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# **Food Standards Agency Scotland**

## **Statement of Accounts 2004-05**

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## **Statement of Accounts 2004-05**

**(For the year ended 31 March 2005)**

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## Statement of Accounting Officer's Responsibilities

1. Under the Government Resources and Accounts Act 2000, the Food Standards Agency is required to prepare resource accounts for each financial year. This is to conform with a Treasury direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Principal Accounting Officer is required to comply with the Resource Accounting Manual prepared by HM Treasury, and in particular to;
  - a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b. make judgements and estimates on a reasonable basis;
  - c. state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts; and
  - d. prepare the accounts on a going-concern basis.
5. In addition, HM Treasury has appointed an Agency Accounting Officer (Chris Lawson) to be accountable for those parts of the Department's accounts that relate to the Meat Hygiene Service resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Chief Executive's overall responsibility as Accounting Officer for the Department's accounts.
6. The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Department's assets) are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting. Under the terms of the Accounting Officer's Memorandum, the relationship between the Department's Principal Accounting Officer and the MHS Agency Accounting Officer, together with their respective responsibilities, is set out in writing.

Dr Jon Bell  
Chief Executive and Accounting Officer

11 October 2005

## Statement on Internal Control

### 1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Food Standards Agency Scotland (FSAS)'s policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This statement covers FSAS.

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

I have been appointed as Accounting Officer for FSAS (funded by the Scottish Executive) by HM Treasury.

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

- a representation at the FSA's Executive Management Board, chaired by myself, which normally meets monthly;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls in the FSAS, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit Committee, constituted in line with Treasury guidance, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSAS's main aims and objectives for 2005-2010;
- a strategic risk register incorporating risk treatment plans;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports by the executive and by internal audit on internal controls, including the risk register, to the Audit Committee;
- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority, to meet their objectives and their compliance with corporate governance responsibilities;
- workshops with FSA Heads of Divisions and Directors to consider corporate governance issues and further embed the process across the FSA; and
- a Corporate Governance page on the FSA Intranet. This includes a definition of what is meant by Corporate Governance and has links to all available guidance and instructions. It will be further developed in the light of customer feedback and new requirements.

## 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FSAS's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage the risks efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3 Capacity to handle risk

The FSAS management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year. Risk is discussed at each meeting of the Executive Management Board. Risk owners also formally review each of the risks on the Strategic Risk Register at least once a quarter and produce a written report for the Chief Executive. FSAS has a local risk register.

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.

Two risk policy statements have been issued; a framework for managing business risk which incorporates Treasury guidance, and a food risk framework which describes, for a general audience, the FSA's approach to managing food risks. A business risk handbook setting out the arrangements in place within the organisation to manage business risk, which includes the process for risk escalation and the responsibilities of individuals throughout the organisation, has been made available to all staff. A programme of training and support for the business planning process has been developed. This includes training on risk management. Work is currently underway to enhance the business planning training to include additional guidance on identifying and managing risks and corporate governance issues. Within FSAS the local risk register needs updating and regular review, and the Business Continuity Plan needs to be signed off by the management team.

In Scotland a new high level Local Risk Register supplementing that contained within the FSAS Business Plan is planned to be introduced by December 2005. This will be reviewed and updated on a monthly basis as part of the Management Information reporting process.

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice. In addition we have established cross-FSA workshops to discuss business planning issues and learn from and disseminate good practice.

## 4 The risk and control framework

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

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register. We use project management techniques based on PRINCE methodology for IT and other applications. In addition there are well defined and documented procedures (and a specific IT system) for the procurement and management of the FSA's (£25-30m) research and surveillance portfolios;
- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed. FSAS has its own local risk register, and has responsibility for managing these risks. This process is being fully embedded.

The FSA Board and Audit Committee receive regular reports on risk management. The Audit Committee's role is to advise me on whether the processes for identifying, recording, and managing the risks is sound, while the role of the FSA Board is to comment on whether the coverage of strategic risks is comprehensive.

The major risks identified to date include:

- inaccurate interpretation of available scientific evidence;
- failure to communicate effectively with stakeholder organisations and with consumers;
- failure to properly enforce food safety law;
- failure to achieve the effective co-operation of the food industry;
- failure to develop the staff and skills the FSA needs.

The Food Standards Act 1999 places an obligation on the FSA to protect public health and act in the interest of consumers.

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

Our management of risk is embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. The FSAS Director formally reviews the business plan and business risks each quarter and sign a statement to confirm this has taken place. The planning process has been fully supported through a programme of targeted support and training (including risk management) to meet the needs of different parts of the organisation.

Our risk environment involves managing risks which impact on the public. The Board of the FSA holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting. Questions may also be submitted in advance of each meeting, by e-mail. Board meetings are webcast live via our website, and the webcasts are also archived on our website as publicly available video-on-demand.

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

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the FSA to key issues of current or emerging consumer concern; comment on the FSA's strategic objectives and forward plan; and provide the FSA with feedback on the effectiveness of our policies in responding to consumer concerns.

## 5 Review of effectiveness

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

The FSAS makes stringent efforts to maintain and review the effectiveness of the system of internal control. Additional measures to strengthen controls will be incorporated if gaps are identified.

The FSAS's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

Dr Jon Bell  
Chief Executive and Accounting Officer

11 October 2005

## The Certificate and Report of the Comptroller and Auditor General to the Scottish Parliament

I certify that I have audited the financial statements on pages 9 to 17 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on pages 11 and 12.

### Respective responsibilities of the Accounting Officer and Auditor

As described on page 3 the Accounting Officer is responsible for the preparation of financial statements in accordance with the Food Standards Act 1999 and directions made thereunder by Scottish Ministers and for ensuring the regularity of financial transactions. My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the statement of accounts presents fairly those activities of the Food Standards Agency funded by the Scottish Parliament, and is properly prepared in accordance with the Food Standards Act and Scottish Ministers' directions made thereunder and whether in all material respects the expenditure has been applied to the purposes intended by Parliament and the Scottish Parliament and the financial transactions conform to the authorities which govern them. I also report if in my opinion the Food Standards Agency has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 4 to 6 reflects the Food Standards Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Food Standards Agency's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts disclosures and regularity of financial transactions included in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Food Standards Agency and Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Food Standards Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement whether caused by error or by fraud or other irregularity and that in all material respects the expenditure has been applied to the purposes intended by Parliament and the Scottish Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the statement of accounts.

**Opinion**

In my opinion:

- the statement of accounts presents fairly the summary of resource outturn, the net resource cost for the financial year, and the cash funding requirements of the Food Standards Agency's activities funded by the Scottish Parliament for the year ended 31 March 2005 and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by the Scottish Ministers; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the Scottish Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General

20 October 2005

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Schedule 1:

## Food Standards Agency – Scotland

Summary of Resource Outturn  
for the year ended 31 March 2005

	2004-05						2003-04	
	Estimate			Outturn			Net total outturn compared with Estimate saving/ (excess)	Prior year outturn
	Gross expenditure 1	A-in-A 2	NET TOTAL 3	Gross expenditure 4	A-in-A 5	NET TOTAL 6		
£000	£000	£000	£000	£000	£000	£000	£000	
<b>Resources</b>								
Request for resources	8,345	–	8,345	7,631	–	7,631	714	6,311
<b>Total resources</b>	<b>8,345</b>	<b>–</b>	<b>8,345</b>	<b>7,631</b>	<b>–</b>	<b>7,631</b>	<b>714</b>	<b>6,311</b>

## Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	2004-05 £000	2003-04 £000
<b>Net Resource Outturn</b>		<b>7,631</b>	<b>6,311</b>
<b>Accruals Adjustments:</b>			
Depreciation	3	(93)	(88)
Other non-cash items	3	(10)	(37)
Increase(+)/Decrease (–) in debtors and prepayments	6	100	(22)
Increase (–)/Decrease (+) in creditors	6	(799)	(584)
<b>Capital:</b>			
Capital expenditure		114	109
Proceeds on Disposal		–	(22)
<b>Net Cash Requirement</b>		<b>6,943</b>	<b>5,667</b>

## Reconciliation of Net Cash Requirement to funding from the Scottish Parliament

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
<b>Net cash requirement</b>	(6,943)	(5,667)
Cash brought forward	451	18
Cash funding provided directly by the Scottish Parliament	8,330	6,100
<b>Cash Carried Forward</b>	<u><b>1,838</b></u>	<u><b>451</b></u>

## Operating Cost Statement for the year ended 31 March 2005

	Note	<u>2004-05</u>		<u>2003-04</u>
		£000	£000	£000
<b>Administration Costs</b>				
Staff Costs	2	2,102		1,791
Other Administration Costs	3	1,233		1,545
<b>Gross Administration Costs</b>		<u><b>3,335</b></u>		<u><b>3,336</b></u>
Operating Income			-	-
<b>Net Administration Costs</b>			<u><b>3,335</b></u>	<u><b>3,336</b></u>
<b>Programme Costs</b>				
Protecting & Promoting public health in relation to food	4	4,296		2,975
Less Income		-		-
<b>Total</b>			<u>4,296</u>	<u>2,975</u>
<b>Net Operating Costs</b>			<u><b>7,631</b></u>	<u><b>6,311</b></u>

The summary of Resource Outturn compares the estimates of net and gross expenditure by FSA Scotland with actual expenditure. It does not have the same function as the 'Summary of Resource Outturn', as defined by HM Treasury's Resource Accounting Manual and does not function as an expenditure control mechanism. The Specific authority of the Scottish Parliament is not required for overspends against estimate.

Dr Jon Bell  
Chief Executive and Accounting Officer

11 October 2005

## Notes to the Accounts

### 1 Accounting Policies

#### 1.1 Scope of Accounts

The Food Standards Agency (FSA) is a non-Ministerial Government Department established by the Food Standards Act 1999. The FSA has responsibility to protect public health from risks which arise in the consumption of food, and otherwise to protect the interests of consumers in relation to food throughout the UK. It's headquarters are in London and the FSA also operates in Northern Ireland, Wales and Scotland through its three devolved offices.

These financial statements report the net resource outturn, net operating costs and cash funding of the FSAS's operations. The financial statements account for the FSAS's activities in Scotland, which are funded separately by sums voted by the Scottish Parliament.

The statements do not include central overheads of the FSA, which are funded by monies voted by the Westminster Parliament and which are accounted for separately in the resource accounts of the FSA.

Separate accounts are also produced for the activities of the FSA in Wales and Northern Ireland, the activities of the Meat Hygiene Service, which is an executive agency of the FSA, and a consolidated account is also produced reporting on the activities of the FSA as a whole.

A set of accounts is also prepared for Westminster funded FSA.

#### 1.2 Basis of Preparation

These financial statements have been prepared in accordance with an Accounts Direction issued by the Scottish Ministers. This Direction is reproduced as an annex to the accounts. In accordance with the provisions of the Government Resources and Accounts Act 2000 and the Food Standards Act 1999, all of the accounts of the FSA are audited by the Comptroller and Auditor General.

#### 1.3 Accounting Convention

The accounts have been prepared under the historic cost convention to fairly present the summary of resource outturn, the net resource cost for the financial year, the capital expenditure for the year and to reconcile the net resource outturn to the sums paid out of the Consolidated Fund for Scotland for the financial year.

Subject to this requirement the accounts have been prepared on an accruals basis and in accordance with the requirements of HM Treasury's Resource Accounting Manual, insofar as it is applicable and appropriate to the agency.

#### 1.4 Basis of Funding

Funding from the Scottish Parliament is provided on a basis which is intended to meet the net cash costs for the period. The reconciliation of net resource outturn to the net cash requirement shows the adjustments necessary to the accruals based resource outturn to arrive at the cash amount which is to be funded by the Scottish Parliament.

Schedule 1 therefore reflects adjustments to account for:

- a) movements on debtors and creditors which remain unpaid as at the 31st March 2005;
- b) the cash costs of the purchase of fixed assets, rather than the charge for depreciation which is reflected in the resource outturn; and
- c) removal of non cash costs such as the audit fee, which although accounted for in the resource outturn does not require a cash payment.

Further details are provided at note 3 to these accounts.

### 1.5 Administration and Programme Expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the cost of running the FSA as identified under the administration cost-control regime.

Programme costs reflect non-administration costs including other disbursements by the FSA.

### 1.6 Pensions

FSA Scotland present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and non-contributory. FSA Scotland 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.

### 1.7 Value Added Tax

Expenditure is included net of recoverable VAT. Irrecoverable VAT is charged to the operating cost statement.

### 1.8 Change in Accounting Treatment

Desktop computers inherited by the FSA from the Department of Health and the former Ministry of Agriculture, Fisheries and Food, together with a bulk purchase of new computers, were capitalised at fair value on Vesting Day. Replacement PC purchases made in the period from Vesting Day to 31 March 2004 were expensed rather than capitalised. A change in the FSA's capitalisation treatment from 1 April 2004 now means that expenditure on computers is capitalised.

### 1.9 Depreciation and Amortisation

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

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

### 1.10 Operating Leases

Operating leases are charged to the operating cost statement on a straight-line basis over the term of the lease.

### 1.11 Audit Costs

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

### 1.12 Research & Development

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

Expenditure on research and development has been treated as an operating cost in the year in which it was incurred.

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

**2 Costs and number of staff**

a) Staff Costs consist of:

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
Wages and Salaries	1,630	1,348
Social Security Costs	123	105
Other Pension Costs	200	175
<b>Sub Total</b>	<u>1,953</u>	<u>1,628</u>
Agency Staff	149	163
<b>Total Net Costs</b>	<u><b>2,102</b></u>	<u><b>1,791</b></u>

b) The average number of whole-time equivalent persons employed by the FSA Scotland during the year 2004/05 by aim were as follows:

	<u>2004-05</u>	<u>2003-04</u>
	Total	Total
<b>Aim 1</b> Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	23	17
<b>Aim 2</b> Better food safety and standards	35	33
<b>Aim 3</b> Improved consumer choice and diet	19	15
	<u><b>77</b></u>	<u><b>65</b></u>

c) Staff Costs by aim were as follows:

	<u>2004-05</u>	<u>2003-04</u>
	Total	Total
	£000	£000
<b>Aim 1</b> Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	631	469
<b>Aim 2</b> Better food safety and standards	903	903
<b>Aim 3</b> Improved consumer choice and diet	568	419
	<u><b>2,102</b></u>	<u><b>1,791</b></u>

Staff costs by aim have been apportioned according to an estimate on the divisional staff time input to that aim in proportion to the total divisional staff time.

## d) Management Remuneration

		2004-05		Lump sum Pension at age 60 31 March 2005	Total accrued Pension at age 60 31 March 2005	CETV* at 31 March 2005	CETV at 31 March 2004	Real increase in CETV
Bands	Salaries & Other Allowances £5,000	Real increase in Pension at age 60 £2,500	£5,000	£5,000	£5,000			
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
George Paterson, Director FSA Scotland	75 – 80	0 – 2.5	10 – 15	0 – 5	73	59	13	
		2003-04		Total accrued Pension at age 60 31 March 2004		CETV* at 31 March 2004	CETV at 31 March 2003	Real increase in CETV
Bands	Salaries & Other Allowances £5,000	Real increase in Pension at age 60 £2,500	£5,000	£5,000		(£000)	(£000)	(£000)
	(£000)	(£000)	(£000)	(£000)		(£000)	(£000)	(£000)
George Paterson, Director FSA Scotland	70 – 75	0 – 2.5	0 – 5		65	48	16	

\*CETV is Cash Equivalent Transfer Value of pension entitlement

### Principle 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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pension.gov.uk](http://www.civilservice-pension.gov.uk))

For 2004-2005, employer's contributions of £200,000 were payable to the PCSPS (2003-04 £175,000) at one of four rates in the range of 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. With effect from 1 April 2005, the contribution rates were increased to between 16.2% and 24.6%.

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

### Civil Service Pensions

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefit accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk). The FSA cannot identify its share of the underlying assets and liabilities.

### 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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

## 3 Other Administration Costs

	2004-05		2003-04	
	£000	£000	£000	£000
<b>Rentals under operating leases:</b>				
Hire of Plant and machinery		1		2
Other operating leases		196		252
<b>Non-cash items:</b>				
Depreciation	93		88	
Profit on Disposal	–		(15)	
Other non cash	–		42	
Audit fees	10		10	
<b>Total non-cash items</b>		103		125
Accommodation costs		249		395
Staff overheads		477		303
Administration costs		145		262
IT costs		8		142
Committee Costs		54		64
		<b>1,233</b>		<b>1,545</b>

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

**4a) Net Programme Costs**

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
<b>Monitoring and Surveillance &amp; Publicity</b>		
Micro Food Safety	1,352	1,402
Medical and Legal	377	233
Research and development	188	420
Other Programmes	43	–
Food Safety and Education	–	74
Press and Publicity	2,268	772
Miscellaneous	68	74
	<u>4,296</u>	<u>2,975</u>

**4b) Net Programme Costs by Aim**

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
<b>Aim 1</b>		
Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	1,718	1,258
<b>Aim 2</b>		
Better food safety and standards	1,375	931
<b>Aim 3</b>		
Improved consumer choice and diet	1,203	786
	<u>4,296</u>	<u>2,975</u>

The programme costs have been apportioned according to how much was actually spent on each aim.

The FSA aims are described in more detail in the 2004 Departmental Report.

Costs have been apportioned to individual aims on a divisional basis which best reflects the resources consumed. These costs include staff costs as explained in note 2 to the accounts.

**5 Related-Party Transactions**

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

The FSAS has had a number of transactions with other government departments and other central government bodies, which are considered to be related parties.

**6 Movements in Working Capital**

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
(Decrease)/Increase in debtors and prepayments	100	(22)
Decrease/(Increase) in creditors	(799)	(584)
	<u>(699)</u>	<u>(606)</u>

The increase in creditors shown above excludes amounts issued from the Consolidated Fund for supply, but not spent in year.

**7 Debtors**

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
<b>Amounts falling due within one year:</b>		
Prepayment	54	15
VAT Debtor	74	77
Other Debtors	64	–
	<u>192</u>	<u>92</u>

**8 Creditors**

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
<b>Amounts falling due within one year</b>		
Other taxation and social security	41	3
Trade Creditors	393	261
Research Creditors	16	38
Other Creditors	19	–
Accruals	1,317	685
Amounts issued from the Consolidated Fund for supply but not spent in year	1,838	451
	<u>3,624</u>	<u>1,438</u>

**9 Advisory Committee**

In addition to the main FSA Board, the FSA has separate advisory committees to cover Scotland, Wales and Northern Ireland. The Committees act as advisory bodies to the FSA. They are chaired by Board Members and the FSA Board is required by statute to take account of their advice in its work. The Committee Members are listed below:

## Scotland – Advisory Committee Members

Michael Gibson (Chairman)  
 Professor Andrew Miller (Deputy Chairman) (until 28/02/05)  
 Professor William Reilly (until 30/09/04)  
 Ann Campbell  
 Professor Hugh Pennington (until 31/03/05)  
 Dr Marnie Sommerville (until 31/03/05)  
 Wilma Odell (until 31/03/05)  
 Ross MacDonald (until 31/03/05)  
 Professor Philip Thomas  
 William Davidson  
 Catherine Brady  
 Dr David Cameron (from 15/03/05)  
 Dr Charlotte Maltin (from 15/03/05)  
 Dr John Cowden (from 15/03/05)  
 Professor Brian Ratcliffe (from 15/03/05)  
 Moyra Burns (from 15/03/05)  
 Graeme Millar (from 10/03/05)

**10 Financial Instruments**

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

**ACCOUNTS DIRECTION BY THE SCOTTISH MINISTERS IN ACCORDANCE WITH SECTION 39(7) AND SCHEDULE 4 OF THE FOOD STANDARDS ACT 1999**

The Food Standards Agency shall report its funding and expenditure in relation to sums paid out of the Scottish Consolidated Fund in a Statement of Accounts for the year ended 31 March 2001 and subsequent financial years comprising:

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

The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure of the year and reconcile the net resource outturn to the sums paid out of the Scottish Consolidated Fund for the financial year. Subject to this requirement the statement of account shall also be prepared in accordance with the requirements of HM Treasury's Resource Accounting Manual which is in force for that financial year insofar as it is appropriate to the Agency. A separate foreword, statement of the state of affairs at 31 March of the financial year, and a statement of resources applied to objectives, recognised gains and losses and cashflows for the year then ended will not be required.

This direction shall be reproduced as an appendix to the statement of accounts.

Signed by Authority of the Scottish Ministers:

1 October 2001