

Chief Executive's Report to the Business Committee

FSA BC 24/03/03

Finance

1. As of 31 January 2024, the FSA was forecasting to spend £142.1m against a budget of £145.5m, representing a total forecast underspend of £3.4m. £2.9m of the underspend related to Westminster, £0.3m to Northern Ireland and £0.1m to Wales budgets.
2. When factoring in HM Treasury (HMT) cost classification, and separating out the devolved nations, we had an overall Westminster underspend of £1.3m against our resource budgets (RDEL), and underspend of £1.6m against our capital budgets (CDEL). There are still some risks attached to the financial forecasts, but we currently expect to end the year within our HMT control totals.
3. The Northern Ireland and Wales positions remain consistent with that reported at the [last Business Committee](#) and have been relatively stable across the year to date. The Northern Ireland underspend has decreased slightly from £0.5m to £0.3m, as they returned £0.2m of budget to the centre. The Wales forecast has decreased slightly to £0.1m underspend against their £5.1m budget due to proactive management of staff vacancies. We are currently confident we will live within the devolved administration's 2023/24 budgets.
4. More widely, we have seen large fluctuations in our RDEL forecasts across 2023/24, moving from a pressure of £2m when budgets were initially set, increasing to a forecast overspend of £4.3m in June 2023, followed by a gradual forecast reduction across the year to land at our current forecast of a £1.4m underspend. The main drivers to the RDEL overspend increasing earlier in the year were pay-related pressures, such as the unfunded Cost of Living payments announced by Cabinet Office in May, as well as a higher than budgeted pay rise for all staff below SCS.
5. We have been able to absorb this £3.1m pressure through a combination of optimism bias in staff forecasts particularly around timeliness of recruitment campaigns, the use of some non-pay contingency, and the receipt of £1.2m of funding from Defra, covering the costs of staff working on the Windsor Framework. There has also been some impact in the second half of the year as we await the still unknown headcount limit HMT are imposing on all government departments for 2024/25.
6. In addition to absorbing this pressure, we have seen further net reductions of £2.6m in programme and non-pay forecasts, due to a combination of project cancellations, slippage and changes in scope across the year. The most significant individual forecast reductions within this are:
 - £0.8m unexpected correction of the VAT treatment of some of our major IT contracts;
 - £0.6m on Achieving Business Compliance, primarily relating to Food Standards workstreams;
 - £0.5m from Science, Evidence, Research Directorate, relating to the National Diet and Nutrition Survey. This is a cross-government project that was delayed by the Department

- of Health and Social Care (DHSC) therefore outside of FSA's control; and
- £0.4m reduction on Imports in Strategy and Regulatory Compliance Directorate, due to lower-than-expected uptake of local authority/port health authority grants and surveillance.

7. There were a number of other smaller variances across the budget lines which broadly net each other off, including the impact of reduced meat industry income and costs due to reduction in meat industry hours, and lower than anticipated legal costs.

8. As reported in December, the 2023 Autumn Statement included a commitment to cap Civil Service headcount at September 2023 levels and decrease back to 2019 levels by the end of the next Spending Review. HMT have yet to issue formal headcount limits to departments, and therefore we have set 2024/25 headcount on the basis of affordable posts. We recognise that we are carrying risk as this headcount level will be higher than the HMT limit. However, the Executive Management Team and I commit to keeping this under review as we get more clarity from HMT on our limits and the monitoring arrangements.

9. The audit of the 2022/23 Annual Report and Accounts (ARA) was finalised in January, resulting in no significant findings and a clean audit report across all four sets of accounts. The unqualified ARAs were published and laid before their respective administrations on 31 January.

Incidents

10. Since my last report to the Committee, the Incidents teams have been working with the UK Health Security Agency (UKHSA) and other government departments to investigate an outbreak of Shiga-toxin producing E. coli (STEC) 0145 [I-006-734] that emerged before Christmas 2023 and is potentially linked to varieties of unpasteurised cheeses produced by Mrs Kirkham's Cheese in Lancashire. The company undertook a precautionary product recall once these links were made. 30 cases of illness have been linked with this outbreak, and sadly one affected person has died having developed Haemolytic Uraemic Syndrome (HUS). Enquiries into epidemiological and food chain links continue. There has been significant media interest in and stakeholder engagement with the product recall, and we have been issuing updated advice to consumers. Mrs Kirkham's have made statements via social media and the regional press. Cheese production has resumed after the business has worked with their local Environmental Health Officer.

11. The FSA was notified in December 2023 of a precautionary product recall by the US manufacturer Reckitt of two infant formula powders because of the possible presence of *Cronobacter sakazakii* [I-006-685]. These infant formula powders are Food for Special Medical Purposes and are usually, but not exclusively, prescribed. We have issued advice for UK practitioners and consumers, and we continue to liaise with US authorities to seek assurance on the progression of the investigation and the safety of product being placed on the market.

12. The FSA, Food Standards Scotland and UKHSA have also been investigating an outbreak of Shigella Toxin forming E. coli 0157 potentially linked to chilli sticks using beef mince with five positive cases to date (four in England and one in Scotland) [I-006-793]. One person was hospitalised with illness potentially linked to products from a Christmas market. Enquiries continue and are concentrating on the supply of beef mince used in the product. The manufacturer carried out a precautionary product recall, and the FSA has published advice for consumers.

Field Operations/Operational Assurance

13. The Veterinary Resource Programme continues to work closely with our Service Delivery Partner in building resilience in our Official Veterinarian resource should the Royal College of

Veterinary Surgeons' Temporary Registration scheme be withdrawn at the end of 2024. Our latest data shows a reduction in the number of temporarily registered OV's (TROV's) as they reach IELTS level 7 English language and successfully transition to full OV status. In November, we ran an Extra Mural Studies (EMS) pilot where a small number of veterinary students from the UK experienced a week of work experience with the FSA.

14. The Environment, Food and Rural Affairs Committee will be holding a non-inquiry session focussed on the implications of veterinary shortages for the food industry, border controls, biosecurity and animal welfare on 12 March. I have been invited alongside Chief Veterinary Officer, the British Veterinary Association and Vet Schools Council to provide evidence on challenges we have experienced or challenges we foresee.

15. The Home Office recently announced a planned increase to the minimum salary levels for overseas skilled worker visas. This is expected to come into effect in April. Operations and Finance teams are leading our cross-government response which could have delivery, commercial and fiscal impacts. A key role impacted is the Meat Hygiene Inspector (MHI) role, whose salary falls below the new threshold. We rely on a significant number of MHIs recruited from overseas in nearly half of the abattoirs we regulate. Our service delivery partner, Eville & Jones, has been recruiting trained vets from abroad and deploying them as MHIs with the expectation that they would improve their English to attain the language level needed to register with the Royal College of Veterinary Surgeons (RCVS) as an official vet, after a year or two. This pipeline would have meant a reduced reliance on the RCVS temporary registration scheme.

16. We are liaising with the Home Office over whether we could secure the addition of some of our critical roles on the Shortage Occupation List which could help to partially mitigate the impact of these changes.

17. At the end of January, I approved the Outline Business Case (OBC) for the retender of FSADOC (Delivery of Official Controls). The OBC was also approved by DHSC Commercial Assurance Board which is a voluntary governance step that FSA undertook to align to government best practice. The OBC has now been submitted to Cabinet Office and HMT for formal approval to retender. Activity is underway to develop the contract specification and the "Invitation to Tender" will be published in April with interested parties submitting bids by the middle of June. A robust evaluation period will take place in July and August and contract award is planned for November with a transition period in place for the new contract to start from April 2025.

Prosecutions and Litigation

18. In the light of recent events connected to the Post Office, the FSA has reviewed its oversight arrangements for initiating prosecutions. A detailed update has been shared with the Audit and Risk Assurance Committee.

19. Turning to prosecutions in the last period, three men were convicted and sentenced for fraud and acquiring criminal property relating to poultry, amounting to a loss of £318,347. Rana Dhaia, owner of Townsend Poultry in Wolverhampton, together with Darren Williams and Elliot Smith, both Dispatch Managers, employed by the 2 Sisters Food Group in Llangefni, conspired together to commit fraud. It came to light during an audit requested by the FSA. Rana Dhaia has been sentenced to serve a term of imprisonment of four years and three months. Darren Williams has been sentenced to two years' imprisonment suspended for two years with a requirement to undertake 300 hours unpaid work. Elliot Smith has been sentenced to two years' imprisonment suspended for two years with a requirement to undertake 250 hours of unpaid work.

20. The trial at the Inner London Crown Court involving animal by-products being returned to the human food chain has been deferred to January 2025. Due to external factors the judge decided

to have the matter relisted for a trial requiring eight weeks, with the earliest available date being January 2025.

21. A slaughterhouse faced charges for faecal contamination of carcasses during post-mortem inspections between August 2020 and March 2021. Court delays occurred and by September 2023, the trial was set September 2024. In November 2023, the FSA opted not to proceed due to prolonged delays and it no longer being in the public interest. Despite evidence for prosecution, mitigation would likely be strong, affecting potential sentencing, given issues had been resolved.

22. Successful obstruction prosecutions since my last report:

- December 2023 – defendant found guilty, discharged but ordered to pay £3000 costs to FSA.
- January 2024 – defendant pleaded guilty, was fined £500 and ordered to pay victim surcharge of £200 and prosecution costs of £12,118.18.
- February 2024 – defendant pleaded guilty and ordered to pay external FSA costs of £4884.

23. We prosecuted a slaughterhouse for dispatching over-temperature ovine meat and offal, violating a Remedial Action Notice. At trial in February, the FBO was found guilty on 11 charges, fined £12,000 and ordered to pay £20,000 towards FSA costs.

24. At a sentencing hearing in January, a company who pleaded guilty to three charges under the Welfare of Animals at Time of Killing regulations was fined £2,000 and ordered to pay £914 in prosecution costs.

25. In January, the FSA defended an application in the Upper Tribunal related to an appeal against the revocation of Certificates of Competence for three slaughtermen after an animal welfare incident. Though the Tribunal found errors in the First Tier Tribunal's decision, it remitted the matter for redetermination. The Upper Tribunal ruled the FSA's conduct was not objectively unreasonable and no costs were ordered against us.

Reward and Recognition

26. The FSA Reward and Recognition scheme makes use of a ring-fenced budget and enables us to reward excellent and exceptional one-off achievements to staff between AO and Grade 6. The budget estimate for 2023/24 is £414,218 and to date, 2230 awards totalling £330,000 have been made to 1222 staff. Over the same period in 2022/23, 2,829 awards worth 350,370 were made to 1530 people.

Health Safety and Wellbeing

27. The annual health surveillance schedule is now largely complete. This programme assesses the hearing and respiratory health of frontline operational staff. Amongst others, it exists to provide assurance that workplace control measures are working effectively.

Inclusion

28. The Cross Government Grief Café won the Civil Service Award for Developing and Supporting People category, beating 1962 other nominations. The Grief Café is hosted by the FSA's Inclusion Lead and connects 4100 people across 114 departments and agencies.

Senior Recruitment

29. Ed Clift has commenced his role as SCS1 Deputy Director for Finance & Planning. Ed joins us from the Department for Digital, Culture, Media & Sport.

Recruitment

30. Forty-two campaigns have gone live since December 2023. The trainee Official Auxiliaries and Qualified Official Auxiliaries campaigns have concluded, successfully filling 18 roles with a further eight held on reserve (due to location restrictions). Whilst our success is growing in this area, the nationality and right to work restrictions continue to hinder our efforts. Only nationals from the following countries (or associations of countries) are generally eligible for employment in the Civil Service: United Kingdom (and British protected persons), the Republic of Ireland, and the Commonwealth. Certain EEA, Swiss and Turkish nationals are also eligible for employment. There are large numbers of applicants (already working in the field within the UK) who are unable to proceed with their applications.

People Plan 2023-26

31. We are approaching the end of the first year of our People Plan. All key deliverables have either been delivered or are on track for delivery by year end including a review of our pay and benefits offer, a refresh of our ASPIRE values, a strategic capabilities forecast, development of a management charter and an FSA management and Leadership framework. Analysis of our Civil Service People Survey results is underway to understand the impact of the people plan on the indicative measures identified.