recorded in the preceding two years. (*Average for preceding 4 quarters ending Dec 2011 equals 6.9% of all lost time*);
- **Target 2 – By March 2014 achieve an annual 'RIDDOR incidence rate of 950.00 (1257.00 – note, this indicator will be amended to reflect changes to RIDDOR w/e 06.04.2012); and**
- **Target 3 – By March 2014 achieve an annual 'work related ill health incidence rate' of 800.00 (698.00).**

### **Publicity and advertising**

In November and December 2011, the Agency ran a campaign in Scotland, Wales and Northern Ireland, highlighting the food safety practices associated with the storage and preparation of raw food, including vegetables. The campaign activity was considered necessary in light of outbreaks of the verocytotoxin –producing *Escherichia coli* (E.coli) in Germany, France and the UK. The outbreaks which were linked to various types of vegetables highlighted

the need to alert consumers to the proper food safety practices associated with the handling of raw food.

The Agency carried out pre and post campaign tracking assess the impact of the campaign. Recognition of the campaign was higher in Scotland (19%) than Wales (13%) although to a certain extent this in line with initial targeted reach of the campaign in each country. Campaign recognition was much higher in Northern Ireland (39%) than the other countries. The impact of the campaign was strongest on its key behavioural message of washing or peeling vegetables and when directly questioned, the majority of those who saw the FSA campaign said that the advertisements will have some influence on the care they take when preparing and storing raw vegetables. The total cost of the campaign was £340,000.

Two campaigns run in Wales at a total cost of £200,000. Both campaigns used outdoor posters and advertising in local and national newspapers and magazines as well as digital media such as Google and Facebook. The results of the post-campaign evaluation indicated that 16% of consumers surveyed stated they had seen the campaign. Two phases of publicity run in Northern Ireland at a total cost of £100,000. The first, in June 2011, coincided with the launch of the scheme by 16 district councils. It included TV and outdoor advertising (with billboard, bus shelter and side of bus posters) and was combined with major public relations activity.

Post-campaign evaluation showed 47% of consumers reported seeing the campaign; 17% of consumers claimed to have used stickers or website. The campaign ran again in September and October 2011. Post-campaign results were again encouraging with 56% of people aware of the name of the scheme when prompted, 63% recognising the stickers and 74% claiming they would use the information to make decisions about where to buy food. A further campaign is being planned for late June 2012.

### **Details of sponsorship agreements over £5,000**

In December 2011 the FSA sponsored the 4Food section of Channel 4's website. The FSA used the sponsorship to communicate some of the key food safety messages associated with the safe preparation of Christmas meals, particularly the safe cooking and preparation of turkeys. The sponsorship took the form of 'home page takeover', display advertising (linking through to FSA website), editorial and link to FSA 'Turkey tussle' advert. The campaign generated 37,708 clicks through to food.gov.uk with a cost per click of £1.17. The total cost of the sponsorship was £49,605.

## Comparison of outturn against Estimate

The operation of the FSA across the UK is funded by the UK Parliament, the Scottish Government, the Welsh Assembly Government, and the Northern Ireland administration. On 1 April 2004 the FSA in Northern Ireland became for accounting purposes a Northern Ireland department in its own right. Prior to this date, for funding purposes, it was contained within the Department of Health, Social Services and Public Safety boundary.

Our financial results for the year represent continued strong performance despite the reduced funding from Treasury under the Comprehensive Spending Review 2010.

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

|                              | Estimate     | 2011/12<br>Net Operating Cost |
|------------------------------|--------------|-------------------------------|
|                              | £m           | £m                            |
| Total Westminster Funded FSA | 122.1        | 89.0                          |
| FSA in Scotland              | 10.1         | 9.5                           |
| FSA in Wales                 | 3.2          | 2.9                           |
| FSA in Northern Ireland      | 8.6          | 8.2                           |
| <b>Total FSA</b>             | <b>144.0</b> | <b>109.6</b>                  |

The net cost of the FSA was £109.6m against available funding of £144.0m to 31 March 2012.

Total net expenditure was 24% lower than Estimate by £34.4m, resulting mainly from Westminster Funded FSA of £33.1m. The devolved authorities contributed £1.3m. The Westminster Funded FSA saving of £33.1m is due largely to an underspend of £21.0m programme expenditure through reduced staff available for project management. There was a £12.1m saving due mainly to lower pension costs and an adjustment to the rent liability for Aviation House.

The comparative figures for 2010/11 are shown below:

|                              | Estimate     | 2010/11<br>Net Operating Cost |
|------------------------------|--------------|-------------------------------|
|                              | £m           | £m                            |
| Total Westminster Funded FSA | 125.4        | 68.9                          |
| FSA in Scotland              | 10.3         | 9.6                           |
| FSA in Wales                 | 3.4          | 2.9                           |
| FSA in Northern Ireland      | 9.0          | 8.5                           |
| <b>Total FSA</b>             | <b>148.1</b> | <b>89.9</b>                   |

## Reconciliation of resource expenditure

The following figures are for FSA Westminster and FSA in Northern Ireland which are both departments in their own right.

**Reconciliation of resource expenditure between Estimates, Accounts and Budgets  
(Westminster only)**

|   | £000<br>2010/11 | £000<br>2011/12 |
|---|-----------------|-----------------|
| <b>Net Resource Outturn (Estimates)</b>                           | <b>68,891</b>   | <b>88,989</b>   |
| <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   | –               | –               |
| <b>Net Operating Cost (Accounts)</b>                              | <b>68,891</b>   | <b>88,989</b>   |
| <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   | –               | –               |
| <b>Resource Budget Outturn (Budget)</b>                           | <b>68,891</b>   | <b>88,989</b>   |
| <b><i>of which</i></b>  |                 |                 |
| Departmental Expenditure Limits (DEL)                             | 125,407         | 112,176         |
| Annually Managed Expenditure (AME)                                | –               | 9,953           |

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets (Northern Ireland only)

|   | £000<br>2010/11 | £000<br>2011/12 |
|---|-----------------|-----------------|
| <b>Net Resource Outturn (Estimates)</b>                           | <b>8,509</b>    | <b>8,201</b>    |
| <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   | –               | –               |
| <b>Net Operating Cost (Accounts)</b>                              | <b>8,509</b>    | <b>8,201</b>    |
| <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   | –               | –               |
| <b>Resource Budget Outturn (Budget)</b>                           | <b>8,509</b>    | <b>8,201</b>    |
| <b><i>of which</i></b>  |                 |                 |
| Departmental Expenditure Limits (DEL)                             | 8,973           | 8,634           |
| Annually Managed Expenditure (AME)                                | –               | –               |

## Departmental Core Tables – FSA Westminster only

The following five tables are included in the Annual Report and Consolidated Accounts from 2011/12. They are designed to allow users to review financial performance over past and future periods and currently provide information up until the end of the new Spending Review period. Tables are consistent in their presentation across government departments and allow users to make comparisons.

**Table 1: Total departmental spending**

**£000**

|  | 2007/08<br>Outturn | 2008/09<br>Outturn | 2009/10<br>Outturn | 2010/11<br>Outturn | 2011/12<br>Outturn | 2012/13<br>Plans | 2013/14<br>Plans | 2014/15<br>Plans |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| <b>Resource DEL</b>                                |                    |                    |                    |                    |                    |                  |                  |                  |
| Section A: Food Standards Agency Westminster (DEL) | 132,919            | 124,165            | 117,498            | 85,557             | 88,141             | 109,045          | 102,640          | 97,948           |
| <b>Total Resource<sup>1</sup> DEL</b>              | <b>132,919</b>     | <b>124,165</b>     | <b>117,498</b>     | <b>85,557</b>      | <b>88,141</b>      | <b>109,045</b>   | <b>102,640</b>   | <b>97,948</b>    |
| <b>Resource AME</b>                                |                    |                    |                    |                    |                    |                  |                  |                  |
| Section B: Food Standards Agency Westminster (AME) | 8,631              | 391                | 3,012              | (12,800)           | 848                | 9,953            | 9,953            | 9,953            |
| <b>Total Resource AME</b>                          | <b>8,631</b>       | <b>391</b>         | <b>3,012</b>       | <b>(12,800)</b>    | <b>848</b>         | <b>9,953</b>     | <b>9,953</b>     | <b>9,953</b>     |
| <i>Of which:</i>                                   |                    |                    |                    |                    |                    |                  |                  |                  |
| Take up of provisions                              | 8,976              | 2405               | 3,931              | (10,183)           | 3,856              | 12,530           | 12,530           | 12,530           |
| Release of provisions                              | (345)              | (2,014)            | (919)              | (2,617)            | (3,008)            | (2,577)          | (2,577)          | (2,577)          |
| <b>Total Resource Budget</b>                       | <b>141,550</b>     | <b>124,556</b>     | <b>120,510</b>     | <b>72,757</b>      | <b>88,989</b>      | <b>118,998</b>   | <b>112,593</b>   | <b>107,901</b>   |
| <i>Of which:</i>                                   |                    |                    |                    |                    |                    |                  |                  |                  |
| Depreciation <sup>2</sup>                          | 2,104              | 1,244              | 1,382              | 1,208              | 1,133              | 977              | 810              | 702              |
| <b>Capital DEL</b>                                 |                    |                    |                    |                    |                    |                  |                  |                  |
| Section A: Food Standards Agency Westminster (DEL) | 2,583              | 1,538              | 421                | 70                 | 974                | 310              | 279              | 353              |
| <b>Total Capital DEL</b>                           | <b>2,583</b>       | <b>1,538</b>       | <b>421</b>         | <b>70</b>          | <b>974</b>         | <b>310</b>       | <b>279</b>       | <b>353</b>       |
| <i>Of which:</i>                                   |                    |                    |                    |                    |                    |                  |                  |                  |
| Net capital procurement <sup>4</sup>               | 2,583              | 1,538              | 421                | 70                 | 991                | 310              | 279              | 353              |
| <b>Total Capital Budget</b>                        | <b>2,583</b>       | <b>1,538</b>       | <b>421</b>         | <b>70</b>          | <b>974</b>         | <b>310</b>       | <b>279</b>       | <b>353</b>       |

|  |                |                |                |               |               |                |                |                |
|--|----------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| <b>Total departmental spending<sup>5</sup></b> | <b>142,029</b> | <b>124,850</b> | <b>119,549</b> | <b>71,619</b> | <b>88,830</b> | <b>118,331</b> | <b>112,062</b> | <b>107,552</b> |
| <i>Of which:</i>                               |                |                |                |               |               |                |                |                |
| Total DEL                                      | 135,502        | 125,703        | 117,919        | 85,627        | 87,982        | 109,355        | 102,919        | 98,301         |
| Total AME                                      | 8,631          | 391            | 3,012          | (12,800)      | 848           | 9,953          | 9,953          | 9,953          |

- 1 Net of income from sales of goods and services.
- 2 includes impairments.
- 3 Pension schemes report under IAS 19 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.
- 4 Expenditure on tangible and intangible fixed assets net of sales.
- 5 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Total Resource DEL has been steadily decreasing since 2007/08 with a significant reduction in 2010/11 mainly due to government spending restrictions on advertising campaigns/ publicity and reduced staff levels available for project management. In 2011/12 there is an exceptional one-off credit in the Administration DEL outturn of (£3,695k). This relates to a change in the accounting treatment of the commercial lease on the FSA office at Aviation House, London. In 2011/12 Programme expenditure increased to fund the Food Hygiene Rating Scheme and Feed and Food Hygiene inspections. The planned expenditure for 2012/13 is significantly higher than the reported Outturn for 2011/12, but is a reduction to the 2010/11 baseline budget figure of £116m and shows a trend of future spending reduction in line with government policy.

Total Resource AME has significantly increased in the Spending Review period. This is to reflect the introduction of the Clear Line of Sight initiative and the implications for reporting provisions. The FSA AME budget for 2010/11 £11,078k, was significantly higher than the Outturn credit of (£12,717k). This variance of £23,795k was caused by 2 key factors: firstly, the accounting change for retail price index to consumer price index for pensions uprating resulting in a (£17,075k) credit to 2010/11 Net Expenditure; secondly, the budget for Resource AME took into account the volatile nature of the FSA provisions particularly the LGPS pension deficit which is reported in accordance with actuarial valuations under the accounting standard IAS19. The plans for the spending review period also reflect the future uncertainty in creation of provisions.

Capital DEL expenditure reduced significantly in 2010/11 following a prior period of significant investment in IT infrastructure and a review of our capitalisation policy which resulted in less items being classified as capital expenditure. In 2011/12 additional capital expenditure was incurred in order to facilitate the transition to an outsourced IT service provider which will generate resource savings in future years.

**Table 2: Total departmental spending**

|  | £000                             |                                      |                             |
|--|----------------------------------|--------------------------------------|-----------------------------|
|  | 2011/12<br>Original<br>Provision | 2011/12<br>Supplementary<br>estimate | 2011/12<br>Final<br>outturn |
| <b>Resource DEL</b>                                |                                  |                                      |                             |
| Section A: Food Standards Agency Westminster (DEL) | 113,826                          | 112,176                              | 88,141                      |
| <b>Total Resource DEL<sup>1</sup></b>              | <b>113,826</b>                   | <b>112,176</b>                       | <b>88,141</b>               |
| <b>Resource AME</b>                                |                                  |                                      |                             |
| Section B: Food Standards Agency Westminster (AME) | 9,953                            | 9,953                                | 848                         |
| <b>Total Resource AME</b>                          | <b>9,953</b>                     | <b>9,953</b>                         | <b>848</b>                  |
| <i>Of which:</i>                                   |                                  |                                      |                             |
| Take up of provisions                              | 12,530                           | 12,530                               | 3,856                       |
| Release of provisions                              | (2,577)                          | (2,577)                              | (3,008)                     |
| <b>Total Resource Budget</b>                       | <b>123,779</b>                   | <b>122,129</b>                       | <b>88,989</b>               |
| <i>Of which:</i>                                   |                                  |                                      |                             |
| Depreciation <sup>2</sup>                          | 1,180                            | 1,180                                | 1,133                       |
| <b>Capital DEL</b>                                 |                                  |                                      |                             |
| Section A: Food Standards Agency Westminster (DEL) | 307                              | 1,057                                | 974                         |
| <b>Total Capital DEL</b>                           | <b>307</b>                       | <b>1,057</b>                         | <b>974</b>                  |
| <i>Of which:</i>                                   |                                  |                                      |                             |
| Net capital procurement <sup>4</sup>               | 307                              | 1,057                                | 991                         |
| <b>Total Capital Budget</b>                        | <b>307</b>                       | <b>1,057</b>                         | <b>974</b>                  |
| <b>Total departmental spending<sup>5</sup></b>     | <b>122,906</b>                   | <b>122,006</b>                       | <b>88,829</b>               |
| <b>Of Which</b>                                    |                                  |                                      |                             |
| <b>Total DEL</b>                                   | <b>112,953</b>                   | <b>112,053</b>                       | <b>87,981</b>               |
| <b>Total AME</b>                                   | <b>9,953</b>                     | <b>9,953</b>                         | <b>848</b>                  |

1 Net of income from sales of goods and services.

2 Includes impairments.

3 Pension schemes report under IAS 19 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

4 Expenditure on tangible and intangible fixed assets net of sales.

5 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.



**Table 3: Westminster Statement of Financial Position**

|   | £000               |                    |                    |                    |                    |                  |                  |                  |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| Assets and liabilities on the statement of financial position at end of year: | 2007/08<br>Outturn | 2008/09<br>Outturn | 2009/10<br>Outturn | 2010/11<br>Outturn | 2011/12<br>Outturn | 2012/13<br>Plans | 2013/14<br>Plans | 2014/15<br>Plans |
| <b>Assets</b>   |                    |                    |                    |                    |                    |                  |                  |                  |
| Non-current assets  |                    |                    |                    |                    |                    |                  |                  |                  |
| Intangible  | 886                | 813                | 1,276              | 858                | 966                | 872              | 788              | 819              |
| Property, Plant and Equipment   |                    |                    |                    |                    |                    |                  |                  |                  |
| of which:   |                    |                    |                    |                    |                    |                  |                  |                  |
| Land and buildings  |                    |                    |                    |                    |                    |                  |                  |                  |
| Plant and machinery   |                    |                    |                    |                    |                    |                  |                  |                  |
| Fixtures and Fittings inc   |                    |                    |                    |                    |                    |                  |                  |                  |
| IT assets   | 3,359              | 3,651              | 2,129              | 1,408              | 1,158              | 861              | 681              | 548              |
| Investments   | 0                  | 0                  | 0                  | 0                  | 0                  | 0                | 0                | 0                |
| Current assets  | 14,660             | 14,470             | 18,264             | 14,595             | 14,038             | 14,038           | 14,038           | 14,038           |
| <b>Liabilities</b>  |                    |                    |                    |                    |                    |                  |                  |                  |
| Current (<1 year)   | (37,142)           | (26,477)           | (32,078)           | (17,815)           | (20,146)           | (20,146)         | (20,146)         | (20,146)         |
| Non-current (>1 year)   | (14,199)           | (14,685)           | (15,172)           | (15,475)           | (11,001)           | (9,762)          | (8,523)          | (7,284)          |
| Provisions  | (31,671)           | (48,488)           | (107,268)          | (51,723)           | (81,277)           | (81,277)         | (81,277)         | (81,277)         |
| <b>Total Capital Employed</b>   | <b>(64,107)</b>    | <b>(70,716)</b>    | <b>(132,849)</b>   | <b>(68,152)</b>    | <b>(96,262)</b>    | <b>(95,414)</b>  | <b>(94,439)</b>  | <b>(93,302)</b>  |

Note – Significant movement on Provisions is due to the LPFA pension deficit volatility which is reported in accordance with actuarial valuations under IAS 19. Plans period assumes no movement due to uncertainty in future balances.

**Table 4: Administration budget**

|  | £000               |                    |                    |                    |                    |                  |                  |                  |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
|  | 2007/08<br>Outturn | 2008/09<br>Outturn | 2009/10<br>Outturn | 2010/11<br>Outturn | 2011/12<br>Outturn | 2012/13<br>Plans | 2013/14<br>Plans | 2014/15<br>Plans |
| Section A: Food Standards Agency Westminster (DEL) | 43,938             | 45,219             | 45,647             | 45,575             | 39,181             | 43,327           | 38,916           | 35,911           |
| <b>Total administration budget</b>                 | <b>43,938</b>      | <b>45,219</b>      | <b>45,647</b>      | <b>45,575</b>      | <b>39,181</b>      | <b>43,327</b>    | <b>38,916</b>    | <b>35,911</b>    |
| <i>Of which:</i>                                   |                    |                    |                    |                    |                    |                  |                  |                  |
| Expenditure  | 44,145             | 44,706             | 47,113             | 48,976             | 43,846             | 48,026           | 43,731           | 40,858           |
| Income   | (207)              | 513                | (1,466)            | (3,401)            | (4,665)            | (4,699)          | (4,815)          | (4,947)          |

**Adjusted FSA administration budget – Westminster**

|   | £000          |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Adjustment (MHS admin cost)                 | 9,144         | 9,411         | 9,500         | –             | –             | –             | –             | –             |
| <b>Total administration budget adjusted</b> | <b>53,082</b> | <b>54,630</b> | <b>55,147</b> | <b>45,575</b> | <b>39,181</b> | <b>43,327</b> | <b>38,916</b> | <b>35,911</b> |

In 2011/12 there is an exceptional one-off credit in the Administration DEL outturn of (£3,695k). This relates to a change in the accounting treatment of the commercial lease on the FSA office at Aviation House, London.

**Table 5: Staff in post**

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

|                 | Average number of persons employed |             |             |             |
|-----------------|------------------------------------|-------------|-------------|-------------|
|                 | 2008/09                            | 2009/10     | 2010/11     | 2011/12     |
| Permanent staff | 1635                               | 1406        | 1276        | 1216        |
| Temporary       | 518                                | 546         | 512         | 484         |
| Board           | 13                                 | 12          | 12          | 9           |
| <b>Total</b>    | <b>2166</b>                        | <b>1964</b> | <b>1800</b> | <b>1709</b> |

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

Note – Permanent staff have reduced over the 4 year period in line with Government restrictions on recruitment

and savings in positions through restructuring and efficiency measures. The increase in temporary staff from 2008/09 to 2009/10 is a result of additional corporate services agency staff being used during the FSA/MHS integration period.

**Significant remote contingent liabilities**

The FSA has no significant remote contingent liabilities.

## **Going concern**

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

## **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 [food.gov.uk](http://food.gov.uk)

## **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 £97,000. I have taken all necessary steps to make myself aware of relevant audit information and to establish that the auditors are aware of that information.

## **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 6.3 days per employee, compared with 5.9 and 5.8 for the previous two years.

## **Public sector information**

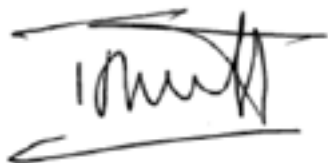
The FSA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

**Reporting of personal/sensitive data losses and/or incidents**

The FSA has reported one personal data loss to the Information Commissioners Office who subsequently investigated the loss, and has undertaken two information leak investigations in conjunction with the Cabinet Office. The FSA continues to have in place systems to minimise the risk of loss of this type, and the issue is discussed regularly at the Audit Committee.

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

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

A handwritten signature in black ink, appearing to read 'Tim J Smith', enclosed within a simple rectangular border.

*Tim J Smith*

Chief Executive and Accounting Officer

9 July 2012

## 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](http://www.ome.uk.com)**.

### *Service contracts*

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

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

The tables in the remuneration report are subject to audit.

Service contracts for Board members are listed below:

| Name                       | 1st Term of Appointment | Duration of 1st Term Contract             | 2nd Term of Appointment | Duration of 2nd Term of Contract |
|----------------------------|-------------------------|---|-------------------------|----------------------------------|
| Lord Jeff Rooker           | 27 July 2009            | 4 years                                   | –                       | –                                |
| Dr. Ian Reynolds           | 1 February 2007         | 4 years                                   | 1 February 2011         | 4 years<br>Resigned 19 May 2011  |
| John W Spence              | 1 April 2007            | 3 years                                   | 1 April 2010            | 3 years                          |
| Tim Bennett                | 1 March 2007            | 3 years                                   | 1 March 2010            | 3 years                          |
| Michael Parker CBE         | 1 June 2006             | 3 years                                   | 1 June 2009             | 3 years                          |
| Nancy Robson               | 1 March 2007            | 2 years                                   | 1 March 2009            | 3 years, 1 month                 |
| Clive Grundy               | 1 February 2008         | 3 years                                   | 1 February 2011         | 3 years                          |
| Margaret Gilmore           | 1 March 2008            | 3 years                                   | 1 March 2011            | 3 years                          |
| Professor Sue Atkinson CBE | 1 February 2008         | 2 years                                   | 1 February 2010         | 3 years                          |
| Dr. David Cameron          | 1 February 2009         | 3 years,<br>Resigned<br>31 August<br>2011 | –                       | –                                |
| Dr. Henrietta Campbell CB  | 1 September<br>2010     | 3 years                                   | –                       | –                                |
| Dr. James Wildgoose        | 1 March 2011            | 3 years                                   | –                       | –                                |

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

### Salary and pension entitlements

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

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

## a) Remuneration

**Executive Management Board**

| Bands           |   | 2011/12               |                     |                     | 2010/11               |
|-----------------|---|-----------------------|---------------------|---------------------|-----------------------|
|                 |   | Total<br>Remuneration | Of Which<br>Bonuses | Benefits<br>in Kind | Total<br>Remuneration |
|                 |   | £5,000<br>(£000)      | £5,000<br>(£000)    | £1,000<br>(£000)    | £5,000<br>(£000)      |
| Tim Smith       | Chief Executive                                 | 200–205               | 15–20               | –                   | 205–210               |
| Steve Wearne    | Director, FSA Wales                             | 90–95                 | –                   | –                   | 105–110               |
| Andrew Wadge    | Chief Scientist                                 | 80–85                 | –                   | –                   | 115 / 120             |
| Terrence Collis | Director of<br>Communications                   | 105–110               | 10–15               | –                   | 95–100                |
| Chris Hitchen   | Director of Finance,<br>Procurement & IT        | 90–95                 | 10–15               | –                   | 80–85                 |
| Lynne Bywater   | Director of Human<br>Resources                  | 70–75                 | –                   | –                   | 70–75                 |
| Charles Milne   | Director, FSA<br>Scotland                       | 90–95                 | –                   | –                   | 90–95                 |
| Gerry McCurdy   | Director, FSA<br>Northern Ireland               | 80–85                 | –                   | –                   | 80–85                 |
| Steve McGrath   | Director of<br>Operations (to<br>August 2010)   | –                     | –                   | –                   | 120–125               |
| Andrew Rhodes   | Director of<br>Operations (from<br>August 2010) | 120–125               | 10–15               | –                   | 85–90                 |
| Alison Gleadle  | Director of Food<br>Safety Group                | 95–100                | –                   | –                   | 85–90                 |
| Rod Ainsworth   | Director of Legal                               | 110–115               | –                   | –                   | 110–115               |

|  | 2011/12 | 2010/11 |
|--|---------|---------|
| Band of Highest Paid Director's Total Remuneration | 200-205 | 205-210 |
| Median Total Remuneration                          | 32      | 30      |
| Ratio  | 6.63    | 6.79    |

**Food Standards Agency Board**

| Bands                      |                                  | 2011/12               |                     | 2010/11               |                     |
|----------------------------|----------------------------------|-----------------------|---------------------|-----------------------|---------------------|
|                            |                                  | Total<br>Remuneration | Benefits<br>in Kind | Total<br>Remuneration | Benefits<br>in Kind |
|                            |                                  | £5,000<br>(£000)      | £1,000<br>(£000)    | £5,000<br>(£000)      | £1,000<br>(£000)    |
| Lord Jeff Rooker           | Chair                            | 50–55                 | 0.6                 | 50–55                 | 0.6                 |
| Dr Ian Reynolds*           | Deputy Chair<br>(to 19 May 2011) | 60–65                 | 0.2                 | 40–45                 | 1.4                 |
| Professor Graeme Millar    | (to 28 February 2011)            | –                     | –                   | 20–25                 | 1.5                 |
| John W Spence              |                                  | 25–30                 | 1.6                 | 20–25                 | 1.6                 |
| Maureen Edmondson          | (to 31 August 2010)              | –                     | –                   | 10–15                 | 2.2                 |
| Tim Bennett                |                                  | 15–20                 | 5.1                 | 10–15                 | 2.2                 |
| Michael Parker CBE         |                                  | 10–15                 | 0.2                 | 10–15                 | –                   |
| Chris Pomfret              | (to 31 March 2011)               | –                     | 0.4                 | 10–15                 | 2.6                 |
| Nancy Robson               |                                  | 10–15                 | 7.1                 | 10–15                 | 5.1                 |
| Clive Grundy               |                                  | 10–15                 | 1.3                 | 10–15                 | 1.1                 |
| Margaret Gilmore           |                                  | 10–15                 | 1.5                 | 10–15                 | 2.0                 |
| Professor Sue Atkinson CBE |                                  | 10–15                 | –                   | 10–15                 | –                   |
| Dr. David Cameron          | (to 31 August 2011)              | 10–15                 | 2.0                 | 15–20                 | 5.4                 |
| Dr. Henrietta Campbell CB  | (from 1 September 2010)          | 20–25                 | 4.2                 | 10–15                 | 1.5                 |
| Dr. James Wildgoose        | (from 1 March 2011)              | 20–25                 | 5.1                 | 5–10                  | 0.3                 |

\* Dr Ian Reynolds left under agreed terms on the 19 May 2011. He received a commuted contractual payment of £56,318.

*Remuneration*

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

*Bonuses*

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



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

### *Benefits in Kind*

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

### *(b) Pension benefits*

## **Executive Management Board**

|                  |   | 2011/12                            |   |  |                       |                         |                       |
|------------------|---|------------------------------------|---|--|-----------------------|-------------------------|-----------------------|
|                  |   | Real increase in Pension at age 60 | Total accrued Pension at age 60 31 March 2012 | Total accrued lump sum at age 60 31 March 2012 | CETV at 31 March 2012 | CETV at 31 March 2011** | Real increase in CETV |
| Bands            |   | £2,500 (£'000)                     | £5,000 (£'000)                                | £5,000 (£'000)                                 | (£'000)               | (£'000)                 | (£'000)               |
| Tim Smith        | Chief Executive                           | 2.5–5                              | 15–20   | –  | 192                   | 139                     | 35                    |
| Steve Wearne     | Director, FSA Wales                       | (0–2.5)                            | 25–30   | 75–80  | 393                   | 364                     | (3)                   |
| Andrew Wadge     | Chief Scientist                           | 5–7.5                              | 40–45   | 130–135  | 867                   | 685                     | 12                    |
| Terrence Collis* | Director of Communications                | 0–2.5                              | 5–10  | –  | 178                   | 138                     | 26                    |
| Chris Hitchen    | Director of Finance, Procurement & IT     | 0–2.5                              | 0–5   | –  | 25                    | 13                      | 7                     |
| Lynne Bywater    | Director of Human Resources               | 0–2.5                              | 5–10  | –  | 57                    | 42                      | 11                    |
| Charles Milne    | Director, FSA Scotland                    | (0–2.5)                            | 30–35   | 95–100   | 556                   | 516                     | (8)                   |
| Gerry McCurdy    | Director, FSA Northern Ireland            | (0–2.5)                            | 35–40   | 110–115  | 830                   | 783                     | (20)                  |
| Steve McGrath    | Director of Operations (to August 2010)   |                                    |   |  |                       |                         |                       |
| Andrew Rhodes*   | Director of Operations (from August 2010) | 2.5–5                              | 10–15   | –  | 112                   | 81                      | 21                    |
| Alison Gleadle   | Director of Food Safety Group             | 0–2.5                              | 20–25   | 60–65  | 322                   | 277                     | 21                    |
| Rod Ainsworth    | Director of Legal                         | 0–2.5                              | 0–5   | –  | 49                    | 24                      | 20                    |

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

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

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

## Food Standards Agency Board

|                            |                               | 2011/12  |   |                       |                        |                       |
|----------------------------|-------------------------------|--|---|-----------------------|------------------------|-----------------------|
|                            |                               | Accrued pension and related lump sum at age 60 31 March 2012 | Real increase in pension and related lump sum at age 60 31 March 2012 | CETV at 31 March 2012 | CETV at 31 March 2011* | Real increase in CETV |
| Bands                      |                               | £5,000 (£'000)   | £2,500 (£'000)  | (£'000)               | (£'000)                | (£'000)               |
| Lord Jeff Rooker           | Chair                         |  |   |                       |                        |                       |
| Dr Ian Reynolds            | Deputy Chair (to 19 May 2011) | 0-5  | 0-2.5   | 86                    | 84                     | 1                     |
| Professor Graeme Millar    | (to 28 February 2011)         |  |   |                       |                        |                       |
| John W Spence              |                               | 0-5  | 0-2.5   | 42                    | 30                     | 9                     |
| Maureen Edmondson          | (to 31 August 2010)           |  |   |                       |                        |                       |
| Tim Bennett                |                               |  |   |                       |                        |                       |
| Michael Parker CBE         |                               |  |   |                       |                        |                       |
| Chris Pomfret              | (to 31 March 2011)            |  |   |                       |                        |                       |
| Nancy Robson               |                               |  |   |                       |                        |                       |
| Clive Grundy               |                               |  |   |                       |                        |                       |
| Margaret Gilmore           |                               |  |   |                       |                        |                       |
| Professor Sue Atkinson CBE |                               |  |   |                       |                        |                       |
| Dr. David Cameron          | (to 31 August 2011)           |  |   |                       |                        |                       |
| Dr. Henrietta Campbell CB  | (from 1 September 2010)       |  |   |                       |                        |                       |
| Dr. James Wildgoose        | (from 1 March 2011)           |  |   |                       |                        |                       |

## Notes

1. The actuarial factors used to calculate CETVs have been changed since 31/03/11. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year end's report which was calculated using the previous factors.
2. The closing CETV quoted in respect of Ian Reynolds is to his date of leaving 19/5/11.

|                            |                               | 2010/11  |   |                       |                       |                       |
|----------------------------|-------------------------------|--|---|-----------------------|-----------------------|-----------------------|
|                            |                               | Accrued pension and related lump sum at age 60 31 March 2011 | Real increase in pension and related lump sum at age 60 31 March 2011 | CETV at 31 March 2011 | CETV at 31 March 2010 | Real increase in CETV |
| Bands                      |                               | £5,000 (£'000)   | £2,500 (£'000)  | (£'000)               | (£'000)               | (£'000)               |
| Lord Jeff Rooker           | Chair                         | –  | –   | –                     | –                     | –                     |
| Dr Ian Reynolds            | Deputy Chair (to 19 May 2011) | 0–5  | 0–2.5   | 87                    | 65                    | 13                    |
| Professor Graeme Millar    | (to 28 February 2011)         | 0–5  | 0–2.5   | 42                    | 34                    | 5                     |
| John W Spence              |                               | 0–5  | 0–2.5   | 32                    | 23                    | 6                     |
| Maureen Edmondson          | (to 31 August 2010)           | –  | –   | –                     | –                     | –                     |
| Tim Bennett                |                               | –  | –   | –                     | –                     | –                     |
| Michael Parker CBE         |                               | –  | –   | –                     | –                     | –                     |
| Chris Pomfret              | (to 31 March 2011)            | –  | –   | –                     | –                     | –                     |
| Nancy Robson               |                               | –  | –   | –                     | –                     | –                     |
| Clive Grundy               |                               | –  | –   | –                     | –                     | –                     |
| Margaret Gilmore           |                               | –  | –   | –                     | –                     | –                     |
| Professor Sue Atkinson CBE |                               | –  | –   | –                     | –                     | –                     |
| Dr. David Cameron          |                               | –  | –   | –                     | –                     | –                     |
| Dr. Henrietta Campbell CB  | (from 1 September 2010)       | –  | –   | –                     | –                     | –                     |
| Dr. James Wildgoose        | (from 1 March 2011)           | –  | –   | –                     | –                     | –                     |

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

### *Civil Service Pensions*

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

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

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

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

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

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

### *Cash Equivalent Transfer Values*

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

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

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

#### *Real Increase in CETV*

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

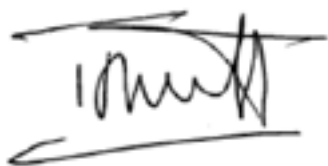
#### *Pay Multiples*

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 2011/12 was £200-205k (2010/11, £205-210k). This was 6.63 times (2010/11, 6.79) the median remuneration of the workforce, which was £32k (2010/11, £30k).

Remuneration ranged from £10k to £123k (2010/11 £10-£160k).

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



*Tim J Smith*  
Chief Executive and Accounting Officer  
9 July 2012

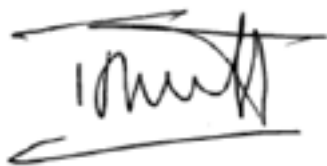
## Statement of Accounting Officer's responsibilities

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.



Tim J Smith  
Chief Executive and Accounting Officer  
9 July 2012

## The Governance Statement

The Food Standards Agency (FSA) is an independent non-ministerial government department and as such does not have the board structure of a conventional ministerial government department. The Food Standards Agency governance structure was created under the Food Standards Act 1999<sup>13</sup> and functions in line with the Corporate Governance Code.

### Governance of the Food Standards Agency

The FSA is an independent non-ministerial government department set up by an Act of Parliament in 1999 to protect the public's health and consumer interests in relation to food. The FSA is accountable to Parliament through health ministers, and to the devolved administrations in Scotland, Wales and Northern Ireland for its activities within their areas.

Rather than led directly by ministers, the FSA is led by a non-executive Board, recruited through open competition. Under the Food Standards Act 1999, the FSA Board is responsible for the overall strategic direction of the FSA, ensuring that it fulfils its legal obligations so that its decisions or actions take proper account of scientific advice, the interests of the consumer and other relevant factors. The Chief Executive, as the Accounting Officer, and his Executive Management Board are responsible for the delivery of that strategy and the FSA's resources, both financial and people.

The FSA Board holds its decision-making meetings in public. As part of its policy of openness of decision making, the agendas, papers and minutes of public Board meetings are accessible through the FSA website. The Board takes its decisions in accordance with its *Strategic Plan to 2015*<sup>14</sup>. The six outcomes the FSA aims to deliver are:

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

### Composition of the FSA Board

As directed by the Corporate Governance Code, the FSA Board comprises a Chair, Deputy Chair and between eight and twelve other members, of whom:

- one is appointed by the Minister for Health and Social Services in Wales;
- one is appointed by the Minister for Health, Social Services and Public Safety in Northern Ireland;
- two are appointed by the Minister for Public Health in Scotland;

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<sup>13</sup> <http://www.legislation.gov.uk/ukpga/1999/28/contents>

<sup>14</sup> <http://www.food.gov.uk/aboutus/publications/busreps/strategicplan/>



- the remainder are appointed by the Secretary of State for Health in England.

As required by the Corporate Governance Code, Board members are required to act in the public interest, not to represent particular sectors. All appointments to the Board are overseen by the Office of the Commissioner for Public Appointments. The Board is supported by a dedicated Secretariat.

There were six scheduled Board meetings that took place in the financial year 2011/12 (May, July, September, November 2011 and January, March 2012). There was one Board Retreat (October 2011). Attendance at these sessions averaged at 96% over the year. Copies of the Board's attendance records and its register of interests are published on the FSA website <http://www.food.gov.uk/aboutus/ourboard/boardmem/>.

The standing orders and code of conduct for Board members can be found on the FSA website <http://www.food.gov.uk/aboutus/ourboard/wayboardworks/>.

### Food advisory committees

The FSA has a food advisory committee (FAC) in each of the devolved countries. FACs were established under the Food Standards Act 1999 to give advice or information to the Board on matters connected with the FSA's functions, particularly such matters affecting or relating to their countries. Each committee is chaired by the Board member for that country and has between six and eight members appointed through open competition. The FSA takes the advice of the advisory committees into account when carrying out its functions or advising ministers. Since the FSA has responsibility for nutrition as well as food safety in the Scotland and Northern Ireland those FACs continue to cover this issue in their advice to the Board. The FACs are committed to acting in an open and transparent way and will publish the advice they provide to the FSA on food policy and its implementation.

### Committees of the FSA Board

The Board has three committees.

- **Audit** – The Audit Committee provides assurance that all aspects of the FSA's policies, procedures, internal controls and governance are effective and appropriate to deliver the FSA's statutory responsibilities and strategic objectives. Its terms of reference can be found on the FSA website at <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/auditcommittee/>
- **Risk** – The Risk Committee is responsible for assuring the Board that all aspects of the FSA's risk management policies and procedures are effective and appropriate. Its terms of reference can be found on the FSA website <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/riskcommittee/>
- **Succession and Development** – The Succession and Development Committee advises on all matters relating to the recruitment of the Chair, Deputy Chair and Board Members. It is also responsible for the recruitment and selection procedures for new appointments to the Board and the food advisory committees and the effective induction and development of Board members. Its terms of reference can be found on the FSA website <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/riskcommittee/>

Each committee reports to the FSA Board in open session on an annual basis. In May 2012 the report from the Chair of the Audit Committee included a summary of the assurance levels given to various groups after internal audit findings and noted that the Annual Report and Accounts

2010/11 were unqualified by NAO and produced in line with Treasury's faster closing timetable.

The Chair of the Risk Committee reported in May 2012. This included updates on the progress made in year: implementation of a new risk management policy, supporting guidance and regular updates with the Chief Executive and other directors to ensure emerging risks are well managed.

The report from the Succession and Development Committee in January 2012 noted the appointment of new Board members and the implementation of a new Board Member appraisal system, introduced as part of the Agency's cost saving drive.

The latest annual reports of Committees can be found on our website at the following links:

Annual Report from the Chair of the Audit Committee – May 2012  
<http://www.food.gov.uk/multimedia/pdfs/board/fsa120510.pdf>

Annual Report from the Chair of the Risk Committee – May 2012  
<http://www.food.gov.uk/multimedia/pdfs/board/fsa120509.pdf>

Annual Report from the Chair of the Succession and Development Committee – January 2012  
<http://www.food.gov.uk/multimedia/pdfs/board/fsa120109.pdf>

### **The FSA Board's performance**

As the FSA Board takes all its policy decisions in the open and the meetings are webcast live with papers published before the meetings, this allows for full scrutiny of the Board's actions. The FSA Board also holds a live question and answer session immediately after each open meeting, where it can be held to account for its decisions by the public. In 2011 an internal review of the Board's working practices was undertaken and its objectives were to:

- ensure that the Board is appropriately supported by the Executive of the FSA to protect public health from risk that may arise in connection with the consumption of food, and otherwise protect the interests of UK consumers in relation to food;
- ensure that effective and clear governance arrangements are in place within the FSA;
- ensure that there is a high level of openness and transparency in internal working relationships between the Board and the Executive of the FSA;
- strengthen the level of trust necessary to ensure good working relationships between the Board and the Executive of the FSA.

### **Executive Management Board**

The Executive Management Board (EMB) supports the Chief Executive, who is the FSA's Accounting Officer, in ensuring the effective corporate governance of the FSA, and in particular:

- to provide a senior forum at official level for discussion of strategic policy issues, especially those that cross-internal organisation boundaries;
- to ensure and oversee the effective implementation of the strategy set by the Board;
- to provide, where necessary, a forum for corporate decision-making at official level within the policies/strategies agreed by the Board;
- to address strategic management issues including:

- arrangements for managing and reviewing business risks;
  - business planning and review systems;
  - the maintenance of effective financial control;
  - resource allocation;
  - the consideration of internal audit reports where these raise issues of general concern;
  - pay and personnel management strategy;
  - IT strategy;
- to help ensure that the Chief Executive and Directors receive proper feedback on the views of staff.

Membership of the EMB includes a suitably qualified finance director, with separate directors having responsibility for audit and risk respectively.

### **Executive Management Board's performance**

In 2012 the Chief Executive initiated an internal Capability Review of the FSA. The effectiveness of the EMB in delivering the strategic objectives of the FSA and ensuring resources are correctly accounted for and allocated will be considered as part of the review.

In addition to the FSA Annual Report and the Chief Scientist's Annual Report in 2011 EMB agreed the FSA Operations Group should also publish an annual report. This was published in November 2011 and further demonstrates the FSA's commitment to openness, transparency and external scrutiny of its performance.

### **Head of Internal Audit's opinion on the FSA's systems of governance, management and risk control**

Based on the results of the audit work completed during the year and his understanding of the Agency's control environment, the Head of Internal Audit's opinion was that the FSA had effective systems of governance, management and risk control. This assessment is supported by the following evidence:

- A revised risk management policy and related procedures have been implemented. This has improved the visibility and communication to the Board of risks faced by the agency as a whole and how well they are being managed.
- Implementation of a revised Corporate Strategy and integrated business planning and budgeting process with regular performance reports to EMB and the FSA Board.
- There were regular performance management meetings between the CE and individual directors
- There were no significant control issues arising from internal audit or external assurance reports presented to the Audit Committee during the year.
- An increased proportion of internal audit reports were classified as "substantial", the highest rating for audit purposes. There was also a significant reduction in the number of audit recommendations where management action was reported as overdue.
- Improved controls in relation to the tendering, award of contracts and procurement processes have been reported to the Audit Committee.

- Improved financial forecasting processes brought about by restructuring of the Finance function have also been reported to the Audit Committee. This has improved transparency and management control in relation to spending forecasts.
- New contracts and delivery arrangements for official controls and IT services aimed at improving efficiency and effectiveness of key agency activities have been implemented.

### Finance and the Agency's use of resources

At the start of the financial year directors receive a budget delegation from the Accounting Officer. As part of this, directors agree to operate an adequate system of internal controls, 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 within their division. In completing the assurance statement for their areas of work, directors will look at the scope of responsibility, the capacity to handle risk, review of the effectiveness of the controls in place and whether there are any internal control problems.

On a monthly basis, finance business partners work with groups, divisions and branches to monitor expenditure and produce accurate financial forecasts. Detailed financial results are reported to the Executive Management Board on a monthly basis and are a standing item for discussion and decision.

Directors attend quarterly reviews with me as the Accounting Officer and performance is monitored against budgets, previous forecasts and business plans.

### FSA risk management framework and the capacity to manage risk

The FSA Risk Management Policy forms part of the internal control and governance arrangements for the organisation and is based on elements of HMT guidelines (the 'Orange book') and ISO 31000 (the new international standard on risk management). Its purpose is to provide reasonable assurance to the FSA Board and the Executive Management Board that risks to achieving business objectives are being effectively controlled and that all involved are clear as to their roles and responsibilities.

The FSA Executive Management Board has incorporated risk management and internal controls into the organisation's approach to business planning. Risk owners formally review risks at least once a quarter ahead of a Risk Committee meeting which in turn reports to the FSA Board through an annual report.

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

The Agency also sits on the Treasury led Risk Improvement Group, which meets once a quarter and shares good practice and lessons learned in other departments. The FSA approach to risk management is being implemented across the organisation. The main processes in place for identifying, evaluating and managing risks are:

- **High level risks:** these are identified and defined in a risk register and are monitored quarterly by the Executive Management Board. Each risk is owned by a Director who is responsible for implementing countermeasures and contingencies to manage the likelihood and/or impact of the risk.
- **Group level risks:** these are identified and defined in a risk register and are monitored regularly by directors and their senior management teams. Directors are accountable for

risk management within their groups and, where appropriate, for escalating risks to the high level risk register.

- **Major project risks:** these are identified and defined in a risk register and are monitored by project teams. The FSA adopts PRINCE 2 project management methodology for IT and other major projects.

### Escalation and de-escalation of risk

The FSA's effective risk management process ensures that risks are dealt with at the appropriate level, this being done via escalation and de-escalation of risks between risk registers. Escalation is the mechanism to ensure that more senior colleagues are involved when needed, i.e. the ability to manage the risk in question is effectively beyond your control. Whilst de-escalation simply reverses the process, with a decision being taken that a risk can now be managed at a lower level and that the intervention of more senior colleagues is not required anymore.

### Current high level risk register

At the end of the financial year, the principal risks on the FSA's High Level Risk Register based on their RAG status were:

- the Olympics;
- local authorities;
- public health;
- meat charging;
- meat controls.

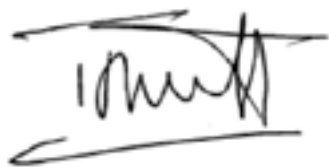
Of these, preparing for the Olympics, potential resource issues for local authorities enforcing food and feed legislation and the creation of Public Health England are the most immediate on our radar and effective contingencies and countermeasures have been put in place to mitigate against the threat escalating.

### Summary of major issues relating to data security

The following issues relating to data security have arisen this year.

- There has been a leak investigation into how the Aberdeen Press & Journal obtained information contained in a personal letter written by a senior member of the FSA Board. The paper published details of the letter, which were then subsequently picked up by a number of other papers. A Cabinet Office leak investigator was appointed and despite exhaustive attempts we did not identify the perpetrator of the leak and the investigation has now been officially closed.
- In June 2011, the loss of an individual's personal data was reported to the Information Commissioners Office (ICO). The ICO case worker has reviewed the circumstances surrounding the loss and has decided to take no further action. The ICO caseworker commented that he was impressed with the amount of awareness and training the FSA is carrying out on information security and data protection.
- A leak investigation into unauthorised disclosure of legally privileged information to an independent body has so far failed to identify the source. A number of issues and recommendations are being addressed.

The FSA continues to give importance to data security. A dedicated team is in place to review and implement policies to mitigate the risk of any loss of information.

A handwritten signature in black ink, appearing to read 'Tim J Smith', enclosed within a rectangular box.

*Tim J Smith*

Chief Executive and Accounting Officer

9 July 2012

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Food Standards Agency (Consolidated) for the year ended 31 March 2012 under the Food Standards Act 1999. 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 Food Standards Act 1999. 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. 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 2012 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 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Food Standards Act 1999 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 Food Standards Act 1999; and
- the information given in the Director's Report, Details of Board Members and Directors and Management Commentary 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

11 July 2012



## Summary of Resource and Capital Outturn 2011/12

## Net Cash Requirement 2011/12

Figures in the areas outlined in bold are voted totals.

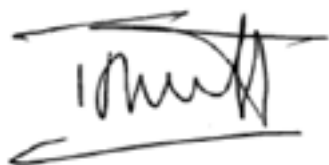
Explanations of variances between Estimate and outturn are given in Note 3 and in the Management Commentary.

## Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

|   |      | 2011/12<br>£000 |               |                 | 2010/11<br>£000 |
|---|------|-----------------|---------------|-----------------|-----------------|
|   | Note | Staff Costs     | Other Costs   | Income          |                 |
| <b>Administration Costs:</b>  |      |                 |               |                 |                 |
| Staff costs   | 6    | 30,353          | –             | –               | 32,694          |
| Other administration costs  | 7    | –               | 21,023        | –               | 25,531          |
| Operating income  | 10   | –               | –             | (4,665)         | (3,403)         |
| <b>Programme Costs</b>  |      |                 |               |                 |                 |
| Staff Costs   | 6    | 51,877          | –             | –               | 53,290          |
| Past Service Cost Credit  | 17   | –               |               |                 | (17,075)        |
| Other costs   | 8    | –               | 48,219        | –               | 42,323          |
| Income  | 10   | –               | –             | (37,153)        | (43,471)        |
| <b>Totals</b>   |      | <b>82,230</b>   | <b>69,242</b> | <b>(41,818)</b> | <b>89,889</b>   |
| <b>Net Operating Cost for the year ended 31 March 2012</b>              |      |                 |               | <b>109,654</b>  | <b>89,889</b>   |
| Total expenditure   |      |                 |               | 151,472         | 136,763         |
| Total income  |      |                 |               | (41,818)        | (46,874)        |
| <b>Net Operating Cost for the year ended 31 March 2012</b>              |      |                 |               | <b>109,654</b>  | <b>89,889</b>   |
| <b>Other Comprehensive Net Expenditure</b>                              |      |                 |               |                 |                 |
| Actuarial (gain)/loss   |      |                 |               | 29,745          | (42,744)        |
| <b>Total comprehensive expenditure for the year ended 31 March 2012</b> |      |                 |               | <b>139,399</b>  | <b>47,145</b>   |

All income and expenditure are derived from continuing operations.



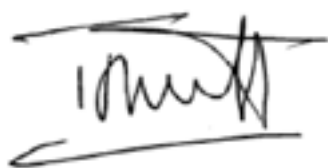
Tim J Smith  
Chief Executive  
Food Standards Agency

9 July 2012

## Consolidated Statement of Financial Position

as at 31 March 2012

| £'000  |       | 2011/12<br>£000 | 2010/11<br>£000 |
|--|-------|-----------------|-----------------|
|  | Notes |                 |                 |
| <b>Non-current assets</b>  |       |                 |                 |
| Property, plant and equipment                                      | 11    | 1,480           | 1,772           |
| Intangible assets  | 12    | 1,020           | 859             |
| <b>Total non-current assets</b>                                    |       | <b>2,500</b>    | <b>2,631</b>    |
| <b>Current assets</b>  |       |                 |                 |
| Trade and other receivables  | 14    | 5,298           | 5,529           |
| Other current assets   | 14    | 7,794           | 7,601           |
| Cash and cash equivalents  | 15    | 3,223           | 9,429           |
| <b>Total current assets</b>  |       | <b>16,315</b>   | <b>22,559</b>   |
| <b>Total assets</b>  |       | <b>18,815</b>   | <b>25,190</b>   |
| <b>Current Liabilities</b>   |       |                 |                 |
| Trade and other payables   | 16    | (3,761)         | (4,438)         |
| Provisions   | 17    | (1,134)         | (1,592)         |
| Other Liabilities  | 16    | (18,862)        | (23,557)        |
| <b>Total current liabilities</b>                                   |       | <b>(23,757)</b> | <b>(29,587)</b> |
| <b>Non-current assets plus/less net current assets/liabilities</b> |       | <b>(4,942)</b>  | <b>(4,397)</b>  |
| <b>Non-current liabilities</b>                                     |       |                 |                 |
| Pension provisions   | 17    | (75,697)        | (46,479)        |
| Other provisions   | 17    | (5,747)         | (3,999)         |
| Other payables   | 16    | (11,001)        | (15,475)        |
| <b>Total non-current liabilities</b>                               |       | <b>(92,445)</b> | <b>(65,953)</b> |
| <b>Total Assets less liabilities</b>                               |       | <b>(97,387)</b> | <b>(70,350)</b> |
| <b>Taxpayers' equity and other reserves</b>                        |       |                 |                 |
| General fund   |       | (97,387)        | (70,350)        |
| <b>Total taxpayers' equity</b>                                     |       | <b>(97,387)</b> | <b>(70,350)</b> |



Tim J Smith  
Chief Executive  
Food Standards Agency

9 July 2012

## Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

|  | Note | General Fund     | Total Reserves   |
|--|------|------------------|------------------|
|  |      | £000             | £000             |
| <b>Balance at 1 April 2010</b>                         |      | <b>(134,105)</b> | <b>(134,105)</b> |
| <b>Changes in taxpayers' equity for 2010/11</b>        |      |                  |                  |
| Actuarial gain/(loss)                                  |      | 42,744           | 42,744           |
| Non-cash charges – auditors remuneration               |      | 117              | 117              |
| Net operating cost for the year                        |      | (89,889)         | (89,889)         |
| Adjustment for MoG changes to current liabilities      |      | (1,402)          | (1,402)          |
| <b>Total recognised income and expense for 2010/11</b> |      | <b>(48,430)</b>  | <b>(48,430)</b>  |
| Net Parliamentary Funding – drawdown                   |      | 114,847          | 114,847          |
| Net Parliamentary Funding – deemed                     |      | 8,169            | 8,169            |
| Supply payable/(receivable) adjustment                 |      | (10,831)         | (10,831)         |
|  |      | 112,185          | 112,185          |
| <b>Balance at 31 March 2011</b>                        |      | <b>(70,350)</b>  | <b>(70,350)</b>  |
| <b>Balance at 1 April 2011</b>                         |      | <b>(70,350)</b>  | <b>(70,350)</b>  |
| <b>Changes in taxpayers' equity for 2011/12</b>        |      |                  |                  |
| Actuarial gain/(loss)                                  |      | (29,745)         | (29,745)         |
| Non-cash charges – auditors' remuneration              | 7    | 78               | 78               |
| Net operating cost for the year                        |      | (109,654)        | (109,654)        |
| Adjustment for MoG changes to current liabilities      |      | –                | –                |
| <b>Total recognised income and expense for 2011/12</b> |      | <b>(139,321)</b> | <b>(139,321)</b> |
| Net Parliamentary Funding – drawdown                   |      | 104,677          | 104,677          |
| Net Parliamentary Funding – deemed                     |      | 10,831           | 10,831           |
| Supply payable/(receivable) adjustment                 |      | (3,224)          | (3,224)          |
|  |      | 112,284          | 112,284          |
| <b>Balance at 31st March 2012</b>                      |      | <b>(97,387)</b>  | <b>(97,387)</b>  |

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.

## Consolidated Statement of Cash Flows

For the year ended 31 March 2012

|   |        | 2011/12<br>£000  | 2010/11<br>£000  |
|---|--------|------------------|------------------|
| <b>Cash flows from operating activities</b>   |        |                  |                  |
| Net operating cost  | 3      | (109,654)        | (89,889)         |
| Adjustment for non-cash transactions  | 7 & 17 | 8,957            | 8,782            |
| Less movements relating to items not passing through the Statement of Comprehensive Net Expenditure   | 16     | 7,608            | (2,288)          |
| (Increase)/Decrease in trade and other receivables  | 14     | 38               | 1,793            |
| Increase/(Decrease) in trade and other payables   | 16     | (9,846)          | (10,285)         |
| Use of provisions   | 17     | (4,605)          | (911)            |
| Provisions not required written back  | 17     | (584)            | (17,156)         |
| Cash contribution to pension deficit  | 17     | (1,660)          | (1,707)          |
| <b>Net cash outflow from operating activities</b>   |        | <b>(109,746)</b> | <b>(111,661)</b> |
| <b>Cash flows from investing activities</b>   |        |                  |                  |
| Purchase of property, plant and equipment   | 11     | (470)            | (97)             |
| Purchase of intangible assets   | 12     | (667)            | (53)             |
| <b>Net cash outflow from investing activities</b>   |        | <b>(1,137)</b>   | <b>(150)</b>     |
| <b>Cash flows from financing activities</b>   |        |                  |                  |
| From the UK Consolidated Fund (Supply)  |        | 88,323           | 91,712           |
| From Northern Ireland Assembly  |        | 7,955            | 9,173            |
| From Scottish Parliament  |        | 6,166            | 10,109           |
| From National Assembly for Wales  |        | 2,233            | 3,479            |
| <b>Net Financing</b>  |        | <b>104,677</b>   | <b>114,473</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>  |        |                  |                  |
|   |        | (6,206)          | 2,662            |
| Receipts due to the Consolidated Fund which are outside the scope of the Department's activities  |        | –                | –                |
| Payments of amounts due to the Consolidated Fund  |        | –                | –                |
| Adjustment to cash and cash equivalents in relation to MoG changes  |        | –                | (1,402)          |
|   |        | <b>(6,206)</b>   | <b>1,260</b>     |
| <b>Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b> |        |                  |                  |
| Cash and cash equivalents at the beginning of the period  | 15     | 9,429            | 8,169            |
| Cash and cash equivalents at the end of the period  | 15     | 3,223            | 9,429            |
|   |        | <b>(6,206)</b>   | <b>1,260</b>     |

## Notes to the accounts

### 1 Statement of Accounting Policies

#### 1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2011/12 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 Consolidated Statement of Financial Position at 31st March 2012 shows a negative taxpayers' equity of £97,387,000 (2010/11:£70,350,000). This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund, Northern Ireland Consolidated Fund and direct funding received from the Scottish Parliament and the National Assembly for Wales. 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 that 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 accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2012/13 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention.

#### 1.3 Basis of Consolidation

These accounts comprise the consolidation of the core FSA (Westminster funded) and results from the FSA devolved offices in Scotland, Northern Ireland and Wales. These are funded directly by the Scottish Parliament, Northern Ireland Assembly and National Assembly for Wales respectively. The Westminster funded FSA, Food Standards Agency in Northern Ireland each produce and publish their own annual accounts. The FSA also prepares accounts for its activities which are funded by the Scottish Parliament and the National assembly for Wales.

## 1.4 Non-Current Assets

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

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

Under IAS 16, 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.

## 1.5 Property, Plant and Equipment

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

The FSA does not currently own any land or buildings.

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

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

## 1.6 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.

## 1.7 Depreciation and Amortisation

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

|   | 2011/12                                     | 2010/11                                     |
|---|---|---|
| Property, plant and equipment           |   |   |
| Computer servers and computer equipment | 4 years                                     | 4 years                                     |
| Office machinery                        | 7 years                                     | 7 years                                     |
| Furniture, fixtures and fittings        | 7 years                                     | 7 years                                     |
| Vehicles                                | 4 years                                     | 4 years                                     |
| Intangible assets:                      |   |   |
| Computer software and software licences | Life of licence or 7 years if in perpetuity | Life of licence or 7 years if in perpetuity |

## **1.8 Inventories**

FSA does not hold any inventories.

## **1.9 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 the criteria specified in the FReM which is adapted from 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.

## **1.10 Operating Income**

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

Income from meat 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 or inspection time recorded by staff. However, with effect from 28 September 2009, time costs were charged with discounts applied to bring the charges down to the level of the 2008/09 charges, provided that throughput and resources were unchanged. (Throughput charges are currently calculated at the end of the financial year to determine if the Food Business Operators (FBOs) have paid the minimum charge required under Regulation (EC) 882/2004). The FSA made additional charges to FBOs in respect of the 2010/11 financial year in order to ensure compliance with the EU's Minimum Charge per Carcase Requirements and will continue this policy. Additional charges have been included in Note 14 as programme income relating to meat hygiene work.

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.



### 1.11 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.

### 1.12 Pensions

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

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

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

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

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

Further details about LGPS pensions can be found at the website [www.lgps.org.uk](http://www.lgps.org.uk)

The contributions to PCSPS are set out in Note 6 and the costs in relation to the LGPS scheme are in Note 18.

### 1.13 Early Departure Costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% (2010/11 2.9%) in real terms.

### 1.14 Operating Leases

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

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

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

### 1.15 Audit Costs

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

### 1.16 Value Added Tax

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

### 1.17 Provisions

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

Provisions are recognised in the accounts where;

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

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

### 1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, the Agency 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 Agency 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 amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

### 1.19 Financial Assets and Liabilities

The FSA holds the following financial assets and liabilities:

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

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

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

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

## 1.20 Website capitalisation costs

The FSA has developed an external facing website ([www.food.gov.uk](http://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 in line with International Accounting Standards (IAS) 38.57(d).

## 2 Net Outturn

### 2.1 Analysis of net resource outturn by section

| 2011 – 2012    |        |     |           |        |     |          |           |   | 2010<br>– 2011<br>Outturn |
|----------------|--------|-----|-----------|--------|-----|----------|-----------|---|---------------------------|
| Outturn        |        |     |           |        |     | Estimate |           |   |                           |
| Administration |        |     | Programme |        |     | Total    | Net Total | Net total<br>compared<br>to<br>Estimate | Total                     |
| Gross          | Income | Net | Gross     | Income | Net |          |           |   |                           |

#### WESTMINSTER

##### Spending in Departmental Expenditure Limit

Voted:

A FSA Westminster (DEL) 43,846 (4,665) 39,181 82,528 (33,568) 48,960 88,141 112,176 24,035 81,608

##### Annually Managed Expenditure

Voted:

B FSA Westminster (AME) – – – 848 – 848 848 9,953 9,105 (12,717)

|                          |        |         |        |        |          |        |        |         |        |        |
|--------------------------|--------|---------|--------|--------|----------|--------|--------|---------|--------|--------|
| <b>Westminster Total</b> | 43,846 | (4,665) | 39,181 | 83,376 | (33,568) | 49,808 | 88,989 | 122,129 | 33,140 | 68,891 |
|--------------------------|--------|---------|--------|--------|----------|--------|--------|---------|--------|--------|

#### NORTHERN IRELAND

##### Request for Resources made by FSA in NI

Central administration,  
shellfish testing, food  
surveillance, HACCP/  
Eatsafe, primary  
production, nutrition,  
milk hygiene and egg  
packing inspection and  
scientific services

2,159 – 2,159 3,617 (91) 3,526 5,685 5,899 214 5,754

Meat hygiene  
inspections and  
incident investigations  
Notional Charges

– – – 6,002 (3,494) 2,508 2,508 2,723 215 2,739  
– – – 8 – 8 8 12 4 16

|                               |       |   |       |       |         |       |       |       |     |       |
|-------------------------------|-------|---|-------|-------|---------|-------|-------|-------|-----|-------|
| <b>Northern Ireland Total</b> | 2,159 | – | 2,159 | 9,627 | (3,585) | 6,042 | 8,201 | 8,634 | 433 | 8,509 |
|-------------------------------|-------|---|-------|-------|---------|-------|-------|-------|-----|-------|

|                 |       |   |       |       |   |       |       |        |     |       |
|-----------------|-------|---|-------|-------|---|-------|-------|--------|-----|-------|
| <b>SCOTLAND</b> | 3,917 | – | 3,917 | 5,598 | – | 5,598 | 9,515 | 10,000 | 485 | 9,565 |
|-----------------|-------|---|-------|-------|---|-------|-------|--------|-----|-------|

|              |       |   |       |       |   |       |       |       |     |       |
|--------------|-------|---|-------|-------|---|-------|-------|-------|-----|-------|
| <b>WALES</b> | 1,454 | – | 1,454 | 1,495 | – | 1,495 | 2,949 | 3,242 | 293 | 2,924 |
|--------------|-------|---|-------|-------|---|-------|-------|-------|-----|-------|

|              |        |         |        |         |          |        |         |         |        |        |
|--------------|--------|---------|--------|---------|----------|--------|---------|---------|--------|--------|
| <b>TOTAL</b> | 51,376 | (4,665) | 46,711 | 100,096 | (37,153) | 62,943 | 109,654 | 144,005 | 34,351 | 89,889 |
|--------------|--------|---------|--------|---------|----------|--------|---------|---------|--------|--------|

## 2.2 Analysis of net capital outturn by section

|   | 2011 – 2012 |        |       |          |                                     | 2010<br>– 2011<br>outturn |
|---|-------------|--------|-------|----------|-------------------------------------|---------------------------|
|   | Outturn     |        |       | Estimate |                                     |                           |
|   | Gross       | Income | Net   | Net      | Net total compared<br>with estimate |                           |
| <b>WESTMINSTER</b>                                |             |        |       |          |                                     |                           |
| <b>Spending in Departmental Expenditure Limit</b> |             |        |       |          |                                     |                           |
| Voted:  |             |        |       |          |                                     |                           |
| A FSA Westminster (DEL)                           | 991         | (17)   | 974   | 1,057    | 83                                  | 70                        |
| <b>Annually Managed Expenditure</b>               |             |        |       |          |                                     |                           |
| Voted:  |             |        |       |          |                                     |                           |
| B FSA Westminster (AME)                           | –           | –      | –     | –        | –                                   | –                         |
| <b>Westminster Total</b>                          | 991         | (17)   | 974   | 1,057    | 83                                  | 70                        |
| <b>NORTHERN IRELAND</b>                           | 8           | –      | 8     | 10       | 2                                   | 27                        |
| <b>SCOTLAND</b>                                   | 138         | –      | 138   | 50       | (88)                                | 51                        |
| <b>WALES</b>                                      | –           | –      | –     | –        | –                                   | –                         |
| <b>TOTAL</b>                                      | 1,137       | (17)   | 1,120 | 1,117    | (3)                                 | 148                       |

## 3 Reconciliation of outturn to net operating cost and against Administration Budget

### 3.1 Reconciliation of net resource outturn to net operating cost

|  |            |      | 2011/12<br>£000<br>Outturn | 2010/11<br>£000<br>Outturn |
|--|------------|------|----------------------------|----------------------------|
|  | Budget     | Note |                            |                            |
| Total resource outturn in<br>Statement of Parliamentary Supply               |            | 2    | 109,654                    | 89,889                     |
|  | Non-Budget |      | –                          | –                          |
| <b>Net Operating Costs in Statement<br/>of Comprehensive Net Expenditure</b> |            |      | <b>109,654</b>             | <b>89,889</b>              |

### 3.2 Outturn against final Administration Budget and Administration net operating cost

|  | 2011/12<br>£000 | 2010/11<br>£000 |
|--|-----------------|-----------------|
| Estimate – Administration costs limit                      | 53,276          | 59,917          |
| Outturn – Gross Administration Costs                       | 51,376          | 58,225          |
| Outturn – Gross Income relating to<br>administration costs | (4,665)         | (3,403)         |
| <b>Administration Net Operating Costs</b>                  | <b>46,711</b>   | <b>54,822</b>   |

The saving against estimate of £6.6m is mainly due to the one-off credit from the lease adjustment in relation to Aviation House (Note 7).

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

|  | 2011/12<br>£000 | 2010/11<br>£000 |
|--|-----------------|-----------------|
| Net cash requirement   | (110,883)       | (111,811)       |
| From the Consolidated Fund (Supply)                                | 104,677         | 114,473         |
| Adjustment to cash and cash equivalents in relation to MoG changes | –               | (1,402)         |
| Increase/(decrease) in cash held                                   | (6,206)         | 1,260           |
| Add – Increase/(decrease) in cash held by arms length bodies       | –               | –               |
| <b>Net Increase/(decrease) in cash held</b>                        | <b>(6,206)</b>  | <b>1,260</b>    |

#### 5 Income payable to the Consolidated Fund

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

#### 6 Staff numbers and related costs

Staff costs comprise:

##### A Administration costs

|   |               |               |                 |               | 2011/12<br>£000     | 2010/11<br>£000 |
|---|---------------|---------------|-----------------|---------------|---------------------|-----------------|
|   |               |               | FSA Westminster |               | Devolved<br>Offices | Total           |
|   | Total         | Staff         | Board           | Sub-Total     |                     |                 |
| Wages and salaries  | 22,672        | 18,565        | 222             | 18,787        | 3,885               | 23,490          |
| Social security costs                                       | 1,905         | 1,579         | 19              | 1,598         | 307                 | 1,919           |
| Other pension costs   | 4,284         | 3,558         | –               | 3,558         | 726                 | 4,462           |
| IAS19 Board Pension past service cost credit (Note 17.1.2)* | –             | –             | –               | –             | –                   | (81)            |
| <b>Sub total</b>  | <b>28,861</b> | <b>23,702</b> | <b>241</b>      | <b>23,943</b> | <b>4,918</b>        | <b>29,790</b>   |
| Inward secondments  | 11            | –             | –               | –             | 11                  | 37              |
| Agency Staff  | 1,481         | 1,396         | –               | 1,396         | 85                  | 2,867           |
| <b>Total</b>  | <b>30,353</b> | <b>25,098</b> | <b>241</b>      | <b>25,339</b> | <b>5,014</b>        | <b>32,694</b>   |
| Less recoveries in respect of outward secondments           | (41)          | (41)          | –               | (41)          | –                   | 0               |
| <b>Total net costs</b>                                      | <b>30,312</b> | <b>25,057</b> | <b>241</b>      | <b>25,298</b> | <b>5,014</b>        | <b>32,694</b>   |

No salary costs have been capitalised.

**B Programme costs**

|   | 2011/12<br>£000 | 2010/11<br>£000 |
|---|-----------------|-----------------|
| Wages and salaries                                | 23,000          | 24,065          |
| Social security costs                             | 1,826           | 1,868           |
| Other pension costs                               | 1,057           | 1,295           |
| LGPS pension scheme costs                         | 2,636           | 3,982           |
| Agency Staff                                      | 86              | 57              |
| Contract inspectors and veterinary costs          | 23,272          | 22,023          |
| <b>Total</b>                                      | <b>51,877</b>   | <b>53,290</b>   |
| Less recoveries in respect of outward secondments | –               | –               |
| <b>Total</b>                                      | <b>51,877</b>   | <b>53,290</b>   |
| IAS19 LPS past service cost credit (Note 17.2.2)* | 0               | (17,075)        |
| <b>Total net costs</b>                            | <b>51,877</b>   | <b>36,215</b>   |

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

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

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

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

**C Principal Civil Service Pension Scheme**

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

For 2011/12, employer's contributions of £5.5m (2010/11 £6.1m) 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 2011/12. 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 £27,479 (2010/11 £30,730) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. The FSA as an employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,538 (2010/11 £2,347), 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.

#### Reporting of Civil Service compensation scheme

| Exit Package cost band        | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|-------------------------------|-----------------------------------|-----------------------------------|--|
| < £10,000                     | –                                 | 2                                 | 2  |
| £10,000–£25,000               | 1                                 | 4                                 | 5  |
| £25,000–£50,000               | –                                 | 9                                 | 9  |
| £50,000–£100,000              | –                                 | 4                                 | 4  |
| £100,000–£150,000             | –                                 | –                                 | –  |
| £150,000–£200,000             | –                                 | –                                 | –  |
| £200,000 and above            | –                                 | –                                 | –  |
| Total number of exit packages | 1                                 | 19                                | 20   |
| Total resource cost £         | 20,942                            | 685,032                           | 705,974                                    |

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

There were 2 early retirements on ill health grounds in 2011/12 resulting in a total cost of £13,547. In 2010/11 there were 4 early retirements on ill health grounds costing £0.5m

#### **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 2012, contributions of £2.5m (2010/11 £2.6m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2012, this rate was 18.2% (2010/11 17.9%) of pensionable remuneration.

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

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



On the basis of the full actuarial valuation the FSA Fund deficit was £23.1m (March 2007 £27.6m). The Agency agreed to increase the funding to the scheme, payable for 20 years. For 2012/13 £1.7m will be paid.

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

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £75.0m as at 31 March 2012 compared with a calculated deficit of £45.9m as at 31 March 2011. 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 2012/13 to be £2.5m.

## **E Average number of persons employed and cost**

The average number of whole-time equivalent persons employed during the year 2010/11 was as follows. These figures include those working in the FSA (including senior management) as included within the consolidated departmental resource account.

|                                    | <b>Average number of persons employed</b> |                | <b>Staff costs</b> |                |
|------------------------------------|---|----------------|--------------------|----------------|
|                                    | <b>2011/12</b>                            | <b>2010/11</b> | <b>2011/12</b>     | <b>2010/11</b> |
| Westminster – permanent staff      | 1,216                                     | 1,276          | 52,180             | 55,738         |
| Westminster – temporary staff      | 484                                       | 512            | 24,754             | 24,860         |
| Board                              | 12  | 12             | 241                | 261            |
| Devolved Offices – permanent staff | 124                                       | 139            | 4,929              | 5,207          |
| Devolved Offices – temporary staff | 1   | 4              | 85                 | 88             |
| <b>Total</b>                       | <b>1,837</b>                              | <b>1,943</b>   | <b>82,189</b>      | <b>86,154</b>  |

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

## 7 Other Administration Costs

|   | 2011/12<br>£000 | 2010/11<br>£000 |
|---|-----------------|-----------------|
| Rentals under operating leases*                   | 3,907           | 6,974           |
| <b>Non-cash items:</b>                            |                 |                 |
| Depreciation and impairment loss                  | 737             | 868             |
| Amortisation                                      | 502             | 477             |
| Loss on disposal of property, plant and equipment | 28              | –               |
| Auditors' remuneration and expenses**             | 78              | 117             |
| <b>Other expenditure:</b>                         |                 |                 |
| Accommodation costs                               | 5,443           | 5,783           |
| Board and staff overheads                         | 2,623           | 4,273           |
| Administration costs                              | 2,331           | 2,557           |
| IT costs***                                       | 5,197           | 4,283           |
| Committee costs                                   | 177             | 199             |
|   | <b>21,023</b>   | <b>25,531</b>   |

\* As per IAS 8 Changes in accounting estimates, the rentals under operating leases has significantly reduced in 2011/12 due to a change in the estimated long term liability in relation to the lease on Aviation House, London. The change in estimate is to reflect the liability to the break clause in March 2018 and has resulted in a one-off credit in 2011/12 of £3.695m.

\*\* Audit fee for 2011/12 was £97k including £12k for the the audit of the Consolidated Accounts. This was offset by a credit of £19k from the previous year, reducing the amount disclosed in the note to £78k.

\*\*\* For 2011/12 Central IT costs for the FSA have been recharged to the devolved offices from FSA Westminster.

## 8 Net Costs by Group

|   | 2011/12                       |                          |                          |                     | 2010/11                  |
|---|-------------------------------|--------------------------|--------------------------|---------------------|--------------------------|
|   | Administration<br>Expenditure | Programme<br>Expenditure | Administration<br>Income | Programme<br>Income | Net<br>operating<br>cost |
|   | £000                          | £000                     | £000                     | £000                | £000                     |
| <b>Group</b>                                |                               |                          |                          |                     |                          |
| Chief Executive                             | 1,810                         | –                        | 41                       | –                   | 1,769                    |
| Legal, International,<br>Regulation & Audit | 2,770                         | –                        | 55                       | –                   | 2,715                    |
| Chief Scientist                             | 1,935                         | 1,954                    | 18                       | –                   | 3,871                    |
| Comms, Planning, Security<br>and Estates    | 9,855                         | 1,499                    | 4,379                    | –                   | 6,975                    |
| Food Safety                                 | 7,788                         | 10,431                   | 148                      | 2,237               | 15,834                   |
| Operations                                  | 3,659                         | 65,666                   | –                        | 31,331              | 37,994                   |
| Finance, IT and Procurement                 | 11,531                        | –                        | 23                       | –                   | 11,508                   |
| Human Resources                             | 2,904                         | –                        | 1                        | –                   | 2,903                    |
| Centrally Managed                           | 1,594                         | 3,826                    | –                        | –                   | 5,420                    |
| <b>Westminster Totals</b>                   | <b>43,846</b>                 | <b>83,376</b>            | <b>4,665</b>             | <b>33,568</b>       | <b>88,989</b>            |
| <b>Devolved Authorities</b>                 |                               |                          |                          |                     |                          |
| Scotland                                    | 3,917                         | 5,598                    |                          |                     | 9,515                    |
| Wales                                       | 1,454                         | 1,495                    |                          |                     | 2,949                    |
| Northern Ireland                            | 2,159                         | 9,627                    |                          | 3,585               | 8,201                    |
| <b>Totals</b>                               | <b>51,376</b>                 | <b>100,096</b>           | <b>4,665</b>             | <b>37,153</b>       | <b>109,654</b>           |

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

Groups derive income from the following activities or services:

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

Chief Scientist – Sundry services;

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

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

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

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

Human Resources – Sundry services.

The FSA receives more than 9% of its income from DEFRA (£3,608k). This is reported in the Operations Group reporting segment.

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

## 9 Analysis of Net Operating cost by spending body

|                                  | 2011/12        |                | 2010/11       |
|----------------------------------|----------------|----------------|---------------|
|                                  | Estimate       | Outturn        | Outturn       |
|                                  |                | <b>£000</b>    | <b>£000</b>   |
| <b>Spending body:</b>            |                |                |               |
| FSA –                            |                |                |               |
| Westminster                      | 122,129        | 84,022         | 67,814        |
| Grants paid to Local Authorities |                | 4,859          | 855           |
| Grants paid to other bodies      |                | 108            | 222           |
| Northern Ireland Assembly        | 8,634          | 2,653          | 2,739         |
| Grants to local authorities      |                | 1,296          | 1,435         |
| Central Government               |                | 3,772          | 3,903         |
| Non Departmental Public Bodies   |                | 480            | 432           |
| Scottish Parliament              | 10,050         | 9,495          | 9,541         |
| Grants paid to Local Authorities |                | 20             | 24            |
| National Assembly for Wales      | 3,242          | 2,851          | 2,865         |
| Grants paid to Local Authorities |                | 98             | 59            |
| <b>Consolidated total</b>        | <b>144,055</b> | <b>109,654</b> | <b>89,889</b> |

## 10 Income

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

|  | 2011/12 |               | 2010/11 |               |
|--|---------|---------------|---------|---------------|
|  | £000    | £000          | £000    | £000          |
| All operating income is included within public expenditure |         |               |         |               |
| <b>a) FSA</b>  |         |               |         |               |
| Administration income:                                     |         |               |         |               |
| From Government Departments and others                     |         | 4,665         |         | 3,403         |
| Programme income:  |         |               |         |               |
| Milk and Dairy Hygiene – sampling                          | 16      |               | 18      |               |
| Income from Meat Hygiene inspections                       | 34,900  |               | 41,470  |               |
| Assessments and consultations on radioactive discharges    | 2,237   |               | 1,983   |               |
|  |         | 37,153        |         | 43,471        |
|  |         | <b>41,818</b> |         | <b>46,874</b> |

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

|  | 2011/12 |           |                       | 2010/11 |           |                       |
|--|---------|-----------|-----------------------|---------|-----------|-----------------------|
|  | £000    | £000      | £000                  | £000    | £000      | £000                  |
|  | Income  | Full Cost | Surplus/<br>(Deficit) | Income  | Full Cost | Surplus/<br>(Deficit) |
| <b>FSA</b>   |         |           |                       |         |           |                       |
| Industry   | 26,439  | 50,182    | (23,743)              | 27,482  | 56,375    | (28,893)              |
| Government   | 4,876   | 4,134     | 742                   | 10,029  | 10,508    | (479)                 |
| Income from Meat Hygiene inspections in Northern Ireland | 3,494   | 6,000     | (2,506)               | 3,828   | 6,539     | (2,711)               |
| Assessments and consultations on radioactive discharges  | 2,237   | 2,237     | –                     | 1,983   | 1,983     | –                     |
|  | 37,046  | 62,553    | (25,507)              | 43,322  | 75,405    | (32,083)              |

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

The FSA's financial objective is to recover costs fully. In relation to Hygiene Inspection charges Ministers previously agreed to an annual subsidy. However the FSA Board at the November 2009 Board meeting reiterated the expectation of moving towards full cost recovery in the coming years.

There currently remains a considerable shortfall between the costs for the FSA of delivering the meat hygiene controls and income received from Food Business Operators (FBOs) for these services. This is effectively a subsidy of approximately £23m from the FSA to the meat industry, which was received by 64% of FBOs (97% of premises that slaughter and 36% of cutting premises) across the UK in 2010/11. EU regulations provide for support from the charging system for small/rural slaughterhouses. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations. During 2011/12 the FSA revised the exchange rate calculation for EU minimum charges made relating to 2010/11 in response to Judicial Review. This resulted in a credit of £449k to FBOs.

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). With effect from 2011/12 some of the charges which were invoiced to Defra, associated with requirements for cattle over 30 months old, became the responsibility of the FSA. There has been a budget transfer of approximately £4m from Defra to the FSA to take account of this.

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

## 11 Property, plant and equipment

|   | Fixtures<br>and Fittings<br>£000 | Office<br>Equipment<br>£000 | Computer<br>Equipment<br>£000 | Motor<br>Vehicles<br>£000 | Consolidated<br>Total<br>£000 |
|---|----------------------------------|-----------------------------|-------------------------------|---------------------------|-------------------------------|
| <b>Cost or valuation</b>                  |                                  |                             |                               |                           |                               |
| Cost as at 1 April 2011                   | 1,467                            | 927                         | 2,230                         | 52                        | 4,676                         |
| Additions                                 | 251                              |                             | 219                           |                           | 470                           |
| Disposals                                 | (220)                            | (297)                       | (877)                         | (52)                      | (1,446)                       |
| <b>At 31st March 2012</b>                 | <b>1,498</b>                     | <b>630</b>                  | <b>1,572</b>                  | <b>–</b>                  | <b>3,700</b>                  |
| <b>Depreciation</b>                       |                                  |                             |                               |                           |                               |
| Cost as at 1 April 2011                   | 664                              | 574                         | 1,622                         | 44                        | 2,904                         |
| Charged in year                           | 216                              | 106                         | 401                           | 8                         | 731                           |
| Disposals                                 | (203)                            | (288)                       | (872)                         | (52)                      | (1,415)                       |
| <b>At 31st March 2012</b>                 | <b>677</b>                       | <b>392</b>                  | <b>1,151</b>                  | <b>–</b>                  | <b>2,220</b>                  |
| <b>Carrying amount at 31st March 2012</b> | <b>821</b>                       | <b>238</b>                  | <b>421</b>                    | <b>–</b>                  | <b>1,480</b>                  |
| <b>Net book value at 31st March 2011</b>  | <b>803</b>                       | <b>353</b>                  | <b>608</b>                    | <b>8</b>                  | <b>1,772</b>                  |
| <b>Asset financing</b>                    |                                  |                             |                               |                           |                               |
| Owned                                     | 821                              | 238                         | 421                           | –                         | 1,480                         |
| Finance leased                            | –                                | –                           | –                             | –                         | –                             |
| On balance sheet PFI contracts            | –                                | –                           | –                             | –                         | –                             |
| <b>Carrying amount at 31st March 2012</b> | <b>821</b>                       | <b>238</b>                  | <b>421</b>                    | <b>–</b>                  | <b>1,480</b>                  |
| <b>Asset financing</b>                    |                                  |                             |                               |                           |                               |
| Owned                                     | 803                              | 353                         | 608                           | 8                         | 1,772                         |
| Finance leased                            | –                                | –                           | –                             | –                         | –                             |
| On balance sheet PFI contracts            | –                                | –                           | –                             | –                         | –                             |
| <b>Net book value at 31 March 2011</b>    | <b>803</b>                       | <b>353</b>                  | <b>608</b>                    | <b>8</b>                  | <b>1,772</b>                  |

## 12 Intangible assets

Intangible assets comprise computer software and software licences.

|  | <b>Consolidated<br/>Purchased<br/>software<br/>licences<br/>£000</b> |
|--|--|
| <b>Cost or valuation</b>                 |  |
| Cost at 1 April 2011                     | 2,601  |
| Additions                                | 667  |
| Disposals                                | (1,244)  |
| <b>At 31st March 2012</b>                | <b>2,024</b>   |
| <b>Amortisation</b>                      |  |
| Cost at 1 April 2011                     | 1,742  |
| Charged in year                          | 503  |
| Disposals                                | (1,241)  |
| <b>At 31st March 2012</b>                | <b>1,004</b>   |
| <b>Net book value at 31st March 2012</b> | <b>1,020</b>   |
| <b>Net book value at 31st March 2011</b> | <b>859</b>   |

## 13 Financial Instruments

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

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

The FSA holds the following financial assets and liabilities:

1) Assets

- Cash and cash equivalents (Note 15)
- Trade Receivables – current (Note 14)
- Trade Receivables – non-current (Note 14)

2) Liabilities

- Trade and other payables (Note 16)
- Other payables > 1 year (Note 16)
- Provisions arising from contractual arrangements (Note 17)

The Financial Assets and Liabilities are measured at fair value which is not materially different from their carrying value.

### Liquidity risk

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

### Currency risk

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

### Credit risk

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

The maximum exposure as at 31 March 2012 is in receivables from customers disclosed in the trade receivables note (Note 18).

### Interest rate risk

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



## 14 Trade receivables and other current assets

|   | 2011/12<br>£000 | 2010/11<br>£000 |
|---|-----------------|-----------------|
| <b>Amounts falling due within one year:</b>                 |                 |                 |
| Trade receivables   | 2,398           | 2,820           |
| VAT recoverable   | 2,738           | 2,574           |
| Other receivables   | 162             | 135             |
|   | <u>5,298</u>    | <u>5,529</u>    |
| <b>Other current assets:</b>                                |                 |                 |
| Prepayments and accrued income                              | 7,794           | 7,601           |
| Amounts due from the Consolidated Fund in respect of supply | –               | –               |
|   | <u>7,794</u>    | <u>7,601</u>    |
|   | <b>13,092</b>   | <b>13,130</b>   |
| <b>Amounts falling due after more than one year:</b>        |                 |                 |
| Trade receivables   | –               | –               |
| Prepayments and accrued income                              | –               | –               |
|   | <u>0</u>        | <u>0</u>        |

### 14.1 Intra-Government Balances (Consolidated)

|   | 2011/12<br>£000                              | 2011/12<br>£000  | 2010/11<br>£000                              | 2010/11<br>£000  |
|---|--|--|--|--|
|   | Amounts<br>falling due<br>within one<br>year | Amounts<br>falling due<br>after more<br>than one<br>year | Amounts<br>falling due<br>within one<br>year | Amounts<br>falling due<br>after more<br>than one<br>year |
| Balances with other central Government bodies | 4,895  | –  | 4,512  | –  |
| Balances with local authorities               |  |  |  |  |
| Subtotal: Intra-Government balances           | <u>4,895</u>                                 | <u>–</u>   | <u>4,512</u>                                 | <u>–</u>   |
| Balances with bodies external to Government   | 8,197  |  | 8,618  | –  |
| <b>Total balances receivable at 31 March</b>  | <b>13,092</b>                                | <b>0</b>   | <b>13,130</b>                                | <b>0</b>   |

## 15 Cash and cash equivalents

|  | 2011/12<br>£000 | 2010/11<br>£000 |
|--|-----------------|-----------------|
| Balance at 1 April 2011                  | 9,429           |                 |
| Net changes in cash and cash equivalents | (6,206)         |                 |
| <b>Balance at 31 March 2012</b>          | <b>3,223</b>    |                 |

The following balances at 31 March were held at:

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| Government Banking Services       | 3,497        | 7,772        |
| Commercial banks and cash in hand | (274)        | 1,657        |
| <b>Balance at 31 March</b>        | <b>3,223</b> | <b>9,429</b> |

## 16 Trade payables and other current liabilities

|  | 2011/12<br>£000      | 2010/11<br>£000      |
|--|----------------------|----------------------|
| <b>Amounts falling due within one year</b>                                     |                      |                      |
| Bank overdraft   | –                    | –                    |
| Other taxation and social security   | 1,114                | 1,225                |
| Trade payables   | 1,845                | 2,479                |
| Other payables   | 802                  | 734                  |
|  | <u>3,761</u>         | <u>4,438</u>         |
| Other current liabilities:   |                      |                      |
| Accruals and deferred income   | 15,639               | 12,726               |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 3,223                | 10,831               |
|  | <u>18,862</u>        | <u>23,557</u>        |
|  | <u><b>22,623</b></u> | <u><b>27,995</b></u> |
| <b>Amounts falling due after more than one year</b>                            |                      |                      |
| Other payables, accruals and deferred income                                   | 11,001               | 15,475               |
|  | <u><b>11,001</b></u> | <u><b>15,475</b></u> |

## 16.1 Intra-Government Balances

|   | 2011/12<br>£000                              |  | 2010/11<br>£000                              |  |
|---|--|--|--|--|
|   | Amounts<br>falling due<br>within one<br>year | Amounts<br>falling due<br>after more<br>than one<br>year | Amounts<br>falling due<br>within one<br>year | Amounts<br>falling due<br>after more<br>than one<br>year |
| Balances with other central government bodies       | 7,076  | –  | 15,992                                       | –  |
| Balances with local authorities                     | 3,005  | –  | 541  | –  |
| Balance with NHS bodies                             | –  | –  | –  | –  |
| Balances with public corporations and trading funds | 17   | –  | 405  | –  |
| Subtotal: intra-government balances                 | <b>10,098</b>                                | <b>0</b>   | <b>16,938</b>                                | <b>0</b>   |
| Balances with bodies external to government         | 12,525                                       | 11,001   | 11,057                                       | 15,475   |
| <b>Total balances payable at 31 March</b>           | <b>22,623</b>                                | <b>11,001</b>  | <b>27,995</b>                                | <b>15,475</b>  |

## 17 Provisions for liabilities and charges

|   | FSA Board<br>Pension<br>Provision<br>£000 | LGPS<br>Pension<br>Provision<br>£000 | Total<br>£000 |
|---|---|--------------------------------------|---------------|
| Opening deficit at 1 April 2010         | 829                                       | 102,616                              | 103,445       |
| Total costs                             | 66  | 4,603                                | 4,669         |
| Past service cost credit                | (81)                                      | (17,075)                             | (17,156)      |
| Employer contributions                  | (28)                                      |                                      | (28)          |
| Deficit payment                         |   | (1,707)                              | (1,707)       |
| Actuarial gain/(loss)                   | (163)                                     | (42,581)                             | (42,744)      |
| Deficit at 1 April 2011                 | 623                                       | 45,856                               | 46,479        |
| Total service and interest costs        | 44  | 3,799                                | 3,843         |
| Employer contributions                  | (17)                                      | (2,693)                              | (2,710)       |
| Deficit payment                         |   | (1,660)                              | (1,660)       |
| Actuarial gain/(loss)                   | 44  | 29,701                               | 29,745        |
| <b>Closing deficit at 31 March 2012</b> | <b>694</b>                                | <b>75,003</b>                        | <b>75,697</b> |

**Early departure and other provisions**

|   | <b>Other</b>                 |                       |                      |   |
|---|------------------------------|-----------------------|----------------------|---|
|   | <b>Early departure costs</b> | <b>Onerous Leases</b> | <b>Dilapidations</b> | <b>Personal Injury Claims Provision</b> |
|   | <b>£000</b>                  | <b>£000</b>           | <b>£000</b>          | <b>£000</b>                             |
| Balance at 1 April 2010                 | 3,241                        | 276                   | –                    | 306                                     |
| Provided in the year                    | 2,651                        | –                     | –                    | –                                       |
| Provisions not required written back    | –                            | –                     | –                    | –                                       |
| Provisions utilised in the year         | (815)                        | –                     | –                    | (68)                                    |
| Borrowing costs (unwinding of discount) | –                            | –                     | –                    | –                                       |
| Payment to reduce deficit               | –                            | –                     | –                    | –                                       |
| Actuarial Loss/(Gain)                   | –                            | –                     | –                    | –                                       |
| Balance at 1 April 2011                 | 5,077                        | 276                   | –                    | 238                                     |
| Provided in the year                    | 2,535                        | (4)                   | 1,107                | 131                                     |
| Provisions not required written back    | (223)                        | (272)                 | –                    | (89)                                    |
| Provisions utilised in the year         | (1,249)                      | –                     | –                    | (171)                                   |
| Borrowing costs (unwinding of discount) | (475)                        | –                     | –                    | –                                       |
| Payment to reduce deficit               | –                            | –                     | –                    | –                                       |
| Actuarial Loss/(Gain)                   | –                            | –                     | –                    | –                                       |
| <b>Balance at 31st March 2012</b>       | <b>5,665</b>                 | <b>–</b>              | <b>1,107</b>         | <b>109</b>                              |

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

|                                 | <b>Early Departure Costs</b> | <b>Onerous Leases</b> | <b>Dilapidations</b> | <b>Personal Injury Claims Provisions</b> | <b>Total</b> |
|---------------------------------|------------------------------|-----------------------|----------------------|--|--------------|
|                                 | <b>£000</b>                  | <b>£000</b>           | <b>£000</b>          | <b>£000</b>                              | <b>£000</b>  |
| within one year                 | 1,025                        | –                     | –                    | 109                                      | 1,134        |
| between one and five years      | 2,591                        | –                     | –                    | –  | 2,591        |
| between five and ten years      | 1,167                        | –                     | 1,107                | –  | 2,274        |
| thereafter                      | 882                          | –                     | –                    | –  | 882          |
| <b>Balance at 31 March 2012</b> | <b>5,665</b>                 | <b>–</b>              | <b>1,107</b>         | <b>109</b>                               | <b>6,881</b> |

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.

## 17.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% (2010/11 2.9%) in real terms.

### 17.1.1 Other

A provision has been created in respect of estimated dilapidation costs for Aviation House in London. The provision has been calculated using an estimate cost of £150/m<sup>2</sup> and payable on termination of the lease.

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

### 17.1.2 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 2012 is £694,000 (2010/11 £623,000).

The disclosure includes a £10,000 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 £15,000 increase in liabilities resulting from the change to the financial assumptions and a £5,000 decrease in liabilities resulting from the change in assumed future improvements in mortality to the 2010-based principal population projections published by the Office for National Statistics.

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:

|                                 | 31 March 2012 | 31 March 2011 |
|---------------------------------|---------------|---------------|
| Inflation/Pension increase rate | 2.00%         | 2.65%         |
| Rate of increase in salaries    | 4.25%         | 4.90%         |
| Gross Discount Rate             | 4.85%         | 5.60%         |

### 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.

|                    | 31 March 2012 |            | 31 March 2011 |            |
|--------------------|---------------|------------|---------------|------------|
|                    | Males         | Females    | Males         | Females    |
| Current Pensioners | 24.0 years    | 27.3 years | 24.1 years    | 27.3 years |
| Future Pensioners  | 26.9 years    | 30.4 years | 26.5 years    | 29.9 years |

### Present value of scheme liabilities

|                         | Value at<br>31.03.2012 | Value at<br>31.03.2011 | Value at<br>31.03.2010 | Value at<br>31.03.2009 | Value at<br>31.03.2008 |
|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                         | £000                   | £000                   | £000                   | £000                   | £000                   |
| Liability in respect of |                        |                        |                        |                        |                        |
| Active members          | (42)                   | (98)                   | (164)                  | (226)                  | (164)                  |
| Deferred pensioners     | (231)                  | (207)                  | (254)                  | (182)                  | (193)                  |
| Current pensioners      | (421)                  | (318)                  | (411)                  | (189)                  | (179)                  |
|                         | (694)                  | (623)                  | (829)                  | (597)                  | (536)                  |

**Analysis of movement in scheme liability**

|  | <b>2011/12</b><br>£000 | <b>2010/11</b><br>£000 |
|--|------------------------|------------------------|
| <b>Scheme liability at 1 April</b>                   | (623)                  | (829)                  |
| <b>Movement in the year:</b>                         |                        |                        |
| Current service cost (net of employee contributions) | (8)                    | (28)                   |
| Interest cost  | (35)                   | (35)                   |
| Employee Contributions                               | (1)                    | (3)                    |
| Actuarial (Loss)/Gain                                | (44)                   | 163                    |
| Benefits paid  | 17                     | 28                     |
| Past service Cost (Note 10)                          | –                      | 81                     |
| Net individual pension transfer-in                   | –                      | –                      |
| Settlements and curtailments                         | –                      | –                      |
| <b>Scheme liability at 31 March</b>                  | (694)                  | (623)                  |

**Analysis of amount charged to operating profit**

|  | <b>Year to<br/>31 March 2012</b><br>£000 | <b>Year to<br/>31 March 2011</b><br>£000 |
|--|--|--|
| Current service cost (net of employee contributions) | (8)                                      | (28)                                     |
| Interest cost  | (35)                                     | (35)                                     |
| Past service Cost (Note 10)                          | –  | 81                                       |
| Settlements and curtailments                         | –  | –  |
|  | (43)                                     | 18                                       |

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

|   | <b>2011/12</b><br>£000 | <b>2010/11</b><br>£000 |
|---|------------------------|------------------------|
| Experience (losses)/gains arising on the scheme liabilities                                 | (34)                   | 112                    |
| Changes in financial assumptions underlying the present value of scheme liabilities         | (10)                   | 51                     |
| Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity | (44)                   | 163                    |

## History of experience gains and losses

|  | 2011/12 | 2010/11 | 2009/10 | 2008/09 | 2007/08 |
|--|---------|---------|---------|---------|---------|
| Experience (losses)/gains on scheme liabilities: |         |         |         |         |         |
| Amount (£000)                                    | (34)    | 112     | (1)     | (25)    | (12)    |
| Percentage of scheme liabilities                 | -4.9%   | 18.1%   | -0.1%   | -4.2%   | -2.3%   |

### 17.2 Provision for pension liability

**17.2.1** 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 2012, contributions of £2.6m (2010/11 £2.6m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2012, this rate was 18.2% (2010/11 17.9%) of pensionable remuneration.

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

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

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

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

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £75.0m as at 31 March 2012 compared with a calculated deficit of £45.9m as at 31 March 2011.

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 2012/13 to be £2.5m.



## Financial Assumptions

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

|                                       | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---------------------------------------|----------------------|----------------------|
| Inflation/Pension increase rate (RPI) | 3.3%                 | 3.5%                 |
| Inflation/Pension increase rate (CPI) | 2.5%                 | 2.7%                 |
| Salary Increases                      | 4.2%                 | 4.5%                 |
| Expected Return on Assets             | 5.9%                 | 6.7%                 |
| Discount Rate                         | 4.6%                 | 5.5%                 |

## Mortality

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

|                    | <b>Males</b> | <b>Females</b> |
|--------------------|--------------|----------------|
| Current Pensioners | 20.9 years   | 23.4 years     |
| Future Pensioners  | 22.9 years   | 25.3 years     |

## Movement in liabilities

|   | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|----------------------|----------------------|
|   | £000                 | £000                 |
| <b>Opening Defined Benefit Obligation</b> | 158,118              | 211,569              |
| Current service cost                      | 2,636                | 3,982                |
| Interest cost                             | 8,670                | 10,302               |
| Contributions by members                  | 912                  | 972                  |
| Actuarial losses/(gains)                  | 23,227               | (45,708)             |
| Past service Costs                        | –                    | (17,075)             |
| Losses on Curtailments                    | 83                   | 85                   |
| Estimated unfunded benefits paid          | (151)                | (147)                |
| Estimated benefits paid                   | (4,484)              | (5,862)              |
| <b>Closing Defined Benefit Obligation</b> | <u>189,011</u>       | <u>158,118</u>       |

**Movement in assets**

|  | <b>31 March 2012</b> | <b>31 March 2011</b> |
|--|----------------------|----------------------|
|  | £000                 | £000                 |
| <b>Opening Fair Value of Employer's Assets</b> | 112,262              | 108,953              |
| Expected Return on Assets                      | 7,590                | 7,165                |
| Contributions by Members                       | 912                  | 972                  |
| Contributions by Employer                      | 4,353                | 4,161                |
| Contributions in respect of Unfunded Benefits  | 151                  | 147                  |
| Actuarial gains/(losses)                       | (6,474)              | (3,127)              |
| Unfunded benefits paid                         | (151)                | (147)                |
| Benefits Paid                                  | (4,635)              | (5,862)              |
| <b>Closing Fair Value of Employer Assets</b>   | <b>114,008</b>       | <b>112,262</b>       |

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

|                                     | <b>Long term<br/>rate of return<br/>expected at<br/>31.03.2012</b> | <b>Value at<br/>31.03.2012<br/>£000</b> | <b>% at<br/>31.03.2011</b> | <b>Long term<br/>rate of return<br/>expected at<br/>31.03.2011</b> | <b>Value at<br/>31.03.2011<br/>£000</b> |
|-------------------------------------|--|---|----------------------------|--|---|
| Equities                            | 6.3%   | 83,226                                  | 69%                        | 7.4%   | 77,461                                  |
| Target return portfolio             | 4.5%   | 13,681                                  | 12%                        | 4.5%   | 13,471                                  |
| Alternative assets                  | 5.3%   | 15,961                                  | 14%                        | 6.4%   | 15,717                                  |
| Cash                                | 3.0%   | 1,140                                   | 3%                         | 3.0%   | 3,368                                   |
| Corporate bonds                     | n/a  | –                                       | 2%                         | 5.5%   | 2,245                                   |
| Market value of assets              |  | <u>114,008</u>                          |                            |  | <u>112,262</u>                          |
| Present value of scheme liabilities |  | <u>(189,011)</u>                        |                            |  | <u>(158,118)</u>                        |
| Net pension deficit                 |  | <u>(75,003)</u>                         |                            |  | <u>(45,856)</u>                         |

**17.2.2 Movement in deficit during the year**

|   | <b>2011/12</b><br>£000 | <b>2010/11</b><br>£000 |
|---|------------------------|------------------------|
| Scheme liability at 1 April                           | (45,856)               | (102,616)              |
| Current service cost                                  | (2,636)                | (3,982)                |
| Employer contributions                                | 2,693                  | 2,601                  |
| Payment of deficit                                    | 1,660                  | 1,707                  |
| Curtailments and settlements                          | (83)                   | (85)                   |
| Past service cost (Note 6)                            | –                      | 17,075                 |
| Other finance net interest charged (Note 17.2.3)      | (1,080)                | (3,137)                |
| Actuarial (loss)/gain (Note 17.2.4)                   | (29,701)               | 42,581                 |
|   | <hr/>                  | <hr/>                  |
| Scheme liability at 31 March – LGPS Pension Provision | (75,003)               | (45,856)               |

**17.2.3 Analysis of the amount charged to operating deficit**

|   | <b>2011/12</b><br>£000 | <b>2010/11</b><br>£000 |
|---|------------------------|------------------------|
| Current service costs                       | 2,636                  | 3,982                  |
| Past service cost (Note 6)                  | –                      | (17,075)               |
| Curtailment and settlements                 | 83                     | 85                     |
|   | <hr/>                  | <hr/>                  |
|   | 2,719                  | (13,008)               |
| Employer contributions to be set off        | (2,693)                | (2,601)                |
| Amount (credited)/charged to operating cost | <hr/>                  | <hr/>                  |
|   | 26                     | (15,609)               |

**Analysis of the net amount charged to operating cost**

|  | <b>2011/12</b><br>£000 | <b>2010/11</b><br>£000 |
|--|------------------------|------------------------|
| Expected return on pension scheme assets | (7,590)                | (7,165)                |
| Interest on pension scheme liabilities   | 8,670                  | 10,302                 |
| Net cost                                 | <hr/>                  | <hr/>                  |
|  | 1,080                  | 3,137                  |

**17.2.4 Analysis of amount recognised in Statement of Changes in Taxpayers' Equity**

|   | 2011/12<br>£000 | 2010/11<br>£000 |
|---|-----------------|-----------------|
| Actual return less expected return on pension scheme assets                         | (6,474)         | 336             |
| Experience gains and losses arising on the scheme liabilities                       | (33)            | 33,289          |
| Changes in financial assumptions underlying the present value of scheme liabilities | (23,194)        | 8,956           |
| Actuarial loss recognised in the Statement of Changes in Taxpayers' Equity          | (29,701)        | 42,581          |

**17.2.5 History of experience gains and losses**

|   | 2011/12  | 2010/11  | 2009/10  | 2008/09  | 2007/08 |
|---|----------|----------|----------|----------|---------|
| <b>Difference between the experience and actual return on scheme assets:</b>        |          |          |          |          |         |
| Amount (£000)   | (6,474)  | (3,127)  | 19,066   | (28,908) | (5,535) |
| Value of assets (£000)  | 114,008  | 112,262  | 108,953  | 82,805   | 99,777  |
| Percentage of scheme assets   | -5.7%    | -2.8%    | 17.5%    | -34.9%   | -5.5%   |
| <br>Experience gains/(losses) on scheme liabilities:                                |          |          |          |          |         |
| Amount (£000)   | (33)     | 36,752   | 441      | (382)    | 2,763   |
| Total present value of liabilities (£000)   | 189,011  | 158,118  | 211,569  | 127,222  | 127,767 |
| Percentage of scheme liabilities  | 0.0%     | 23.2%    | 0.2%     | 0.0%     | 2.2%    |
| <br><b>Total amount recognised in the Statement of Changes in Taxpayers' Equity</b> |          |          |          |          |         |
| Actuarial (loss)/gain (£000)  | (29,701) | 42,581   | (57,399) | (15,340) | 17,772  |
| Total present value of liabilities (£000)   | 189,011  | 158,118  | 211,569  | 127,221  | 127,767 |
| Percentage of scheme liabilities  | -15.7%   | 26.9%    | -27.1%   | -12.1%   | 13.9%   |
| Cumulative actuarial (loss)/gain (£000)   | (42,841) | (13,140) | (55,721) | 1,678    | 17,018  |

## 18 Commitments under leases

### 18.1 Operating leases

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

|   | 2011/12<br>£000 | Restated<br>2010/11<br>£000 |
|---|-----------------|-----------------------------|
| <b>Obligations under operating leases comprise:</b> |                 |                             |
| Land and buildings:                                 |                 |                             |
| Not later than one year                             | 8,235           | 7,808                       |
| Later than one year and not later than five years   | 33,917          | 31,578                      |
| Later than five years                               | 9,118           | 42,637                      |
|   | <b>51,270</b>   | <b>82,023</b>               |

Amounts above are the cash commitments to landlord including VAT. 2010/11 figures have been reinstated to reflect this.

Other:

|   |            |              |
|---|------------|--------------|
| Not later than one year                           | 240        | 629          |
| Later than one year and not later than five years | 109        | 426          |
|   | <b>349</b> | <b>1,055</b> |

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

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

|  | 2011/12<br>£000 | 2010/11<br>£000 |
|--|-----------------|-----------------|
| <b>Total future minimum lease rental income from Ofsted, MRC and GDS</b> |                 |                 |
| Land and buildings:  |                 |                 |
| Not later than one year  | 2,862           | 1,669           |
| Later than one year and not later than five years                        | 10,274          | 2,011           |
| Later than five years  | 1,229           | 946             |
|  | <b>14,365</b>   | <b>4,626</b>    |

## 19 Other financial commitments

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

|  | <b>2011/12</b> | <b>2010/11</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| <b>Not later than one year</b>                           | 8,917          | 11,038         |
| <b>Later than one year and not later than five years</b> | 2,118          | 16,872         |
| <b>Later than five years</b>                             | –              | –              |
|  | <b>11,035</b>  | <b>27,910</b>  |

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

## 20 Contingent liabilities

The Department has the following contingent liabilities:

- i There is a claim made by an ex contractor, who provided the FSA with meat inspection and veterinary staff, over payment for rest breaks. This claim has been contested but may cost approximately £140,000.
- ii There are a number of claims being made by employees and others for injuries sustained in the workplace, unfair dismissal or other issues. These cases will be defended and as yet the outcome is not known but could cost approximately £770,000. Of this total £675,000 relates to personal injury and £95,000 for employment tribunal cases. No provision has been made for these cases, however, a provision of £109,000 has been made for personal injury claims where liability has been admitted.

The total contingent liabilities is therefore £910,000 (2010/11 £2,559,000).

## 21 Related-Party Transactions

| Government Body                                  | Resource<br>expense<br>£000 | Resource<br>income<br>£000 |
|--|-----------------------------|----------------------------|
| Agri-Food & Biosciences Institute                | 349                         | –                          |
| Animal Health and Veterinary Laboratories Agency | 1,540                       | 871                        |
| Cabinet Office                                   | 95                          | –                          |
| COI  | 1,658                       | –                          |
| DEFRA  | 1,663                       | 2,341                      |
| Department Of Health                             | 2,193                       | 502                        |
| Environment Agency                               | –                           | 142                        |
| Foreign & Commonwealth Office                    | 75                          | –                          |
| Government Digital Services                      | –                           | 401                        |
| HSE  | –                           | 53                         |
| Health & Safety Laboratory                       | 56                          | –                          |
| Health Protection Agency                         | 235                         | –                          |
| London Pensions Fund Authority                   | 2,134                       | –                          |
| Medical Research Council                         | 97                          | 1,041                      |
| Ofsted   | –                           | 2,475                      |
| Treasury Solicitor                               | 545                         | –                          |
| Food & Environment Research Agency               | 1,773                       | –                          |
| C E F A S  | 5,469                       | –                          |
| Rural Payments Agency                            | 51                          | 783                        |
| Scottish Government                              | 572                         | 301                        |
| Welsh Government                                 | 367                         | 165                        |
| VMD  | –                           | 459                        |
| Department of Agriculture and Rural Development  | 6,866                       | –                          |

## 22 Entities within the Departmental Boundary

For the financial year 2011/12 the only entity within the Departmental Boundary is the Food Standards Agency. Prior to 1 April 2010 the Meat Hygiene Service (MHS) fell within the Resource Accounting boundary. For further details please refer to the 2009/10 MHS Annual Report and Accounts. As of 1 April 2010 the MHS ceased to exist and became part of the FSA.

## 23 Losses and Special Payments

The FSA made 13 special payments amounting to £161,000 in 2011/12 (2010/11: 28 payments, £86,000). The majority of the cases refer to compensation and personal injury claims. The FSA have also written off £6,000 of bad debts, all of which relate to the income from meat hygiene inspections.

An analysis by category is shown below.

|                             | <b>No of<br/>cases</b> | <b>Value<br/>£000</b> |
|-----------------------------|------------------------|-----------------------|
| Cash losses                 | 53                     | 147                   |
| Store losses                | –                      | –                     |
| Fruitless payments          | –                      | –                     |
| Constructive losses         | –                      | –                     |
| Claims waived and abandoned | 24                     | 6                     |
| Special payments            | 13                     | 161                   |
| <b>Total</b>                | <b>90</b>              | <b>314</b>            |

## 24 Capital Commitments

At 31 March 2012 there were no commitments for the purchase of capital items (31 March 2011 nil).

## 25 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.

## 26 Early adoption of IFRSs, amendments and interpretations

The FSA have not adopted any IFRS's, amendments or interpretations early.

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

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRSs, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the FSA:

- IFRS 7 Financial Instruments: Disclosures Amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which is effective for accounting periods beginning on or after 1 July 2011.
- IFRS 9 Financial Instruments A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- IFRS 13 Fair Value Measurement IFRS 13 applies when other IFRSs require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.



- IAS 1 Presentation of Financial Statements Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.
- IAS 19 Employee Benefits The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.
- IAS 32 Offsetting Financial Assets and Financial Liabilities Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the FSA.

## **Accounts Direction given by the Treasury in accordance with Paragraph 4(2) of Schedule 4 to the Food Standards Act 1999**

1. This Accounts Direction applies to the consolidated resource accounts of the Food Standards Agency in respect of the Estimate approved by the House of Commons under section 5 of the Government Resources and Accounts Act 2000;; the sums paid by the Welsh Assembly Government under section 39(3)(a) of the Food Standards Act (“the Act”); the sums paid out of the Scottish Consolidated Fund under section 39(3)(b) of the Act; and the sums appropriated by an Act of the Northern Ireland Assembly under section 39(3)(c) of the Act.
2. The Food Standards Agency shall prepare consolidated resource accounts for the year ended 31 March 2008 and all subsequent years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”) which is in force for that year.
3. The consolidated resource accounts shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. This Accounts Direction supersedes all previous Directions issued by HM Treasury.

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



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