

# Notes to the Departmental Resource Accounts

Statement of accounting principles covering net costs by operating segment, expenditure, income, cash, trade receivables and payables and more.

## 1 Statement of Accounting Policies

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2021/22 Government Financial Reporting Manual (FReM) and Accounts Direction on page 215 issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food Standards Agency (FSA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the FSA are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the FSA to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes in the Accountability Report show outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement.

### 1.2 Accounting Convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities where material.

### 1.3 Significant Accounting Policies and Material Judgements

Estimates and the underlying assumptions are reviewed on a regular basis by the FSA's senior management. Areas of significant judgement made by management are:

IAS19 Employee Benefits – FSA management are responsible for the assumptions and judgements behind the calculations of the defined pension liability. FSA management use professional experts to ensure the numbers in this report reflect a true and fair view of the liability. Sensitivity analysis is documented in note 12.2.5.

IAS37 Provisions – judgement is made on the best estimate of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Note 11 of these accounts gives more details of the specific early retirement, legal and dilapidations provisions for the Agency and the basis for calculation.

### 1.4 Non-Current Assets

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

## 1.5 Property, Plant and Equipment

The FSA does not currently own any land or buildings. All property, plant and equipment assets are carried at depreciated historic cost as a proxy for fair value.

This is in accordance with FReM requirements as these assets have short useful lives or low values or both. Assets under construction are not depreciated until the month after they are brought into use. All assets are owned.

## 1.6 Intangible Assets

Computer software and software licences with a purchase cost in excess of £5,000 (including irrecoverable VAT and delivery where applicable) are capitalised at cost and amortised over the life of the licence, or over 7 years if the licence is bought in perpetuity. Intangible assets under construction are not amortised until the month after they are brought into use. The FSA has developed an external facing website ([www.food.gov.uk](http://www.food.gov.uk)) primarily for the promoting and advertising of its own services. This website will not generate future economic benefits and consequently all expenditure incurred on developing it is recognised as an expense as it occurs and is not capitalised.

## 1.7 Depreciation and Amortisation

Assets are depreciated from the month following the date of being available for use. Depreciation and amortisation are applied on a straight-line basis to write off costs evenly over the asset's anticipated life. Estimated useful lives are reviewed during the year and assets are assigned new end of useful life dates where applicable. The below information shows the useful lives of the assets currently on the non-current asset register.

Asset	2021/22	2020/21
Property, plant and equipment: Computer equipment	2 to 10 years	2 to 10 years
Property, plant and equipment: Furniture, fixtures and fittings	3 to 10 years	3 to 10 years
Intangible assets: Computer software and software licences	2 to 7 years	2 to 7 years

Asset lives have changed year on year as a result of additions with longer expected useful lives and an annual review of existing useful lives.

## 1.8 Research & Development Expenditure

Expenditure on research is not capitalised in the Resource Accounts (but is in the SOPS) and is treated as an operating cost as it is incurred. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets those criteria specified in IAS38.

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

## 1.9 Revenue from Contracts with Customers and Other Income

In line with IFRS 15, the FSA recognises 'Revenue from Contracts with Customers' relating to its main operating activities and the associated contracts. These are classified by activity and grouped into revenue from meat official controls from industry, hygiene work carried out on behalf of other government departments, assessments and consultations on radioactive discharges and milk and dairy sampling. FSA revenue is recognised when the performance obligation is satisfied, performance obligation is when inspection and hygiene work is performed. More detail as to application of the 5 step model under IFRS 15 is detailed in note 4.1 of these accounts. Other 'Operating Income', such as for secondments and non-contractual services is detailed separately from 'Revenue from Contracts with Customers' in note 4.2.

## 1.10 Pensions

FSA past and present employees are covered by the provisions of the Civil Servant and Other Pension Scheme (CSOPS) known as "alpha". The defined benefit schemes are unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the alpha. In respect of the scheme, the Department recognises the contributions payable for the year. Further details can be found in the resource accounts of the [Cabinet Office: Civil Superannuation website](#).

There are currently 295 FSA employees who are active members of the Local Government Pension Scheme (LGPS). LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by Local Pensions Partnership. The scheme is subject to regular valuations by an independent, professionally qualified actuary. These determine the level of contributions required to fund future benefits. The LGPS changed to a career average revalued earnings basis as of 1 April 2014 with a change of retirement age from 65 to that of the individual member's state pension age. All pensions in payment or built up before April 2014 are protected.

Pension assets and liabilities attributable to the FSA in the LGPS are recorded in line with IAS19 with a valuation undertaken annually to measure the value of pension assets and liabilities at the Statement of Financial Position date, determining the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Statement of Comprehensive Net Expenditure and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability or asset is shown on the Statement of Financial Position. The IAS19 valuation includes sensitivity analysis and the potential impact and this information can be found in Note 12.2.5.

Pension liabilities in the Board Pension Scheme are calculated by the Government Actuary's Department and a valuation is undertaken annually. The change in value of pension liabilities arising from changes in benefits or actuarial assumptions is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability is shown in the Statement of Financial Position. Further details about LGPS pensions can be found at the website [www.lgps.org.uk](http://www.lgps.org.uk). The contributions to Civil Service Pensions are set out in the Accountability Report and the costs in relation to the LGPS scheme are in Note 12.

### **1.11 Operating Leases**

All operating leases are accounted for under IAS17 Leases. Classification is made at the inception of the relevant lease. Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are recognised as a reduction in the rental expenses and are allocated over the shorter of the lease or the period in which the rental has been reduced by the lessor. The allocation is on a straight line basis. The FSA does not currently have any finance lease liabilities.

### **1.12 Value Added Tax**

The net amount of Value Added Tax (VAT) due to or from HMRC is shown as a receivable or payable on the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure, or if it is incurred on the purchase of a non-current asset, it is capitalised in the cost of the asset where not recoverable.

### **1.13 Provisions**

Provisions are recognised in accordance with IAS37. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation, arising from a past event, at the Statement of Financial Position date.

The Early Retirement and Westminster Dilapidation provisions have been discounted at the rates set by HM Treasury. Other provisions have not been discounted as the resulting adjustments are not considered material to these accounts.

### **1.14 Contingent Liabilities**

The rules for notifying liabilities to parliament are:

There is no need to tell parliament about:

- new liabilities arising under statutory powers unless the legislation calls for it;
- liabilities taken on in the normal course of business, except for those not in standard form and above £300,000;

Departments should notify parliament of:

- statutory liabilities, in the form expected by the legislation;
- any liability outside the normal course of business and above £300,000;
- any liability of a non-standard kind undertaken in the normal course of business;
- any liability which is novel, contentious or significant in relation to the organisation's (of the particular programme) expenditure, which is large and unquantifiable.

### **1.15 Financial Assets and Liabilities**

The FSA holds the following financial assets and liabilities:

## 1) Assets:

- trade and other receivables
- other current assets
- cash

## 2) Liabilities:

- trade and other payables
- provisions
- other Liabilities

Financial Assets and Liabilities are accounted for under IFRS 9.

Cash balances are measured as the amounts received in FSA's bank account. The FSA does not currently have cash equivalents. Trade receivables are measured at fair value with an impairment review carried out on a monthly basis under IFRS 9. Trade and other payables are measured at fair value, with use of agreed invoiced amount, or management estimate in the case of accrued expenditure, forming the basis for valuation.

### **1.16 Early adoption of IFRSs, amendments and interpretations**

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

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

#### **IFRS 16 Leases**

IFRS 16 has been applicable for reporting periods beginning from 1 January 2019. Due to the going COVID-19 pandemic, HM Treasury (HMT) delayed mandatory application of IFRS 16 by government departments until 1 April 2022, the FSA will therefore apply IFRS 16 from 1 April 2022.

The new standard removed the distinction between operating and finance leases for lessees and requires right of use assets and lease liabilities to be recognised in the Statement of Financial Position for all leases with a term of more than 12 months unless the underlying asset is of low value.

IFRS 16 has been adapted by HMT to expand the definition of a contract to include intra-UK government agreements where non-performance may not be enforceable by law. This brings FSA accommodation leases with other government departments within the scope of IFRS 16.

HMT has withdrawn the accounting policy choice to apply IFRS 16 retrospectively to each prior reporting period presented in accordance with IAS 8. At the date of initial application the FSA will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity.

HMT has also withdrawn the option to reassess whether a contract is, or contains, a lease at the date of initial application. The FSA will therefore only initially apply IFRS 16 to any contracts previously identified as a lease, or containing a lease, under IAS 17. Contracts relating to accommodation and lease cars have been identified as within scope of IFRS 16.

IFRS 16 does not require the recognition of assets of liabilities for leases where the underlying asset is of low value. HMT has mandated the election of this option and the FSA will therefore recognise lease payments for low value assets as an expense. The FSA will adopt a threshold of

£5,000 for low value assets which is in line with its capitalisation policy for owned assets, see Note 1.4 for more details.

IFRS 16 also does not require the recognition of assets or liabilities for leases of 12 months or less. HMT have mandated the election of this option, so the FSA will recognise such leases as an expense. The FSA identified leases relating to Multi-Function-Devices as falling within this category.

IFRS 16 does not allow for inclusion of non-recoverable VAT within the value of the lease payments when calculating the value of the Right of Use Asset and Lease Liability.

On transition Right of Use Assets and Lease Liabilities will be recognised at an amount equal to the Net Present Value of the lease payments to be made from recognition, to the anticipated end of the lease. Such payments to be discounted at either the rate implied in the contract or at the rate defined by HMT. At December 2021 the rate to be used for leases recognised in the calendar year 1 January 2022 to 31 December 2022 is 0.95%.

FSA expects to record the following impact of IFRS 16 in the 22/23 accounts:

SoCNE impact of IFRS 16: £0.1 million

### **SoFP impact of IFRS 16**

**Closing ROUA balance 31/3/23:** £7.4 million

**Closing balance of Lease Liabilities 31/3/23:** £7.5 million

IFRS 17 Insurance Contracts (expected to be adopted by FRoM in 2023-24) is not likely to be applicable to the financial statements of the FSA.

## **2 Net Costs by Operating Segment**

The segmental analysis detailed below covers the key spending areas of the Food Standards Agency and is aligned with the internal reporting to the Board and Executive Committee. The FSA reports regularly on this basis and performance is monitored against these areas.

The spend reported in 2020/21 has been redistributed in the below table against current spending areas for ease of comparison.

### **2021/22**

<b>Spending areas</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net cost</b>
Operations excluding NFCU and Ops Transformation	56,091	32,883	23,303
EU Transition	3,172	-	3,172
Risk Analysis including science	17,828	1,297	16,531
Risk Management including policy	6,994	-	6,994

<b>Spending areas</b>	<b>Expenditure</b>	<b>Income</b>	<b>Netcost</b>
Regulatory Compliance: Official Controls, legislation and Local Authorities	8,642	-	8,642
National Food Crime Unit	4,684	18	4,666
Surveillance (including sampling)	3,663	-	3,663
Doing the day job well	42,601	226	42,375
Achieving Business Compliance	781	-	781
Operational Transformation	1,547		1,547
Food Hypersensitivity	1,969	-	1,969
Shared Outcomes Fund	126	-	126
<b>Total</b>	<b>148,098</b>	<b>34,424</b>	<b>113,674</b>

## 2020/21

<b>Spending areas</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net cost</b>
Operations excluding NFCU and Ops Transformation	54,966	30,310	24,657
EU Transition	9,462	-	9,462
Risk Analysis including science	11,365	1,095	10,270
Risk Management including policy	3,385	-	3,385
Regulatory Compliance: Official Controls, legislation and Local Authorities	6,422	-	6,422
National Food Crime Unit	4,596	-	4,596

Spending areas	Expenditure	Income	Netcost
Surveillance (including sampling)	2,488	-	2,488
Doing the day job well	35,351	155	35,196
Achieving Business Compliance	1,106	-	1,106
Operational Transformation	1,210	-	1,210
Food Hypersensitivity	1,632	-	1,632
Shared Outcomes Fund	-	-	-
Total	131,984	31,560	100,424

### 3 Expenditure

Expenditure	2021/22 £000	2020/21 £000
Wages and salaries	48,273	46,506
Social security costs	5,402	5,161
Other pensions costs	12,032	11,173
Other staff costs	1,621	2,074
Contract inspectors and veterinary costs	30,407	27,979
Staff costs total	97,735	92,893
Goods and Services	18,563	11,031
Total goods and services	18,653	11,031
Pension provision expense	2,425	1,521



<b>Expenditure</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
General provision expense	(6)	(2,196)
Total provision expenses	2,364	(675)
Rentals under operating leases	1,744	1,948
ICT outsourcing, maintenance and support of networks and systems <a href="#">(footnote 1)</a>	6,820	6,190
Travel and Subsistence, Hospitality and Conference costs	1,015	485
Accommodation costs including rates, estate management and security	2,751	3,299
Operational costs (laundry, sampling and equipment)	1,852	1,853
Grants	2,301	3,025
Research and Development expenditure	5,012	2,864
Training and Development	838	469
Legal costs	241	270
HR, payroll and pension services	382	302
Stationery, printing and postage	226	243
Welfare costs	102	92
Consultancy	45	24
Other Professional Service	940	2,756
Other	847	735
Other operating expenditure total	25,116	24,555

<b>Expenditure</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Non-cash items: Depreciation	1,143	1,530
Non-cash items: Amortisation	1,219	975
Non-cash items: Auditors' remuneration and expenses	72	71
Non-cash items: Apprentice Levy Utilisation	15	13
Total	146,317	130,393

## 4 Income

### 4.1 Revenue from Contracts with customers

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

<b>Activity</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Income for official controls charged to industry	29,704	27,231
Income for meat hygiene work charges to other government departments	3,115	3,018
Assessments and consultations on radioactive discharges	1,253	1,001
Milk and Dairy Hygiene - sampling	17	28
Total income from contracts with customers	34,089	31,278

to customers in an amount that reflects the consideration to which the FSA expects to be entitled in exchange for those goods or services. The breakdown above best reflects the income generated from FSA assessed against IFRS 15.

The £34.089 million income from official controls charged to industry, milk and dairy inspections, meat hygiene work carried out for other government departments and radiological assessments is contractual income that is invoiced in arrears and thus the performance obligation has already occurred.

There is no variable element to the transaction price. The transaction price is the cost of staff time carrying out services using an hourly rate for the grade of staff supplied/service provided. FSA does not accept non-cash consideration for payment nor does it offset consideration due to a customer against that due from the same party. Invoices are due on receipt and there is no time value of money or financing offered. Payment terms are immediate on receipt of the FSA invoice as all invoices are issued in arrears for services carried out in the month or quarter before. There is no separation of price invoiced against performance obligation as the obligation has already occurred. Invoices are calculated on a time basis less discount as described in the Fees and Charges Note on page 176.

In line with IFRS 15, revenue is recognised at the point of service provided to the customer, at the point of invoice raised or by accrual for services performed in month to be invoiced in future. There is no invoicing in advance of service provision.

## 4.2 Other operating income

Type of other operating income	2021/22 £000	2020/21 £000
Secondment income	171	97
Other income	102	144
income from sale of goods and services	47	26
Notional income: Apprentice Levy Grant	15	13
Total other operating income	335	280

## 5 Plant and Equipment

### 2021/22

Cost type	Fixtures and fittings	Office equipment	Computer equipment	Total
Cost at 1 April 2021	4,413	-	5,790	10,203
Additions	33	-	1,210	1,243
Reclassification	-	-	-	-
Disposals	-	-	-	-

<b>Cost type</b>	<b>Fixtures and fittings</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
At 31 March 2022	4,446	-	7,000	11,446
Depreciation as at 1 April 2021	2,941	-	3,799	6,740
Charged in year	349	-	794	1,143
Depreciation: Disposals	-	-	-	-
Depreciation at 31 March 2022	3,290	-	4,593	7,883
Carrying amount at 31 March 2022	1,156	-	2,407	3,563
Carrying amount at 31 March 2021	1,472	-	1,991	3,463
Asset financing: Owned	1,156	-	2,407	3,563
Carrying amount at 31 March 2022	1,156	-	2,407	3,563

## 2020/21

<b>Cost type</b>	<b>Fixtures and fittings</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
Cost at 1 April 2021	4,385	-	4,382	8,767
Additions	28	-	1,408	1,436
Disposals	-	-	-	-
At 31 March 2022	4,413	-	5,790	10,203

Cost type	Fixtures and fittings	Office equipment	Computer equipment	Total
Depreciation as at 1 April 2021	2,597	-	2,613	5,210
Charged in year	344	-	1,186	1,530
Depreciation: Disposals	-	-	-	-
Depreciation at 31 March 2022	2,941	-	3,799	6,740
Carrying amount at 31 March 2022	1,472	-	1,991	3,463
Carrying amount at 31 March 2021	1,788	-	1,769	3,557
Asset financing: Owned	1,472	-	1,991	3,463
Carrying amount at 31 March 2022	1,472	-	1,991	3,463

## 6 Intangible assets

Intangible assets comprise computer software and software licences.

### 2021/22

Type of asset	Computer software and software licences
Cost or valuation: Cost at 1 April 2021	7,411
Additions	1,390
Disposals	-
At 31 March 2022	8,801

Type of asset	Computer software and software licences
Amortisation: As at 1 April 2021	2,920
Charged in year	1,219
Disposals	-
At 31 March 2022	4,139
Carrying amount at 31 March 2022	4,662
Carrying amount at 31 March 2021	4,491
Asset financing: Owned	4,662
Carrying amount at 31 March 2022	4,662

## 2020/21

Type of asset	Computer software and software licences
Cost at 1 April 2021	6,197
Additions	1,214
Disposals	-
At 31 March 2022	7,411
Amortisation: As at 1 April 2021	1,945
Charged in year	975
Disposals	-
At 31 March 2022	2,920

Type of asset	Computer software and software licences
Carrying amount at 31 March 2022	4,491
Carrying amount at 31 March 2021	4,252
Asset financing: owned	4,662
Carrying amount at 31 March 2021	4,662

## 7 Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The FSA has non-complex financial instruments – such as cash, receivables and payables – that are not subject to significant credit risk.

**Credit risk** – The FSA charges fees for meat official controls work to non-government industry customers for which there are some circumstances of payment default on amounts due. The FSA actively manages any default amounts and considers this not to be a material credit risk. The trade receivables figure presented in these accounts is recognised at fair value following an adjustment for the associated default risk. Other charges, which are predominantly government customers, present little or no credit risk.

**Liquidity risk** – The FSA has no significant exposure to liquidity risk as its net revenue resource requirements and capital expenditure are financed by resources voted annually by Parliament.

**Market risk** – The FSA has no significant foreign currency risk as it does not maintain any foreign currency assets or liabilities.

## 8 Cash

Cash type	2021/22	2020/21
Balance at 1 April	1,490	1,575
Net changes in cash and cash equivalents	(1,043)	(85)
Balance at 31 March	447	1,490

The following balances at 31 March were held at	2021/22	2020/21
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Government Banking Service	447	1,490
Balance at 31 March	447	1,490

## 9 Trade receivables, financial and other assets

Amounts falling due within one year	2021/22	2020/21
Trade receivables	2,242	1,936
VAT recoverable	2,627	2,438
Other receivables	54	73
Other current assets: Prepayments and accrued income	4,440	3,541
Total	9,363	7,988

## 10 Trade payables and other liabilities

Amounts falling due within one year	2021/22	2020/21
Trade payables	4,219	2,326
Other payables	25	19
Total payables	4,244	2,345
Other current liabilities: accruals and deferred income	13,810	12,789
Other current liabilities: amounts issued from the Consolidated Fund for supply but not spent at year end	447	1,490
Total other current liabilities	14,257	14,279
Lease adjustment as per IAS 17	532	485



Amounts falling due within one year	2021/22	2020/21
Total	19,033	17,109

## 11 Early departure and other provisions

### 2021/22

Analysis statement	Early departure £000	Legal claims £000	Dilapidations £000
Balance at 1 April	-	300	712
Provided in the year	-	-	-
Provisions not required written back	-	-	(62)
Provisions utilised in the year	-	-	-
Borrowing costs (unwinding of discount)	-	-	-
Balance at 31 March	-	300	65

### 2020/21

Analysis statement	Early departure £000	Legal claims £000	Dilapidations £000
Balance at 1 April	2,068	431	911
Provided in the year	5	-	-
Provisions not required written back	(1,871)	(131)	(199)

<b>Analysis statement</b>	<b>Early departure £000</b>	<b>Legal claims £000</b>	<b>Dilapidations £000</b>
Provisions utilised in the year	(202)	-	-
Borrowing costs (unwinding of discount)	-	-	-
Balance at 31 March	-	300	712

### **Analysis of expected timing of discounted flows: 2021/22**

<b>Analysis statement</b>	<b>Early departure £000</b>	<b>Legal claims £000</b>	<b>Dilapidations £000</b>	<b>Total £000</b>
within one year	-	300	-	300
Total current provisions liability	-	300	-	300
between one and five years	-	-	114	114
between five and ten years	-	-	536	536
thereafter	-	-	-	-
Total non-current provisions liability	-	-	650	650
Provisions balance at 31 March 2022	-	300	650	950

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

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

## 11.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA historically met the additional costs of benefits beyond the normal PCSPS and LGPS pension scheme benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provided for this in full when the early retirement programme became binding on the department by establishing a provision for the estimated payments discounted by the HM Treasury discount rates.

The Early departure costs provision is nil at 31 March 2022 as the future obligation is now included in the LGPS pension liability as disclosed in Note 12.

## 11.2 Legal claims

A provision has been created to cover legal issues affecting the FSA. This is described below.

The FSA holds a provision for personal injury claims to cover the estimated amounts required to settle the claims and costs for which the FSA has admitted liability. Claims against the FSA where liability has been denied are not included.

## 11.3 Dilapidations

A provision has been created in respect of estimated dilapidation costs for Apex House in Birmingham, Clive House in London and Foss House in York, all of which are based on an independent survey carried out by a third party. All provisions have been inflated and discounted by the HM Treasury rates. Inflation at 4.0% for year 1, 2.6% for year 2 and 2.0% into perpetuity and discounted at 0.47% for years 1-5 and 0.7% for years 6-10.

# 12 Provisions for pensions liabilities and charges

## Pensions provisions

2021/22

Provision	Board Pension (£000)	LGPS Pension £000	Total £000
Net pension liability at 1 April	879	90,170	91,049
Total service and interest costs	11	5,847	5,858
Employer contributions	(34)	(1,179)	(1,813)
Deficit payment	-	(1,500)	(1,500)
Actuarial (gain)/loss	40	(28,218)	(28,128)

<b>Provision</b>	<b>Board Pension (£000)</b>	<b>LGPS Pension £000</b>	<b>Total£000</b>
Net pension liability at 31 March	896	64,520	65,416

## 2020/21

<b>Provision</b>	<b>Board Pension (£000)</b>	<b>LGPS Pension £000</b>	<b>Total £000</b>
Net pension liability at 1 April	868	68,713	69,581
Total service and interest costs	15	5,048	5,063
Employer contributions	(34)	(1,974)	(2,008)
Deficit payment	-	(1,500)	(1,500)
Actuarial (gain)/loss	30	19,883	19,913
Net pension liability at 31 March	879	90,170	91,049

## 12.1 FSA Board Pensions Provision

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

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2022 is £896,000 (2020/21 £879,000).

The scheme is closed and therefore it is likely that the current scheme liabilities will gradually decrease over time, as the expected pension payments are made to the scheme members. In the short-term changes in the scheme liability may be primarily driven by the assumptions used for future assessments (particularly the financial assumptions prescribed

by HM Treasury).

### Financial assumptions

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

Financial assumption	31 March 2022	31 March 2021
Discount rate	1.55%	1.25%
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	2.90%	2.22%
CPI inflation assumption	2.90%	2.22%

### Mortality

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

Assumption	Males 31 March 2022	Females 31 March 2022	Males 31 March 2021	Females 31 March 2021
Current Pensioners	22.1 years	23.8 years	22 years	23.7 years

### Present value of scheme liabilities

Liability	Value at 31 March 2022	Value at 31 March 2021	Value at 31 March 2020	Value at 31 March 2019	Value at 31 March 2018
Active members	-	-	-	-	-
Deferred pensioners	(245)	(236)	(229)	(216)	(221)
Current pensioners	(651)	(643)	(639)	(626)	(695)

<b>Liability</b>	<b>Value at31 March 2022</b>	<b>Value at31 March 2021</b>	<b>Value at31 March 2020</b>	<b>Value at31 March 2019</b>	<b>Value at31 March 2018</b>
Total	(896)	(879)	(868)	(842)	(916)

#### **Analysis of movement in scheme liability**

<b>Analysis of scheme liability</b>	<b>2021/22</b>	<b>2020/21</b>
Scheme liability at 1 April	(879)	(868)
Current service cost (net of employee contributions)	-	-
Interest cost	(11)	(15)
Actuarial (loss)/Gain	(40)	(30)
Benefits paid	34	34
Net pension liability at 31 March	(896)	(879)

#### **Analysis of amount charged to operating profit**

<b>Amount charged to operating profit</b>	<b>2021/22</b>	<b>2020/21</b>
Current service cost (net of employee contributions)	-	-
Interest cost	11	15
Total cost	11	15

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

<b>Experience (losses)/gains arising on the scheme liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
Experience (losses)/gains arising on the scheme liabilities	(8)	14

<b>Experience (losses)/gains arising on the scheme liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
Changes in financial assumptions underlying the present value of scheme liabilities	(32)	(44)
Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity	(40)	(30)

### **History of experience gains and losses**

<b>Experience (losses)/gains on scheme liabilities</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>
Amount (£000)	8	14	10	55
Percentage of scheme liabilities	0.89%	1.59%	1.2%	6.5%

## **12.2 Provision for Local Government Pension Scheme Liability**

12.2.1 The Local Government Pension Scheme is a defined benefit scheme which is administered by Local Pensions Partnership and governed by the Local Government Pension Scheme Regulations 1995. For the year ended 31 March 2022, contributions of £1.7 million (2020/21 £1.8 million ) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2022, this rate was 19.4% (2020/21 19.4%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund surplus was £3.7 million as at March 2019 (March 2016 deficit of £13.5 million ). During 2021/22 the FSA made additional deficit reduction payments of amount of £1.5 million and will pay £1.5 million in 2022/23. The next full actuarial review of the scheme will show the position at 31 March 2022.

This triennial valuation process will be carried out in the summer of 2022 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2023. An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £67.5 million as at 31 March 2022 compared with a calculated deficit of £90.2 million as at 31 March 2021.

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

The actuary has estimated the employer's contributions for 2022/23 to be £1.67 million. The FSA is exposed to risk in relation to the fund's movement in assets and liabilities. The FSA manage a close relationship with LPFA regarding its investment strategy and meet regularly to ensure full understanding of the market performance and LPFA strategy for the fund. The FSA is awarded the highest covenant grading in relation to its going concern and financial stability, thus reducing the risk of fluctuating employer costs.

### **Financial Assumptions**

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

<b>Financial assumptions</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
Inflation/Pension increase rate (RP1)	3.65%	3.25%
Inflation/Pension increase rate (CPI)	3.30%	2.85%
Salary increases	4.30%	3.85%
Pension increases	3.30%	2.85%
Discount rate	2,60%	2%

### **Mortality**

The post retirement mortality is based on the Club Vita mortality analysis then projected using the Continuous Mortality Investigation (CMI) model. The impact of the coronavirus pandemic had a disproportionate impact on this weighting therefore the 2020 model has been updated with a weight parameter of 25%. Based on these assumptions, the average life expectancies at age 65 are summarised below.

<b>Retirement status</b>	<b>Males 31 March 2022</b>	<b>Females 31 March 2022</b>	<b>Males 31 March 2021</b>	<b>Females 31 March 2021</b>
Retiring today	21.2	23.3	21.0	23.2
Retiring in 20 years	22.5	26	22.4	25.9

### **Movement in liabilities**

<b>Movement in liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
Opening Defined benefit obligation	272,193	225,243
Current service cost	3,840	3,271
Interest cost	5,370	5,216



<b>Movement in liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
Change in financial assumption	(8,210)	50,284)
Change in demographic assumptions	-	(2,347)
Experience loss/(gain) on defined benefit obligation	494	(2,863)
Liabilities assumed (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(7,810)	(7,119)
Past service costs, including curtailments	-	-
Contribution by Scheme participants	574	635
Unfunded pension payments	(127)	(127)
Closing Defined Benefit Obligation	266,324	272,193

#### **Movement in assets**

<b>Movement in assets</b>	<b>2021/22</b>	<b>2020/21</b>
Opening fair value of Employer's Assets	182,023	156,530
Interest on assets	3,600	3,642
Return on assets less interest	20,502	25,191
Other actuarial gains/(losses)	-	-
Administration expenses	(237)	(203)
Contributions by Employer including unfunded	3,279	3,474
Contributions by Scheme participants	574	635

<b>Movement in assets</b>	<b>2021/22</b>	<b>2020/21</b>
Estimated benefits paid plus unfunded net of transfers in	(7,937)	(7,246)
Settlement prices received/(paid)	-	-
Closing fair value of employer assets	201,804	182,023

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

<b>Assets</b>	<b>Value at 31 March 2022</b>	<b>% at 31 March 2021</b>	<b>Value at 31 March 2021</b>	<b>\$ at 31 March 2021</b>
Equities	114,866	57%	102,019	56%
Target return portfolio	43,465	22%	41,473	23%
Infrastructure	20,559	10%	15,415	8%
Property	18,106	9%	15,647	9%
Cash	4,808	2%	7,469	4%
Market value of assets	201,804	100%	182,023	100%
Present value of scheme liabilities	(266,324)	-	(272,193)	-
Net pension liability	(64,250)	-	(90,170)	-

### 12.2.2 Movement in deficit during the year

<b>Movement in deficit</b>	<b>2021/22</b>	<b>2020/21</b>
Scheme liability at 1 April	(90,170)	(68,713)

<b>Movement in deficit</b>	<b>2021/22</b>	<b>2020/21</b>
Service cost	(3,840)	(3,271)
Administration expenses	(237)	(203)
Employer contributions	1,779	1,974
Payment of deficit	1,500	1,500
Past service cost	-	-
Other finance net interest charged (note 12.2.3)	(1,770)	(1,574)
Actuarial (loss)/gain note (12.2.4)	28,218	(19,883)
Net pension liability	(64,250)	(90,170)

### 12.2.3 Analysis of the amount charged to operating deficit

<b>Operating deficit</b>	<b>2021/22</b>	<b>2020/21</b>
Service cost	3,840	3,271
Net interest on the defined liability /(asset)	1,770	1,574
Administration expenses	237	203
Total	5,847	5,048
Employer contributions to be set off	(1,652)	(1,974)
Amount (credited)/charged to operating cost	4,195	3,074

### 12.2.4 Analysis of amount recognised in Statement of Changes in Taxpayers' Equity

<b>Statement of changes</b>	<b>2021/22</b>	<b>2020/21</b>
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Return on fund assets in excess of interest	20,502	25,191
Other actuarial gains/(losses) on assets	-	-
Changes in financial assumptions	8,210	(50,284)
Change in demographic assumptions	-	2,347
Experience gain (loss) on defined benefit obligation	(494)	2,863
Actuarial gain/(loss) recognised in the Statement of Changes in Tappayer' Equity	28,218	(19,883)

### 12.2.5 Sensitivity Analysis

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of total obligation	261,785	266,324	270,945
Projected Service cost	3,512	3,599	3,597
Adjustment to long term salary increase	+0.1%	0%	-0.1%
Present value of total obligation	266,837	266,324	265,813
Project Service cost	3,601	3,599	3,597
Adjustment to pension increases and deferred valuation	+0.1%	0%	-01.%
Present value of total obligation	270,396	266,324	262,321
Projected service cost	3,687	3,599	3,513
Adjustment to mortality age rating assumptions	+1 year	none	-1 year
Present value of total obligation	278,739	266,324	254,480

<b>Sensitivity Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Projected Service cost	3,761	3,599	3,443

## 13 Contingent liabilities

The Department has the following contingent liabilities:

There are a number of claims being made by employees and others for injuries sustained in the workplace totalling approximately £95k. No provision has been made for these cases, however, a provision of £300k has been made for personal injury claims where liability has been admitted (Note 11).

The FSA has an unquantified contingent liability relating to a staff benefits dispute.

The nature of the work carried out by the FSA can mean that it may be subject to various claims and legal actions in the ordinary course of its activities with the position being uncertain and therefore unquantifiable.

The total quantified contingent liabilities are £7.3 million (2020/21 £0.3 million).

## 14 Commitments under leases

### 14.1 Operating leases

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

<b>Obligations under operating leases comprise:</b>	<b>2021/22</b>	<b>2020/21</b>
Land and buildings:	-	-
Not later than one year	1,682	1,682
Later than one year and not later than five years	6,670	6,727
Later than five years	959	2,582
Total	9,311	10,991
Other: Not later than one year	39	89
Other: Later than one year and not later than five years	25	20

Obligations under operating leases comprise:	2021/22	2020/21
Other: Total	64	109

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

## 14.2 Other financial commitments

The FSA did not have any other financial commitments as at 31 March 2022.

## 15 Capital commitments

As at March 2022 there were no commitments for the purchase of capital items (31 March 2021 £ nil).

## 16 Related-Party Transactions

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

The FSA had a number of significant transactions with other Government Departments and other central Government bodies including Defra and its agencies, Ministry of Justice, Public Health England, Cabinet and its public bodies and agencies and the Department of Health and Social Care.

Details of remuneration provided to Senior Civil Servants and Board Members can be seen in the Remuneration Report.

## 17 Entities within the Departmental Boundary

The FSA has the following entities within the Departmental Boundary:

- Advisory Committee on Animal Feeding Stuffs
- Advisory Committee on Novel Foods and Processes
- Advisory Committee on the Microbiological Safety of Food
- Advisory Committee for Social Science
- Advisory Forum on Food and Feed
- Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment
- FSA Science Council

## 18 Events after the reporting period

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

There are no reported events after the reporting period.

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