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Food Standards Agency

Consolidated Resource Accounts

2007-08

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Food Standards Agency

Consolidated Resource Accounts 2007-08

(For the year ended 31 March 2008)

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Contents

	Page
Annual Report	3
Statement of Accounting Officer's responsibilities	20
Statement on internal control	21
Audit certificate – FSA	25
Statement of Parliamentary Supply	27
Operating Cost Statement	28
Statement of Recognised Gains and Losses	28
Balance sheet	29
Cash flow Statement	30
Resources by Departmental Aims and Objectives	31
Notes to the accounts	32
Accounts Direction given by the Treasury:	
Consolidated	54
Scotland	55
Northern Ireland	56
Wales	57
Westminster	58



Annual Report

Preparation of Accounts

The Food Standards Agency (FSA) Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. The consolidated accounts are laid before Parliament under Section 4 of the Food Standards Act 1999. The FSA is part funded by the devolved authorities in Scotland, Northern Ireland and Wales.

Statutory Background

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

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

On 1st April 2000, the Meat Hygiene Service (MHS) became an executive agency of the FSA. The MHS was originally established on 1st April 1995 as an executive agency of the Ministry of Agriculture, Fisheries and Food. The MHS is consolidated with FSA headquarters to form the Food Standards Agency as a Westminster Department. The consolidated FSA accounts also include the results from FSA Northern Ireland, Wales and Scotland.

Aims of the Food Standards Agency

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

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

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

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

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

We are committed to achieve this through our core values:

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

Management Commentary

a) *The responsibilities of the FSA*

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

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

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

b) *Resource spend in 2007/08*

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

	2007-08	
	Estimate £m	Net Operating Cost £m
Westminster FSA Headquarters	113.0	108.0
Meat Hygiene Service	39.4	42.0
Total Westminster Funded FSA	152.4	150.0
FSA Scotland	10.2	9.7
FSA Wales	3.6	3.4
FSA Northern Ireland	9.4	9.2
Total FSA	175.6	172.2

The comparative figures for 2006/07 are shown below:

	2006-07	
	Estimate £m	Net Operating Cost £m
Westminster FSA Headquarters	109.7	109.6
Meat Hygiene Service	34.2	33.3
Total Westminster Funded FSA	143.9	142.9
FSA Scotland	10.3	9.8
FSA Wales	2.9	2.9
FSA Northern Ireland	9.4	9.2
Total FSA	166.5	164.8

The net cost of the Consolidated FSA was £172.2m against available funding of £175.6m to 31st March 2008. Expenditure was therefore generally in line with both budget and forecasts.

The net cost of the MHS was £42m for the year, up from £33.3m in 2006/07. This increase in net cost of operations was due to the MHS undertaking a major restructure of service delivery. The Meat Hygiene Service, 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 are available from 'The Stationery Office' (www.tso.co.uk/bookshop).

c) *Performance Reporting*

The FSA's 2007/08 Annual Report, required by the Food Standards Act 1999, explains in detail the work and achievements of the organisation during the year. Copies of this report is also available from 'The Stationery Office', and the FSA's website.

Performance during the year is summarised below:

Food Safety

Food safety continues to be a high priority. We aim to set new standards for protecting consumer interests and public health, and to ensure that they are vigorously maintained:

- working with partners throughout the food chain, we achieved a reduction of 19.2% in foodborne illness compared with the baseline figure for 2000;
- in February we published revised guidance for health professionals on managing outbreaks of foodborne illness in England and Wales (www.food.gov.uk/multimedia/pdfs/outbreakmanagement.pdf);
- we published advice to parents, based on FSA-commissioned research by Southampton University, regarding certain artificial colourings and a possible negative effect on children's behaviour (www.food.gov.uk/news/newsarchive/2007/sep/foodcolours);
- we are giving evidence to the *E. coli* Public Inquiry chaired by Professor Hugh Pennington which began in February 2008;
- we continued to promote the Safer Food, Better Business initiative, which is an innovative and practical approach to food safety management. In February we launched a DVD designed to help small caterers and retailers incorporate SFBB into their food businesses;
- in July we published research investigating the levels of harmful acrylamide produced when cooking at home (www.food.gov.uk/safereating/chemsafe/acrylamide_branch);
- in July we published sampling advice for enforcement authorities and food business operators on the legislation regarding mycotoxins in foodstuffs (www.food.gov.uk/multimedia/pdfs/mycotoxinsguidance.pdf).

Eating for Health

We share responsibility for nutrition with health departments, but we have a distinct role in ensuring that people have the information they need to make informed choices about their diet. Practical advice is contained on our website www.eatwell.gov.uk

- we launched the 'eatwell plate' to illustrate the types and proportions of foods which make up a balanced diet (www.eatwell.gov.uk/healthydiet/eatwellplate);
- at its open meeting in March 2008, the FSA Board agreed that a single nationwide 'scores on the doors' scheme should be put in place to make food business hygiene ratings available to consumers (www.food.gov.uk/safereating/hyg/scoresonthedoors);
- in February 2008 we announced a new programme of activity to help people reduce the amount of saturated fat they eat. This involves collaborative working with a number of interested stakeholders;

- in October, the Health Secretary asked the FSA to undertake a review of trans fats. The Board's advice can be found at (www.food.gov.uk/news/pressreleases/2007/dec/boardtransfatadvice);
- we have been working with the food industry to reduce the salt contained within processed foods, and have secured the commitment of 70 organisations across all sectors to achieve this. Further details are available at www.salt.gov.uk;
- other healthy eating initiatives undertaken during the year covered homelessness and food poverty, shaping the eating habits of the next generation and ensuring that workplace caterers commit to healthier food.

Choice

Information is essential to help consumers make informed choices. We aim to ensure that consumers can do so, taking account of religious, ethical or cultural factors. Information should be accurate and not misleading:

- during the year, there was continued support from industry for our traffic light colour signpost labelling on front-of-pack. This makes it easier for consumers to eat more healthily (www.eatwell.gov.uk/foodlabels/trafficlights);
- during 2007 we undertook a Consumer Attitudes to Food Survey which identified increased confidence amongst the public about the food they are consuming, and increased awareness and claimed consumption of '5-a-day'. The full survey results can be found at www.food.gov.uk/science/surveys/foodsafety-nutrition-diet/eightcas2007;
- we promoted the Community Food Award initiative which encourages people to think about the food they eat and where it comes from;
- other initiatives or campaigns undertaken during the year included guidance on allergies and an update on the advice regarding eating fish.

Effective Delivery

During the year, the FSA launched the 'Tomorrow's Agency Change Programme'. The aims of this programme are to:

- make the FSA a better place to work;
- ensure flexible and efficient processes; and
- achieve value for money.

The FSA invested in new IT equipment and software, and reviewed a number of business processes and procedures to ensure they were both effective and efficient. A leadership development programme is being run for senior and middle managers, focusing on performance management and team development. The change programme continues into 2008/09.

During the year we also launched our new Chief Scientist report in November. The report highlights the science underpinning our everyday work to protect public health and consumer interests in relation to food. A full copy of the report is available on our website www.food.gov.uk/multimedia/pdfs/board/fsa071005a.pdf

Other delivery initiatives developed during the year included:

- the Chief Scientist's blog used to communicate the science behind policy decisions;
- the setting up of the Advisory Committee on Consumer Engagement which will report on the effectiveness of the FSA's consumer engagement;
- the publication of the first National Control Plan to ensure that effective control systems are in place for monitoring and enforcing feed and food law;
- the launch of the Advisory Body for the Delivery of Official Controls looking into the operation of official controls in approved meat premises; and
- the publication of our second Simplification Plan to ensure there are no unnecessary burdens on food businesses.

Structure and Organisation

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

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

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

The FSA Board

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

Dame Deirdre Hutton – FSA Chair
Dr Ian Reynolds – FSA Deputy Chair

Other Board members:

Professor Graeme Millar – Chair of the Scottish Food Advisory Committee
Professor Bill Reilly
John W Spence (from 1st April 2007) – Chair of the Welsh Food Advisory Committee
Dr Maureen Edmondson – Chair of the Northern Ireland Food Advisory Committee
Tim Bennett
Michael Parker
Chris Pomfret
Nancy Robson
Sandra Walbran
Clive Grundy (from 1st February 2008)
Margaret Gilmore (from 1st March 2008)
Professor Sue Atkinson CBE (from 1st February 2008)
Richard Ayre (until 31st August 2007)
Christine Dunn (until 29th February 2008)

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:

John Harwood – Chief Executive (until 31st March 2008)
Richard Calvert – Director of Strategy and Resources (from 1st April 2007)
Pat Stewart – Deputy Chief Executive and Director of Corporate Resources (until 30th April 2007)
David Statham – Director of Consumer Protection & Enforcement
Vivienne Collett – Director of Legal Services
Dr Andrew Wadge – Director of Food Safety & Chief Scientist
Terrence Collis – Director of Communications
Brian Davies – Human Resources Director
Allan Hutton – Finance Director

Alick Simmons – Veterinary Director (until 18th November 2007)
Gill Fine – Director of Consumer Choice and Dietary Health
Dr George Paterson – Director of FSA Scotland
Morris McAllister – Director of FSA Northern Ireland
Steve Wearne – Director of FSA Wales (from 3rd December 2007)
Joy Whinney – Director of FSA Wales (until 1st October 2007)
Steve McGrath – Chief Executive of the Meat Hygiene Service

Tim Smith was appointed Chief Executive through open competition and took up the post on 1st April 2008.

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners, with the exception of John Harwood, the former Chief Executive. The Cabinet Office agreed to his appointment until the end of March 2008. Salary and pension details of the Board and the EMB are disclosed in the Remuneration Report.

Corporate Governance

Parliamentary Accountability

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

The FSA Board

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

The FSA Board meets around 10 times per year. Many of these Board meetings are held in public, across the United Kingdom, in line with the Agency's commitment to openness and transparency. The minutes of these Board Meetings are available on the FSA's website.

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

Internal Controls

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

- the FSA has an Audit Committee chaired by an independent non-executive. The Chair of the Audit Committee reports regularly to the main FSA Board;
- the FSA's Internal Audit function operates in accordance with Government Internal Audit Standards. This service was sub-contracted out to PKF during 2007/08. It was brought in-house from 2nd April 2008; and
- the FSA has a Risk Committee which was established to improve the organisation's risk identification, modelling and management. The members of the Risk Committee are drawn from both the Executive and the Board.

FSA Advisory Committees

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

Scotland – Advisory Committee Members

Professor Graeme Millar (Chair)
 Professor Bill Reilly (Deputy Chair)
 Catherine Brady
 Dr Catherine Benton
 Dr David Cameron

Jim Arbuckle
 Amanda O'Donoghue
 Mrs Moyra Burns
 Professor Brian Ratcliffe
 Professor Charlotte Maltin

Welsh Food Advisory Committee Members

John Spence (Chair)
 Professor Robert Bell
 Professor Margaret Griffiths
 Ms Kate Hovers
 Andrew Johnson

Professor James Parry
 Professor Robert Pickard
 Dr Louis Fielding
 Mrs Katie Palmer

Northern Ireland – Advisory Committee Members

Maureen Edmondson (Chair)
 Paul Archer
 Tony McCusker
 Jack Pearce
 Dr Alex McGarel

Barbara Livingstone
 Dr John Moore
 Michael Walker
 Alan Bingham
 Dr David McCleery

FSA Audit Committee

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

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

Professor Graeme Millar – Chair
 Chrissie Dunn (until 29th February 2008)
 Michael Parker
 Chris Pomfret
 John W Spence (from 1st March 2008)
 Richard Harbord – external non FSA Board Member

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

- Counter Fraud Testing;
- Microbiological Division review;
- TSE Division review;
- Project Management;
- Financial Systems;
- Financial Performance Management;
- FSA Northern Ireland – Financial Management;
- Novel Foods, Additives and Supplements Division;
- Enforcement Division;
- Risk Management;

- Corporate Governance;
- FSA Scotland;
- FSA Wales; and
- IT Contract Management and Disaster Recovery.

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

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

Funding of the FSA

The FSA is a non-Ministerial Government Department. The work of FSA Headquarters and the MHS throughout Great Britain is funded through resource based supply from HM Treasury. The costs of the FSA in Scotland, Wales and Northern Ireland are funded through the relevant devolved authority. On 1 April 2004 the Food Standards Agency Northern Ireland (FSANI) became for accounting purposes a Northern Ireland Department in its own right. Prior to this date, for funding purposes, it was contained within the Department of Health, Social Services and Public Safety boundary.

The Meat Hygiene Service

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

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

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

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

- Ian Reynolds (Chair)
- Maureen Edmondson – FSA Board Member
- Christine Dunn – FSA Board Member (until 29th February 2008)
- John Harwood – FSA Chief Executive
- Alick Simmons – FSA Veterinary Director (until 18th November 2007)

Debby Reynolds – Chief Veterinary Officer (until 31st December 2007)
Fred Landeg – Acting Chief Veterinary Officer (from 1st January 2008)
Steve McGrath – MHS Chief Executive
Celia Bennett CBE – Independent External Member
Deryk Mead CBE – Independent External Member

Staff Relations

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

Pensions

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

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

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

Equal Opportunities

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

Environmental Policy

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

Further details of the government's approach can be found at www.sustainable-development.gov.uk/index.asp.

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 £100,000. The National Audit Office sub-contracted the FSA's audit to KPMG LLP on a three year contract.

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

Going Concern

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

Reporting of personal/sensitive data losses and/or incidents

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

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

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

Remuneration Report

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

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

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

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

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

Service Contracts

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

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

Service contracts for Board Members are listed below:

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

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

Salary and Pension Entitlements

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

a) Remuneration:

Executive Management Board

		2007-08	2006-07		
		Total Remuneration	Of Which Bonuses	Benefits in Kind	Total Remuneration
Bands		£5,000 (£000)	£5,000 (£,000)	£1,000 (£000)	£5,000 (£000)
John Harwood	Chief Executive	170-175	5-10	0.8	160-165
Richard Calvert	Director of Strategy and Resources (from 1st April 2007)	100-105	n/a	-	-
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources (to 30th April 2007)	15-20 <i>(115-120 full year equivalent)</i>	0-2.5	0.3	120-125
David Statham	Director of Consumer Protection & Enforcement	100-105	n/a	0.3	100-105
Vivienne Collett	Director of Legal Services	105-110	5-10	-	85-90
Andrew Wadge	Director of Food Safety	100-105	5-10	-	90-95
Terrence Collis	Communications Director	95-100	0-5	-	80-85
Brian Davies	Human Resources Director	75-80	0-5	0.3	75-80
Allan Hutton	Finance Director	70-75	5-10	-	60-65
Alick Simmons	Veterinary Director (to 18th November 2007)	55-60 <i>(75-80 full year equivalent)</i>	5-10	-	80-85
Gill Fine	Director of Consumer Choice & Dietary Health	95-100	5-10	-	90-95
George Paterson	Director, FSA Scotland	95-100	0-5	-	90-95
Morris McAllister	Director, FSA Northern Ireland	90-95	5-10	-	100-105
Steve Wearne	Director, FSA Wales (from 3rd December 2007)	25-30 <i>(80-85 full year equivalent)</i>	5-10	-	-
Joy Whinney	Director FSA Wales (to 1st October 2007)	45-50 <i>(80-85 full year equivalent)</i>	0-5	-	85-90
Steve McGrath	Chief Executive MHS	125-130	5-10	-	65-70

Food Standards Agency Board

Bands		2007-08		2006-07	
		Total	Benefits	Total	Benefits
		Remuneration	in Kind	Remuneration	in Kind
		£5,000	£1,000	£5,000	£1,000
		(£000)		(£000)	0
Dame Deirdre Hutton	Chair	110-115	0.7	105-110	1.0
Dr Ian Reynolds	Deputy Chair	75-80	1.0	10-15	0.4
Professor Graeme Millar		20-25	1.3	20-25	2.7
Professor Bill Reilly		20-25	2.5	20-25	3.1
John W Spence	(from 1st April 2007)	20-25	3.4	–	–
Maureen Edmondson		25-30	1.6	20-25	5.1
Tim Bennett		10-15	1.3	0-5	–
Michael Parker		5-10	0.3	5-10	–
Chris Pomfret		10-15	0.5	15-20	1.2
Nancy Robson		10-15	2.2	0-5	–
Sandra Walbran		5-10	1.8	5-10	1.8
Clive Grundy	(from 1st February 2008)	0-5	0.1	–	–
Margaret Gilmore	(from 1st March 2008)	0-5	0.2	–	–
Professor Sue Atkinson CBE	(from 1st February 2008)	0-5	–	–	–
Richard Ayre	(to 31st August 2007)	0-5	–	15-20	2.3
Christine Dunn	(to 29th February 2008)	20-25	0.6	25-30	2.9

Remuneration

"Remuneration" includes gross salary; performance pay or bonuses; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits 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

		2007-08					
		Real	Total	Total	CETV at	CETV at	Real
		increase	accrued	accrued	31 March	31 March	Increase
		in Pension	Pension	lump sum	31 March	31 March	in CETV
		at age 60	at age 60	at age 60	2008	2007	
		at age 60	31 March	31 March	2008	2007	
		£2.500	£5.000	£5.000	(£000)	(£000)	(£000)
		(£000)	(£000)	(£000)			
Bands							
John Harwood	Chief Executive	0-2.5	0-5	-	53	12	35
Richard Calvert	Director of Strategy & Resources	5-7.5	30-35	95-100	542	384	92
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources	2.5-5	55-60	165-170	1,261	1,213	84
David Statham	Director, Enforcement	0-2.5	45-50	145-150	1,107	952	24
Vivienne Collett	Director, Legal Services	0-2.5	35-40	115-120	948	802	29
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	25-30	80-85	536	440	30
Terrence Collis*	Director of Communications	0-2.5	0-5	-	54	23	25
Brian Davies	Human Resources Director	0-2.5	30-35	100-105	762	654	18
Allan Hutton	Finance Director	0-2.5	10-15	35-40	243	199	15
Alick Simmons	Veterinary Director	0-2.5	20-25	65-70	430	366	10
Gill Fine*	Director of Consumer Choice & Dietary Health	0-2.5	5-10	-	124	76	23
Dr George Paterson	Director, FSA Scotland	0-2.5	5-10	25-30	207	173	24
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	130-131	1,097	954	21
Steve Wearne	Director, FSA Wales	0-2.5	15-20	45-50	218	184	n/a
Joy Whinney	Director, FSA Wales	0-2.5	15-20	50-55	277	216	23
Steve McGrath*	Chief Executive MHS	0-5	5-10	-	163	100	45

* As Premium PCSPS Scheme Members, staff can choose, within a predetermined range, how their accumulated pension benefits are split between lump sum and annual pension. Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within the MHS Annual Accounts for the financial year 2007-08.

		2006-07					
		Real	Total	Total	CETV at	CETV at	Real
		increase	accrued	accrued	31 March	31 March	Increase
		in Pension	Pension	lump sum	31 March	31 March	in CETV
		at age 60	at age 60	at age 60	2007	2006	
		at age 60	31 March	31 March	2007	2006	
		£2.500	£5.000	£5.000	(£000)	(£000)	(£000)
		(£000)	(£000)	(£000)			
Bands							
John Harwood	Chief Executive	0-2.5	0-5	-	11	-	10
Pat Stewart	Deputy Chief Executive & Director, Corporate Resources	0-2.5	50-55	155-160	1,228	1,152	25
David Statham	Director, Enforcement	0-2.5	45-50	135-140	953	892	26
Vivienne Collett	Director, Legal Services	0-2.5	35-40	105-110	804	747	17
Dr Andrew Wadge	Director, Food Safety Policy	0-2.5	20-25	70-75	440	369	33
Terrence Collis	Director of Communications	0-2.5	0-5	-	23	-	20
Brian Davies	Human Resources Director	0-2.5	30-35	90-95	655	612	19
Allan Hutton	Finance Director	0-2.5	10-15	30-35	199	182	12
Alick Simmons	Veterinary Director	0-2.5	20-25	60-65	366	345	11
Gill Fine	Director of Consumer Choice & Dietary Health	0-2.5	5-10	-	75	43	18
Dr George Paterson	Director, FSA Scotland	0-2.5	5-10	20-25	164	140	24
Morris McAllister	Director, FSA Northern Ireland	0-2.5	40-45	120-125	957	877	40
Joy Whinney	Director FSA Wales	0-2.5	15-20	45-50	216	187	27
Steve McGrath	Chief Executive MHS	2.5-5.0	n/a	n/a	100	75	21

Food Standards Agency Board

		2007-08				
		Accrued pension and related lump sum at age 60 31 March 2008	Real increase in pension and related lump sum at age 60 31 March 2008	CETV at 31 March 2008	CETV at 31 March 2007	Real Increase in CETV
Bands		£2,500 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair	2.5-5	0-2.5	64	40	21
Dr Ian Reynolds	Deputy Chair	0-2.5	0-2.5	15	2	11
Professor Graeme Millar		0-2.5	0-2.5	16	10	5
Professor Bill Reilly		0-2.5	0-2.5	12	7	4
John W Spence		0-2.5	0-2.5	6	-	5
Maureen Edmondson		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Michael Parker		-	-	-	-	-
Chris Pomfret		-	-	-	-	-
Nancy Robson		-	-	-	-	-
Sandra Walbran		-	-	-	-	-
Clive Grundy		-	-	-	-	-
Margaret Gilmore		-	-	-	-	-
Professor Sue Atkinson CBE		-	-	-	-	-
Richard Ayre		-	-	-	-	-
Christine Dunn		-	-	-	-	-

		2006-07				
		Accrued pension and related lump sum at age 60 31 March 2007	Real increase in pension and related lump sum at age 60 31 March 2007	CETV at 31 March 2007	CETV at 31 March 2006	Real Increase in CETV
Bands		£2,500 (£000)	£2,500 (£000)	(£000)	(£000)	(£000)
Dame Deirdre Hutton	Chair	2.5-5	0-2.5	40	16	20
Dr Ian Reynolds	Deputy Chair (from 1st February 2007)	0-2.5	0-2.5	2	0	2
Julia Unwin	Deputy Chair (until 31st December 2006)	0-2.5	0-2.5	31	23	6
Richard Ayre		-	-	-	-	-
Chrissie Dunn		-	-	-	-	-
Dr Maureen Edmondson		-	-	-	-	-
Professor Bill Reilly		-	-	-	-	-
Alan Gardner		-	-	-	-	-
Baroness Valerie Howarth of Breckland		-	-	-	-	-
Iain MacDonald		-	-	-	-	-
Professor Graeme Millar		0-2.5	0-2.5	10	5	4
Chris Pomfret		-	-	-	-	-
Sandra Walbran		-	-	-	-	-
Nelisha Wickremasinghe		-	-	-	-	-
Michael Parker		-	-	-	-	-
Tim Bennett		-	-	-	-	-
Nancy Robson		-	-	-	-	-

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30th July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium**, or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits in respect of service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year 31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

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 spouses's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute of Actuaries and Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real Increase in CETV

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

Compensation for loss of office

Pat Stewart left the Agency on 30 April 2007 under the voluntary early retirement scheme. She received a lump sum compensation payment of £15-20k and annual compensation of £55-60k.

Tim J Smith
Chief Executive and Accounting Officer
11th June 2008

Statement of Accounting Officer's Responsibilities

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

Tim J Smith
Chief Executive and Accounting Officer
11th June 2008

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 *Managing Public Money*. 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 (MHS) 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's Audit Committee Handbook, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports to the FSA Board on the work of the Committee;
- a Risk Committee which has identified organisational risks and monitored their management;
- a strategic plan which sets out the FSA's main aims and objectives for 2005-2010;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration business risk;
- financial performance reports are discussed at the Executive Management Board's monthly meetings;
- regular reports by the executive and by Internal Audit on internal controls are circulated to Audit Committee members;
- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority, to meet their objectives and their compliance with corporate governance responsibilities;

- assurance from the Chief Executive of the Meat Hygiene Service on internal controls. The MHS publishes its own annual accounts including a Statement on Internal Control audited by the Comptroller and Auditor General. 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 2008 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 owners formally review risks at least once a quarter and report back to the FSA Board through the organisation's Management Information System.

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 best practice.

Additionally, an independent Risk Committee was established to improve with regard to how the FSA identifies, models and manages risk. The committee is made up of both executive and independent members, and has close links to the Audit Committee. The committee has overseen the process to fully integrate risk management in our planning and performance management for 2007/08.

4. The risk and control framework

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

- **High level risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the corporate high level risk register and include, for example, the unavailability of the building. 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 £17m research portfolio;

- **Group level risks:** these are identified and monitored by Directors and their senior management teams. All Directors are accountable for ensuring risks are identified and managed within their group, and where appropriate, risks are escalated to the high-level risk register; and
- **Local risks:** the FSA has decided that lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

The Food Standards 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.

Directors 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.

The FSA takes the management of data security seriously. No losses of sensitive or personal data were reported during the year.

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, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

The FSA's Internal Audit arrangements include a risk-based audit programme, agreed with the Audit Committee, linked to the strategic risks of the organisation. These audit arrangements comply with Government Internal Audit standards. Work undertaken by Internal Audit during the year included a number of divisional reviews (Microbiological Safety, Novel Foods, Enforcement and Transmissible Spongiform Encephalopathy (TSE)), a review of financial systems and financial performance management, counter fraud testing, project management, risk management and IT disaster recovery and contract management. Controls and procedures were generally found to be effective, although there were areas where improvements are expected.

Additional Internal Audit work was also undertaken in the FSA's devolved offices. The audits in FSA Scotland and Wales did not raise any significant procedural or governance issues. The audit of FSA Northern Ireland produced three recommendations, which were accepted by senior managers. The report highlighted sound financial planning and reporting, but suggested some instances where financial controls could be strengthened.

Tim J Smith
Chief Executive and Accounting Officer
11th June 2008

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

I certify that I have audited the financial statements of the Food Standards Agency (Consolidated) for the year ended 31 March 2008 under the Food Standards Act 1999. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Food Standards Act 1999 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Food Standards Act 1999. I report to you whether, in my opinion, the information included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Food Standards Act 1999 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs 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 Food Standards Act 1999; and
- the information included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

24th June 2008

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

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

Request for resources	Note	Estimate			Outturn			2007-08	2006-07
		Gross		Net	Gross		Net	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		Expenditure	A in A	Total	Expenditure	A in A	Total		
£000	£000	£000	£000	£000	£000	£000	£000		
House of Commons	2	220,926	(68,534)	152,392	195,659	(45,759)	149,900	2,492	142,942
Northern Ireland Assembly	2	12,682	(3,345)	9,337	12,373	(3,161)	9,212	125	9,152
Scottish Parliament	2	10,171	–	10,171	9,736	–	9,736	435	9,765
National Assembly for Wales	2	3,550	–	3,550	3,391	–	3,391	159	2,949
Total resources		247,329	(71,879)	175,450	221,159	(48,920)	172,239	3,211	164,808
Non-operating A in A		–	–	–	–	(18)	(18)	18	(65)

Net cash requirement

Net cash requirement	Note	Estimate			Outturn			2007-08	2006-07
		Gross		Net	Gross		Net	Net total outturn compared with Estimate: saving/ (excess)	Outturn
		Expenditure	A in A	Total	Expenditure	A in A	Total		
£000	£000	£000	£000	£000	£000	£000	£000		
Net cash requirement	4	183,724	–	183,724	169,623	–	169,623	14,101	152,821

Summary of income payable to the Consolidated Fund

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

Explanations of variances between Estimate and Outturn

Expenditure for the year was in line with expectation, and the variance was less than 2% below combined budget.

The notes on pages 32 to 53 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2008

	Note	2007-08						2006-07	
		Core Department incl. Devolved			Consolidated			Core	Consoli-
		Staff	Other	Income	Staff	Other	Income	Department	dated
		Costs	Costs	£000	Costs	Costs	£000	£000	£000
		£000	£000	£000	£000	£000			
Administration Costs:									
Staff costs	9	36,514	-	-	36,514	-	35,147	35,147	
Other administration costs	10	-	25,789	-	-	25,789	21,342	21,342	
Operating income	13	-	-	(221)	-	-	(176)	(176)	
Programme Costs									
Request for resources:									
Staff costs	9	-	-	-	51,911	-	-	51,069	
Programme costs	11	-	73,380	-	-	106,945	80,950	107,851	
Income	13	-	-	(5,113)	-	-	(5,745)	(50,425)	
Total		36,514	99,169	(5,334)	88,425	132,734	(48,920)	131,518	
Net Operating Cost				130,439		172,239	131,518	164,808	

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	Note	2007-08		2006-07	
		Core	Consolidated	Core	Consolidated
		Department	£000	£000	Department
Net gain on revaluation of fixed assets	22	46	46	131	132
Actuarial gain/(loss) in the pension scheme	20	-	17,772	-	(19,744)
Total gains and losses for the financial year		46	17,818	131	(19,612)

The notes on pages 32 to 53 form part of these accounts.

Balance Sheet
as at 31 March 2008

	Note	Core Department		2007 Consolidated		Core Department		2006 Consolidated	
		£000	£000	£000	£000	£000	£000	£000	£000
Fixed assets:									
Tangible assets	14	3,003		3,585		2,657		3,151	
Intangible assets	15	599		715		627		648	
			3,602		4,300		3,284		3,799
Debtor falling due after more than one year	17		-		61		-		28
Current assets:									
Debtors	17	8,241		16,417		8,123		15,450	
Cash at bank and in hand	18	3,692		5,844		1,928		4,174	
		11,933		22,261		10,051		19,624	
Creditors (amounts falling due within one year)	19	(28,374)		(46,136)		(31,393)		(40,050)	
Net current liabilities			(16,441)		(23,875)		(21,342)		(20,426)
Total assets less current liabilities			(12,839)		(19,514)		(18,058)		(16,599)
Creditors (amounts falling due after more than one year)	19	(11,434)		(11,434)		(11,342)		(11,342)	
Provision for liabilities and charges	20	(3,886)		(4,136)		(1,358)		(1,733)	
			(15,320)		(15,570)		(12,700)		(13,075)
Net liabilities excluding pension deficit			(28,159)		(35,084)		(30,758)		(29,674)
Provision for pension deficit	20b		-		(27,990)		-		(46,735)
Net liabilities			(28,159)		(63,074)		(30,758)		(76,409)
Taxpayer's equity									
General fund	21		(28,497)		(63,465)		(31,111)		(76,815)
Revaluation reserve	22		338		391		353		406
			(28,159)		(63,074)		(30,758)		(76,409)

Tim J Smith
Chief Executive and Accounting Officer
11th June 2008

The notes on pages 32 to 53 form part of these accounts.

Cash Flow Statement
for the year ended 31 March 2008

		<u>2007-08</u>	<u>2006-07</u>
	Note	£000	£000
Net cash outflow from operating activities	23	(166,937)	(151,807)
Capital expenditure and financial investment	23	(2,685)	(1,014)
Financing from the Consolidated Fund	23	148,111	126,225
Financing from the Devolved Authorities	23	23,181	22,293
(Decrease)/Increase in cash in the period		<u>1,670</u>	<u>(4,303)</u>

The notes on pages 32 to 53 form part of these accounts.

Statement of Operating Costs by Departmental Aims and Objectives
for the year ended 31 March 2008

	Gross	Income	2007-08 Net
	£000	£000	£000
Aim 1			
Food Safety:			
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	168,545	(48,855)	119,690
Aim 2			
Eating for Health:			
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.	28,386	(26)	28,360
Aim 3			
Choice:			
– to enable consumers to make informed choices.	24,228	(39)	24,189
Net operating costs	221,159	(48,920)	172,239

	Gross	Income	2006-07 Net
	£000	£000	£000
Aim 1			
Food Safety:			
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	164,163	(50,534)	113,629
Aim 2			
Eating for Health:			
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.	27,648	(27)	27,621
Aim 3			
Choice:			
– to enable consumers to make informed choices.	23,598	(40)	23,558
Net operating costs	215,409	(50,601)	164,808

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 32 to 53 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 2007-08 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.

The Consolidated balance sheet at 31st March 2008 shows a negative taxpayer's equity of £71,695,000. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of supply approved annually by Parliament, to meet the Agency's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money can be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All that unspent monies, including those derived from the Agency's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Agency's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2008-09 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of 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).

Additionally, the FSA consolidated accounts incorporate results from the FSA devolved offices in Scotland, Northern Ireland and Wales. These are funded directly by the Scottish Parliament, Northern Ireland Assembly and National Assembly for Wales respectively. The Westminster funded FSA, Food Standards Agency Northern Ireland and MHS each produce and publish their own annual accounts. The MHS annual report and account is available from 'The Stationery Office' at www.tso.uk/bookshop.

The accounts directions for Scotland and Wales do not require separate balance sheets to be prepared. Consequently, the consolidated accounts include assets and liabilities relating to Scotland and Wales, that are not separately identified in the financial statements of Wales and Scotland.

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 & vehicles; and
- (b) *PQEK "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, fixtures and fittings).

The FSA does not currently own any land or buildings.

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

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

1.6 Depreciation and Amortisation

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

Tangible assets

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

Intangible assets:

Computer Software and software licences	2-7 Years
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1.7 Stocks and Work in Progress

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

1.8 Research & Development

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

Most research projects have a retention clause to ensure the satisfactory delivery of the final report. The FSA's policy is to accrue for the final retention amount, if the work 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, is 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% 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. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

The majority of employees of the MHS are members of the Local Government Pension Scheme (LGPS), other MHS employees are members of the PCSPS. LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by London 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.

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

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

1.13 Early Departure Costs

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

1.14 Operating Leases

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

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 KPMG LLP. No charge by the C&AG is made for this service but a non cash charge representing the cost of the audit is included in the accounts.

1.16 Value Added Tax

The net amount of Value Added Tax (VAT) due to or from Her Majesty's Revenue and Customs is shown as a 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 on the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Provisions are recognised in the accounts where;

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

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

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

1.18 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;
- (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 to do so. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate. All other financial instruments are held for the sole purpose of managing the cash flow of the FSA on a day to day basis or arise from the operating activities of FSA.

2. Analysis of net resource outturn by section

	Outturn					2007-08		2006-07
	Admin cost	Other Current	Gross resource expen- diture	A in A	Net Total	Net Total Estimate	Estimate	Prior-year outturn
							Net total outturn compared with Estimate excess/ (deficit)	
£000	£000	£000	£000	£000	£000	£000	£000	
Request for Resources								
Westminster – Core	54,780	55,403	110,183	(2,173)	108,009	112,992	4,983	109,651
Northern Ireland Assembly – Core	1,378	10,995	12,373	(3,161)	9,212	9,337	125	9,152
Scottish Parliament – Core	3,977	5,760	9,737	–	9,737	10,171	434	9,765
National Assembly for Wales – Core	1,675	1,716	3,391	–	3,391	3,550	159	2,949
Meat Hygiene Service	–	97,633	97,633	(55,743)	41,890	39,400	(2,490)	33,291
Total	61,810	171,507	233,317	(61,077)	172,239	175,450	3,211	164,808

The above table includes Westminster Core resource gross expenditure of £12,157k relating to work undertaken by the MHS on behalf of Westminster Core FSA. The same amount is included in MHS A-in-A of £12,157k.

Explanations of variances between Estimate and outturn.

Expenditure for the year was in line with expectation, and the variance was less than 2% below combined budget.

3. Reconciliation of outturn to net operating cost

	2007-08			2006-07
	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
			£000	
£000	£000	£000	£000	
Net Resource Outturn	172,239	175,450	3,211	164,808
Net operating cost	172,239	175,450	3,211	164,808

4. Reconciliation of resources to net cash requirement

		<u>2007-08</u>	<u>2006-07</u>
		Net total outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Estimate £000	Outturn £000
Net Resource Outturn	2	175,450	172,239
Capital:			
Acquisition of fixed assets	14/15	2,082	2,703
Non-operating A in A:			
Proceeds of fixed assets disposals	14	–	(18)
Accruals adjustments:			
Non-cash items	10	(2,766)	(9,009)
Changes in working capital other than cash	16	(42)	(3,417)
Changes in creditors falling due after more than one year	16	9,000	(92)
Use of provision	20a	–	345
Cash contribution to pension deficit	23a	–	6,872
Net cash requirement		<u>183,724</u>	<u>169,623</u>
		<u>14,101</u>	<u>152,821</u>

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 within the Operating Cost Statement to operating income payable to the Consolidated Fund

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Operating income	(48,920)	(50,601)
Income authorised to be appropriated-in-aid	48,920	50,601
Operating income payable to the Consolidated Fund	–	–

7. Non-operating income – Excess A in A

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

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

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

9. Staff numbers and related costs

	FSA(HQ) Westminster				2007-08	2006-07
	Total	Staff	Board	Sub-Total	£000	£000
					Devolved Offices	Total
Wages and salaries	27,456	23,361	187	23,548	3,908	26,210
Social security costs	2,283	1,956	15	1,971	312	2,216
Other pension costs	5,656	4,797	100	4,897	759	5,336
Sub Total	35,395	30,114	302	30,416	4,979	33,762
Inward secondments	236	161	0	161	76	304
Agency staff	1,082	909	0	909	174	1,321
Total	36,713	31,184	302	31,485	5,229	35,387
Less recoveries in respect of outward secondments	(199)	(199)	-	(199)	-	(240)
Total Net Costs	36,514	30,985	302	31,286	5,229	35,147

No salary costs have been capitalised.

FSA Northern Ireland staff costs are presented as programme rather than administration costs in the FSA NI resource accounts since the staff are not Northern Ireland civil servants. For consistency, they are shown as administration costs in the consolidated accounts as are Wales and Scottish FSA staff.

B Meat Hygiene Service – programme costs

	2007-08	2006-07
	£000	£000
Wages and salaries	40,998	41,204
Social security costs	3,150	3,363
Other pension costs	2,293	2,544
LGPS Pension scheme service costs	5,145	3,958
Temporary staff	325	-
Total	51,911	51,069

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)

For 2007-08, employer's contributions £8,185,941.40 were payable to the PCSPS (2006-07 £7,977,000) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Accruing Superannuation Liability Changes (ASLCs) are used by employers to calculate the in-year pension charge for their staff who are members of the Principal Civil Service Pension Scheme. The Cabinet Office issued EPN 128 in 2005, advising that the following salary bands and rates of charge from 1 April 2006. These remain unchanged for 2007-08, although new rates will come into force from 1 April 2009. Auditors will wish to take note of these rates when seeking to substantiate the completeness and accuracy of pensions contributions recognised in staff costs.

From 2008-09, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £3,104.86 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £14,262.43, 0.08 per cent of pensionable pay, were payable to the PCSPS

to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £269.41.

There were no early retirements on ill health grounds in 2007-08.

D Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2007-08 is shown in the table below. These figures include those working in the FSA and MHS (including senior management) as included within the the consolidated departmental resource account.

	2007-08			
	Westminster	Board Members	Devolved Offices	Total
	£000	£000	£000	£000
Aim 1				
Food Safety:				
– to continue to reduce foodborne illness; and				
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	1,813	7	72	1,892
Aim 2				
Eating for Health:				
– to make it easier for all consumers to choose a healthy diet; and thereby				
– improve quality of life by reducing diet-related diseases.	99	2	26	127
Aim 3				
Choice:				
– to enable consumers to make informed choices.	128	3	31	162
	2,040	12	129	2,181
				2006-07
	Westminster	Board Members	Devolved Offices	Total
	£000	£000	£000	£000
Aim 1				
Food Safety:				
– to continue to reduce foodborne illness; and				
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	1,884	3	67	1,954
Aim 2				
Eating for Health:				
– to make it easier for all consumers to choose a healthy diet; and thereby				
– improve quality of life by reducing diet-related diseases.	98	2	28	128
Aim 3				
Choice:				
– to enable consumers to make informed choices.	134	3	27	164
	2,116	8	122	2,246

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

	2007-08		
	Westminster	Devolved Offices	Total
	£000	£000	£000
Aim 1			
Food Safety:			
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	71,274	2,929	74,203
Aim 2			
Eating for Health:			
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.	5,303	1,056	6,359
Aim 3			
Choice:			
– to enable consumers to make informed choices.	6,615	1,243	7,858
	83,192	5,228	88,420
			2006-07
	Westminster	Devolved Offices	Total
	£000	£000	£000
Aim 1			
Food Safety:			
– to continue to reduce foodborne illness; and			
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	69,570	2,705	72,275
Aim 2			
Eating for Health:			
– to make it easier for all consumers to choose a healthy diet; and thereby			
– improve quality of life by reducing diet-related diseases.	5,537	1,103	6,640
Aim 3			
Choice:			
– to enable consumers to make informed choices.	6,680	1,077	7,757
	81,787	4,885	86,672

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 2007-08 MHS Annual Report and accounts.

10. Other Administration Costs

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases	6,457	6,457	6,486	6,486
Non-cash items:				
Depreciation	1,544	1,544	1,647	1,647
Amortisation	181	181	199	199
Gain on disposal of fixed assets	(13)	(13)	5	5
Cost of capital charge	(779)	(779)	(621)	(621)
Auditors' remuneration and expenses	100	100	100	100
Other expenditure:				
Accommodation costs	4,521	4,521	4,389	4,389
Board and staff overheads	7,357	7,357	4,627	4,627
Administration costs	4,445	4,445	2,830	2,830
IT costs	1,798	1,798	1,480	1,480
Committee costs	163	163	172	172
Other costs	15	15	28	28
Other expenditure	25,789	25,789	21,342	21,342

Notes

- a) The financial audit was subcontracted by the National Audit Office to KPMG LLP.
- b) For 2007/08 IT costs for the FSA have been allocated to the devolved offices on the basis of the number of terminals.
- c) The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement and the Reconciliation of Operating Costs to Operating Cashflows comprises:

	2007-08
	£000
Other administration costs – non cash items (as above)	1,033
Provisions provided for in year	2,754
Indirect Funding	52
MHS Non-cash items:	
Provision arising during the year	5,892
Depreciation	524
Cost of capital	(1,279)
Auditor's fees	33
Total non-cash transactions	9,009

11. Net programme costs

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Research & Development:				
Meat Hygiene	2,332	2,332	2,307	2,307
Nutrition	4,629	4,629	5,134	5,134
Microbiological Food Safety	1,010	1,010	821	821
Novel Food & Chemical Safety Toxicology	1,047	1,047	1,446	1,446
Chemical Safety	2,833	2,833	3,039	3,039
Food Labelling & Standards	879	879	914	914
Chemical Contaminants	1,270	1,270	961	961
Radiological Safety	143	143	233	233
Scallop Processing	611	611	894	894
Miscellaneous	302	302	300	300
	15,056	15,056	16,049	16,049
Enforcement, Monitoring and Campaigns:				
Meat Hygiene Service				
Staff Costs	–	51,911	–	51,069
Interest payable to pension scheme	–	754	–	941
Other Expenditure	–	44,968	–	39,317
Meat Hygiene	19,529	7,372	20,725	7,368
Radiological Safety	2,468	2,468	2,545	2,545
Food Chain Safety	65	65	–	–
Micro Food Safety/Food Hygiene Campaign	15,631	15,631	18,007	18,007
Committees, Press & Publicity	6,250	6,250	7,665	7,665
Salt Publicity Campaign	1,514	1,514	3,128	3,128
Nutrition	4,240	4,240	3,761	3,761
Chemical Contaminants	996	996	1,440	1,440
Sampling Step Change	1,221	1,221	1,273	1,273
Animal Feedingstuff	244	244	90	90
Medical and Legal	317	317	309	309
Food Safety and Education	2,034	2,034	1,841	1,841
Enforcement and Audit	1,093	1,093	785	785
Food Labelling & Standards	292	292	381	381
Novel Food & Chemical Safety Toxicology	277	277	341	341
Miscellaneous	2,153	2,153	2,610	2,610
	58,324	91,889	64,901	91,802
Total non-staff programme costs	73,380	106,945	80,950	107,851
Total programme costs	73,380	158,856	80,950	158,920
Less: Programme income				
FSA Westminster – core dept	(5,113)	(5,113)	(5,745)	(5,745)
Meat Hygiene Service	–	(43,586)	–	(44,680)
	(5,113)	(48,699)	(5,745)	(50,425)
	68,267	110,157	75,205	108,495

Included in the MHS costs above are:

For 2007-08, the auditor's fees of £33,000 and depreciation of £524,000

For 2006-07, the auditor's fees of £33,000 and depreciation of £460,000

12. Analysis of net operating cost by spending body

	2007-08		2006-07
	£000	£000	£000
	Estimate	Outturn	Outturn
Spending body:			
FSA – core department			
Westminster	112,992	108,010	109,651
Scottish Parliament	10,171	9,736	9,765
Northern Ireland Assembly	9,337	9,212	9,152
National Assembly for Wales	3,550	3,391	2,949
Meat Hygiene Services	39,400	41,890	33,291
Consolidated total	175,450	172,239	164,808

13. Analysis of Income

	2007-08		2006-07
	£000	£000	£000
Operating income, analysed by classification and activity, is as follows:			
All operating income is included within public expenditure			
FSA – core department			
Administration income:			
From Government Departments and others	221		176
		221	176
Programme income:			
Milk and Dairy Hygiene – sampling	21		23
Income from Meat Hygiene inspections in Northern Ireland	3,160		3,393
Assessments and consultations on radioactive discharges	1,932		2,329
		5,113	5,745
Meat Hygiene Service activity		43,586	44,680
		48,699	50,425
Consolidated total		48,920	50,601

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

	2007-08		2007-08		2006-07	
	£000	£000	£000	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Meat Hygiene Service activity						
Industry	23,772	65,768	(41,996)	23,428	56,719	(33,291)
Government	31,971	31,971	–	34,609	34,609	–
FSA – core department						
Milk and Dairy Hygiene – sampling and inspections	21	23	(2)	23	36	(13)
Income from Meat Hygiene inspections in Northern Ireland	3,160	3,160	–	3,393	3,393	–
Assessments and consultations on radioactive discharges	2,310	1,931	379	2,310	2,310	–
	61,234	102,853	(41,619)	63,763	97,067	(33,304)

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

14. Tangible fixed assets

Consolidated

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2007	–	8,311	1,317	3,410	60	13,098
Additions	1,331	57	205	770	62	2,425
Revaluation	–	47	53	(48)	(5)	47
Disposals	–	(110)	(4)	(138)	(49)	(301)
At 31 March 2008	1,331	8,305	1,571	3,994	68	15,269
Depreciation						
At 1 April 2007	–	6,872	796	2,225	54	9,947
Charged in year	–	963	165	841	9	1,979
Adjustment on revaluation	–	65	48	(53)	(5)	55
Disposals	–	(107)	(4)	(136)	(49)	(296)
At 31 March 2008	–	7,793	1,005	2,877	9	11,684
Net book value at 31 March 2008	1,331	512	566	1,117	59	3,585
Net book value at 31 March 2007	–	1,439	521	1,185	6	3,151

Core

	Assets Under Construction	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2007	–	8,166	1,214	1,853	60	11,293
Additions	1,331	57	205	193	62	1,848
Revaluation	–	47	44	18	(5)	104
Disposals	–	(110)	–	(138)	(49)	(297)
At 31 March 2008	1,331	8,160	1,463	1,926	68	12,948
Depreciation						
At 1 April 2007	–	6,732	707	1,142	55	8,636
Charged in year	–	958	161	362	9	1,490
Adjustment on revaluation	–	65	39	12	(5)	111
Disposals	–	(107)	–	(136)	(49)	(292)
At 31 March 2008	–	7,648	907	1,380	10	9,945
Net book value at 31 March 2008	1,331	512	556	546	58	3,003
Net book value at 31 March 2007	–	1,434	507	711	5	2,657

15. Intangible fixed assets

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

	Consolidated Purchased software licences	Core Purchased software licences
	£000	£000
Cost or valuation		
At 1 April 2007	1,587	1,122
Additions	277	154
Revaluation	(65)	(45)
At 31 March 2008	1,799	1,231
Amortisation		
At 1 April 2007	939	496
Charged in year	230	201
Adjustment on revaluation	(85)	(65)
At 31 March 2008	1,084	632
Net book value at 31 March 2008	715	599
Net book value at 31 March 2007	648	626

16. Movements in working capital, other than cash

	2007-08	2006-07
	£000	£000
(Decrease)/Increase in debtors	1,000	(1,805)
Decrease/(Increase) in creditors within one year	(4,417)	(10,290)
Decrease/(Increase) in creditors after more than one year	(92)	(92)
	(3,509)	(12,187)

The movement in creditors shown above excludes amount issued from the Consolidated Fund for supply but not spent in year.

17. Debtors(a) *Analysis by type*

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	503	7,169	323	5,741
VAT recoverable	2,945	4,122	2,601	3,889
Other debtors	214	283	207	276
Prepayments and accrued income	4,579	4,843	4,992	5,544
	8,241	16,417	8,123	15,450
Amounts falling due after more than one year:				
Other debtors	-	61	-	28
	8,241	16,478	8,123	15,478

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

	2007-08		2006-07	
	Amounts falling due within one year		Amounts falling due after more than one year	
	£000	£000	£000	£000
Balances with other central government bodies	6,487	5,477	-	-
Balances with local authorities	7	11	-	-
Balances with MHS Trusts	-	-	-	28
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	6,494	5,488	-	28
Balances with bodies external to government	9,923	9,962	61	-
Total debtors at 31 March	16,417	15,450	61	28

18. Cash at Bank and in Hand

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	1,928	4,174	5,448	8,478
Net changes in cash balances	1,764	1,670	(3,520)	(4,304)
As at 31 March 2008	3,692	5,844	1,928	4,174
The following balances at 31 March are held at:				
Office of HM Paymaster General	3,692	5,563	1,662	3,908
Commercial banks and cash in hand	-	281	266	266
	3,692	5,844	1,928	4,174
The balance at 31 March comprises				
Cash due to the Consolidated Fund:				
Amounts issued from the Consolidated Fund for supply but not spent at year end	3,692	5,844	1,928	4,174

19. Creditors(a) *Analysis by type*

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year				
Other taxation and social security	758	1,706	1,011	2,097
Trade creditors	5,703	8,173	11,825	14,020
Other creditors	552	1,610	657	2,272
Accruals and deferred income	17,669	28,803	15,971	17,486
Amounts issued from the Consolidated Fund for supply but not spent in year	3,692	5,844	1,928	4,174
	28,374	46,136	31,393	40,050
Amounts falling due after more than one year				
Long term liabilities (rent)	11,434	11,434	11,342	11,342
	39,808	57,570	42,735	51,392

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

	2007-08	2006-07	2007-08	2006-07
	Amounts falling due within one year		Amounts falling due after more than one year	
	£000	£000	£000	£000
Balances with other central government bodies	9,075	7,853	-	-
Balances with local authorities	1,739	2,426	-	-
Balances with MHS Trusts		38	-	-
Balances with public corporations and trading funds	71	2,751	-	-
Subtotal: intra-government balances	10,885	13,068	-	-
Balances with bodies external to government	35,251	26,982	11,434	11,342
Total creditors at 31 March	46,136	40,050	11,434	11,342

20a. Provisions for Liabilities and Charges

	Consolidated			
	Early departure provision	FSA Board Pension provision	Legal claims	Total
	£000	£000	£000	£000
As at 1 April 2007	765	459	509	1,733
Arising during the year	2,556	83	109	2,748
Utilised during the year	(345)	-	-	(345)
As at 31 March 2008	2,976	542	618	4,136
As at 31 March 2007	765	459	509	1,733

	Core Department			
	Early departure provision	FSA Board Pension provision	Legal claims	Total
	£000	£000	£000	£000
As at 1 April 2007	390	459	509	1,358
Arising during the year	2,563	83	109	2,755
Utilised during the year	(227)	-	-	(227)
As at 31 March 2008	2,726	542	618	3,886
As at 31 March 2007	390	459	509	1,358

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

A provision of £2,335,000 was set up during the year to cover the costs of a voluntary severance/ retirement scheme as part of a restructure of the core FSA. Further restructuring may be undertaken in 2008/09.

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

20b. Provision for pension liability

20b. 1 The majority of employees of the MHS are members of the LGPS, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pensions Fund Authority. For the year ended 31 March 2008, contributions of £3.2m were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2007, this rate was 15.6% of pensionable remuneration.

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

	Long term rate of return expected at 31/03/08	Value at 31/03/08	Long term rate of return expected at 31/03/07	Value at 31/03/07
		£000		£000
Equities	7.5%	59,598	7.7%	58,801
Bonds	6.3%	19,256	6.4%	21,112
Property	6.7%	17,931	6.8%	11,972
Cash	4.8%	2,992	4.9%	2,534
Market value of assets		99,777		94,419
Present value of scheme liabilities		(127,767)		(141,154)
Net pension liabilities		(27,990)		(46,735)

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

	31 March 2008	31 March 2007
Price Increases	3.6%	3.2%
Salary Increases	5.1%	4.7%
Pension Increases	3.6%	3.2%
Discount Rate	6.9%	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.

20b. 2 Analysis of movement in scheme liability

	2007-08	2006-07
	£000	£000
Scheme liability at 1 April	(46,735)	(27,260)
Current service cost	(4,809)	(3,687)
Employer contributions	3,654	3,543
Contributions in respect of unfunded benefits	3,218	1,625
Curtailments and settlements	(336)	(271)
Net return on assets (note 20b 3)	(754)	(941)
Actuarial gain/(loss) (note 20b 4)	17,772	(19,744)
Scheme liability at 31 March	(27,990)	(46,735)

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

	Year to 31 March 2008	Year to 31 March 2007
	£000	£000
Amount charged to staff costs (note 2B)		
Current service costs	(4,809)	(3,687)
Curtailement and settlements	(336)	(271)
Total operating charge (A)	(5,145)	(3,958)
	Year to 31 March 2008	Year to 31 March 2007
	£000	£000
Amount charged to programme costs (note 5)		
Expected return on pension scheme assets	6,928	5,811
Interest on pension scheme liabilities	(7,682)	(6,752)
Net cost (B)	(754)	(941)
Net revenue account cost (A)-(B)	(5,899)	(4,899)

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

	2007-08	2006-07
	£000	£000
Actual return less expected return on pension scheme assets	8,949	(823)
Experience gains and losses arising on the scheme liabilities	(6,177)	92
Changes in financial assumptions underlying the present value of scheme liabilities	(20,544)	20,475
Actuarial gain/loss recognised in the statement of total recognised gains and losses	(17,772)	19,744

20b. 5 History of experience gains and losses

	2007-08	2006-07	2005-06
	£000	£000	£000
Difference between the expected and actual return on scheme assets:			
Amount (£000)	(8,949)	823	10,688
Percentage of assets	-9.0%	0.9%	12.7%
Experience gains/(losses) on liabilities:			
Amount (£000)	6,177	(92)	(477)
Percentage of assets	4.8%	0.1%	0.4%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	17,772	(19,744)	19,643
Percentage of assets	13.9%	14.0%	17.7%

21. Reconciliation of Net Operating Cost to changes in General Fund

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(31,111)	(76,815)	(18,387)	(43,689)
MHS Actuarial gain/(loss)	–	17,772	–	(19,744)
Parliamentary Funding Drawn Down	135,293	171,293	115,514	148,514
Deemed Supply	1,928	4,174	5,448	8,478
Supply Creditor – current year	(3,692)	(5,844)	(1,928)	(4,174)
Net Operating Cost	(130,349)	(172,239)	(131,518)	(164,808)
Non Cash Charges:				
Cost of Capital	(779)	(2,058)	(621)	(1,806)
Auditors' remuneration	100	133	100	133
Indirect funding	52	52	82	82
Transfer to general fund of realised element of revaluation reserve	61	61	195	195
Prior year adjustment	–	6	–	–
Balance at 31 March 2008	(28,497)	(63,465)	(31,111)	(76,815)

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.

22. Revaluation Reserve

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April 2007	353	406	417	469
Arising on revaluation during the year	46	46	131	132
Transferred to general fund in respect of realised element of revaluation reserve	(61)	(61)	(195)	(195)
Balance at 31 March 2008	338	391	353	406

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**

	2007-08	2006-07
	£000	£000
Net operating cost	172,239	164,808
Adjustment for non-cash transactions	(9,010)	(6,679)
(Decrease)/Increase in debtors	1,000	(1,805)
Decrease/(Increase) in creditors	(6,179)	(6,078)
less movements in creditors relating to items not passing through the OCS	1,670	(4,303)
Use of provisions	345	696
Cash contribution to pension deficit	6,872	5,168
	166,937	151,807

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

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Tangible fixed asset additions	2,426	927
Intangible fixed asset additions	277	152
Proceeds of disposal of fixed assets	(18)	(65)
Net cash outflow from investing activities	<u>2,685</u>	<u>1,014</u>

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

	Capital expenditure	A in A	Net Total
	£000	£000	£000
Request for resources	2,703	(18)	2,685
Total 2007-08	<u>2,703</u>	<u>(18)</u>	<u>2,685</u>
Total 2006-07	1,079	(65)	1,014

(d) *Analysis of financing*

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
From the Consolidated Fund	148,111	126,225
From the Devolved Authorities	23,181	22,293
Net Financing	<u>171,292</u>	<u>148,518</u>

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

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Net cash requirement	(169,622)	(152,821)
From the Consolidated Fund (Supply) – current year	171,292	148,518
Increase/(decrease) in cash	<u>1,670</u>	<u>(4,303)</u>

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

Programme costs have been allocated as follows:

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Aim 1		
Food Safety:		
– to continue to reduce foodborne illness; and		
– to reduce further the risks to consumers from chemical contamination (including radiological contamination) of food;	88,872	85,896
Aim 2		
Eating for Health:		
– to make it easier for all consumers to choose a healthy diet; and thereby		
– improve quality of life by reducing diet-related diseases.	13,434	14,233
Aim 3		
Choice:		
– to enable consumers to make informed choices.	7,851	8,993
	<u>110,157</u>	<u>109,122</u>

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.

	2007-08		2006-07	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Obligations under operating leases comprise:				
Land and buildings:				
Expiry after 1 year but not more than 5 years	126	126	88	88
Expiry thereafter	6,286	6,286	6,239	6,239
	6,412	6,412	6,327	6,327
Other:				
Expiry within 1 year	62	62	57	57
Expiry after 1 year but not more than 5 years	12	12	7	260
	74	74	64	317

26. Other financial commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £50,360,117 up to 31 March 2014.

	2007-08		2006-07	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Expiry within 1 year	18,941	18,941	19,186	19,186
Expiry after 1 year but not more than 5 years	30,498	30,498	28,002	28,002
Expiry after more than 5 years	921	921	-	-
	50,360	50,360	47,188	47,188

27. Contingent liabilities

(i) There are compensations claim being sought against the FSA for £200,000. These cases will be defended. No provision has been made for these in the accounts.

(ii) There are a number of small claims being made by MHS employees and others for injuries sustained in the workplace, unfair dismissal or other issues. These cases will be defended and as yet the outcome is not known but could amount to £597,000. No provision has been made for these in the accounts.

28. Related-Party Transactions

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

The 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.

30. Losses and Special Payments

During the year the FSA made special payments amounting to £8,000.

However, the Meat Hygiene Service made 35 special payments amounting to £142,000 (£125,000 relating to 51 cases in 2006/07). The majority of the cases refer to compensation and personal injury claims. One payment of £30,000 was made relating to a personal injury case.

31. Post Balance Sheet Events

There were no reportable post balance sheet events between the balance sheet date and the 24th June, the date the Accounting Officer dispatched the accounts to the Treasury. The financial accounts do not reflect events after this date.

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH PARAGRAPH 4(2) OF SCHEDULE 4 TO THE FOOD STANDARDS ACT 1999

1. This Accounts Direction applies to the consolidated resource accounts of the Food Standards Agency in respect of the Estimate approved by the House of Commons under section 5 of the Government Resources and Accounts Act 2000; the sums paid by the Welsh Assembly Government under section 39(3)(a) of the Food Standards Act 1999 ("the Act"); the sums paid out of the Scottish Consolidated Fund under section 39(3)(b) of the Act; and the sums appropriated by an Act of the Northern Ireland Assembly under section 39(3)(c) of the Act.
2. The Food Standards Agency shall prepare consolidated resource accounts for the year ended 31 March 2008 and all subsequent years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ("the FReM") which is in force for that year.
3. The consolidated resource accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.
5. This Accounts Direction supersedes all previous Directions issued by HM Treasury.

David Watkins

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

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

1. The Food Standards Agency shall report its funding and expenditure in relation to sums paid out of the Scottish Consolidated Fund in a statement of accounts for the financial year ended 31 March 2006 and subsequent years. The statement shall comprise:
 - a summary of resource outturn;
 - an operating cost statement; and
 - a schedule reconciling the net resource outturn to the sums paid out of the Scottish Consolidated Fund.
2. The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the year, the capital expenditure for the year and reconcile the net resource outturn to the sums paid out of the Scottish Consolidated Fund for the year. Subject to these requirements the statement shall also be prepared in accordance with the requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared. A separate foreword, statement of the state of affairs at 31 March, and a statement of resources applied to objectives, recognised gains and losses, and cashflows for the year will not be required.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 1 October 2001 is hereby revoked.

Signed by the authority of the Scottish Ministers
Dated 17 January 2006

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF FINANCE AND PERSONNEL IN ACCORDANCE WITH SECTION 9(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT (NORTHERN IRELAND) 2001

1. This direction applies to those Northern Ireland departments and club pension schemes listed in the attached appendix.
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2008, in compliance with the accounting principles and disclosure requirements of the relevant edition of the Government Financial Reporting Manual ("the FReM") issued by the Department of Finance and Personnel (DFP) under DAO(DFP) 02/08.
3. The accounts for Northern Ireland departments shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2008 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 the Assembly or material transactions that have not conformed to the authorities which govern them.
4. The accounts for club pension schemes shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2008 and of the net resource outturn and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities which govern them; and
 - (c) ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.
5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from FReM should be discussed in the first instance with DFP.

Deputy Treasury Officer of Accounts
4 March 2008

ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES IN ACCORDANCE WITH SECTION 39(7) AND SCHEDULE 4 OF THE FOOD STANDARDS ACT 1999

1. The Food Standards Agency ("the Agency") shall report its funding and expenditure in relation to sums paid by the Welsh Assembly Government in a Statement of Accounts for the year ended 31 March 2008 and subsequent financial years comprising:
 - a summary of resource outturn;
 - an operating cost statement; and
 - a schedule reconciling the net resource outturn to the sums provided by the National Assembly for Wales.
2. The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure in the year and reconcile the net resource outturn to the sums provided by the Welsh Assembly Government for the financial year. Subject to these requirements the statement of account shall also be prepared in accordance with the requirements of the edition of the Government Financial Reporting Manual ("the FReM") issued by HM Treasury which is in force for that financial year insofar as it is appropriate to the Agency. A separate foreword, statement of the state of affairs at 31 March of the financial year, statement of resources applied to objectives, statement of recognised gains and losses and cashflow statement for the year then ended will not be required.
3. This direction shall be reproduced as an appendix to the statement of accounts. This direction revokes any directions issued previously.
4. Signed by Authority of the Welsh Assembly Government:

5 November 2007

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 2008 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ("the FReM") which is in force for 2007-08.
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 2008 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 2008 and of the net resource outturn and cash flows for the financial year then ended;
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and
 - (c) ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.
5. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.

DAVID WATKINS

Head of Financial Reporting Policy Team, Her Majesty's Treasury
11 December 2007





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