

Presented pursuant to the GRA Act 2000 c.20 s.6

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# **Food Standards Agency**

## **Westminster Funded Resource Accounts**

### **2005-06**

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## **Westminster Funded Resource Accounts 2005-06**

**(For the year ended 31 March 2006)**

*Ordered by the House of Commons to be printed  
19 July 2006*

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## Annual Report

### Preparation of Accounts

The Food Standards Agency (FSA) Westminster funded Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The accounts are laid before Parliament under Section 4 of the Foods Standards Act 1999. The costs of the FSA offices in Scotland, Wales and Northern Ireland are funded through the relevant devolved authority. This funding is excluded from the Westminster funded resource accounts but included in a consolidated account published separately.

### Statutory Background

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

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

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

### Aims of the Food Standards Agency

Our Strategic Plan 2005-10 sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet and food law enforcement over a five year period. Our aim is to be trusted as the UK's most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it easier for people to choose a healthy diet.

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

- **Food Safety**  
to continue to reduce foodborne illness;  
to reduce further the risks to consumers from chemical contamination of food;
- **Eating for Health**  
To make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related disease; and
- **Choice**  
to enable consumers to make informed choices.

We are committed to three core values that govern all that we do. They are to:

- put the consumer first;
- be open and accessible; and
- be an independent voice.

### Management Commentary

#### (a) *The responsibilities of the FSA*

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

**Food Standards Agency****Resource Accounts 2005-06**

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

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

**(b) Resource spend in 2005-06**

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

	<b>2005-06</b>	
	<b>Estimate</b>	<b>Net Operating Cost</b>
	£m	£m
Westminster FSA Headquarters	110.7	102.4
Meat Hygiene Service	33.1	31.6
<b>Total Westminster Funded FSA</b>	<b>143.8</b>	<b>134.0</b>

The comparative figures for 2004-05 are shown below:

	<b>2004-05</b>	
	<b>Estimate</b>	<b>Net Operating Cost</b>
	£m	£m
Westminster FSA Headquarters	120.1	105.2
Meat Hygiene Service	31.7	30.6
<b>Total Westminster Funded FSA</b>	<b>151.8</b>	<b>135.8</b>

The net cost of the Westminster funded FSA was £134 million against available funding of £143.8 million to 31 March 2006. The FSA as a whole manages its spend over the three year Government Spending Review Period. This underspend will be carried forward, with Treasury agreement, into 2006-07 to help address future funding pressures which have already been identified. The underspend with regard to FSA Headquarters relates to certain projects, such as the Safer Food Better Business initiative and the National Diet and Nutrition Survey, proceeding slower than originally anticipated.

The net cost of the MHS was £31.6 million, up from £30.6 million in 2004-05. The MHS was able to keep within budget as a result of increased income, primarily from the Over Thirty Months Scheme (OTMS). The MHS, as an executive agency, prepares its own annual report and accounts. These accounts provide a detailed analysis of both costs and income, as well as performance against targets. The MHS annual report and accounts is available from The Stationery Office ([www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)).

**(c) Performance Reporting**

The FSA Departmental Report Spring 2005 contained the FSA's resource estimate for 2005-06 plus core tables as specified by Treasury. The 2005 FSA Departmental Report gives details of how we are making progress towards meeting published performance targets, and meeting Modernising Government requirements. Copies of these reports are also available from "The Stationery Office". The website also provides performance data for our devolved offices.

We are refining the reporting of performance against the 2005-10 Strategic Plan. However, we are continuing to report progress through our existing Service Level Agreement with the Treasury. Summary progress to date is listed below:

- **Aim 1 – Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA**
  - a. all FSA advice is published on our website;
  - b. helplines are established within 24 hours of a major food emergency; and
  - c. all open Board meetings are held in public.
- **Aim 2 – Better food safety and standards**
  - a. progress to implement the foodborne disease strategy and meet the target was reported to the Foodborne Illness Strategy Consultative Group;
  - b. provisional figures for the five main foodborne bacteria for 2004 showed levels had decreased by just under 19 per cent compared to baseline figures for 2000;
  - c. the successful implementation of the EU decision relating to the roll out of the HACCP (Hazard Analysis and Critical Control Point) programme continues. Industry training has been completed and audit undertaken with any compliance issues actioned;
  - d. an education/awareness campaign was undertaken aimed at population sectors most vulnerable to foodborne illness. The agency exhibited at 33 conferences, and has awarded 54 grants to local authorities to assist in the campaign. The FSA "Cooking Bus" has visited schools and community projects;
  - e. a strategy has been developed and implemented to reduce levels of *Campylobacter* in chickens;
  - f. surveys have shown that 30 per cent of food businesses now have a food safety management system based on HACCP principles; and
  - g. the Meat Hygiene Service is on course to deliver all of its performance targets in relation to public health protection.
- **Aim 3 – Improved consumer choice and diet**
  - a. The FSA set out to measurably improve consumer knowledge of and access to a balanced diet. The FSA undertook a survey of secondary school meals which provided impetus for the establishment of the School Food Trust;
  - b. a campaign was initiated with the aim of reducing the average salt intake by 2005-06. This target was met, and in addition the FSA set voluntary targets for salt reduction with the food industry across a wide range of foods;
  - c. the FSA undertook the Low Income, Diet and Nutrition Survey, and the full final report is due to be published towards the end of the year; and
  - d. the FSA has promoted the five a day fruit or vegetable initiative with the Department of Health. The FSA set up the [eatwell.gov.uk](http://eatwell.gov.uk) website and has focused on children, older people, and pregnant women.

### **Risks to the Organisation**

The FSA maintains a strategic risk register. The major risks impacting on the organisation are listed below:

- ensuring that the available scientific evidence is interpreted correctly;
- achieving the effective co-operation of the food industry;
- operating effectively in Europe and other international arenas;
- communicating effectively with stakeholder organisations and with consumers;
- ensuring that the FSA is an independent organisation;
- ensuring that the right risk management decisions are made;
- ensuring that enforcement is effective;
- working effectively across government;
- developing the staff and skills the FSA needs;
- ensuring the successful transition to a new FSA Chair and new Chief Executive;
- effective financial management;

- develop and maintain business continuity plans to ensure recovery of FSA business infrastructure following partial or major failure; and
- ensuring those MHS risks that have implications for the FSA's reputation are effectively managed by the MHS.

The FSA has contractual arrangements with a number of organisations, including the Department for Agriculture and Rural Development in Northern Ireland, the Central Science Laboratory, the Veterinary Laboratory Agency and a number of universities and research establishments.

### **Structure and Organisation**

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

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

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

### **The FSA Board**

During the year, the following were members of the external FSA Board:

Dame Deidre Hutton – FSA Chair (from 18 July 2005).

Sir John Krebs – FSA Chair (retired 10 April 2005).

Julia Unwin – FSA Deputy Chair (Acting Chair from 11 April – 18 July 2005).

Richard Ayre (Acting Deputy Chair from 11 April 2005 until 15 July 2005).

### **Other Board members:**

Ann Hemingway – Chair of the Welsh Food Advisory Committee (until 24 January 2006).

Michael Gibson – Chair of the Scottish Food Advisory Committee (until 24 January 2006).

Chrissie Dunn.

Maureen Edmondson – Chair of the Advisory Committee for Northern Ireland.

William Reilly – (from 1 February 2006).

Alan Gardner (Chair of the Welsh Food Advisory Committee from 24 February 2006).

Baroness Valerie Howarth of Breckland.

Iain MacDonald (until 31 May 2006).

Graeme Millar (joined the Board 1 March 2005 and Chair of the Scottish Advisory Committee from 24 January 2006).

Christopher Pomfret.

Sandra Walbran.

Nelisha Wickremasinghe.

Dr Sati Ariyanayagam (until 28 February 2006).

**FSA Management Team**

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

Dr Jon Bell – Chief Executive and Departmental Accounting Officer (retired 31 March 2006).

Pat Stewart – Deputy Chief Executive and Director of Corporate Resources.

David Statham – Director of Enforcement.

Dr Andrew Wadge – Director of Food Safety Policy.

Gill Fine – Director of Consumer Choice and Dietary Health.

Neil Martinson – Director of Communications (left 8 January 2006).

Karen Talbot – Acting Director of Communications (from 17 October 2005).

David Dunleavy – Director of Legal Services (until 5 February 2006).

Vivienne Collett – Director of Legal Services (from 6 February 2006).

Brian Davies – Human Resources Director.

Allan Hutton – Finance Director.

Alick Simmons – Veterinary Director.

Dr George Paterson – Director of FSA Scotland.

Joy Whinney – Director of FSA Wales.

Morris McAllister – Director of FSA Northern Ireland.

Chris Lawson – Chief Executive of the Meat Hygiene Service.

John Harwood was appointed as Interim Chief Executive and Accounting Officer on 3 April 2006.

Terrence Collis was appointed Director of Communications in April 2006.

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 below.

**Corporate Governance***Parliamentary Accountability*

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

*The FSA Board*

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

The FSA Board meets around 10 times per year. Many of these Board meetings are held in public, across the United Kingdom, to ensure that consumers have their say in policy decisions made by the FSA. The minutes of these Board Meetings are available on the FSA's website.

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

*Internal Controls*

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

- the FSA has an Audit Committee chaired by an independent non-executive. The Chair of the Audit Committee reports annually to the main FSA Board;
- the FSA's Internal Audit function operates in accordance with Government Internal Audit Standards. This service has been sub-contracted out to PKF on a three year contract; and
- the FSA maintains a Risk Register which is discussed regularly at FSA Board meetings.

**FSA Audit Committee**

The FSA has an Audit Committee to advise the Accounting Officer in relation to issues of risk, control, governance and associated assurance. The Chair of the Audit Committee produces an annual report to the FSA Board on the work of the Audit Committee.

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

Graeme Millar – Chair (from 25 February 2006).

Ann Hemingway – Chair (until 24 January 2006).

Chrissie Dunn – non executive member.

Richard Harbord – independent, not a member of the FSA Board.

Jon Bell – FSA Accounting Officer.

Pat Stewart – Deputy Chief Executive.

Morris McAllister – Director, FSA Northern Ireland.

The Audit Committee discussed a range of issues during the year, including:

- FSA IT back-up arrangements;
- IT systems follow up work;
- Corporate governance and control in FSA Scotland, Wales and Northern Ireland;
- Ministerial correspondence;
- FSA security review;
- Review of the replacement payroll system;
- Contracting and procurement across the FSA;
- Business continuity planning;
- Divisional management reviews; and
- Fraud management.

**Funding of the FSA**

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

**The Meat Hygiene Service**

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

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

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

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

Chrissie Dunn (Chair).

Baroness Valerie Howarth of Breckland.

Maureen Edmondson.

Richard Ayre (to the end of June 2005).

Jon Bell (to the end of March 2006).

Alick Simmons.

Celia Bennett (from July 2005).

Deryk Mead (from July 2005).

### **Staff Relations**

The FSA attaches considerable importance to securing the full involvement of all staff in its work. Staff are encouraged to use their own initiative to enhance the work of the FSA. Senior management meet formally at regular intervals with trade union representatives. The Chief Executive holds regular open meetings to which all staff are invited and encouraged to attend. "FSA Matters", an in-house newsletter, is circulated weekly to all staff. Staff also receive "FSA News", published every two months. MHS staff have their own quarterly newsletter "MHS Update".

### **Pensions**

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

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

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

The MHS has been able to identify its share of the deficit on the LGPS scheme, and this liability is recognised on the FSA's balance sheet. It is regularly reviewed by the scheme actuaries and action is being taken to reduce it.

### **Equal Opportunities**

The FSA aims to be a modern and equitable employer, and recognises and encourages the potential of a diverse workforce. The FSA is committed to equal opportunities and aims to ensure that everyone who works for or with the FSA should be treated fairly and with respect. Consequently, no employee or job applicant will be discriminated against either directly or indirectly on such grounds as race, gender, marital status, nationality, ethnicity, colour, religion, political beliefs, disability, age, sexual orientation, responsibility for dependants, working pattern or position in the organisation. The FSA operates a guaranteed interview scheme for people with disabilities (as defined by the Disability Discrimination Act 1995) who meet the minimum essential criteria for the appointment. The FSA employs 53 staff who have declared a disability.

### **Supplier Payment Policy**

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt, or the agreed contractual terms if otherwise specified. During the year in excess of 98 per cent of invoices were paid on time.

**Environmental, Social and Community Policy**

We are fully committed to conserving energy, water and other resources and reducing waste. Our HQ building, Aviation House, follows an active recycling policy. We monitor the energy efficiency of Aviation House through the building management system software. We are a member of the Holborn Business Partnership, and seek to take account of sustainability in all aspects of our work.

**Financial Instruments**

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

**Auditors**

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Government Resources and Accounts Act 2000. The audit fee for the year was £130,000. PwC undertook some non-audit work for the FSA in relation to reducing the cost of administrative burdens. The cost of this work was around £260,000 in 2005-06.

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

**Going Concern**

The FSA has significant net liabilities. The accounts, however, are prepared on a going concern basis since, as a government department, its funding is underwritten by the Treasury.

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

None.

**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;
- 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.

Service contracts for Board Members are listed below:

<i>Name</i>	<i>Start Date</i>	<i>Contract Duration</i>
Dame Deidre Hutton	18 July 2005	3 years
Julia Unwin	14 July 2003	4 years
Richard Ayre	21 February 2000	7 years
Chrissie Dunn	1 March 2003	5 years
Maureen Edmondson	1 September 2004	3 years
William Reilly	1 February 2006	3 years
Alan Gardner	24 January 2006	3 years
Baroness Valerie Howarth	21 February 2000	7 years
Iain MacDonald	1 June 2002	4 years
Graeme Millar	1 March 2005	3 years
Christopher Pomfret	21 February 2005	3 years
Sandra Walbran	1 June 2002	6 years
Nelisha Wickremasinghe	13 April 2004	3 years

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

**Food Standards Agency****Resource Accounts 2005-06****Salary and Pension Entitlements**

Full details of the remuneration and pension interests of FSA Board Members and the Executive Management Board are as follows:

*(a) Remuneration:***Executive Management Board**

Bands		2005-06				2004-05
		Salaries	Bonuses	Benefits in Kind	Total	Salaries and Other Allowances
		£000	£000	£000	£000	£000
Dr Jon Bell *	Chief Executive (retired 31 March 2006)	170-175	10-15	0	180-185	125-130
Pat Stewart	Deputy Chief Executive and Director, Corporate Resources	110-115	5-10	0.7	115-120	110-115
David Statham	Director, Enforcement	95-100	0-5	0.4	100-105	95-100
David Dunleavy	Director, Legal Services (until 5 February 2006)	90-95	0-5	0.4	90-95	95-100
Vivienne Collett	Director, Legal Services (from 6 February 2006)	5-10	0	0	5-10	n/a
Andrew Wadge	Director, Food Safety Policy	85-90	0-5	0	90-95	80-85
Brian Davies	Human Resources Director	65-70	0-5	0.6	70-75	65-70
Allan Hutton	Finance Director	60-65	0-5	0	65-70	60-65
Alick Simmons	Veterinary Director	70-75	0	0	70-75	40-45
Gill Fine	Director of Consumer Choice and Dietary Health	85-90	0	0.1	85-90	40-45
Karen Talbot	Acting Director of Communication (from 17 October 2005)	30-35	0	0	30-35	n/a
Chris Lawson	Chief Executive MHS	95-100	0-5	0	100-105	90-95

\* The remuneration figure for the year includes the payment of Dr Jon Bell's 2005-06 bonus and payment in lieu of annual leave not taken. In total this amounted to £39,000 which was paid in 2006-07.

A provision of around £204,222 has been set aside to cover Dr Jon Bell's early departure costs.

Neil Martinson (Director, Communications) from the FSA Executive Management Board has declined to give his consent to the publication of his personal details.

**Food Standards Agency Board**

Brands		2005-06		2004-05	
		Salaries	Benefits in Kind	Salaries and Other Allowances	Benefits in Kind
		(£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair (from 18 July 2005)	70-75	0.7	n/a	n/a
Prof. Sir John Krebs	Chair (retired 10 April 2005)	0-5	0	125-130	2.8
Julia Unwin	Deputy Chair	60-65	0.4	40-45	0
Richard Ayre		20-25	4.1	10-15	2.1
Ann Hemingway	(to 31 January 2006)	20-25	2.7	20-25	1.3
Michael Gibson	(to 24 January 2006)	25-30	1.6	25-30	1.4
Christine Dunn		20-25	5.6	15-20	5.6
Maureen Edmondson		25-30	5.3	15-20	3.2
William Reilly	(from 1 February 2006)	0-5	0.3	0	0
Alan Gardner		0-5	0.1	0	0
Baroness Valerie Howarth of Breckland		10-15	0.5	5-10	0.2
Iain MacDonald	(until 31 May 2006)	5-10	2.2	n/a	n/a
Graeme Millar		20-25	5.4	0-5	0.6
Christopher Pomfret		5-10	1.0	0-5	0.2
Sandra Walbran		5-10	1.9	5-10	2.6
Nelisha Wickremasinghe		5-10	2.3	10-15	3.5
Dr Sati Ariyanayagam	(to 28 February 2006)	5-10	0.2	5-10	0.2

**Food Standards Agency****Resource Accounts 2005-06****Salary**

"Salary" 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 allowances to the extent that they are subject to UK taxation.

**Benefit in Kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue 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**

		<b>2005-06</b>					
		Real increase in Pension at age 60	Total accrued Pension at age 60	Total accrued lump sum at age 60	CETV at 31 March 2006	CETV at 31 March 2005	Real Increase in CETV
Bands		(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Dr Jon Bell	Chief Executive (retired 31 March 2006)	5-7.5	60-65	185-190	1,491	1,127	126
Pat Stewart	Deputy Chief Executive and Director, Corporate Resources	2.5-5	45-50	145-150	1,152	899	61
David Statham	Director, Enforcement	2.5-5	40-45	125-130	642	449	40
David Dunleavy	Director, Legal Services (until 5 February 2006)	0-2.5	35-40	110-115	724	551	29
Vivienne Collett	Director, Legal Services (from 6 February 2006)	0-2.5	30-35	95-100	749	575	29
Andrew Wadge	Director, Food Safety Policy	0-2.5	20-25	65-70	378	260	41
Brian Davies	Human Resources Director	0-2.5	25-30	85-90	580	449	21
Allan Hutton	Finance Director	0-2.5	10-15	30-35	182	125	20
Alick Simmons	Veterinary Director	0-2.5	15-20	55-60	337	230	38
Gill Fine	Director of Consumer Choice and Dietary Health	0-2.5	0-5	0	31	8	8
Karen Talbot	Acting Director of Communication (from 17 October 2005)	0-2.5	10-15	35-40	200	142	8
Chris Lawson	Chief Executive MHS	10-15	40-45	120-125	1,018	794	68

		<b>2004-05</b>					
		Real increase in Pension at age 60	Total accrued Pension at age 60	Total accrued lump sum at age 60	CETV at 31 March 2005	CETV at 31 March 2004	Real Increase in CETV
Bands		(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Jon Bell	Chief Executive (retired 31 March 2006)	2.5-5	55-60	165-170	922	831	52
Pat Stewart	Deputy Chief Executive and Director, Corporate Resources	2.5-5	45-50	135-140	825	733	56
Andrew Wadge	Director, Food Safety Policy	0-2.5	15-20	55-60	280	248	16
David Statham	Director, Enforcement	0-2.5	35-40	115-120	613	556	22
David Dunleavy	Director, Legal Services	0-2.5	30-35	100-105	554	504	17
Brian Davies	Human Resources Director	22.5-25	25-30	80-85	432	46	382
Allan Hutton	Finance Director	0-2.5	0-5	5-10	44	30	11
Alick Simmons	Veterinary Director	2.5-5	15-20	50-55	256	202	42
Gill Fine	Director of Consumer Choice and Dietary Health	n/a	n/a	n/a	n/a	n/a	n/a
Chris Lawson	Chief Executive MHS	0-2.5	40-45	120-125	738	702	(2)

**Food Standards Agency****Resource Accounts 2005-06**

Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within the MHS Annual Accounts for the financial year 2005-06.

**Food Standards Agency Board**

		2005-06					
		Real increase in Pension at age 60	Total accrued Pension at age 60	Total accrued lump sum at age 60	CETV at 31 March 2006	CETV at 31 March 2005	Real Increase in CETV
Bands		(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair (from 18 July 2005)	0-2.5	0-2.5	0	16	0	14
Prof. Sir John Krebs	Chair (retired 10 April 2005)	0-2.5	7.5-10	20-25	154	154	0
Julia Unwin	Deputy Chair	0-2.5	0-2.5	0	23	14	8
Richard Ayre							
Ann Hemingway	(to 31 January 2006)	0-2.5	0-2.5	5-7.5	32	27	5
Michael Gibson	(to 24 January 2006)	0-2.5	0-2.5	5-7.5	29	24	4
Christine Dunn		-	-	-	-	-	-
Maureen Edmondson		-	-	-	-	-	-
William Reilly	(from 1 February 2006)	-	-	-	-	-	-
Alan Gardner		-	-	-	-	-	-
Baroness Valerie Howarth of Breckland		-	-	-	-	-	-
Iain MacDonald	(until 31 May 2006)	-	-	-	-	-	-
Graeme Millar		0-2.5	0-2.5	0	5	0	4
Christopher Pomfret		-	-	-	-	-	-
Sandra Walbran		-	-	-	-	-	-
Nelisha Wickremasinghe		-	-	-	-	-	-
Dr Sati Ariyanayagam	(to 28 February 2006)	-	-	-	-	-	-

		2004-05					
		Real increase in Pension at age 60	Total accrued Pension at age 60	Total accrued lump sum at age 60	CETV at 31 March 2005	CETV at 31 March 2004	Real Increase in CETV
Bands		(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Prof. Sir John Krebs	Chair (retired 10 April 2005)	0-2.5	5-10	20-25	85	65	20
Julia Unwin	Deputy Chair	0-2.5	0-5	0-5	12	5	7
Ann Hemingway	(to 31 January 2006)	0-2.5	0-5	0-5	22	19	3
Michael Gibson	(to 24 January 2006)	0-2.5	0-5	5-10	18	14	4
Michael Walker		0-2.5	0-5	5-10	20	15	5
Richard Ayre		-	-	-	-	-	-
Baroness Valerie Howarth of Breckland		-	-	-	-	-	-
Vernon Sankey		-	-	-	-	-	-
Sandra Walbran		-	-	-	-	-	-
Christine Dunn		-	-	-	-	-	-
Dr Sati Ariyanayagam	(to 28 February 2006)	-	-	-	-	-	-
Prof. Andrew Miller		0-2.5	0-5	0-5	9	4	5
Nelisha Wickremasinghe		-	-	-	-	-	-
Maureen Edmondson		-	-	-	-	-	-
Christopher Pomfret		-	-	-	-	-	-
Graeme Millar		0-2.5	0-5	-	-	-	-

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

CETV is Cash Equivalent Transfer Value for pension entitlement. (See note 9 for details.)

*John Harwood*  
Chief Executive and Accounting Officer

17 July 2006

## 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 Financial Reporting Manual (FReM) prepared by HM Treasury, and in particular to:
  - a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b. make judgements and estimates on a reasonable basis;
  - c. state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
  - d. prepare the accounts on a going-concern basis.
5. In addition, HM Treasury has appointed an Agency Accounting Officer (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.

*John Harwood*  
Chief Executive and Accounting Officer  
17 July 2006

## Statement on Internal Control

### 1. Scope of responsibility

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

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

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

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

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- Internal Audit arrangements, which comply with Government standards, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls in the devolved offices;
- regular reports by Internal Audit, which include an independent annual opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit Committee, constituted in line with HM Treasury 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 FSA's main aims and objectives for 2005-10;
- 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;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales, and Northern Ireland;
- assurance from the Chief Executive of the Meat Hygiene Service on internal controls and attendance at the MHS Audit and Risk Committee. The MHS publishes its own annual accounts including a statement on internal control audited by the National Audit Office. The MHS maintains its own Internal Audit service and has established an independent Audit Committee. The FSA is represented at the MHS Audit Committee and has access to all MHS internal and external audit reports; and
- a Corporate Governance page on the FSA Intranet linked to all available guidance and instructions. It is continually reviewed and updated.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage the risks efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business 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.

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.

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 as follows:

- *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 £20 million research portfolio; and
- *Local risks*: the FSA has decided that lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

The 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; and
- 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.

Heads of Divisions formally review their business plans 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 FSA carries out formal written public consultations as part of the development of policy. We also conduct stakeholder fora on key issues where we invite key stakeholders to meet and discuss differing points of view.

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

## **5. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the FSA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. This includes development of a "dashboard" management reporting system owned by the Executive Management Board. This reporting system gives an overall indication of how key performance areas are being managed, and is supported with more detailed analysis if required. The system was piloted in April 2006.

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

The FSA's Internal Audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation. These audit arrangements comply with Government Internal Audit standards. Reports produced by Internal Audit in year included a review of the replacement of the FSA's payroll system, a review of HR systems, a report on corporate governance, fraud, IT and security and the work of three key divisions—Chemical Safety Division, Meat Hygiene and Veterinary Division and Nutrition Division. The work of Internal Audit did highlight control weaknesses with regard to payroll monitoring in year. These were being addressed towards the end of the financial year.

Additional Internal Audit work was also undertaken in the FSA's devolved offices. Arrangements were generally satisfactory, with the following comments:

### *FSA Northern Ireland*

The use of Government Procurement Cards was reviewed and certification arrangements were updated. The decision by management to delay audits of local authorities was similarly investigated. A major food fraud investigation was the primary reason for the delay. The conclusions of the fraud investigation will be published once confirmed.

*FSA Scotland*

Internal Audit work identified that management had recognised local, operational risks, but that they needed to be formally documented in the risk register. The Business Continuity Plan required formal sign off, testing and regular review. Further work was required to verify the accuracy of accruals information prior to posting on to the finance system.

*FSA Wales*

The need for the Business Continuity Plan to be tested was highlighted by Internal Audit.

*John Harwood*

Chief Executive and Accounting Officer

17 July 2006

## **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 (Westminster) for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and Auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 15 to 18 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

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

**Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2006, and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

18 July 2006

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

## Food Standards Agency

## Resource Accounts 2005-06

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2005-06

		2005-06						2004-05	
		Estimate			Outturn			<i>Net Total Outturn compared with and Estimate Saving/ (Excess)</i>	<i>Prior Year Outturn</i>
	Note	<i>Gross Expenditure</i>	<i>A-in-A</i>	<i>Net Total</i>	<i>Gross Expenditure</i>	<i>A-in-A</i>	<i>Net Total</i>		
		£000	£000	£000	£000	£000	£000	£000	
Request for resources	Note								
House of Commons	2	207,312	(63,534)	143,778	177,922	(43,876)	134,046	9,732	
<b>Total resources</b>		<b>207,312</b>	<b>(63,534)</b>	<b>143,778</b>	<b>177,922</b>	<b>(43,876)</b>	<b>134,046</b>	<b>9,732</b>	
Non-operating A-in-A		-	-	-	-	(35)	(35)	35	

### Net Cash Requirement 2005-06

		2005-06			2004-05	
	Note	<i>Estimate</i>		<i>Outturn</i>	<i>Net Total Outturn compared with Estimated Saving (Excess)</i>	<i>Prior Year Outturn</i>
		£000		£000	£000	£000
<b>Net Cash Requirement</b>	4	<b>143,567</b>		<b>140,136</b>	<b>3,431</b>	120,974

### Summary of income payable to the Consolidated Fund

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

### Explanations of variances between Estimate and outturn

The resource underspend of around £9.7 million resulted from slower than expected progress with programmes such as the Safer Food Better Business (SFBB) initiative and the National Diet and Nutrition Survey (NDNS). Expenditure on Specific Risk Material (SRM) Controls was less than budget.

The main reductions from planned spend are shown below:

National diet and Nutrition Survey Delayed start to the survey due to discussions concerning possible co-funding.	£1.0 million
Specified Risk Material Controls Reduced charges by the MHS for SRM controls and other work for the FSA due to more efficient working at the MHS	£1.6 million
Safer Food Better Business Delay in starting the second tranche and slower than expected take up by local authorities.	£2.9 million
Reduced MHS net operating costs This includes beneficial changes in accounting treatment and slower than expected pension costs.	£2.6 million
Research Delay in starting some projects and the need to re-tender others due to initial bids of insufficient quality.	£1.4 million

The notes on pages 28 to 51 form part of these accounts.

**Food Standards Agency****Resource Accounts 2005-06****Operating Cost Statement**  
for the year ended 31 March 2006

	Note	2005-06					Restated* 2004-05		
		Staff Costs £000	Core Department		Staff Costs £000	Income £000	Consolidated £000	Core Department £000	Consolidated £000
			Other Costs £000	Income £000					
<b>Administration Costs</b>									
Staff Costs	9	27,556	-	-	27,556	-	-	24,578	24,578
Other administration costs	10	-	17,213	-	-	17,213	-	21,893	21,892
Operating income	13	-	-	(550)	-	-	(550)	(1,353)	(1,353)
<b>Programme Costs</b>									
<b>Request for resources</b>									
Staff Costs	9	-	-	-	50,520	-	-	-	49,750
Programme costs	11	-	60,560	-	-	82,633	-	62,415	78,712
Income	11	-	-	(2,339)	-	-	(43,326)	(2,285)	(37,785)
<b>Totals</b>		<b>27,556</b>	<b>77,773</b>	<b>(2,889)</b>	<b>78,076</b>	<b>99,846</b>	<b>(43,876)</b>	105,248	135,794
Net Operating Cost				<b>102,440</b>			<b>134,046</b>	105,248	135,794

All income and expenditure are derived from continuing operations.

\* See note 1.20 for details.

The notes on pages 28 to 51 form part of these accounts.

**Food Standards Agency****Resource Accounts 2005-06****Statement of Recognised Gains and Losses**  
for the year ended 31 March 2006

	Note	2005-06		2004-05	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Net gain on revaluation of fixed assets	22	170	173	11	11
Actuarial gain/(loss) in the pension scheme	20	–	19,643	–	(653)
<b>Total recognised gains and losses for the year</b>		<b>170</b>	<b>19,816</b>	<b>11</b>	<b>(642)</b>
MHS Prior year adjustment		–	–	–	(41,986)
<b>Total gains and losses for the financial year</b>		<b>170</b>	<b>19,816</b>	<b>11</b>	<b>(42,628)</b>

The notes on pages 28 to 51 form part of these accounts.

## Food Standards Agency

## Resource Accounts 2005-06

**Balance Sheet**  
 as at 31 March 2006

	Note	2006				Restated 2005			
		Core Department		Consolidated		Core Department		Consolidated	
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Fixed assets:</b>									
Tangible assets	14	2,922		3,654		3,771		4,410	
Intangible assets	15	674		730		591		669	
			<b>3,596</b>		<b>4,384</b>		4,361		5,079
<b>Debtor falling due after more than one year</b>	17		–		<b>48</b>		–		99
<b>Current assets:</b>									
Debtors	17	7,564		15,634		6,167		12,418	
Cash at bank and in hand	18	2,333		5,363		3,837		6,890	
		9,897		20,997		10,004		19,308	
<b>Creditors (amounts falling due within one year)</b>	19	(18,974)		(28,549)		(24,801)		(35,068)	
<b>Net current liabilities</b>			<b>(9,077)</b>		<b>(7,552)</b>		(14,797)		(15,760)
<b>Total assets less current liabilities</b>			<b>(5,481)</b>		<b>(3,120)</b>		(10,436)		(10,582)
<b>Creditors (amounts falling due after more than one year)</b>	19	(11,250)		(11,250)		(10,393)		(10,393)	
Provision for liabilities and charges	20	(667)		(1,017)		(318)		(665)	
			(11,917)		(12,267)		(10,711)		(11,058)
<b>Net liabilities excluding pension deficit</b>			<b>(17,398)</b>		<b>(15,387)</b>		(21,147)		(21,640)
<b>Pension deficit</b>			–		(27,260)		–		(45,130)
<b>Net liabilities</b>			<b>(17,398)</b>		<b>(42,647)</b>		(21,147)		(66,770)
<b>Taxpayer's equity</b>									
General fund	21		(17,764)		(43,063)		(21,463)		(67,133)
Revaluation reserve	22		366		416		316		363
			<b>(17,398)</b>		<b>(42,647)</b>		(21,147)		(66,770)

*John Harwood*  
 Chief Executive and Accounting Officer

The notes on pages 28 to 51 form part of these accounts.

**Cash Flow Statement**

for the year ended 31 March 2006

		<b>2005-06</b>	Restated 2004-05
	Note	<u>£000</u>	<u>£000</u>
Net cash outflow from operating activities	23	(138,818)	(121,307)
Capital expenditure and financial investment	23	(1,318)	(870)
Financing from the Consolidated Fund	23	138,608	124,392
Prior year adjustment	23	-	1,203
<b>Increase/(Decrease) in cash in the period</b>		<b><u>(1,528)</u></b>	<b><u>3,418</u></b>

The notes on pages 28 to 51 form part of these accounts.

**Food Standards Agency****Resource Accounts 2005-06****Consolidated Statement of Operating Costs by Departmental Aims and Objectives**  
for the year ended 31 March 2006

	<u>Gross</u>	<u>Income</u>	<b>2005-06</b>
	<u>£000</u>	<u>£000</u>	<u>Net</u>
			<u>£000</u>
<b>Aim 1</b>			
Food Safety: to continue to reduce foodborne illness; and food.	140,588	(43,611)	96,976
<b>Aim 2</b>			
Eating for Health: to make it easier for all consumers to choose a healthy diet; and thereby improve quality of life by reducing diet-related diseases.	20,073	(138)	19,935
<b>Aim 3</b>			
Choice: to enable consumers to make informed choices.	17,261	(126)	17,135
<b>Net operating costs</b>	<b><u>177,922</u></b>	<b><u>(43,875)</u></b>	<b><u>134,046</u></b>
	<u>Gross</u>	<u>Income</u>	<b>2004-05</b>
	<u>£000</u>	<u>£000</u>	<u>Net</u>
			<u>£000</u>
<b>Aim 1</b>			
Increase consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA.	15,779	(386)	15,393
<b>Aim 2</b>			
Better food safety and standards.	133,144	(38,374)	94,770
<b>Aim 3</b>			
Improve consumer choice and diet.	26,009	(378)	25,631
<b>Net operating costs</b>	<b><u>174,932</u></b>	<b><u>(39,138)</u></b>	<b><u>135,794</u></b>

The FSA aims are described in more detail in the 2005 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 9 to the accounts.

The notes on pages 28 to 51 form part of these accounts.

## Notes to the Accounts

### 1. Accounting Policies

#### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2005-06 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Food Standards Agency (FSA) are described below. They have been applied consistently in dealing with items which are considered material to the accounts. The accounting policies at the Meat Hygiene Services and Food Standards Agency are the same unless highlighted to the contrary.

#### 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks, where material, at their value to the business by reference to their current costs.

#### 1.3 Basis of Consolidation

These accounts comprise the consolidation of the core FSA (Westminster funded) and its executive agency, the Meat Hygiene Service (MHS).

Transactions between entities included in the consolidation are eliminated. The MHS produces and publishes its own annual report and accounts.

#### 1.4 Intangible Fixed Assets

Computer software licences with a purchased cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised at cost and revalued each 1 April using the Retail Price Index indices from the Office for National Statistics.

#### 1.5 Tangible Fixed Assets

Individual or grouped tangible fixed assets with a purchase cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised at cost and revalued each 1 April using the following indices from the Office for National Statistics:

- (a) The Retail Price Index for office machinery, furniture, fixtures and fittings and vehicles; and
- (b) POEK "Computers and other information processing equipment" for computer servers and computer equipment.

Fixed assets are included at cost and revalued using the above-mentioned indices.

Fixed assets which individually cost less than £2,000 are capitalised if they collectively constitute a group asset (for example computers and fixtures and fittings).

The FSA does not currently own any land or buildings.

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

**1.6 Depreciation and Amortisation**

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

Tangible assets:

Computer servers and computer equipment	4 years
Office machinery	7 years
Furniture, fixtures and fittings	7 years
Vehicles	4 years

Intangible assets:

Computer software and software licences	7 Years
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All other assets are depreciated from the month following the date of acquisition.

**1.7 Stocks and Work in Progress**

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

**1.8 Research and Development**

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

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

**1.9 Operating Income**

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

Additionally, the MHS has income from meat hygiene inspections and from government organisations (predominantly from Specified Risk Material controls).

**1.10 Administration and Programme Expenditure**

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

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

**1.11 Cost of Capital**

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

**1.12 Pensions**

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

The majority of employees of the MHS are members of the Local Government Pension Scheme, a defined scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pensions Fund Authority. Other MHS employees are members of the PCSPS.

Pension assets and liabilities attributable to MHS in the Local Government Pension Scheme are recorded in line with FRS 17, with a valuation undertaken by the Government Actuaries Department. FRS 17 measures the value of pension assets and liabilities at the balance sheet date, determines the benefits accrued in the year and the interest on assets and liabilities.

The value of benefits accrued is used to determine the pension charge in the Operating Cost Statement and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from assets valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in members, is recognised in the Statement of Recognised Gains and Losses. The resulting pension liability or asset is shown on the balance sheet.

**1.13 Early Departure Costs**

Employees and ex-employees of the Food Standards Agency are members of the Principal Civil Service Pension Scheme (PCSPS). The majority of the employees and ex-employees of the Meat Hygiene Service are members of the Local Government Pension Scheme (LGPS), with the remaining employees members of PCSPS. The contributions to PCSPS and LGPS and a description of the schemes are set out in notes 2 and 3.

The PCSPS defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS rather than the FSA. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

The LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by London Pensions 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. Following the full adoption of FRS 17, the current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged though the I&E account for the year.

**1.14 Operating Leases**

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

**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, 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.

**1.16 Value Added Tax**

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

**1.17 Provisions**

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

Provisions are recognised in the accounts where:

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

Provisions have not been discounted, as the resulting adjustment is not considered material to these accounts.

Contingencies are disclosed in the notes to the accounts unless the possibility of transfer in settlement is remote.

### **1.18 Contingent Liabilities**

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

- (i) Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental minute prior to the Department entering into the arrangement; and
- (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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

### **1.19 Financial Assets and Liabilities**

FSA holds the following financial assets and liabilities:

- (1) Assets
  - cash
  - short-term debtors and accrued income.
- (2) Liabilities
  - long-term creditors
  - short-term creditors
  - provisions arising from contractual arrangements.

Cash balances are recorded at current values. Account balances are set-off only where there is a formal agreement with the bank. 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 operating activities of FSA.

### **1.20 Prior Period Adjustment and Change of Accounting Policy**

There has been a change in accounting policy in relation to low value IT assets with held by the MHS for 2005–06, which has resulted in a prior period adjustment. MHS IT items costing under £2,000 individually are no longer capitalised as they are held in a different operating environment to the rest of the FSA and as such are considered to be consumables with no long term value.

This change in policy means that the 2004–05 comparator figures have in some instances changed from the previous years annual accounts. Fixed assets at cost have decreased by £1.2 million representing IT equipment now expensed. The corresponding accumulated depreciation has decreased by £0.5 million, reducing the charge for the year (see note 15). Retained reserves at the beginning of the period have been reduced by 0.7 million (see note 21).

## Food Standards Agency

## Resource Accounts 2005-06

## 2. Analysis of Net Resource Outturn by section

	Outturn					2005-06 Estimate		Restated 2004-05
	Admin	Other Current	Gross Resource Expenditure	A in A	Net Total	Net Total Estimate	Net Total outturn compared with Estimate/excess/(deficit)	Prior Year Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Request for resources</b>								
Westminster – Core	44,769	60,560	105,329	(2,889)	102,440	109,528	7,088	107,084
Meat Hygiene Service	–	88,246	88,246	(56,640)	31,606	34,250	2,644	30,547
<b>Total</b>	<b>44,769</b>	<b>148,806</b>	<b>193,575</b>	<b>(59,529)</b>	<b>134,046</b>	<b>143,778</b>	<b>9,732</b>	<b>137,631</b>

## Explanations of variances between Estimate and outturn

The resource underspend of around £10.5 million resulted from slower than expected progress with programmes such as the Safer Food Better Business (SFBB) initiative and the National Diet and Nutrition Survey (NDNS). Expenditure on Specific Risk Material (SRM) Controls was less than budget.

The main reductions from planned spend are shown below:

National diet and Nutrition Survey Delayed start to the survey due to discussions with DH over possible co-funding.	£1.0 million
Specified Risk Material Controls Reduced charges by the MHS for SRM controls and other work for the FSA due to more efficient working at the MHS	£1.6 million
Safer Food Better Business Delay in starting the second tranche and slower than expected take up by local authorities.	£2.9 million
Reduced MHS net operating costs This includes beneficial changes in accounting treatment and slower than expected pension costs.	£2.6 million
Research Delay in starting some projects and the need to re-tender others due to initial bids of insufficient quality.	£1.4 million

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

## (a) Reconciliation of net resource outturn to net operating cost

	2005-06			Restated 2004-05
	Outturn	Supply Estimate	Outturn compared with estimate	Outturn
	£000	£000	£000	£000
<b>Net Resource Outturn</b>	<b>134,046</b>	<b>143,778</b>	<b>9,732</b>	137,631
<b>Prior Period Adjustments</b>	–	–	–	(1,837)
<b>Net operating cost</b>	<b>134,046</b>	<b>143,778</b>	<b>9,732</b>	<b>135,794</b>

**Food Standards Agency****Resource Accounts 2005-06****(b) Outturn against final Administration Budget**

	2005-06		2004-05
	Budget	Outturn	Outturn
	£000	£000	£000
<b>Gross Administration Budget</b>	<b>55,294</b>	<b>44,769</b>	46,470
<b>Income allowable against the Administration Budget</b>	<b>(500)</b>	<b>(550)</b>	(1,353)
<b>Net outturn against final Administration Budget</b>	<b>54,794</b>	<b>44,219</b>	45,117

**4. Reconciliation of resources to net cash requirement**

	Note	2005-06		2004-05
		Estimate	Outturn	Outturn
		£000	£000	£000
Net Resource Outturn	2	143,778	134,046	137,631
Capital:				
Acquisition of fixed assets	14/15	1,597	1,353	(304)
Investments		-	-	-
Non-operating A-in-A:				
Proceeds of fixed assets disposals	14	-	(35)	(29)
Accruals adjustments:				
Non-cash items	10	(2,808)	(6,613)	(6,626)
Changes in working capital other than cash	16	1,000	8,157	(5,367)
Changes in creditors falling due after more than one year	16	-	(857)	(6,288)
Use of provision	20a	-	320	525
Cash contribution to pension deficit	23a	-	3,765	3,269
Prior year adjustments		-	-	(1,837)
<b>Net cash requirement</b>		<b>143,567</b>	<b>140,136</b>	120,974

**5. Analysis of income payable to the Consolidated Fund**

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

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

	2005-06	2004-05
	£000	£000
Operating income	43,876	39,138
Income authorised to be appropriated-in-aid	(43,876)	(39,138)
<b>Operating income payable to the Consolidate Fund</b>	<b>-</b>	<b>-</b>

**7. Non-operating income – Excess A-in-A**

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

**Food Standards Agency****Resource Accounts 2005-06****8. Non-operating income not classified as A-in-A**

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

**9. Staff numbers and related costs****A. Food Standards Agency – administration costs**

	<b>2005-06</b>			2004-05
	Total	Staff	Board	Total
	£	£	£	£
Wages and salaries	20,874,416	20,605,720	268,695	19,557,034
Social security costs	1,776,418	1,752,907	23,510	1,612,817
Other pension costs	4,122,861	3,990,773	132,087	2,786,246
<b>Sub total</b>	<b>26,773,695</b>	<b>26,349,400</b>	<b>424,292</b>	23,956,097
Inward secondments	97,368	97,367	–	249,028
Agency staff	834,946	834,945	–	577,910
<b>Total</b>	<b>27,706,009</b>	<b>27,281,712</b>	<b>424,292</b>	24,783,035
Less recoveries in respect of outward secondments	(150,440)	(150,440)	–	(205,519)
<b>Total net costs</b>	<b>27,555,569</b>	<b>27,131,272</b>	<b>424,292</b>	24,577,516

No salary costs have been capitalised.

During 2005-06 the calculation of Board members pension costs was reviewed by the Government Actuaries department, and acting on their advice the FSA have increased the provision by £122,000 from 2004-05.

**B. Meat Hygiene Service – programme costs**

	<b>2005-06</b>	2004-05
	£	£
Wages and salaries	40,324,000	40,168,000
Social security costs	3,295,000	3,159,000
Other pension costs	2,361,000	1,551,000
MHS LGPS Pension scheme service costs	3,836,000	4,484,000
Temporary staff	704,000	388,000
<b>Total</b>	<b>50,520,000</b>	49,750,000

**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 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 2005-06, employer's contributions of £7,247,000 were payable to the PCSPS (2004-05 £4,312,000) at one of four rates in the range of 16.2 to 24.6 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 were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership account, a stakeholder pension with an employer contribution. Employer's contributions of £17,341 (2004-05 £10,575) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer partnership contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £188 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.

There were no early retirements on ill-health ground in 2005-06.

Contributions due to the partnership pension providers at the balance sheet date were £1,133.

**Civil Service Pensions (CSP)**

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 lumpsum 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)

**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.

**Food Standards Agency****Resource Accounts 2005-06****D. Average number of persons employed**

The average number of whole-time equivalent persons employed during the year 2005-06 is shown in the table below. These figures include those working in the FSA and MHS (including senior management) as included within the consolidated departmental Resource account.

	Westminster	Board Members	2005-06 Total
<b>Aim 1</b>	1,856	2	1,858
Food Safety			
To continue to reduce foodborne illness			
To reduce further the risks to consumers from chemical contamination of food			
<b>Aim 2</b>	115	1	116
Eating for Health			
To make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related diseases			
<b>Aim 3</b>	137	1	138
Choice			
To enable consumers to make informed choices			
	<b>2,108</b>	<b>4</b>	<b>2,112</b>

	Westminster	Board Members	Restated 2004-05 Total
<b>Aim 1</b>	104	1	105
Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA			
<b>Aim 2</b>	1,948	2	1,950
Better food safety and standards			
<b>Aim 3</b>	132	1	133
Improved consumer choice and diet			
	<b>2,184</b>	<b>4</b>	<b>2,188</b>

The staff numbers for 2004-05 have been restated to show the full time equivalent figures.

**E. Staff Costs by Objective in 2005-06 were as follows:**

	2005-06 Westminster
<b>Aim 1</b>	66,948
Food Safety	
To continue to reduce foodborne illness	
To reduce further the risks to consumers from chemical contamination of food	
<b>Aim 2</b>	5,123
Eating for Health	
To make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related diseases	
<b>Aim 3</b>	6,005
Choice	
To enable consumers to make informed choices	
	<b>78,076</b>

**Food Standards Agency****Resource Accounts 2005-06**2004-05  
Westminster**Aim 1**

Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA

3,725

**Aim 2**

Better food safety and standards

65,889

**Aim 3**

Improved consumer choice and diet

4,713

**74,327**

## Notes:

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

Staff numbers have been apportioned according to how much time was spent on each aim.

For further details on MHS staff costs and numbers please refer to the 2005-06 MHS Annual Report and accounts.

**10. Other Administration Costs**

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases	6,012	6,012	11,194	11,194
<b>Non-cash items:</b>				
Depreciation	1,428	1,428	1,237	1,237
Amortisation	187	187	135	135
Loss on disposal of fixed assets	0	0	2	2
Cost of capital charge	(658)	(658)	(121)	(121)
Auditors' remuneration and expenses	65	65	65	65
<b>Other expenditure:</b>				
Accommodation costs	3,454	3,454	3,267	3,267
Board and staff overheads	3,508	3,508	3,034	3,034
Administration costs	2,105	2,105	2,100	2,100
IT costs	1,112	1,112	979	979
	<b>17,213</b>	<b>17,213</b>	<b>21,892</b>	<b>21,892</b>

## Notes

(a) The financial audit was subcontracted by the National Audit Office to PricewaterhouseCoopers LLP (PwC). PwC also have a contract with the FSA investigating regulatory burdens. The cost of this work was around £260,000 in 2005-06.

(b) The cost of capital charge for 2005-06 includes an adjustment in respect of 2004-05 which has increased the charge in the year.

(c) For 2005-06 IT costs for the FSA have been allocated to the devolved offices on the basis of the numbers of terminals.

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

	2005-06
	£000
FSA – Other administration costs – non cash items (as above)	1,022
Provisions provided for in year	446
<b>MHS Non-cash items:</b>	
Provision arising during the year	5,762
Loss on disposals	4
Depreciation	568
Cost of capital	(1,222)
Auditor's fees	33
	<b>6,613</b>

**Food Standards Agency****Resource Accounts 2005-06****11. Net Programme Costs**

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
<b>Research &amp; Development:</b>				
Nutrition	4,975	4,975	5,329	5,329
Microbiological Food Safety	1,555	1,555	2,019	2,019
Meat Hygiene	4,033	4,033	4,150	4,150
Chemical Safety	3,017	3,017	3,402	3,402
Novel Food & Chemical Safety Toxicology	1,174	1,174	2,654	2,654
Chemical Contaminants	836	836	872	872
Food Labelling & Standards	831	831	971	971
Radiological Safety	171	171	103	103
Animal Feedingstuff	113	113	–	–
Food Chain Safety	17	17	222	222
Miscellaneous	153	153	221	221
	<b>16,875</b>	<b>16,875</b>	19,943	19,943
<b>Enforcement, Monitoring and Campaigns:</b>				
Meat Hygiene Service				
Staff Costs	–	<b>50,520</b>	–	49,750
Interest payable to pension scheme	–	1,702	–	1,276
Other Expenditure	–	36,024	–	32,707
Meat Hygiene	15,938	285	17,761	74
Chemical Safety	186	186	130	130
Radiological Safety	2,966	2,966	2,586	2,586
Micro Food Safety/Food Hygiene Campaign	9,603	9,603	7,659	7,659
Committees, Press & Publicity	2,256	2,256	2,185	2,185
Salt Publicity Campaign	5,767	5,767	4,057	4,057
Nutrition	1,927	1,927	3,543	3,543
Novel Food & Chemical Safety Toxicology	233	233	181	181
Chemical Contaminants	1,373	1,373	1,430	1,430
Sampling Step Change	1,151	1,151	1,001	1,001
Food Labelling & Standards	607	607	431	431
Animal Feedingstuff	80	80	105	105
Food Chain Safety	16	16	(4)	(4)
Miscellaneous	1,582	1,582	1,408	1,408
	<b>43,685</b>	<b>65,758</b>	42,473	58,769
Total non-staff programme costs	<b>60,560</b>	<b>82,633</b>	62,416	78,712
Total programme costs	<b>60,560</b>	<b>133,153</b>	62,416	128,462
Less: Programme income				
FSA Westminster – core dept	(2,339)	(2,339)	(2,286)	(2,286)
Meat Hygiene Service	–	(40,987)	–	(35,499)
	<b>(2,339)</b>	<b>(43,326)</b>	(2,286)	(37,785)
	<b>58,221</b>	<b>89,827</b>	60,130	90,677

Included in the MHS costs above are:

For 2005-06, the auditor's fees of £33,000 and depreciation of £568,000

For 2004-05, the auditor's fee of £30,000 and depreciation of £560,000

**Food Standards Agency****Resource Accounts 2005-06****12. Analysis of net operating cost by spending body**

	2005-06		2004-05
	Estimate	Outturn	Outturn
	£000	£000	£000
<b>Spending body:</b>			
FSA – core department	109,528	102,440	105,247
Meat Hygiene Service	34,250	31,606	30,547
<b>Consolidated total</b>	<b>143,778</b>	<b>134,046</b>	135,794

**13. Analysis of Income**

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

	2005-06		2004-05	
	£000	£000	£000	£000
All operating income is included within public expenditure				
<b>(a) FSA – core department</b>				
Administration income:				
From Government Departments and others		550		1,353
Programme income:				
Milk and Dairy Hygiene – sampling	29		34	
Assessments and consultations on radioactive discharges	2,310		2,252	
	2,339		2,286	
<b>(b) Meat Hygiene Service activity</b>	40,987		35,499	
		43,326		37,785
<b>Consolidated total</b>		<b>43,876</b>		39,138

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

	2005-06			2004-05		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
<b>Meat Hygiene Service activity</b>						
Industry	23,517	55,123	(31,606)	23,422	53,969	(30,547)
Government	17,470	17,470	0	12,077	12,077	0
<b>FSA – core dept</b>						
Milk and Dairy Hygiene – sampling and inspections	29	51	(22)	34	51	(17)
Assessments and consultations on radioactive discharges	2,310	2,310	0	2,252	2,252	0
	<b>43,326</b>	<b>74,954</b>	<b>(31,628)</b>	37,785	68,349	(30,564)

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

## Food Standards Agency

## Resource Accounts 2005-06

## 14. Tangible fixed assets

	Fixtures and Fittings	Office Equipment	Computer Equipment & Software	Motor Vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2005	7,077	468	3,420	347	11,312
MHS Prior year adjustment: policy change	–	–	(1,203)	–	(1,203)
Revised 1 April 2005	7,077	468	2,217	347	10,109
Additions	67	87	901	–	1,055
Disposals	–	(31)	(16)	(150)	(197)
Revaluations	164	3	(155)	2	14
<b>At 31 March 2006</b>	<b>7,308</b>	<b>527</b>	<b>2,947</b>	<b>199</b>	<b>10,981</b>
<b>Depreciation</b>					
At 1 April 2005	4,144	270	1,590	225	6,229
MHS Prior year adjustment: policy change	–	–	(534)	–	(534)
Revised 1 April 2005	4,144	270	1,056	225	5,695
Charged in year	897	52	747	38	1,734
Disposals	–	(28)	(7)	(123)	(158)
Revaluations	114	1	(60)	1	56
<b>At 31 March 2006</b>	<b>5,155</b>	<b>295</b>	<b>1,736</b>	<b>141</b>	<b>7,327</b>
<b>Net book value at 31 March 2006</b>	<b>2,153</b>	<b>232</b>	<b>1,211</b>	<b>58</b>	<b>3,654</b>
Net book value at 31 March 2005	2,933	197	1,159	121	4,410
Analysis of tangible fixed assets					
The net book value of tangible fixed assets comprises:					
Core department 2006					<b>2,922</b>
Consolidated 2006					<b>3,654</b>
Core department 2005					3,770
Consolidated 2005					4,410

**Food Standards Agency****Resource Accounts 2005-06****15. Intangible fixed assets**

Intangible fixed assets comprise software licences for the core department and, the MHS where appropriate, entities consolidated into these statements.

	Purchased software licences
	£000
<b>Cost or valuation</b>	
At 1 April 2005	1,388
Additions	298
Revaluation	(57)
<b>At 31 March 2006</b>	<b>1,629</b>
<b>Amortisation</b>	
At 1 April 2005	719
Charged in year	217
Revaluation	(39)
<b>At 31 March 2006</b>	<b>897</b>
<b>Net book value at 31 March 2006</b>	<b>732</b>
Net book value at 31 March 2005	669
<b>Analysis of intangible fixed assets</b>	
The net book value of intangible fixed assets comprises:	
Core department 2006	<b>674</b>
Consolidated 2006	<b>730</b>
Core department 2005	591
Consolidated 2005	669

**16. Movements in working capital, other than Cash**

	2005-06	2004-05
	£000	£000
(Decrease)/Increase in debtors	3,165	(135)
Decrease/(Increase) in creditors within one year	4,992	(5,232)
Decrease/(Increase) in creditors after more than one year	(857)	(6,288)
	<b>7,300</b>	<b>(11,655)</b>

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

## Food Standards Agency

## Resource Accounts 2005-06

## 17. Debtors

## (a) Analysis by type

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Trade debtors	1,538	8,211	1,176	6,514
VAT recoverable	1,335	2,462	1,108	1,878
Other debtors	193	279	435	496
Prepayments and accrued income	4,498	4,682	3,448	3,530
	<b>7,564</b>	<b>15,634</b>	6,167	12,418
<b>Amounts falling due after more than one year:</b>				
Other debtors	–	48	–	99
	<b>7,564</b>	<b>15,682</b>	6,167	12,517

## (b) Intra-Government Balances (Consolidated)

	2005-06	2004-05	2005-06	2004-05
	Amounts falling due within one year	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	5,127	3,620	–	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	–	–	48	–
Balances with public corporations and trading funds	–	–	–	–
Subtotal: intra-government balances	5,127	3,620	48	–
Balances with bodies external to government	10,507	8,798	–	99
Total debtors at 31 March	<b>15,634</b>	12,418	<b>48</b>	99

## 18. Cash at bank and in hand

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	3,838	6,890	(917)	3,472
Net changes in cash balances	(1,505)	(1,527)	4,755	3,418
Balance at 31 March	<b>2,333</b>	<b>5,363</b>	3,838	6,890
The following balances at 31 March were held at:				
Office of HM Paymaster General	2,333	4,821	3,837	6,340
Commercial banks and cash in hand	–	542	–	550
Balance at 31 March	<b>2,333</b>	<b>5,363</b>	3,837	6,890

## Food Standards Agency

## Resource Accounts 2005-06

## 19. Creditors

## (a) Analysis by type

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Other taxation and social security	617	1,673	864	1,833
Trade creditors	4,197	6,511	8,618	10,683
Other creditors	402	1,839	24	1,254
Accruals and deferred income	11,425	13,163	11,458	14,408
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,333	5,363	3,837	6,890
	<b>18,974</b>	<b>28,549</b>	24,801	35,068
<b>Amounts falling due after more than one year</b>				
Long term liabilities (rent)	11,250	11,250	10,393	10,393
	<b>30,224</b>	<b>39,799</b>	35,194	45,461

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

## (b) Intra-Government Balances (Consolidated)

	2005-06	2004-05	2005-06	2004-05
	Amounts falling due within one year	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	8,165	14,837	–	–
Balances with local authorities	509	240	–	–
Balances with NHS Trusts	2	115	–	–
Balances with public corporations and trading funds	116	–	–	–
Subtotal: intra-government balances	<b>8,792</b>	15,192	–	–
Balances with bodies external to government	19,757	19,876	11,250	10,393
Total creditors at 31 March	<b>28,549</b>	35,068	<b>11,250</b>	10,393

## Food Standards Agency

## Resource Accounts 2005-06

## 20a. Provisions for liabilities and charges

	Consolidated			Total
	Early departure costs	FSA Board Pension Provision	Legal claims	
	£000	£000	£000	
Balance at 1 April 2005	417	205	44	666
Arising during the year	539	132	–	671
Utilised during the year	(285)	(14)	(21)	(320)
<b>Balance at 31 March 2006</b>	<b>671</b>	<b>323</b>	<b>23</b>	<b>1,017</b>
Balance at 31 March 2005	417	205	44	666

  

	Core Department			Total
	Early departure costs	FSA Board Pension Provision	Legal claims	
	£000	£000	£000	
Balance at 1 April 2005	69	205	44	318
Provided in the year	314	132	–	446
Provisions utilised in the year	(62)	(14)	(21)	(97)
<b>Balance at 31 March 2006</b>	<b>321</b>	<b>323</b>	<b>23</b>	<b>667</b>
Balance at 31 March 2005	69	205	44	318

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms. In past years the FSA paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

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

There are various compensation claims being sought against the FSA totalling £201,000. These cases will be defended. At year end there was an outstanding provision of £23,000 in the accounts.

**Food Standards Agency****Resource Accounts 2005-06****20b. Pension liability**

**20b.1.** The majority of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2006, contributions of £3.5 million were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2006, this rate was 15.6 per cent of pensionable remuneration.

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

	<b>Long term rate of return expected at 31.03.06</b>	<b>Value at 31.03.06</b>	Long term rate of return expected at 31.03.05	Value at 31.03.05
		<u>£000</u>		<u>£000</u>
Equities	7.3%	52,948	7.7%	50,931
Bonds	6.0%	15,997	4.8%	6,974
Property	6.5%	9,902	5.7%	4,599
Cash	4.6%	5,160	4.8%	2,166
Market value of assets		<u>84,007</u>		<u>64,670</u>
Present value of scheme liabilities		<u>(111,267)</u>		<u>(109,800)</u>
Net pension liabilities		<u><b>(27,260)</b></u>		<u><b>(45,130)</b></u>

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:

	<b>31 March 2006</b>	31 March 2005
Price Increases	3.1%	2.9%
Salary Increases	4.6%	4.4%
Pension Increases	3.1%	2.9%
Discount Rate	6.0%	5.4%

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

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The value of the liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The managers of the scheme accept that, as a consequence the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in notes 21b.4 and 21b.5. The note also discloses experience gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

**Food Standards Agency****Resource Accounts 2005-06****20b.2. Analysis of movement in scheme liability**

	<u>2005-06</u>	<u>2004-05</u>
	£000	£000
<b>Scheme liability at 1 April</b>	(45,130)	(41,986)
Current service cost	(3,725)	(3,844)
Employer contributions	3,605	3,109
Contributions in respect of unfunded benefits	160	160
Past service cost	-	(13)
Curtailments and settlements	(111)	(627)
Net return on assets (note 20b 3)	(1,702)	(1,276)
Actuarial loss (note 20b 4)	19,643	(653)
<b>Scheme liability at 31 March</b>	<u>(27,260)</u>	<u>(45,130)</u>

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

	<u>Year to 31 March 2006</u>	<u>Year to 31 March 2005</u>
	£000	£000
<b>Amount charged to staff costs (note 9B)</b>		
Current service costs	(3,725)	(3,844)
Past service costs	-	(13)
Curtailement and settlements	(111)	(627)
Total operating charge (A)	<u>(3,836)</u>	<u>(4,484)</u>

	<u>Year to 31 March 2006</u>	<u>Year to 31 March 2005</u>
	£000	£000
<b>Amount charged to programme costs (note 11)</b>		
Expected return on pension scheme assets	4,759	4,398
Interest on pension scheme liabilities	(6,461)	(5,674)
Net cost (B)	<u>(1,702)</u>	<u>(1,276)</u>
Net revenue account cost (A) + (B)	<u>(5,538)</u>	<u>(5,760)</u>

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

	<u>2005-06</u>	<u>2004-05</u>
	£000	£000
Actual return less expected return on pension scheme assets	10,688	1,774
Experience gains and losses arising on the scheme liabilities	(477)	(221)
Changes in financial assumptions underlying the present value of scheme liabilities	9,432	(2,206)
Actuarial gain/loss recognised in the statement of total recognised gains and losses	<u>19,643</u>	<u>(653)</u>

**Food Standards Agency****Resource Accounts 2005-06****20b.5. History of experience gains and losses**

	<b>2005-06</b>	2004-05	2003-04
	<b>£000</b>	£000	£000
Difference between the expected and actual return on scheme assets:			
Amount (£000)	<b>10,688</b>	1,774	7,706
Percentage of assets	<b>12.7%</b>	2.7%	12.9%
Experience gains/(losses) on liabilities:			
Amount (£000)	<b>(477)</b>	(221)	299
Percentage of assets	<b>0.4%</b>	0.2%	0.3%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	<b>19,643</b>	(653)	1,418
Percentage of assets	<b>17.7%</b>	0.6%	1.4%

In 2004-05 the disclosure of MHS pension liabilities was based on the latest available information provided by the Actuary in October 2005. This differed from the information included in MHS's own accounts which was based on April 2005 information. The impact of the updated valuation was an increased charge to the FSA operating cost statement of £31,000 and an increase in the actuarial loss shown in the Statement of Recognised Gains and Losses of £573,000, when compared to the charges and loss shown in the MHS accounts. The use of valuations at different dates was as a result of the different timetables for preparation of the accounts. The 2005-06 and future accounts will be prepared to the same timetable and so use the same actuarial information.

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

	<b>2005-06</b>		2004-05	
	<b>Core</b>	<b>Consolidated</b>	Core	Consolidated
	<b>Department</b>		Department	
	£000	£000	£000	£000
Balance at 1 April	(21,463)	(67,133)	(8,991)	(50,361)
MHS Prior Period Adjustment on Fixed Assets	-	-	-	(669)
Adjusted Opening Balance	<b>(21,463)</b>	<b>(67,133)</b>	(8,991)	(51,030)
MHS Actuarial gain/(loss)	-	19,643	-	(653)
Parliamentary funding drawn down	105,108	138,608	97,392	124,392
Deemed Supply	3,837	6,890	(917)	3,472
Supply Creditor – current year	(2,333)	(5,363)	(3,837)	(6,890)
Net Operating Cost	(102,440)	(134,046)	(105,247)	(135,125)
Non Cash Charges:				
Cost of Capital	(658)	(1,880)	(121)	(1,587)
Auditors' remuneration	65	98	65	95
Transferred to general fund of realised element of revaluation reserve	120	120	193	193
Balance at 31 March	<b>(17,764)</b>	<b>(43,063)</b>	(21,463)	(67,133)

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.

'Non-cash charges' above include MHS balances charged against Programme Costs in addition to the Administration Cost Charges disclosed in Note 10.

**Food Standards Agency****Resource Accounts 2005-06****22. Revaluation Reserves**

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	316	363	497	545
Arising on revaluation during the year	170	173	11	11
Transferred to general fund in respect of realised element of revaluation reserve	(120)	(120)	(193)	(193)
<b>Balance at 31 March</b>	<b>366</b>	<b>416</b>	<b>315</b>	<b>363</b>

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

**23. Notes to the Consolidated Cash Flow Statement****(a) Reconciliation of operating cost to operating cash flows**

	2005-06	2004-05
	£000	£000
Net operating cost	134,046	135,794
Adjustment for non-cash transactions	(6,613)	(6,626)
(Decrease)/Increase in debtors	3,165	(134)
Decrease/(Increase) in creditors	5,662	(14,939)
less movements in creditors relating to items not passing through the OCS	(1,527)	3,418
Use of provisions	320	525
Cash contribution to pension deficit	3,765	3,269
	<b>138,818</b>	<b>121,307</b>

**(b) Analysis of capital expenditure and financial investment**

	2005-06	2004-05
	£000	£000
Tangible fixed asset additions	1,055	614
Intangible fixed asset additions	298	285
Proceeds of disposal of fixed assets	(35)	(29)
	<b>1,318</b>	<b>870</b>
MHS prior year adjustment re policy change	–	(1,203)
Net cash outflow from investing activities	<b>1,318</b>	<b>(333)</b>

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

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for resources	1,353	–	(35)	1,318
<b>Total 2005-06</b>	<b>1,353</b>	<b>–</b>	<b>(35)</b>	<b>1,318</b>
Total 2004-05	(304)	–	(29)	(333)

**(d) Analysis of financing**

	2005-06	2004-05
	£000	£000
From the Consolidated Fund (Supply) – current year	138,608	124,392
<b>Net Financing</b>	<b>138,608</b>	<b>124,392</b>

**Food Standards Agency****Resource Accounts 2005-06****(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

	<u>2005-06</u>	<u>2004-05</u>
	£000	£000
Net cash requirement	(140,136)	(120,974)
From the Consolidated Fund (Supply) – current year	138,608	124,392
Increase/(decrease) in cash	<u>(1,528)</u>	<u>3,418</u>

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

Programme grants and other current expenditures have been allocated as follows:

	<u>2005-06</u>
	£000
<b>Aim 1</b>	
Food Safety	74,976
<ul style="list-style-type: none"> <li>● to continue to reduce foodborne illness</li> <li>● to reduce further the risks to consumers from chemical contamination of food</li> </ul>	
<b>Aim 2</b>	
Eating for Health	9,274
<ul style="list-style-type: none"> <li>● To make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing</li> <li>● diet-related diseases</li> </ul>	
<b>Aim 3</b>	
Choice	5,577
<ul style="list-style-type: none"> <li>● to enable consumers to make informed choices</li> </ul>	
	<u><b>89,827</b></u>
	<u>2004-05</u>
	£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	3,983
<b>Aim 2</b>	
Better food safety and standards	73,742
<b>Aim 3</b>	
Improved consumer choice and diet	12,952
	<u>90,677</u>

**Food Standards Agency****Resource Accounts 2005-06****25. Commitments under leases**

## Operating leases

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

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
<b>Obligations under operating leases comprise:</b>				
Land and buildings: Expiry thereafter	5,846	5,846	5,081	5,081
	<b>5,846</b>	<b>5,846</b>	<b>5,081</b>	<b>5,081</b>
Other:				
Expiry within 1 year	–	24	–	–
Expiry after 1 year but not more than 5 years	76	165	81	158
	<b>76</b>	<b>189</b>	<b>81</b>	<b>158</b>

**26. Other financial commitments**

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £34,329,557 up to 31 March 2011.

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
<b>Expiry within 1 year</b>	18,836	18,836	21,144	21,144
<b>Expiry after 1 year but not more than 5 years</b>	15,493	15,493	16,993	16,993
	<b>34,329</b>	<b>34,329</b>	<b>38,137</b>	<b>38,137</b>

**27. Contingent liabilities**

(i) There are various compensation claims being sought against the FSA totalling £201,000. These cases will be defended. A provision of £43,000 has been made in the accounts. In 2004–05 the remaining balance of £158,000 is regarded as a contingent liability as the amount and timing of the potential outflow is uncertain.

(ii) There are a number of small claims being made by plant operatives and MHS employees for injuries sustained in the workplace or unfair dismissal. These cases will be defended and as yet the outcome is not known but could cost approximately £570,000.

During the year the MHS identified through internal checks that one of its employees had been appointed in breach of Civil Service nationality rules. The MHS has sought legal advice as to whether there is any financial liability on the part of the MHS. At present it is not possible to quantify this.

No provision has been made in the accounts this year for any of these cases.

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

**28. Related-Party Transaction**

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

The FSA had a number of transactions with other government departments and other central government bodies.

**29. Financial Instruments**

The FSA does not make use of derivatives or other financial instruments.

The FSA is funded primarily through resource based supply as an independent Government Department. It retains income from inspections and enforcement activity as appropriations-in-aid.

The FSA is not exposed to any foreign exchange risks.

The FSA draws down cash balances as required to fund continuing activities, and has no borrowings.

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**30. Losses and Special Payments**

During the year the FSA did not incur any losses, or make any special payments.

However, the Meat Hygiene Service made 29 special payments amounting to £49,000. The majority of the cases refer to compensation and personal injury claims.

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

1. This direction applies to those government departments and pension schemes listed in the attached appendix.
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2006 in compliance with the accounting principles and disclosure requirements of the edition of the Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for 2005-06.
3. The accounts for government departments shall be prepared so as to:
  - a. give a true and fair view of the state of affairs at 31 March 2006 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
  - b. provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The accounts for pension schemes shall be prepared so as to:
  - a. give a true and fair view of the state of affairs at 31 March 2006 and of the net resource outturn 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.
5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.

*David Cruden FCA*

Head of Central Accountancy Team, Her Majesty's Treasury

16 February 2005

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