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# WESTMINSTER ANNUAL REPORT AND ACCOUNTS 2017/18

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# Food Standards Agency

## Westminster Annual Report and Accounts 2017/18

(For the year ended 31 March 2018)

Presented to Parliament pursuant to Section 4 of the Food Standards Act 1999

Accounts presented to the House of Commons pursuant to Section 6(4) of the  
Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

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# PERFORMANCE OVERVIEW

## CHAIRMAN'S FOREWORD



**The FSA modernisation agenda has never been more important. In a world that is seeing dramatic consolidation, technological change and new threats and opportunities we are determined to ensure that food is safe and what it says it is.**

With the UK leaving the EU in less than a year, the FSA is doing all it can to ensure a modern, robust system of regulation is in place. That's essential to maintain the high levels of confidence that consumers have in the food safety system. It's essential to keep business running as normal.

And, even with these added pressures, we need to be doing our day job exceptionally well. Against these three priorities the FSA has made strong progress.

When we leave the EU in March next year, we are clear that our role is to continue to protect public health and consumers' wider interests in relation to food. More than 90 per cent of food law in the UK comes from the EU, and our current system is heavily reliant on EU institutions and decisions. It is vital that from day one we have an equivalent regulatory regime in place, a regime which is robust and effective, and led by an effective regulator. We need this to maintain the safety of food for the benefit of our consumers and our industry, and so that consumers at home and abroad have confidence in our food safety systems. Last September, my Board agreed the principles that we believe should form the basis for this effective regulatory regime. We believe it is the interests of consumers, and of business, that we have as unified a UK approach as possible. We remain committed to an approach that puts public health first, that is driven by science and evidence, and is open and transparent to sustain public confidence in food. From day one, we need a fully competent regime to respond to food incidents, and to provide assurance to countries importing UK food that our regulatory regime remains one of the most robust in the world. We will continue to test and challenge proposals for the design and delivery of the future regime against these criteria.

The Regulating Our Future programme was launched two years ago with a mandate to change fundamentally the way food businesses are regulated in England, Wales and Northern Ireland. After extensive open policy making and consultation, the delivery phase is now underway. Our new approach will ensure that local authorities have more information about the food businesses in their area. It will give the FSA, as the Central Competent Authority, a unified view of food business and local authority performance, across the three countries. In addition, we want to channel to local authorities the data that many food businesses generate from independent assurance and accreditation schemes, so that local authority officers can make more informed judgments about the nature, frequency and intensity of official controls for that business. The greater the transparency is about ongoing business performance, and the more information and insight the food industry shares with us, the better we will all protect the public and build confidence in food. I welcome the commitment that some businesses have made to opening up their data to the FSA. Even more encouraging is that, following some recent high-profile incidents in the meat industry, some leading meat businesses are now embracing public transparency.

We are determined to tackle food crime and the National Food Crime Unit has delivered some real successes this year, in particular the reduction in deaths caused by the so called ‘fat burning’ drug DNP. However, the Unit has been operating without investigatory powers, which has limited its reach and impact. I am delighted that we have been successful in securing cross government support for the expansion of the Unit to give it these investigatory powers. Our final step is to secure HM Treasury funding to make this a reality and realise the potential of the NFCU.

One of the great successes of recent years has been our work to tackle *Campylobacter*. We invited Professor Sir Charles Godfray, Director of the Oxford Martin School to commission a Restatement of the evidence base underpinning our understanding of *Campylobacter*, which Matthew Goddard, Professor of Population and Evolutionary Biology at the University of Lincoln will deliver. Restatements aim to summarise the scientific evidence base in a way that is helpful to policymakers. We expect this restatement to be published later this year. We will use it to judge any further measures needed to understand or to tackle *Campylobacter* risks from food, and it will help set the context for the way we tackle other threats to public health. One of these is anti-microbial resistance, a significant global threat both in terms of public health and economic impact. We are working across government to contribute to reducing levels of AMR and specifically to fully establish the link with food.

Public Analysts and laboratories play a key role in protecting public health, ensuring the best scientific expertise is available across local and central government. They are important in our surveillance activity and when responding to incidents. We are concerned about current levels of provision and trends. We therefore plan a thorough review of the capacity and capability needed to underpin our food safety and standards regime, on the basis of which we can ensure that the Public Analyst service and the laboratory capacity is secure into the future.

Other highlights this year include the launch in Northern Ireland of the Calorie Wise scheme for the voluntary display of energy information on menus. As part of the Eating Well Choosing Better programme we encourage and support food manufacturers, retailers and caterers to reduce the amount of sugar and calories in food products through reformulation, smaller portion sizes and increasing sales of healthier products. In Wales the Food Hygiene Rating Scheme (FHRS) goes from strength to strength. The introduction in 2016 of the requirement for takeaways to publish a bilingual statement on certain publicity materials directing consumers to food hygiene ratings information has helped drive up standards, with 65% of food businesses in Wales now having the highest food rating of 5 which is ‘very good’.

As ever, we saw some changes in our Board membership this year. Ram Gidoomal retired from the Board at the end of his term in office, and we welcomed new Board members Laura Sandys (Deputy Chair), Professor Stuart Reid and Mary Quicke MBE. The scale and scope of work facing us is significant, but the whole Board is entirely focused on delivering the right outcomes for consumers, with public health coming first.



**Heather Hancock**  
Chairman, Food Standards Agency



## CHIEF EXECUTIVE'S STATEMENT



I am pleased to lay before the Westminster Parliament and the National Assembly for Wales, and present to the Northern Ireland Assembly, the Food Standards Agency (FSA) Annual Report and Accounts. This edition covers our performance and activities in 2017/18 across England, Wales and Northern Ireland at a net cost of £93.2m.

This has been a positive year for the FSA, with our focus on the three corporate priorities set by our Board: preparing for EU Exit, delivering regulatory transformation through the Regulating Our Future (ROF) programme and doing the day job exceptionally well.

The EU Exit and ROF programmes are on track to deliver in line with expectations and plans. In preparation for the UK leaving the EU we re-focused some of our existing resources and sought additional funding in 2017/18 and for 2018/19. HM Treasury provided an extra £1m of funding in 2017/18 and an additional £14 million for 2018/19 to support our EU Exit preparations. In addition, the ROF programme has reprioritised activities and realigned milestones to support EU Exit and in collaboration with stakeholders we have continued to develop the Target Operating Model and commenced development and trials of its key features.

In 2017/18 we faced the most significant international and domestic food incidents since 2013 – Fipronil imported eggs and non-compliance at meat cutting plants operated by 2 Sisters Food Group and Russell Hume Ltd. I am proud of our incident management response and the work we do every day to deliver our fundamental priority to ensure food is safe and what it says it is.

Other achievements include the Food Hygiene Rating Scheme and the continued rise in standards. More than 95% of food businesses in England, Wales and Northern Ireland now have a 'Generally satisfactory' rating or higher (3 or above) and 68% have a hygiene rating of 5 ('Very good'). We believe mandatory display of FHRS drives up food safety compliance and therefore provides better public health protection.

We maintain a 'zero-tolerance' approach on animal welfare breaches and agreed with industry a voluntary protocol to allow Official Veterinarians access to CCTV at slaughterhouses to provide verification of animal welfare standards. We welcome new legislation which means by November 2018 all slaughterhouses in England must have CCTV installed to help food business owners safeguard animal welfare.

Reputationally we are at our strongest. Public awareness of the FSA is at 78%, and 70% of people trust us to do our job – our highest ever rating. We will continue to work to earn that trust.

Internationally our influence and leadership on key standards and delivery models has increased significantly in the last year. Our Policy Director's election as a Codex Alimentarius Vice-Chair is a welcomed move – Codex food standards aim to provide a high level of consumer protection and fair practice in the international trade of food products. We have also worked with other countries to develop our open and collaborative approach in a number of areas including surveillance, where we have developed a data-driven high-level operating model for implementation this year.

To be the best organisation we can be, we delivered the ambitious ‘Our Ways of Working’ programme, introducing new employment contracts, transforming our IT provision, introducing new support tools, and changing our approach to talent spotting and development. This is part of a significant culture change within the department that promotes a more inclusive, collaborative, engaged and supportive approach. Our People Survey results show these and other initiatives are having a positive impact on engagement. We also moved our head office in London, which generates further cost savings and helps us deliver challenging financial targets.

There is much more to do and my commitment throughout the coming months is that we will remain focused on protecting public health in relation to food and protecting consumers’ wider interests in relation to food.



**Jason Feeney CBE**

Chief Executive and Accounting Officer

19 June 2018

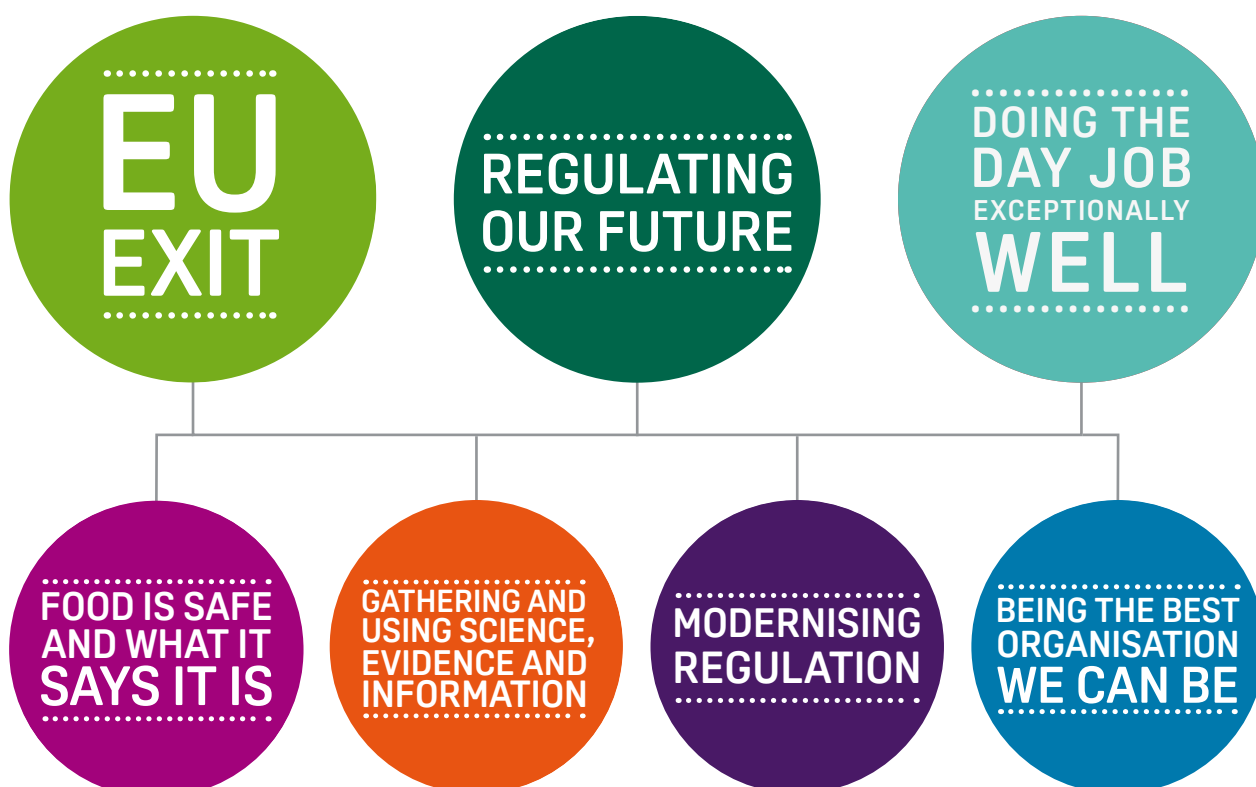
# ACTIVITIES AND PERFORMANCE DURING 2017/18

## THE FSA: RECOGNISED AS AN EXCELLENT, ACCOUNTABLE, MODERN REGULATOR

In 2017/18, to deliver the Food Standards Agency’s statutory purpose to protect public health and consumers’ wider interests in relation to food, we set out three priorities for the next three years. The priorities agreed by the FSA Board and executive team are: anticipating, planning for and delivering the consequences of exiting the European Union (EU), delivering the food regulation reform programme (Regulating Our Future) and doing the day job exceptionally well.

Our annual corporate business plan, which follows these priorities, and the strategic aims it identifies, will help us to achieve our ambition of being an excellent, modern, accountable regulator and deliver on our top priorities.

In this section of the report, we report on our activities and performance for the financial year 2017/18 against the three corporate priorities, strategic outcomes and their associated capabilities.



## OVERALL OBJECTIVE

To anticipate, plan for and deliver the consequences of exiting the European Union



### Overall objectives:

To ensure that food safety and authenticity are not compromised as a result of exiting the EU, and to develop and deploy an evidence base that will support and influence negotiations regarding the UK's exit from the EU and our future relationship with the EU and other countries. To ensure that we are prepared to respond as effectively as possible to the challenges, and opportunities, presented by the final terms of exit, and the UK's future relationship with the EU and other countries.

### Objectives for 2017/18:

- Develop viable response and contingency plans for various exit scenarios that would achieve the FSA's strategic outcomes, in line with centrally-issued timelines and guidance.
- Start to implement agreed delivery plans to ensure that there are no significant failures on 'day 1' of 'exit'.
- Identify and capitalise on opportunities arising from exiting the EU and to feed these into designing a new regulatory system.

### Statement:

The FSA has re-prioritised some of its resources to support the EU exit programme. We continue to work closely with HM Treasury on the bid for the additional resource needed in 2018/19, with £14 million being agreed in March 2018. This is in addition to the 2017/18 funding already approved by HM Treasury, and all of which supports the FSA expenditure committed.

The key milestones for 2017/18 included:

- planning for exit
- funding bids submitted to HM Treasury
- development of delivery plans and process design

### Progress against objectives:

The illustration below shows, in summary, first the elements of the regulatory functions currently performed by the FSA, Food Standards Scotland (FSS) and other parts of UK Government, within the regulatory framework of the EU, and secondly key parts of those functions that, depending on the UK's future relationship with the EU, may need to be undertaken domestically once the UK has left the EU regulatory framework.

### Regulatory functions carried out by the FSA and others

- Intelligence
- Food crime
- Incidents
- Science
- Risk assessment
- Legal powers
- Policy
- Risk management & appetite
- Official controls
- Enforcement
- Crisis management
- Corporate performance
- Impact assessments
- Research
- Audits



### EU functions



We have taken a responsible approach to EU exit and prepared plans for all outcomes. Over the past two years, we have been working at pace to build a detailed understanding of how withdrawing from the EU will affect existing policies and services in a wide range of outcomes.

We have been determined to ensure that planning is informed as much as possible by the views of consumers, and of industry and other stakeholders. This has been achieved by:

- conducting consumer insight research to gather consumer views
- holding round table discussions, chaired by FSA Chairman Heather Hancock, to gather the views of industry and local authority representatives
- attending a wider joint industry forum organised by Department of Environment Food and Rural Affairs (Defra) with the Food and Drink Federation.

Since October 2016, the FSA has researched the views of the public in England, Wales and Northern Ireland relating to the EU exit and food. The research identified opportunities and issues the public are thinking about, and their expectations of Government including the FSA as well as their understanding of EU food law and regulation. Several online surveys of approximately 1,500 adults aged 16 and over have been conducted. A summary of the of results up to July 2017 can be found at: [www.food.gov.uk/sites/default/files/fsa170904a.pdf](http://www.food.gov.uk/sites/default/files/fsa170904a.pdf)

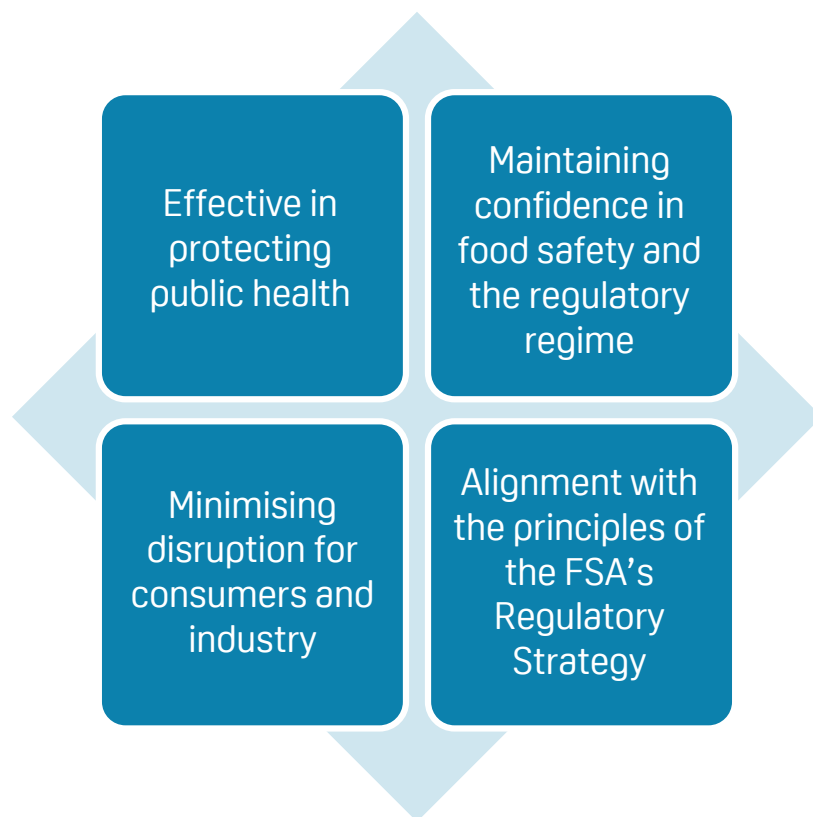
Leaving the EU doesn't change our top priority which is to ensure that UK food remains safe and what it says it is. We are already working hard to ensure that the high standard of food safety and consumer protection we enjoy in this country is maintained when the UK leaves the European Union. From day one we are committed to having in place a robust and effective regulatory regime which will mean business can continue as normal.

These four key areas have been identified as high priority:

- **Surveillance** – we have commenced a programme comprehensively to revise and upgrade our approach.
- **Risk assessment** – our EU Exit contingency planning allows for a significant increase in our existing scientific and other capacities in relation to public health and food safety risk assessment.
- **Risk communication** – we are planning for a proportionate increase in risk communication.
- **Risk management** – the FSA was created, and its statutory functions conferred, within the context of most food safety risk management decision-taking occurring at an EU level. At present, the FSA provides objective advice to ministers in relation to decisions taken in Europe at ministerial level and represents Her Majesty's Government at European Commission Working Group level in discussions on food and animal feed. We are in discussions with other Government Departments with a view to putting in place arrangements that, should they be needed upon EU exit, allow such decisions to be taken within the UK.



Whatever approach is taken, it is proposed that the FSA should assess the outcome against the following principles:



## OVERALL OBJECTIVE

A new regulatory model giving us more scope to protect consumers within the rapidly evolving global food system

REGULATING  
OUR FUTURE

### Overall objectives:

**Overall objective:** To develop and implement a new and sustainable approach to regulation that leverages business behaviour change to deliver benefits for consumers, and to design and implement a regulatory delivery model that ensures a long term financially sustainable and effective approach to regulating food safety across the food chain, making use of all available data.

### Objectives for 2017/18:

- To design a new model for regulating food businesses in the catering and retail sectors.
- To develop proposals for an enhanced registration scheme for food businesses and to progress these to pathfinding.
- To develop proposals for a new approach to segmentation of food businesses across the food chain.

### Statement:

When developing the Regulating Our Future (ROF) programme, the key considerations in the prioritisation exercise included:

- resource requirements and availability
- dependencies across the programme
- enhancing our ability to be and demonstrate that we are a modern and effective Central Competent Authority (CCA)

The reporting year is the second year into the ROF programme managing the complexities associated with reviewing and remodelling how the FSA and local authorities regulate food businesses. This is being closely co-ordinated with the FSA's programme to exit the EU and the ROF programme has reprioritised activities and realigned milestones to consider the impact of EU exit.

### Progress against objectives:

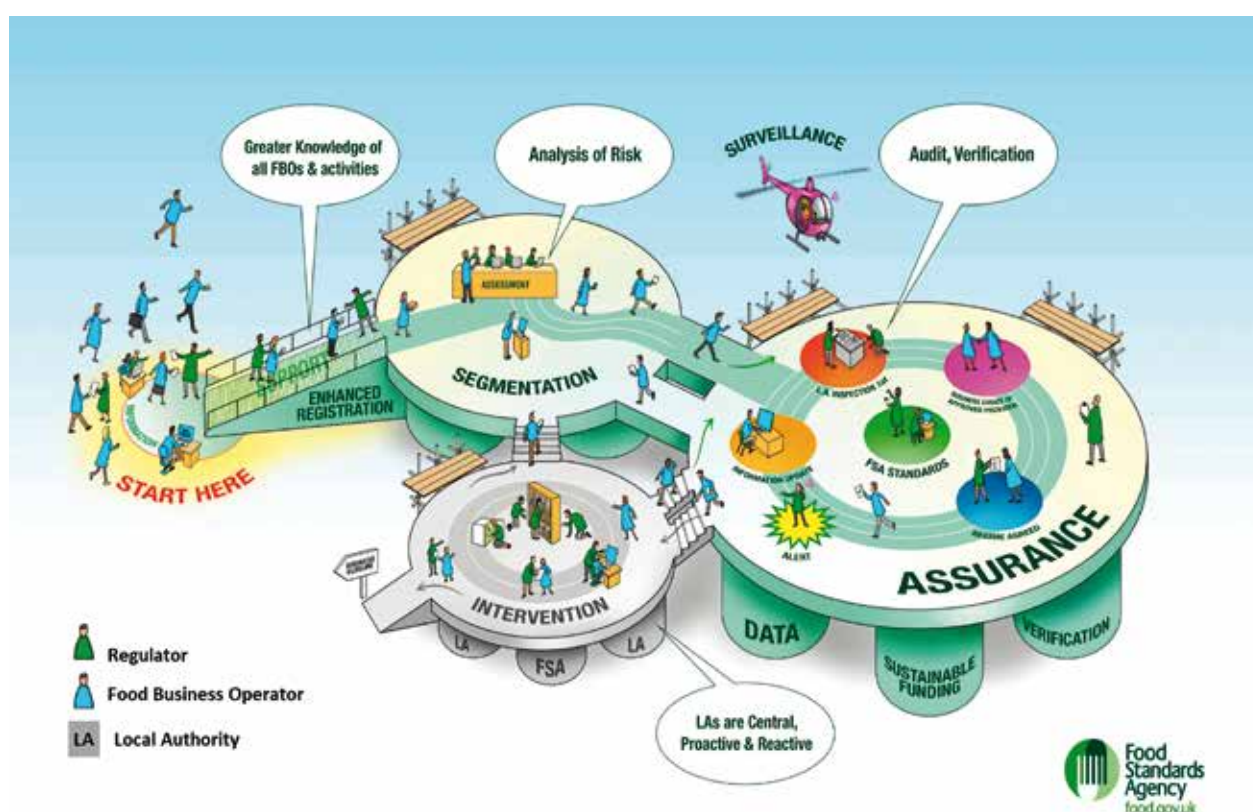
The ROF programme is how we will build an effective, proportionate and robust system for ensuring businesses meet their responsibility to produce food that is safe and what it says it is.

Enhanced registration and segmentation have been prioritised as they will be fundamental in enabling the Target Operating Model to be implemented, particularly regarding assurance within which there will be more options for business than in the present ‘one size fits all’ approach.

Furthermore, developing and implementing new arrangements for business registration and the data flowing from that, through which the FSA will have access to details of all food business establishments, will strengthen our ability to be an effective Central Competent Authority and to demonstrate this in a post-EU exit environment.

To help develop a digital solution, the FSA has procured a two-year strategic framework with IBM. In line with the Government Digital Service manual for digital development, the programme has completed the discovery phase and is due to complete the alpha phase in April 2018 for enhanced registration and segmentation.

Describing the future role of the FSA, local authorities (LAs) and the private sector within the new operating model will be fundamental to securing support from stakeholders, including consumers, for the model and their ongoing contribution to its development. The ROF programme has continued to develop iterations of the proposed Target Operating Model:



Knowing that businesses are meeting their food safety responsibilities is a key element of the Target Operating Model. It is intended that it will make use of a much wider range of data from businesses and third-party schemes, in addition to official controls, to develop this view. It is intended, in future, to use data from businesses to inform the nature, frequency and intensity of official controls that need to be undertaken. Part of this work has been developing an assurance framework and exploring different approaches for the use of private assurance.

The ROF programme has also explored the establishment of national inspection strategies (NIS) for food safety and standards partnerships through a feasibility study and pathfinder project. This ROF-driven work will involve setting a standard for primary authorities<sup>1</sup> (PAs) who wish to establish, operate NIS and, create governance and assurance mechanisms for the FSA to have appropriate oversight of those PAs operating NIS.

The ROF programme presented a paper to the FSA Board in December 2017 with the results of the work completed over the past year on the scoping of the Certified Regulatory Auditor (CRA). The FSA Board decided that further development of the CRA concept, was a lower priority at this stage in the programme. The Board noted that:

- The CRA concept should be revisited once there is more evidence about where specialist skills gaps might remain in the new system, and whether the CRA approach could effectively deliver in those particular circumstances.
- The Board confirmed its support for strengthening the contribution of regulated private assurance schemes in providing assurance of compliance, including the opportunity to improve their scope and to find more ways to test management and culture in relation to food safety, hygiene and standards.

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<sup>1</sup> The Primary Authority Scheme offers businesses, or group of businesses, the opportunity to form a partnership with one local authority, which then provides robust and reliable advice for other councils to take into account when regulating the business locally.

## OVERALL OBJECTIVE

Whilst managing the change coming we must keep the regulatory machine running smoothly

.....  
**DOING THE  
 DAY JOB**  
 EXCEPTIONALLY  
**WELL**  
 .....

### Overall objectives:

Part of being an excellent accountable modern regulator is leveraging great impact from small resources: always seeking to do the day job in the most efficient and effective way, protecting consumers, and demonstrating that we provide excellent value for money.

### Statement

To continue to deliver on doing the day job exceptionally well means the FSA needs to focus on performance – the delivery of the FSA’s responsibilities, and development, progression and delivery of the FSA’s capabilities.

### Performance delivery

To fulfill its ambition to be a modern, accountable excellent regulator, the FSA are agreeing performance targets at Business Committee which once agreed will be introduced to our Performance and Resource Report. Where the FSA has full control over the performance ‘targets’ will be agreed, and where the FSA plays a leadership with other stakeholders such as industry and consumers the FSA will set an ‘ambition’ to reflect the fact the FSA can’t fully control these outcomes. The first review of these proposed targets and ambitions was discussed by Business Committee in March 2018 with a follow-up discussion at the Business Committee in June 2018, and there will be further discussion as needed. Directors are also extending performance measures and targets across the FSA to further support the vision to be a modern, accountable, excellent regulator.

As part of our ability to deliver ‘Doing our day job exceptionally well’, we focus on food being safe and what it says it is, and being the best organisation we can be.

In relation to food being safe and what we say it is, our aim is to deliver food the nation can trust in the lead up to 2019 and beyond, through our regulatory functions. We will also continue to promote awareness of the ‘4Cs’ (chilling, cooking, cleaning and avoiding cross-contamination) and FSA science. In addition, our National Food Crime Unit (NFCU) continues to protect the public against serious food crimes.

To be the best organisation we can, as a recognised modern, accountable and excellent regulator, we aim to be a regulator that is resilient in the face of change, takes advantage of new developments, remains open and transparent and uses smarter ways of getting the job done. We will demonstrate our achievements by:

- Having an outstanding reputation which we will work hard to maintain.

- Commission and originate the science and evidence on which to determine food safety and authenticity.
- Undertake and coordinate surveillance, to identify things that might be a problem, an issue or a risk.
- On the basis of our science and surveillance, we determine food safety and authenticity standards.
- Design and assure the regime that causes business to comply with our standards.
- Intervene decisively on matters that compromise public health or public trust in food safety and authenticity, either directly, eg enforcement actions and the NFCU, or through advice to others.
- Report regularly on compliance levels, regulatory impact, public health outcomes, and other measures that enhance trust.
- Deliver our statutory remit with the objective of supporting responsible food businesses.
- Use leading academic, technical and technological expertise, whether in house, or in the third parties we choose to work with.
- Use data to give us an authoritative basis for our decisions and to demonstrate our accountability.
- We are known and trusted by the public to protect their interests, and to provide independent reliable advice and information they can rely upon.

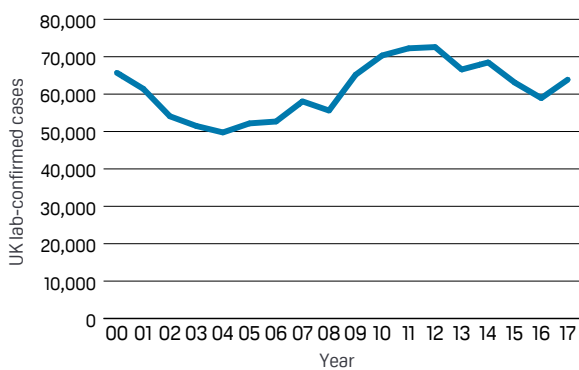
Key areas of our performance include the following.

## FOODBORNE DISEASE

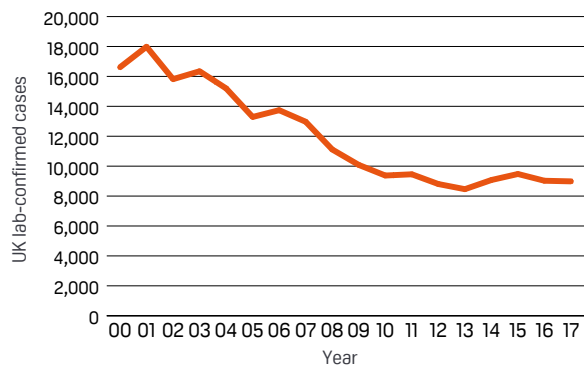


It is the responsibility of people producing and supplying food to ensure it is safe and what it says it is. An estimated one million people are affected by foodborne disease in UK annually costing the economy in excess of £1bn. Laboratory confirmed human cases in the UK from 2000 to 2017 of the four major bacterial pathogens are shown below. Only a minority of cases are reported and samples sent for lab analysis.

### Campylobacter

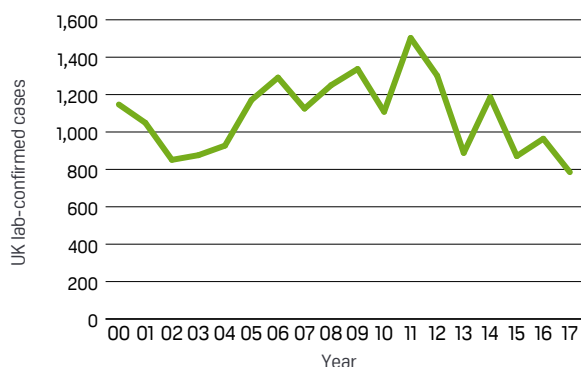


### Salmonella

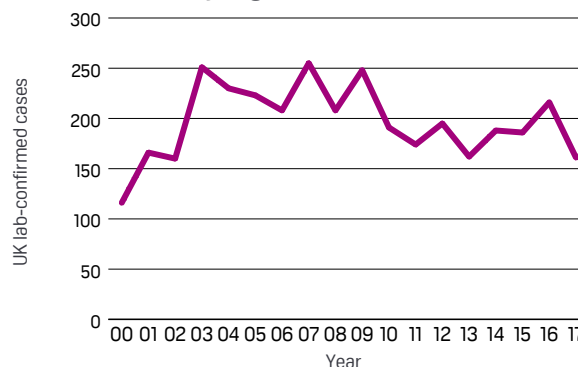




### Escherichia coli O157



### Listeria monocytogenes



Source: Public Health England, Public Health Wales, Health Protection Scotland and Public Health Agency for Northern Ireland

Factors outside of the control of the FSA or the industry, eg climatic conditions, can have a significant impact, not yet fully understood, on the prevalence of Campylobacter. However, the continuing efforts being made by the main retailers and processors (accounting for around 80% of whole fresh UK-produced chickens) in reducing the levels of Campylobacter on their chickens are not insignificant and are likely to be associated with a reduced risk to consumers.

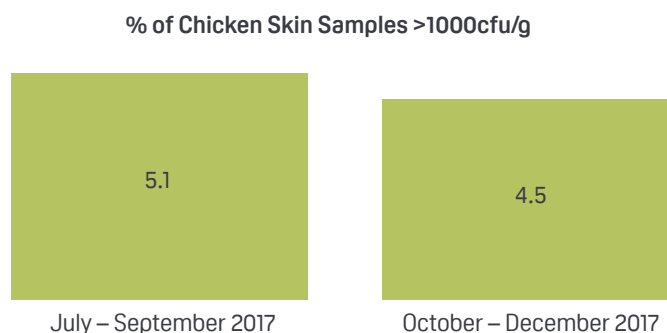
### Retail survey

The level of Campylobacter contamination on chicken skin is measured in terms of the number of colony forming units per gram of skin (cfu/g). The primary focus of attention is on high levels of Campylobacter – namely, those over 1,000cfu/g.

The FSA ran a first survey from February 2014 to February 2015, a second survey from July 2015 to February 2016 and a third from August 2016 to July 2017 (full project covering August 2016 to July 2017 to be published on [www.food.gov.uk](http://www.food.gov.uk) by the end of 2018) and a fourth year is currently being carried out between August 2017 and July 2018.

Following discussions with the industry on an FSA initiative, the top nine retailers agreed to publish their own Campylobacter results on their consumer websites from July 2017. The sampling and analyses carried out by the retailers is in accordance with robust protocols established by the FSA to ensure that their published results are comparable. As a result of this arrangement, the nine major retailers are no longer included in our annual retail survey, but consumers will be able to follow the retailers’ ongoing commitment to Campylobacter reduction. Below, is the graph of the retailers’ results publications to date:

### % of Chicken Skin Samples >1000cfu/g Campylobacter



The average overall percentage levels of Campylobacter in the retailers' data can be found in the table below:

| Contamination Levels (cfu/g) | Months tested       |                       |
|------------------------------|---------------------|-----------------------|
|                              | July-September 2017 | October-December 2017 |
| <10                          | 44.1%               | 52.7%                 |
| 10-99                        | 30.5%               | 24.3%                 |
| 100-1,000                    | 20.3%               | 18.5%                 |
| >1,000                       | 5.1%                | 4.5%                  |

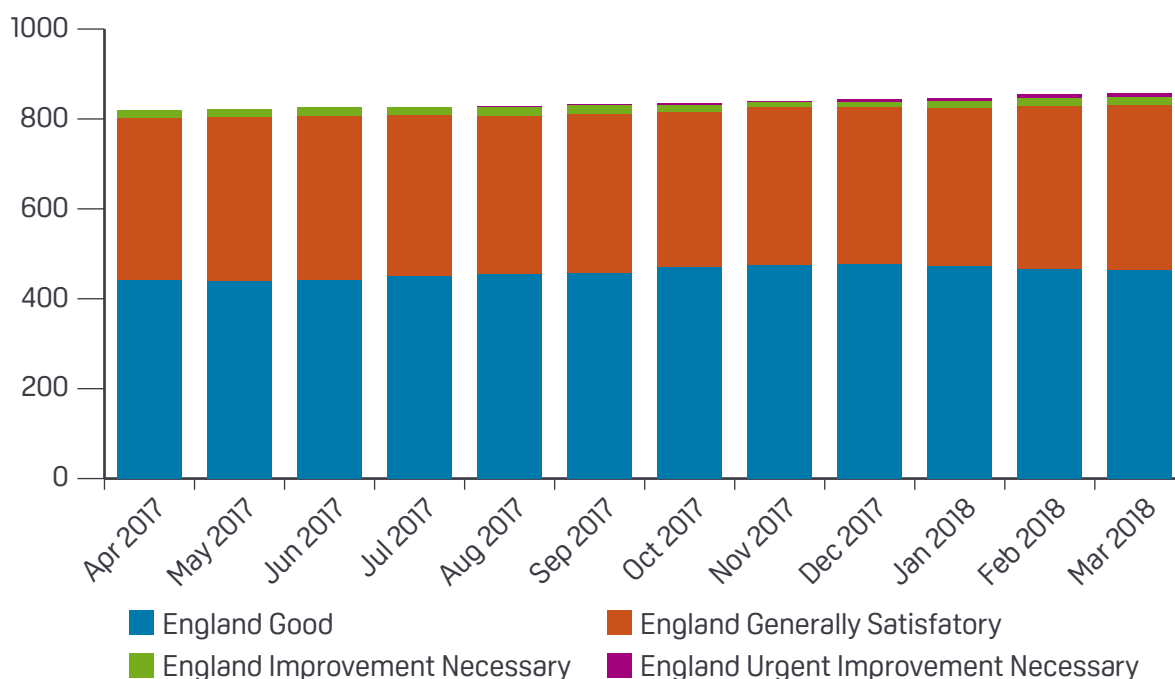
Although the Campylobacter programme finished at the end of March 2017, we are still carrying out the retail survey. The strategy is now to focus effort on smaller establishments where it is considered further improvements could be made. The increased focus on these suppliers will allow the improvements made by the larger retailer chains to be extended across the whole supply chain. The focus for the retail survey will therefore be on smaller retailers, independent traders and market stalls as these are more likely to be supplied by smaller processors. Although these plants account for a smaller share of the market, many supply products into catering and local retailers. The FSA remain committed to reducing the levels of Campylobacter on all UK produced chickens, and will be monitoring the larger retailers' results very closely to ensure they continue to show action is being taken to tackle Campylobacter.

## MEAT FOOD BUSINESS OPERATOR COMPLIANCE WITH REGULATIONS

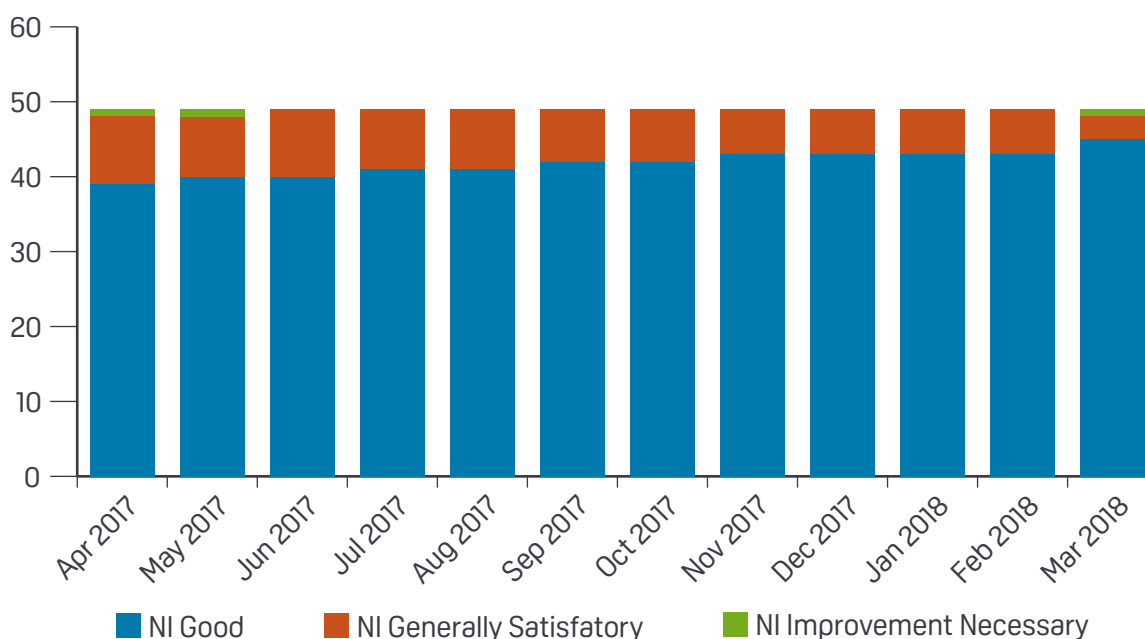


It is the responsibility of food business operators to comply with regulations. In addition to routine official controls and inspections, the FSA carries out audits to verify compliance and works with food business operators to identify where improvements are necessary. Where an audit finds that a food business operator is non-compliant with regulations, urgent improvement is necessary.

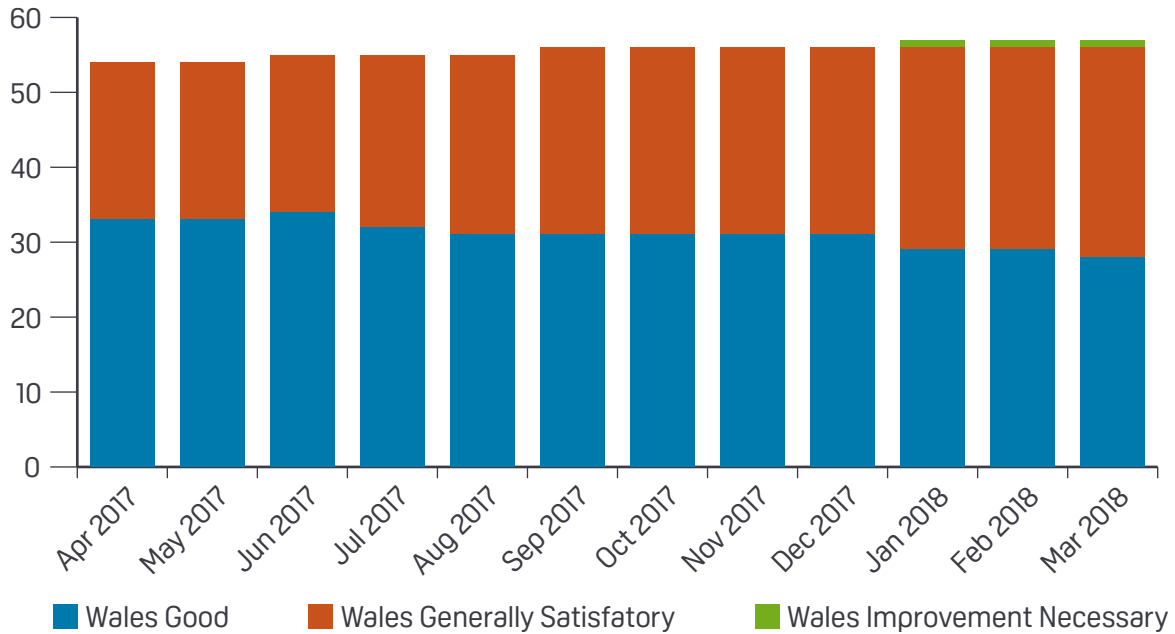
### Food Business Operators in England



### Food Business Operators in Northern Ireland



### Food Business Operators in Wales



There were no ‘urgent improvement necessary’ rated food business operators in Wales and Northern Ireland.

### Animal welfare

The ‘**Deter, Prevent, Detect, Enforce**’ programme is delivered through the Animal Welfare Action Plan.

In summary, we have:

Strengthened verification of compliance through:

- Introducing an annual programme of welfare themed audits.
- Mobilising an operational Welfare Assurance Team across the field operations.
- Designing, developing and launched an enforcement aide memoire to improve the quality of enforcement referrals from the field.

Improved accountability and collaboration through:

- Setting up the Animal Welfare Steering Group chaired by the Chief Operating Officer and including Defra membership to improve governance and oversight.
- Setting up a welfare central hub with a dedicated team leading and coordinating activity on animal welfare, strengthening the relationships with Defra and Welsh Government.
- Including a standing update on animal welfare to the Partnership Working Group which is co-chaired by industry and FSA.
- Working with industry on specific initiatives such as a voluntary CCTV protocol and levels of non-compliance in the poultry industry.
- Including animal welfare as a key performance indicator in the contractor performance management framework for the new veterinary services contract.

Improved education and awareness by:

- Regularly featuring animal welfare on internal communications channels.
- Regular welfare updates to official guidance and instructions.
- Publication of best practice guides in response to potential risks to animal welfare raised by food businesses, front line operations and/or the animal welfare lobby

Improved the quality of our analysis and reporting through:

- More structured, timely and regular reporting of animal welfare non-compliances.
- A comprehensive analysis by FSA Science and Evidence Division of animal welfare non-compliance data from 2015/16–2016/17 showing an overall stable trend in slaughterhouses and on-farm but a significant increase in transport non-compliances, which we have flagged to Defra and Animal and Plant Health Agency colleagues.
- The introduction of a new animal welfare enforcement and reporting system – this has allowed us to begin routine reporting of non-stun slaughter volumes.

## FOOD HYGIENE RATING SCHEME (FHRS)



The FHRS provides information on the standards of hygiene in businesses providing food directly to consumers, such as restaurants, pubs, cafés, takeaways and hotels, as well as supermarkets and other food shops. It takes the results of official food hygiene inspections and puts them in the public domain in a manner that is easily accessible for consumers. This allows people to make informed decisions when eating out or buying food.

Empowering people in this way is intended to change behaviours in businesses to drive up standards of hygiene and, in turn, reduce instances of foodborne illness. Analysis carried out by FSA<sup>2</sup> has linked higher ratings to lower levels of microbes found in food businesses, ultimately lowering the risk to consumers from foodborne illness.

The FHRS is operated in partnership with all local authorities in England, Northern Ireland and Wales, who carry out the inspections on which ratings are based. Ratings range from 5 ('Very good') to 0 ('Urgent improvement necessary').



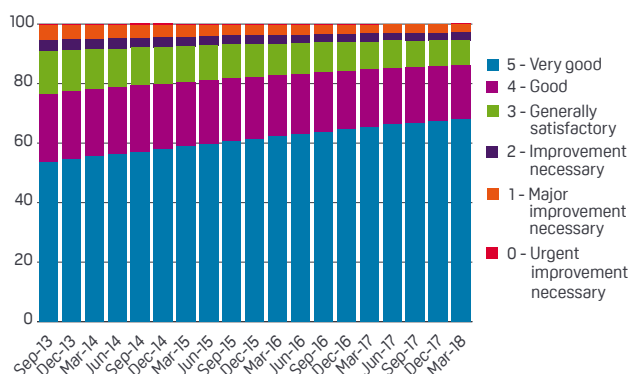
As at 31 March 2018, food hygiene ratings were published for 431,439 food establishments across England, Northern Ireland and Wales. 98.9% of rated businesses in Northern Ireland achieved a rating of 3 or better; in Wales the level was 95.3% and in England it was 94.6%. There has been steady growth in the proportion of businesses achieving a rating of '5 – very good' with 76.3% achieving this standard in Northern Ireland, 66.2% in Wales and 68.0% in England.

2 [www.food.gov.uk/sites/default/files/csareportfhfsfinal.pdf](http://www.food.gov.uk/sites/default/files/csareportfhfsfinal.pdf)

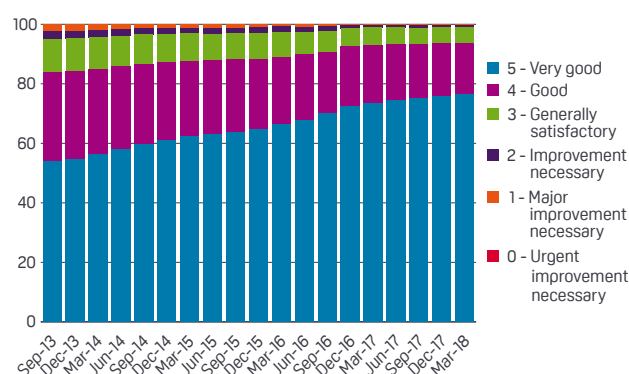


The graphs below show the % distribution of FHRS ratings captured by country and overall:

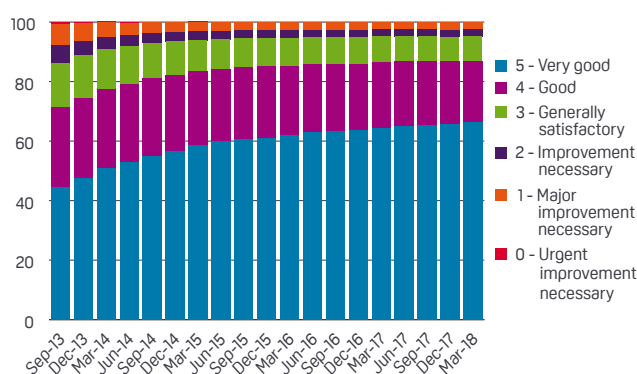
### FHRS scores England



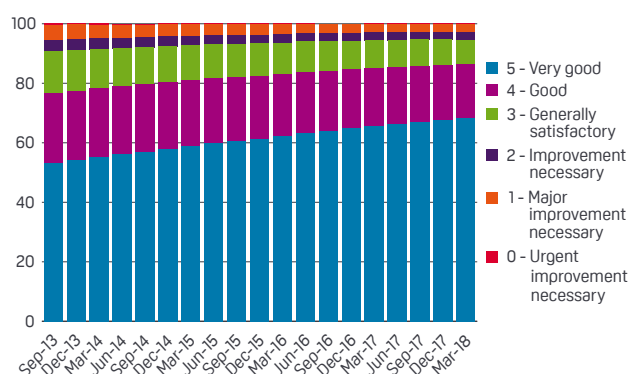
### Northern Ireland



### Wales



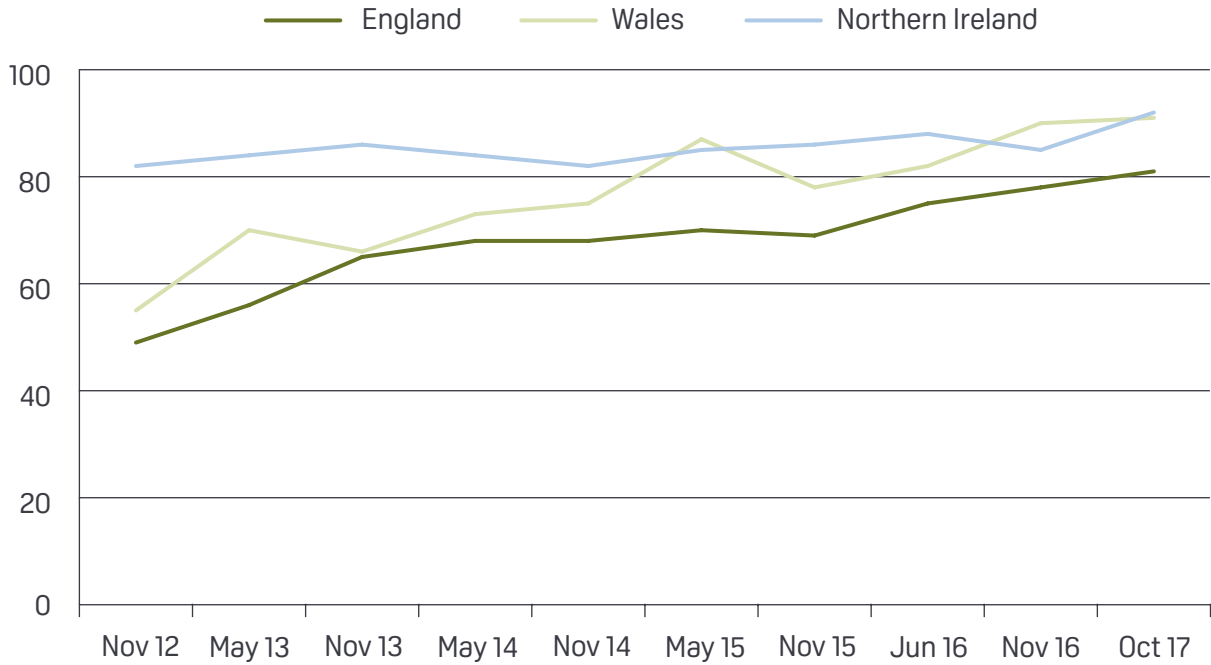
### Total



As well as FHRS being successful in terms of business ratings, FHRS consumer data shows that awareness of FHRS has increased significantly in England, Wales and Northern Ireland since 2010 from 45% to 55% in 2017 overall. The most common source of information that consumers use is the rating sticker displayed at a food business (84%). This means that consumers are now more aware of businesses that are safe and hygienic. The proportion of respondents who report having seen or heard of the FHRS in 2017 was greater in Wales (75%) than in England (54%) or Northern Ireland (54%).

The graph below shows changes in reported recognition of FHRs stickers over time, broken by recognition in Wales, Northern Ireland and England.

**FHRs recognition**



Mandatory display of hygiene ratings has built on the positive impact of the FHRs in Wales and Northern Ireland, with the number of businesses in Wales with a rating of 5, increasing by 21% since the introduction of mandatory display in 2013. The FSA remains committed to seeing these benefits realised in England as this will be good for consumers and good for businesses achieving high standards. It will also be an added incentive for businesses with poorer standards to improve.

An audit of businesses in September 2017 indicated that outside display of FHRs ratings at premises in England was 49% under the voluntary scheme compared to 84% in Wales and 82% in Northern Ireland under the statutory schemes. This is compared to 32% in England, 21% in Wales and 38% in Northern Ireland in 2010 when the voluntary scheme was first rolled out.

In February 2018, FSA Wales submitted the first of their required three-year reviews of FHRs to the National Assembly of Wales. The report, which presents an overview of the operation of the scheme in Wales, can be found at:

[www.assembly.wales/laid%20documents/gen-ld11433/gen-ld11433-e.pdf](http://www.assembly.wales/laid%20documents/gen-ld11433/gen-ld11433-e.pdf).

## FOOD INCIDENTS



A fundamental right of the consumer is the ability to make informed decisions about the food they choose to buy and eat. This can only be made possible when this food is correctly and accurately identified, and is appropriately labelled.

The FSA has a key leadership role in ensuring people producing and supplying food fulfil their responsibilities; that is, to ensure it is safe and what it says it is.

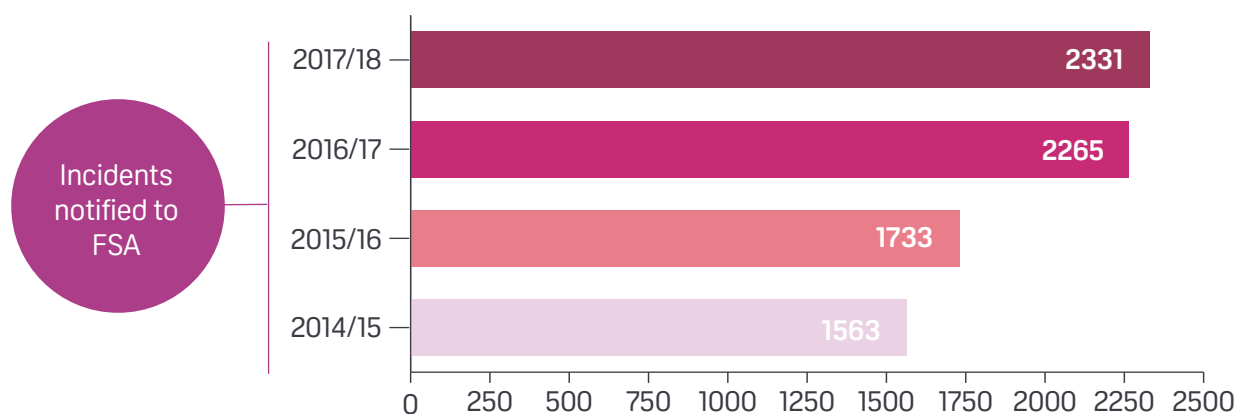
Food business operators are required, under Article 19 of European Regulation No. 178/2002, to inform the competent authorities where they have reason to believe that a foodstuff that they have imported, produced, manufactured or distributed is not in compliance with food safety requirements. Such notifications are referred to and progressed as an 'incident'.

The competent authorities in the UK are the FSA and the food authorities (local and port health authorities). Food safety information may also be communicated between the European Commission and member states using the Rapid Alert for Food and Feed (RASFF) system.

An incident is defined by the FSA as: 'Any event where, based on the information available, there are concerns about actual or suspected threats to the safety or quality or integrity of food and feed that could require intervention to protect consumers' interests.'

### Performance

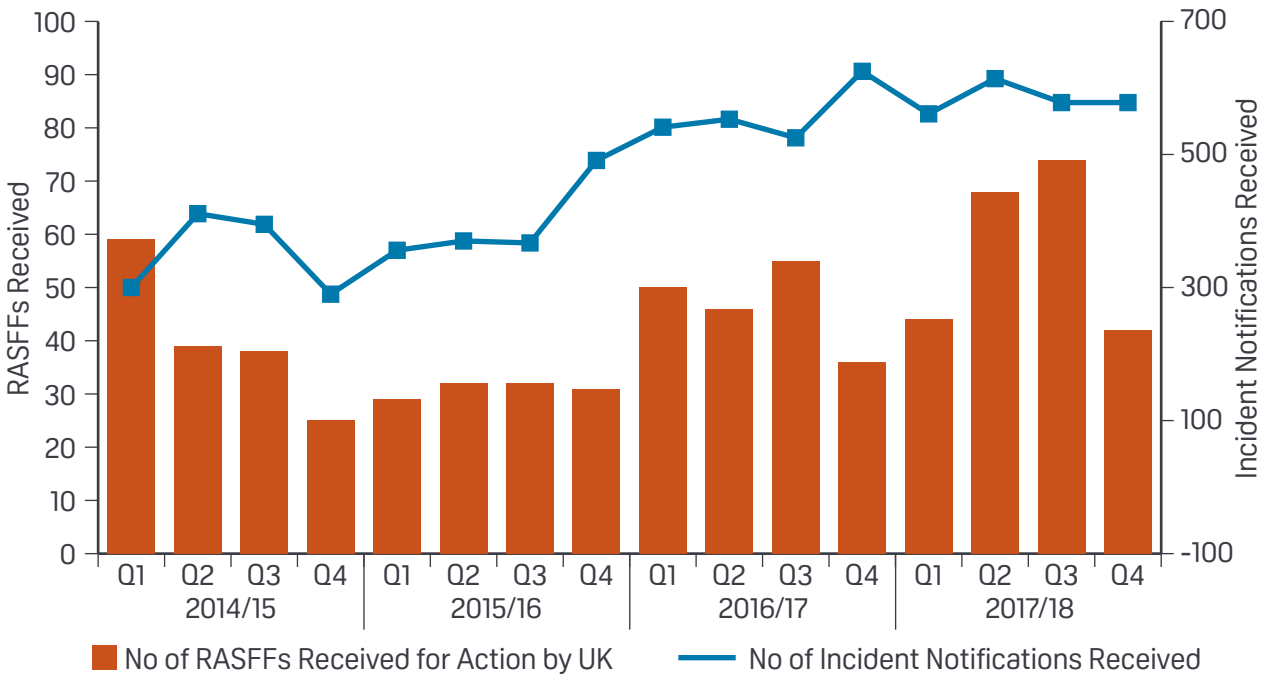
Since 2015 there has been a continuous year on year increase in the number of incidents notified to our Incidents Team.



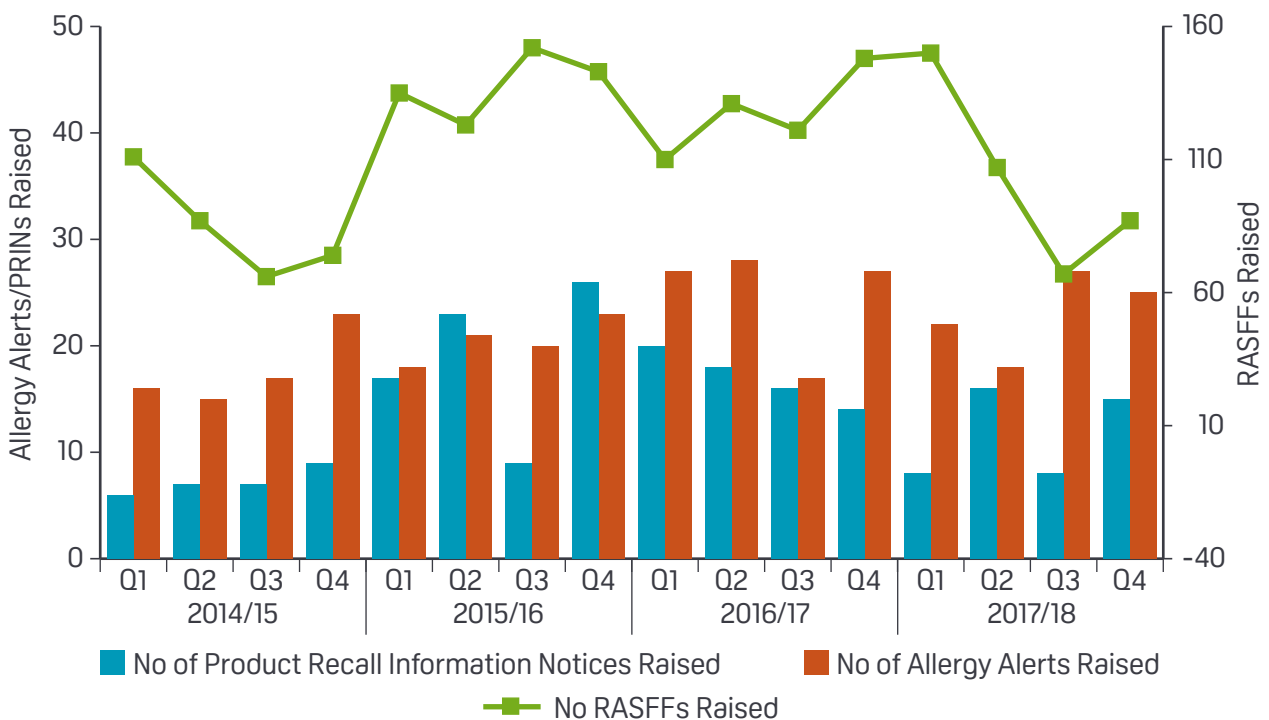
The number of incidents recorded in any given year can be affected by many factors including new consumer trends, legislative changes, technological developments, the amount of testing performed, and even the weather. Hence, the number of notifications received is only a measure of how many incidents the FSA has been made aware of and is not indicative of a downturn in food safety. Instead, it is more instructive of changes in behaviours, technology and statutory requirements.

The following graphs highlight the data trend over the specified reporting years:

**Notifications Received**



**Alerts Raised**



Current data covering the period April 2017 – March 2018 shows the FSA were notified of and responded to 2,331 food, feed and environmental contamination incidents in England, Wales and Northern Ireland.

A total of 140 Food Alerts were issued in the same period.

The above illustration provides a comparison of the notifications received with previous reporting years.

In addition, we received a total of 3,888 RASFF notifications in 2017/18, raised 411 RASFF notifications and received 228 RASFF notifications for action by the UK.

Possible explanations for the increase in incident notifications identified during the reporting periods can be attributed to defined events and their resultant behaviours. These include:

- The introduction of EU Food Information for Consumers (FIC) Regulation (No. 1169/2011) in December 2014 which set new standards and has led to an increase in allergy incidents resulting from incorrectly labelled packaging.
- Changes in global migrant patterns due to political unrest in other countries, which have led to an increase in the number of incidents involving the detection of clandestine travellers (those aiming to avoiding immigration controls) in food vehicles.
- Recent advances in whole genome sequencing and greater collaboration with Public Health England has led to the identification of foodborne outbreaks previously not recognised. This is enabling us to act sooner in controlling outbreaks, thereby protecting consumers from any further spread of infection.
- The consumer trend in consumption of raw drinking milk (RDM) and a corresponding increase in dairy farms producing RDM has led to an increase in microbiological incidents.
- The consumer trend towards purchasing food supplements from the internet for perceived health benefits has led to a number of food manufacturers including unauthorised ingredients and in some cases harmful substances in associated products (e.g. fat burners such as ‘DNP’, 2,4-Dinitrophenol).
- The trend in raw pet food consumption due to perceived quality benefits has resulted in increased numbers of incidents involving pet food.<sup>3</sup>
- A general improvement in the reporting of incidents by local authorities and industry.

<sup>3</sup> The FSA is the central competent authority (CCA) responsible for the delivery of official feed controls for food-producing, and non-food producing animals within the UK, including pet food. Subsequently, we are responsible for animal feed regulations and enforcement of pet food labelling through local authorities in England and Wales.

## NATIONAL FOOD CRIME UNIT

### Performance



Since becoming fully operational in April 2016, the National Food Crime Unit (NFCU) has received and analysed information resulting in the dissemination of over 1,800 tactical intelligence reports to enforcement partners. These reports vary widely in terms of their subject matter and specificity.

The following measurable outcomes are amongst those resulting from the unit's intelligence development activity:

- UK fatalities linked to consumption of 2,4 dinitrophenol (DNP) as a dietary supplement reduced from an average of one each month in the first half of 2015 to just three in the 32 months since the NFCU began its work in this area.
- Almost 400 tonnes of inauthentic soft drink product have been prevented from reaching UK retail shelves and subsequent preventative action taken by importers.
- The identification of a fraud vulnerability in a key component of UK food regulation.
- More than 300,000 lethal doses of DNP removed from circulation with an estimated street value of £350,000.
- The first UK conviction for the illegal sale of DNP and charges of manslaughter against three defendants in a separate investigation due to reach trial in 2018.

The unit's strategic output focuses on raising awareness of food crime among law enforcement partners and leading efforts to understand the means, motivation and opportunities for its commission. The NFCU, working in partnership with the Scottish Food Crime and Incidents Unit, published the world's first annual strategic assessment of the food crime threat in 2016. NFCU strategic products have been well received at home and internationally.

The unit's staffing complement is currently 17.8 FTE and its net cost of operations for 2017/18 is forecast to be just over £1m. By the end of March 2018, the total investment in the NFCU in the three years since its establishment will stand at £2.45m.



## NORTHERN IRELAND NUTRITION



The delivery of aspects of nutrition and dietary health policy is the responsibility of the FSA in Northern Ireland (NI). The overall aim of the dietary health policy is to improve nutrition and health outcomes for consumers by making healthier food choices the easy choice by making available healthier mainstream food products and improving consumers' information and understanding. The FSA's key role is to develop and lead policies focusing on all sectors of the food industry and those organisations that can best

influence and support them. It also recognises the importance of consumers' choices.

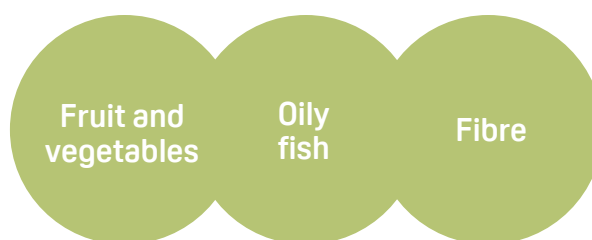
Nutrition surveillance data shows that the NI diet contains too much salt, saturated fat and sugar and not enough fruit, vegetables or wholegrain products.

### NORTHERN IRELAND DIETARY INTAKES

In NI we are eating too much



And not enough:



The prevalence of overweight and obesity in the NI population is a concern. Alarming, 60% of adults in NI are overweight or obese, a figure which has remained fairly constant since 2005/06. Of more concern is the prevalence of childhood obesity – approximately 25% of children aged 2 to 15 years are overweight or obese.

### NORTHERN IRELAND DIETARY INTAKES

6 out of 10 adults in NI are classified as overweight or obese.



1 in 4 children in NI aged 2–15 are classified as overweight or obese.



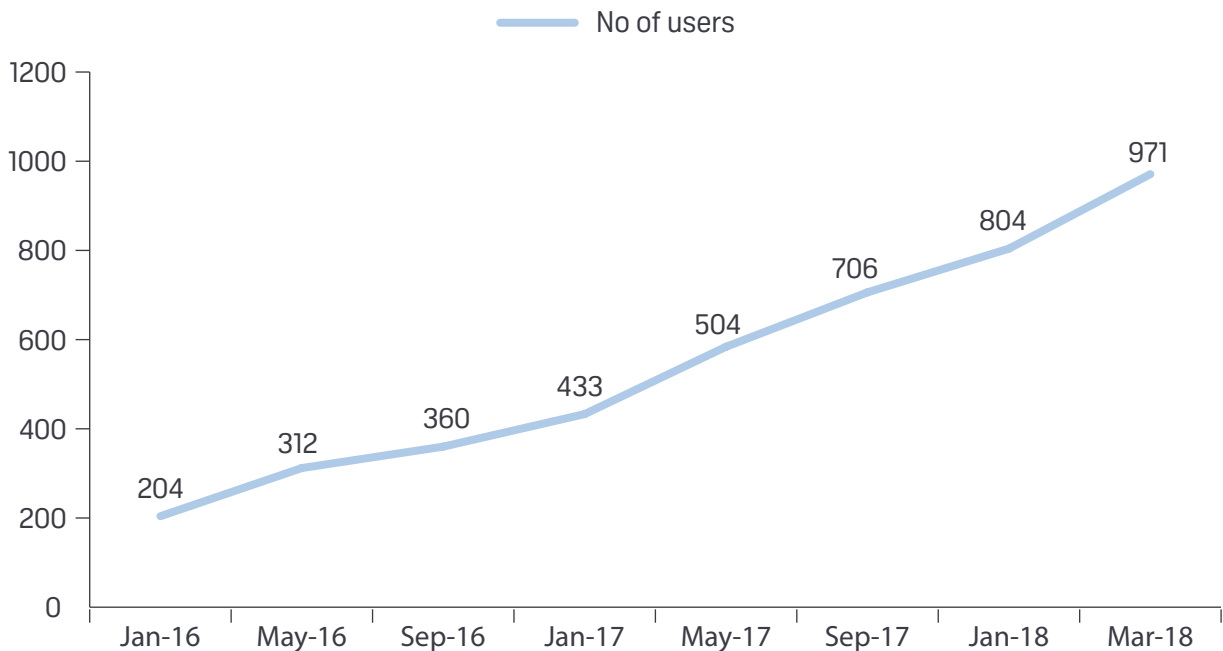
We are working with local NI food manufacturers and retailers, as well as the out-of-home sector (restaurants, pubs, takeaways, cafés and others) on a 4-5-year programme called Eating Well Choosing Better. We will support local small and medium sized enterprises (SMEs) with food product improvement in NI, as well as improving the availability of small and/or reduced portion sizes, to make the healthy choice easy for the NI consumer. We align the action plan and delivery plan with Public Health England action plans, in relation to reducing both children’s sugar and calorie consumption, as well as with activities undertaken in the Republic of Ireland.

The Eating Well Choosing Better programme has focused on industry engagement and influencing knowledge providers. InvestNI has reported that 14% of industry applications for enhanced support have specifically targeted reduced sugar, low fat or health options.

For eating out of home, the Calorie Wise scheme was launched in October 2017 with the 11 district councils in NI making it a priority to promote the free online MenuCal tool and the Calorie Wise scheme. FSA and district councils have conducted strong engagement with industry in relation to MenuCal and the Calorie Wise scheme between September 2017 to March 2018 through both industry workshops and premises visits/phone calls by food safety officers. Overall, 16 industry workshops have been completed with 149 businesses represented. We believe it is more realistic to measure how many businesses are engaged at this stage due to the amount of time it can take for a business to be ready for an official assessment.

The following graph shows the upward trend in the number of MenuCal users.

**MenuCal Users**



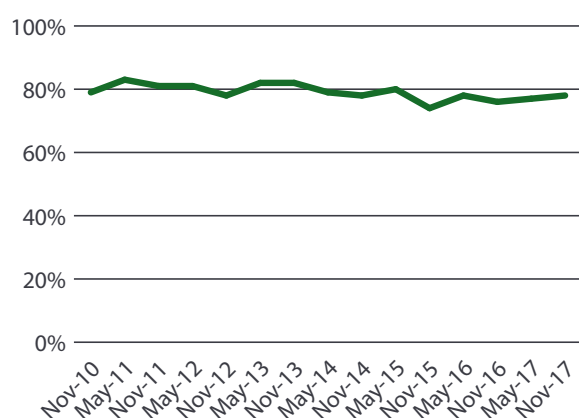
There was also a total of 5,315 recipes (4,884 in January 2018) which are now included on the database, made up of 2,357 custom ingredients (2,204 in January 2018).

## PUBLIC REPUTATION AND TRUST

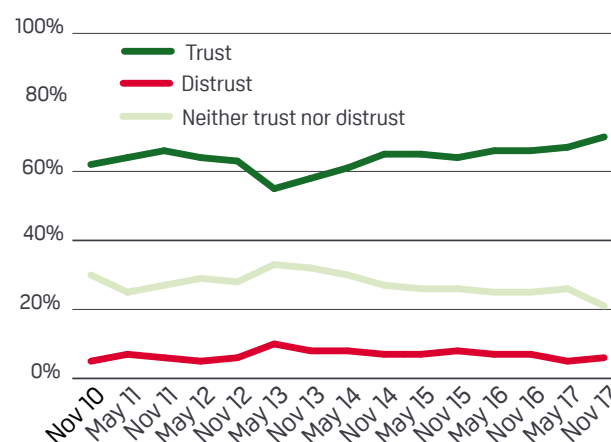
We have conducted our public attitudes tracker survey since 2001 to monitor changes in consumer attitudes towards the FSA and food-related issues. After a 2010 review, we fully redeveloped the tracker and run it biannually. The current wave includes 16 new questions. Questions cover several topics of interest for the FSA, including: concern about food safety issues, awareness of food hygiene standards, awareness of the FSA and its responsibilities, trust in the FSA and the food industry, and confidence in food labelling.

Key areas in relation to the November 2017 wave<sup>4</sup> show the following in relation to awareness, trust and reputation.

### Awareness of the FSA



### Trust the FSA to do its job



### Trust in the FSA and wider food regulation

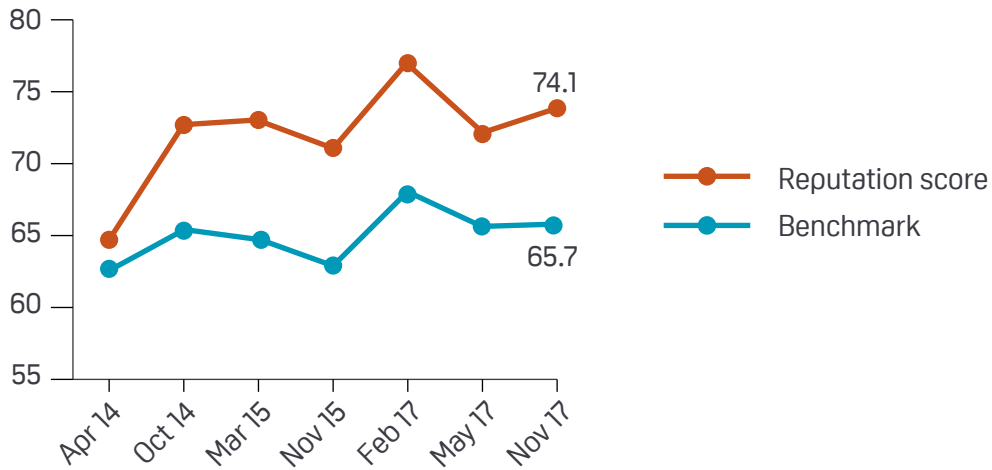
Of those aware of FSA, 75% trust it to tell the truth and 70% trust it to do its job. At a wider level, 75% trust that food is what it says it is and is accurately labelled, and 63% trust that the food industry is regulated fairly.



The FSA tracks its reputation to monitor how the public view and perceive the FSA and its engagement with the public. The most recent scores are shown in the graph below.

<sup>4</sup> [www.food.gov.uk/news-alerts/news/public-attitudes-tracker-survey-results-published](http://www.food.gov.uk/news-alerts/news/public-attitudes-tracker-survey-results-published)

UK public reputation



## SCIENCE AND EVIDENCE

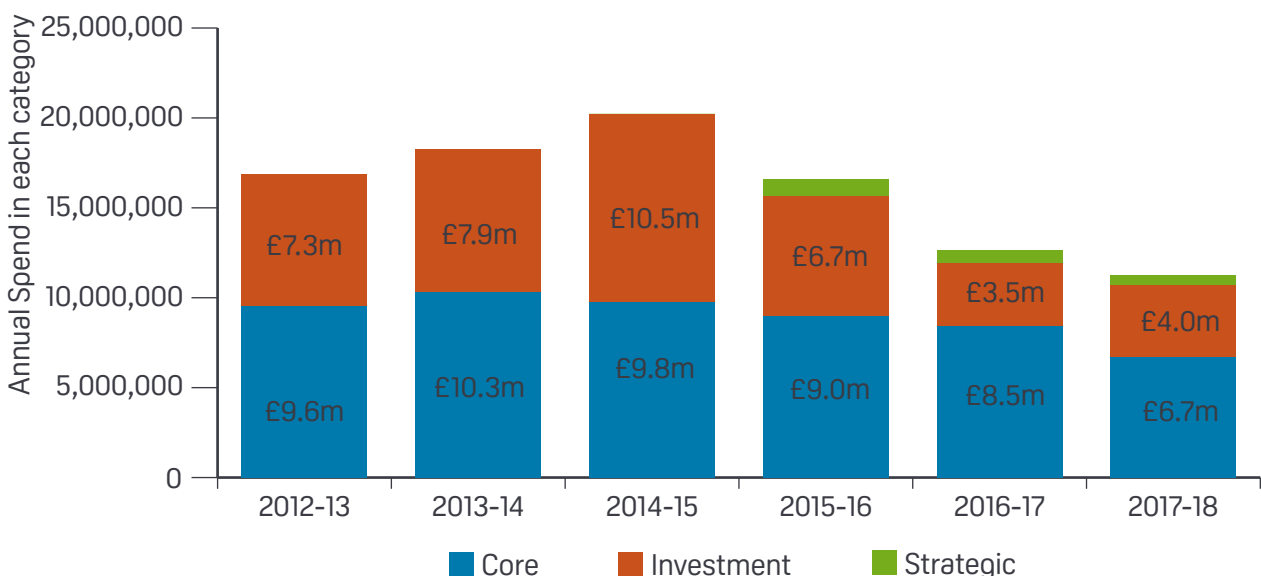


Science, evidence and information continue to underpin all our work, ensuring we target the right issues in the most effective ways, and that we can evaluate the impact of what we do. Examples run throughout this report, from helping us target and track progress on Campylobacter to showing the impact of the FHS on business, consumer behaviour and foodborne illness.

At a strategic level we have refocused our science investments to give more clarity and structure and to inform decisions on funding and priorities. Our science falls into three areas: our core work to maintain our underpinning evidence and capabilities, and statutory needs; our investment in science to address current priorities and to prepare, evolve and improve; and our future-oriented strategic work using science to predict breakthroughs, form partnerships and undertake trials.

Our spend and investment trend since 2012/13 is shown below.

### Science spend and investment



In December 2017 we reviewed our science spend and future priorities for science and reaffirmed our commitment to using science and evidence across our work. We agreed the direction of travel for our science work which will ensure we continue to be able to identify and deliver the quality and volume of science we need in order to fulfill our objectives. In April 2017, we established a new Science Council to give us high-level, independent advice on how we use science to deliver our current strategic priorities, to understand new developments – risks and opportunities – and to identify and develop new ways to do things better in the future. In April 2018, we established a new Advisory Committee for Social Science to provide expert strategic advice to the FSA on our use of the social sciences. We invested in strategic science and our first strategic fellowships in data science at UCL and in application of genomics to food safety the Quadram Institute, and pilots on sensors, the Internet of Things, and on blockchain, have given us access to cutting-edge capability and wider investment in these areas.

We have completed independent reviews of our risk assessment and of social sciences, which give us a sound basis to plan and develop our approach to these crucial areas of our science capability. The antimicrobial resistance, or AMR, systematic review was crucial to giving us a clear picture and in building consensus on gaps, helping us prioritise work on AMR surveillance, working alongside others in the UK and internationally.

### **Antimicrobial resistance (AMR)**

We are contributing to the delivery of the strategy and progress reports alongside other departments including Department of Health and Social Care, Public Health England, Defra and the Veterinary Medicines Directorate. The FSA's role working with other Government departments is to contribute to reducing the risk posed by AMR, improving the evidence base concerning AMR and the food chain for example monitoring the levels of AMR in food and working to better understand the impact of interventions aimed at tackling AMR in food production. The strategy has the goal of slowing the development and spread of AMR, focusing action across all sectors on:

- improving the knowledge and understanding of AMR
- conservation and stewardship of the effectiveness of existing treatments
- stimulating the development of new antibiotics, diagnostics and novel therapies

Our progress in 2017/18 on tackling AMR is shown below:

| Priority  | Progress   |
|---|--|
| Improving the scientific evidence base relating to AMR in the food chain                                      | <ul style="list-style-type: none"> <li>● Published Royal Veterinary College systematic review (November 2017).</li> <li>● New retail survey of AMR bacteria in retail chicken and pork mince (began September 2017).</li> <li>● Contributed to DHSC project on extended-spectrum beta-lactamases (ESBL) E.coli in fresh produce (paper published January 2017).</li> <li>● Building on existing FSA research to fill evidence gap on attribution of AMR Campylobacter.</li> <li>● FSA co-funding 5-year research fellowship at the Quadram Institute, Norwich on AMR bacteria in the food chain (from October 2017).</li> </ul>  |
| Working to encourage the adoption of clear transparent reporting standards                                    | <ul style="list-style-type: none"> <li>● Stakeholder meeting with retailers to discuss FSA AMR surveillance (March 2017).</li> <li>● Participation in N8 AgriFood Industry Innovation Forum sponsored by National Farmers' Union and Agriculture and Horticulture Development Board (May 2017).</li> <li>● Dialogue with retailers including participation in Sainsbury's R&amp;D conference (May 2017) and Tesco shared conversations meeting (July 2017).</li> <li>● Responsible Use of Medicines in Agriculture Alliance (RUMA) 2017 Targets report (published October 2017).</li> <li>● Voluntary industry antimicrobial usage data published for first time in 2016 Veterinary Antimicrobial Resistance and Sales Surveillance (VARSS) report (November 2017).</li> </ul> |
| Task and finish group to advise us on responsible use of antibiotics in agriculture to support the above work | <ul style="list-style-type: none"> <li>● Established in March 2017 – the group has received evidence from the poultry, pig, cattle and sheep sectors. Paper to the Advisory Committee on the Microbiological Safety of Food in January 2018.</li> </ul>  |
| International engagement to help meet the global challenge of AMR   | <ul style="list-style-type: none"> <li>● UK lead in Codex where we, jointly with Australia and the US, convened a meeting to set the objectives for a Codex Task Force on AMR. First Task Force meeting held in Korea, November 2017.</li> <li>● Participated in meeting of the national Public Health and Veterinary Public Health-Institutes of the G20 countries in Berlin in September 2017.</li> <li>● Contributing to the EU-wide surveillance of AMR bacteria in retail meats.</li> </ul>   |

## Food and You

Food and You is the FSA's flagship consumer survey, which collects information about the public's reported behaviours, attitudes and knowledge relating to food safety and food issues, such as food storage and preparation, eating out, allergy information and consumption.

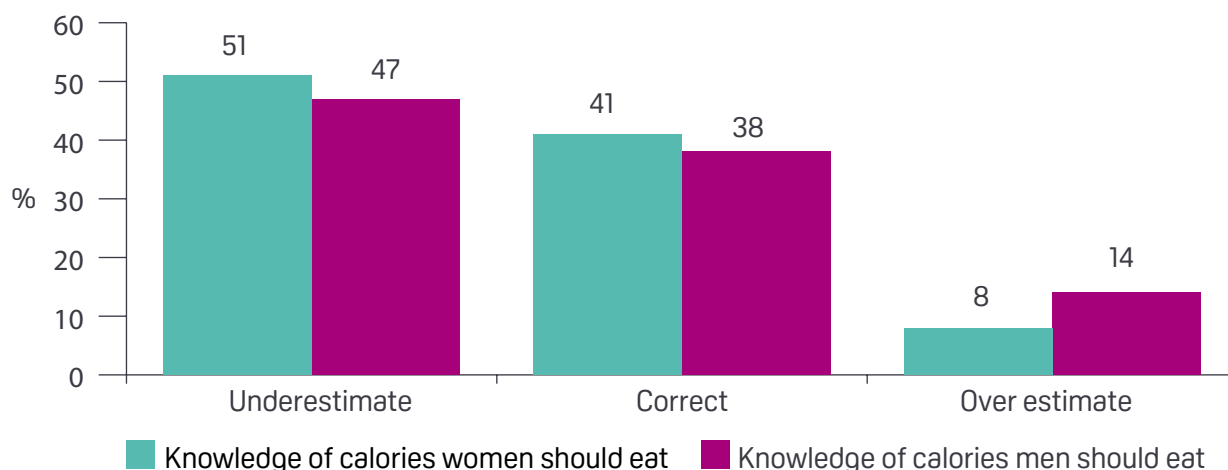
In wave 5 of the survey, we have also included a bank of questions around trust: in food, the food system and the FSA. The results of the survey help to underpin the FSA's policies and broadens the evidence base to fulfil the FSA's strategic plans, priorities and targets. The FSA commissioned a series of secondary analysis papers to further explore key areas of policy interest to the FSA's policy, science and consumer engagement-related priorities.

### Waves 1-4 secondary analysis

The first paper of 2017/18 to be completed was in relation to profiling people with food hypersensitivities. The paper found that people who reported a food allergy are not that different from those who do not in terms of both characteristics and in relation to food safety practices in the home and outside. Although findings were not significant, the paper has allowed us to build on this area with the aim of informing policy.

The second paper completed aimed to inform the development of the Calorie Wise scheme and targeting of the associated consumer messaging in Northern Ireland. One of the key findings from the paper was that most people do not know what the actual daily energy requirements are, so recommendations for how to inform the scheme were developed based on this finding.

### Knowledge of recommended calorie intake



Base: Respondents from Northern Ireland

The Welsh Food Advisory Committee (WFAC) commissioned the third paper in the series, which explored food security and food safety practices in Wales. The analysis found that levels of food insecurity in Wales are very similar to those found in England and Northern Ireland, and that food safety behaviour in Wales did not significantly vary according to food security.

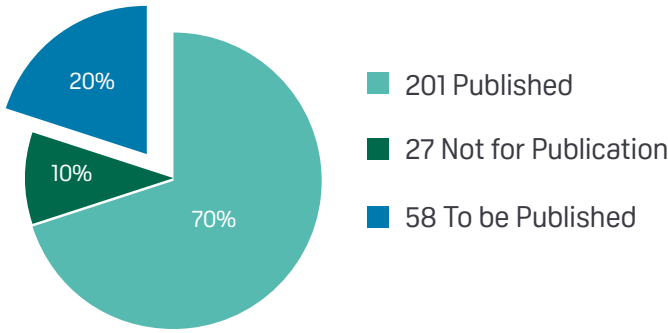
The last paper in the series focused on food security and healthy eating in Northern Ireland, being of interest to the All-island Food Poverty Network. Overall, people in low food secure households had less knowledge about healthy eating compared to those in marginal or high food secure households, and were more likely to report money and the cost of healthy foods as a difficulty in trying to eat more healthily compared to those in high food secure households.

## Open data

Open data is data that everyone can access, use and share. One of our objectives is to become a data-driven organisation and that our data is ‘open by default’. The FSA’s open data catalogue is available at <https://data.food.gov.uk/catalog>

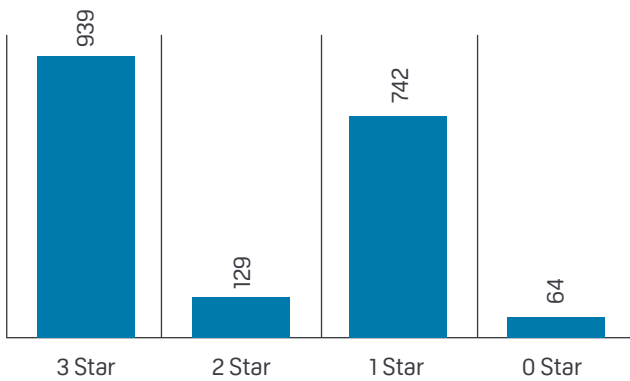
The charts below show progress in achieving our ‘open by default’ aim.

### Open Data Publication Progress: 286 Datasets Identified



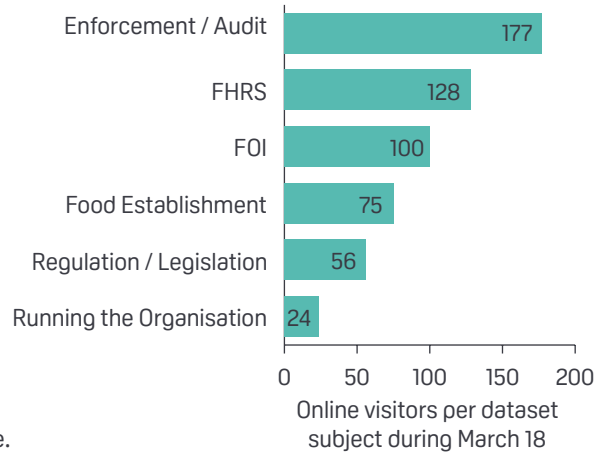
**Target:** To achieve as high proportion of published data as possible, accounting for data that cannot be published for data protection, commercial, security or other associated reasons.

### Opening Ratings: 1,871 Published Files



Datasets are given a simple star based rating based on the ‘Five Stars of Openness’ system developed by Tim-Berners-Lee. The criteria is based on published file format, our target is for 3 star.

### Online Views:



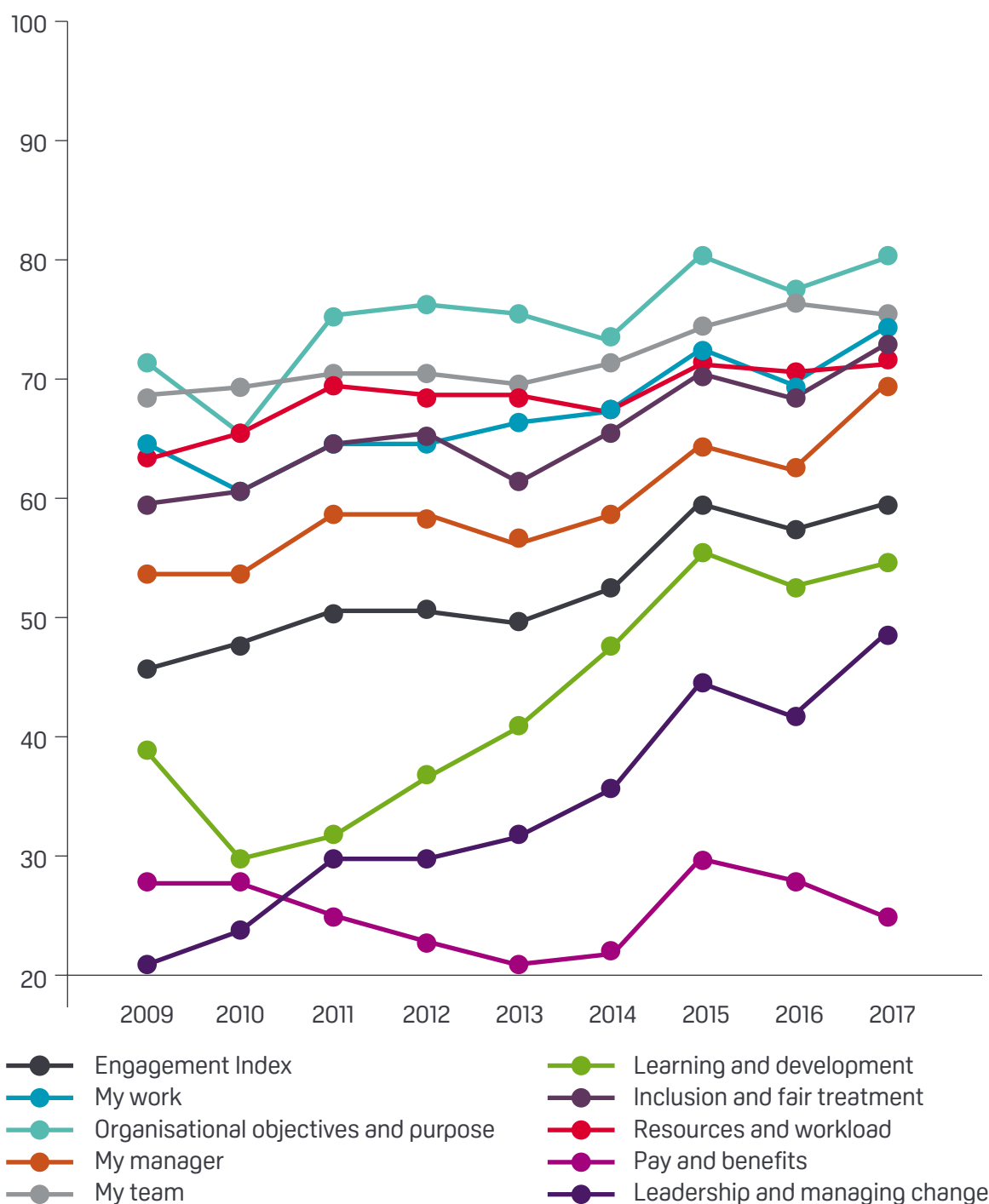


## PEOPLE SURVEY

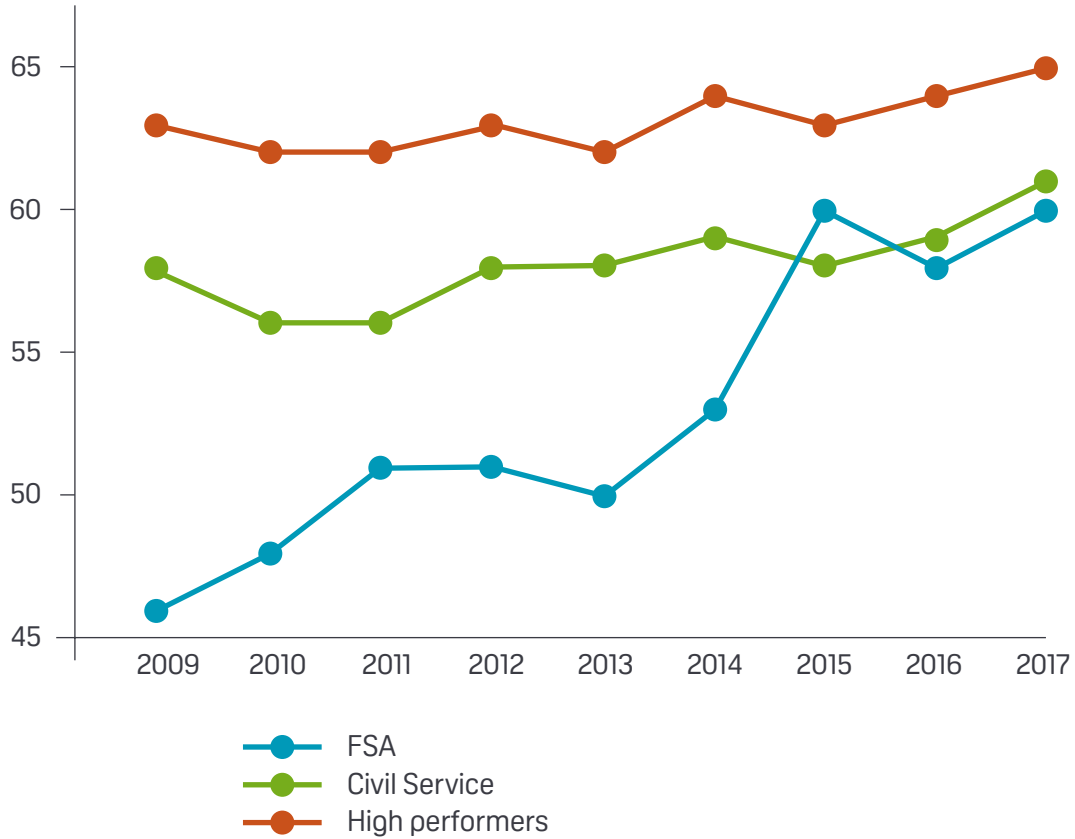


The Civil Service People Survey was conducted in October 2017 and the FSA's employee engagement score increased from 58% in 2016 to 60% in 2017 equalling our highest ever score. Scores have increased in seven out of the nine key categories. The exceptions being 'My team' (-1%) and 'Pay & benefits' (-2%). The largest increases were 'My manager' and 'Leadership & managing change' (both +7%). Across the questionnaire, scores for 77% of the individual questions have improved since 2016.

Civil Service People Survey 2009-2017



People Survey Engagement



The top three drivers of engagement, namely those themes that have the strongest association with our engagement scores – are ‘Leadership and managing change’, ‘My work’ and ‘My manager’. We have focused on building our capability in these areas through internal programmes (Our Ways of Working, People Strategy, staff engagement), resulting in these themes returning our biggest improvements.

We have developed a corporate people survey action plan to address the issues identified in the survey. The action plan focuses on four key themes:

- pay and benefits
- managing change
- bullying and harassment/safe to challenge
- leadership

## DELIVERY THROUGH CAPABILITY BUILDING



For us to achieve the above priorities, and so deliver the best outcomes for consumers, it is necessary for the FSA to invest in building and developing its capabilities. We have done this by focusing on the five key areas below.



### Our Ways of working

**Overall objective:** To build a vibrant, progressive, learning organisation that attracts and retains the best staff who are engaged, motivated to deliver, collaborative and well led.

#### Objectives for 2017/18:

- to move out of Aviation House, into a new fit for purpose office location
- to be a location-agnostic organisation where people work together in highly effective teams regardless of their locations
- to have new contracts in place for all staff, and we will have put in place the right infrastructure to support location-agnostic working
- to have new business processes, skills and management tools in place to help maximise productivity and organisational benefit in the new working environment

#### Summary of achievements:

The FSA has made significant strides in delivering on its Our ways of Working (OWOW) capability programme in 2017/18. In England the office locations have changed significantly with both the York office refresh being completed and the London relocation having smoothly transitioned from Aviation House to Clive House. Contracts enabling FSA staff to be flexible in their work locations have been rolled out. The new Our Ways of Connecting (OWOC) programme has also been developed and is underway to support the new location agnostic approach to the FSA workforce.

#### Delivery:

- Our York office has been fully refurbished with the space utilised streamlined and improved.
- The People Offer, allowing for a more flexible work location, has been rolled out across the FSA. People have had the opportunity to choose, in line with business need, from either the work from home, office based or multi-site contracts.
- The FSA has successfully relocated from the previous London location, in Aviation House, to the new office based in Clive House.



## People Strategy

### Overall objective:

Build an effective, resilient organisation by creating an organisational model and workforce plan that enable us to achieve our corporate priorities while continuing to deliver our core business and remain compliant in all our people policies and practises. Building our leadership and management capability in all areas of the business so they are highly skilled, confident, empowering and engaging leaders who care about the organisation and their teams, recognise and value individual effort and continually strive to improve performance. Develop skills and capability to deliver the professional and technical skills that have been identified as key to delivering the corporate priorities and provide the infrastructure and support to enable people to develop their careers within the FSA.

### Objectives for 2017/18:

- To create the environment where we can develop a high performing culture where innovative, collaborative solutions are applied to the way we deliver our services.
- To have credible, authentic, trustworthy, caring leaders and managers.
- Everyone striving to deliver great performance.
- We are consistently inclusive, respecting individual difference.
- People are supported to develop themselves and encouraged to achieve their potential.

### Summary of achievements:

In 2017/18, we have worked to ensure that the development of the people strategy will put the right people in the right place and that the recruitment and development of staff is forward looking and fit for purpose. We worked to ensure that the steps taken within the people strategy take account of, and seek to address, those areas identified in the people survey action plan. This is evident in the development of the new performance management framework.

### Delivery:

- In 2017/18, we have worked taken significant steps within our People Strategy by agreeing the future vision and high-level values that support this.
- In support of that delivery a revised performance management framework has been agreed and will be used to review staff performance in 2017/18. This framework has been developed and will be delivered in line with the corporate people survey action plans.
- Key skills, succession and the talent approach has been agreed and developed resulting in a resourcing strategy aimed at ensuring the FSA has the right people in the right places to deliver its corporate strategy. This will include having the right people in place to deliver any new or changed areas of work that may arise following EU Exit or the change to our regulatory system.



## Evolve IT

### Overall objective 2017/18:

To implement the FSA's IT strategy. Focusing on bringing overall control of the IT design and delivery back in-house to the FSA and exploiting modern, standard and commoditised IT services and solutions, with the minimum amount of bespokeing. Furthermore, all IT solutions will be provided to meet user and business needs where data is valued and exploited to support business activity.

### Objectives for 2017/18:

- IT managed service transitioned away from Capita and replaced with a new Evolve IT operating model, based on mixed provision of in-house services and third-party suppliers.
- Overall control of IT brought back in-house.
- A safe exit from the Capita contract and related legacy contracts, maintaining continuity of service.

### Summary of achievements:

The FSA has successfully transitioned away from Capita, awarding a number of smaller contracts to new third-party suppliers for the delivery of specialist IT Services. The overall control of IT has been brought back in-house with newly formed Architecture, Service Management and Commercial teams responsible for ensuring the continued delivery of high-quality IT services. We have ensured throughout the evolve IT programme that the FSA has the capacity and capability to maintain a continuity of service.

### Delivery:

- The FSA has exited from the Capita managed service contract.
- A dedicated service desk has been fully implemented to deliver 24/7 first-line support to all FSA employees.
- Network connectivity to all FSA offices and all food business operator premises has been transitioned to a new wide area network (WAN) provider, with lines being upgraded in the vast majority of cases.
- All end-user devices have been refreshed to provide modern laptop/tablets that operate on Windows 10 and provide access to Office 365.
- Most FSA employees have been provided with a new mobile device to support flexible and mobile working.
- A dedicated application support contract has been awarded to enable the maintenance and development of legacy FSA applications.
- All servers from Capita Datacentre and the majority from the York office have been migrated to the new Azure Cloud Datacentre.
- Existing managed print and VoIP telephony services have been migrated to new cloud-based service provision models.



## Data and Digital

**Overall objective:** To have an effective data culture: data supports the FSA's policy and operational delivery decision making and we meet our transparency commitments. To ensure our digital services meet the needs of our users.

### Objectives for 2017/18:

- To be recognised across government as a trusted source of data: all data collected is fit for purpose, well managed and used appropriately internally and beyond.
- To deliver transparency commitments across all areas, with information asset owners taking responsibility for publication of datasets.
- To develop a data strategy.
- To develop data sets needed to power the FSA's new digital services, websites and platforms.
- To transform our digital services placing us at the forefront of innovation both in food and in government.

### Summary of achievements:

We have consulted on and published the data strategy in 2017/18. The organisation is starting to think of data as a resource to be used to support organisational decision making.

Significant development work has been undertaken to deliver a new website – with three new webservices having been completed in this financial year and with more to follow now that a delivery model has been established.

### Delivery:

- Data strategy delivered and cited as an example of best practice by external organisations.
- Sustaining open data publication with new and repeat datasets being published routinely.
- Where teams are required to publish data, a process has been developed such that the central data team involvement is limited to governance and oversight with information asset owners self-publishing.
- Development and deployment of the Digital Workplace (a new internal platform) for FSA employees in beta.
- Three of the priority webservices have been rolled out in live beta.
- Work through the year on technology and tools means that the workforce is supported to be location agnostic and to engage in collaborative approaches to delivery.
- There has been a digital capability assessment conducted of FSA staff to inform and develop the key objectives for data and digital improvements for the future.



## Surveillance

### Overall objective:

To develop a new strategic approach to food and feed surveillance, which meets the World Health Organization definition of the ongoing systematic collection, collation, analysis and/or interpretation of data, followed by dissemination of information so that directed action may be taken.

### Objectives for 2017/18:

- To review lessons learned and finalise the new surveillance design concept to establish a strategic surveillance approach that makes better use of data and data science to explore and develop predictive risk indicators.
- To expand FSA liaison and impact on external organisations active in the field of strategic surveillance
- To have the initial prototype model for surveillance which can systematically generate actionable knowledge that shapes and informs risk management interventions that are made by us and by our stakeholders

### Summary of achievements:

For the FSA, surveillance involves the collection of a wide range of data that can inform us about the food system. The resulting insights can then be used to manage risks and seize opportunities not only by ourselves, but by others including the food and animal feed industries, enforcers and consumers.

The new approach for surveillance uses a high-level model encompassing the key phases of 'scan', 'spot', 'narrow' and 'evaluate' in a feedback loop. Information and intelligence that is generated during the various phases can be shared with both internal and external stakeholders and will provide indicators upon which stakeholders can consider which, if any, interventions to undertake.

### Delivery:

The surveillance programme has:

- Developed a clear understanding of the definition of surveillance.
- Developed a high-level operating model.
- Created a central programme board to steer activities undertaken.
- Created an internal and an external network to review and advise on strategic surveillance activities.
- Established direct relationships with external data holders to gain access to subject matter experts and potentially to non-FSA held data.
- Explored opportunities for surveillance best practice through the commission of surveillance pilot studies with five external contractors, chosen for their expertise in surveillance and emerging risk identification.

- Completed two in-parallel proofs of concept initiatives to develop and test the surveillance approach for the development and delivery of data-informed risk intelligence within a short timeframe, bringing together subject matter experts, internal and external data scientists, expertise from other government departments, research centres, data providers and the National Food Crime Unit.
- Established an action plan roadmap for the development and implementation of the strategic surveillance capability, including a repeatable approach for identification and prioritisation of risk areas to explore.
- Commenced the surveillance model on two topic areas associated with food safety and EU exit.



## PRINCIPAL RISKS AND UNCERTAINTIES

We set out our approach to managing risk as part of the FSA Governance Statement 2017/18 on page 67. On this page we focus on three principal risks that are linked to our three corporate priorities.

Risks within the FSA are **Identified, Assessed, Managed, Reviewed and Recorded** at the appropriate level across the FSA. Governance is provided through:

- monthly exception
- review/challenge quarterly, ensuring the right risks are prioritised, and
- annually as part of the corporate business planning process

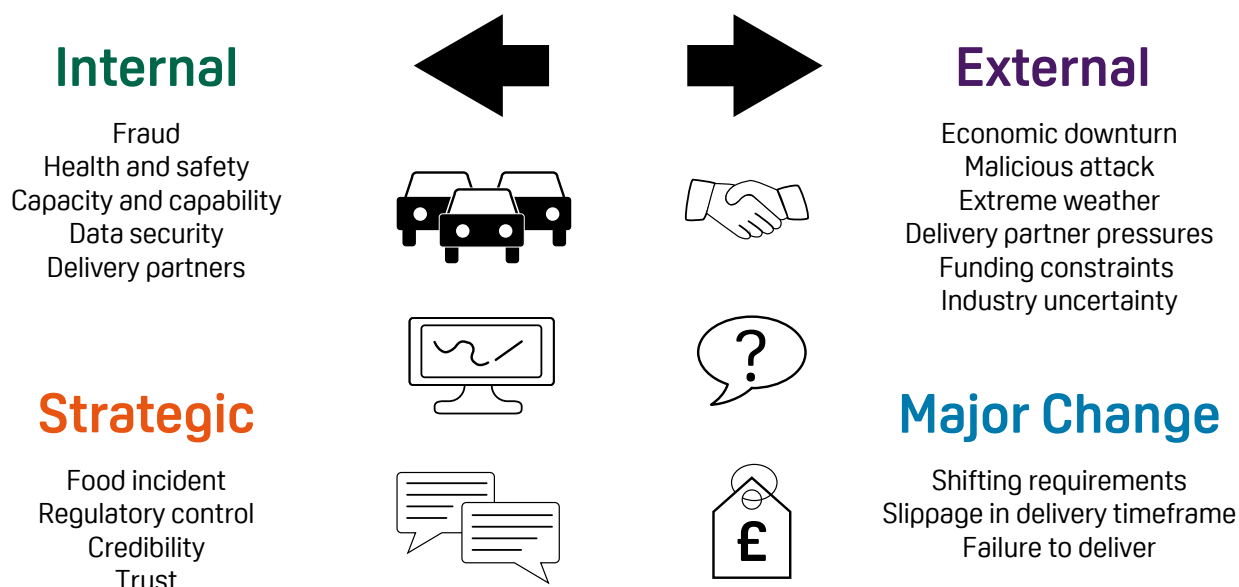
**Risk Registers** are used to record our risks, aid assessment, priorities actions and monitor progress.

**To deliver ‘Food we can trust’ whilst managing reducing resources and external uncertainty we inevitably have an appetite to take considered risks and exploit opportunities and innovation.**

**Our approach to innovate or safeguard can differ depending on the nature of the risk and therefore we align risks to themes and state our appetite boundaries to how we respond.**



FSA risks are identified and categorised in the following way:



To support the appropriate analysis, treatment and monitoring our policy is to use risk registers (a number of which are mandatory) as part of our management approaches. Where appropriate, risk registers will be used to record the escalation or de-escalation, transfer or aggregation of risks to ensure that they are managed at the most appropriate level within the FSA and that is by those best placed to take decisions as to how best to handle them.

At the end of the financial year, the risks on the FSA's corporate level risk register, focused on our top three strategic priorities and included:

- the risk of failing to provide an adequate response to a food incident
- the risk of failing to deliver a new regulatory model to ensure 'Food we can trust' in terms of food safety and authenticity, in a modern, sustainable global food system, and
- the risk of failing to engage fully and adequately in preparation for the UK exiting the EU and developing trade access arrangements with the EU and third countries

### Select Committee report on 2 Sisters and Standards in Poultry Processing

On the 26 September 2017 the FSA were alerted to a media investigation alleging food hygiene and potential fraud issues at an FSA-approved 2 Sisters Food Group (2SFG) cutting plant (Site D). The allegations centred on food hygiene practices and the repackaging, labelling and traceability of poultry products which supplies several major retailers. The Environment, Food and Rural Affairs (EFRA) Committee held a short inquiry into the 2 Sisters plant in West Bromwich in October 2017. Following their inquiry EFRA published their findings in a report on 17 November 2017 which included several recommendations.

As part of the ongoing public scrutiny EFRA requested updates initially at 3-month and then 6-month intervals after the report publication and that the FSA coordinate the responses from others tasked with taking action in response to the Committee's findings. These updates provide written assurance that the commitments made by the 2SFG, Red Tractor and British Retail Consortium accreditation agencies, Sandwell Metropolitan Borough Council and the FSA itself are being fully progressed.

The most recent update provided to EFRA on 16 May 2018 is published at [www.publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/1070/107004.htm](http://www.publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/1070/107004.htm). This is in addition to the full report and other published responses at: [www.publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/861/86103.htm](http://www.publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/861/86103.htm). Our approach to investigating the allegations has been conducted from the outset in three phases – investigating first the issues found at Site D before investigating those arising more widely across the 2SFG poultry cutting plants and then considering those issues which have application across the wider industry. Our findings from 2SFG, coupled with issues we are investigating at other cutting plants led ourselves and Foods Standards Scotland to launch a UK-wide review of cutting plants and cold stores.

During monitoring the principal risks above, the following actions were identified:

### **Cold store and cutting plant review**

In 2017/18 the FSA dealt with two significant incidents in the UK meat sector relating to non-compliance issues identified at cutting plants operated by the 2 Sisters Food Group and Russell Hume.

In response to these incidents and to mitigate further risks in relation to non-compliance in the meat sector, the FSA (in partnership with Food Standards Scotland, FSS) publicly announced on 1 February 2018, a UK wide review into cold stores and cutting plants.

The review is assessing how today's meat industry operates across the supply chain, to ensure that the future regulatory direction keeps pace with and anticipates sector changes. All cutting plants and cold stores establishments are in scope, including those under local authority enforcement responsibility. The review will look to strengthen the arrangements for delivery of official controls and identify any other measures that help build consumer confidence in meat production. It is governed by a sub-group of the FSA/FSS Executive Teams, with regular updates to the FSA/FSS Board Chairs. External scrutiny is being provided through a 'Challenge Group' appointed from across the meat, veterinary, audit and regulatory sectors. The Review will report to the FSA/FSS Boards in Autumn 2018.

### **Delivery in the new regulatory system**

The reporting year is the second year in which the Regulating Our Future (ROF) programme is managing the complexities associated with reviewing and remodelling how the FSA and local authorities regulate food businesses. This is being closely co-ordinated with the FSA's programme to exit the EU, and the ROF programme has reprioritised activities and realigned milestones to consider the impact of EU exit.

Local authorities remain key to delivery in the new regulatory system that is being developed. We are updating and improving the way in which we provide oversight of their performance. Currently, we base this on annual Local Authority Enforcement Monitoring System (LAEMS) data returns. We have developed a digitally-enabled Balanced Scorecard: a tool which can use additional internal and external data to help provide a more rounded and more up-to date-picture of performance. It also enables us to more easily visualise performance data on a national basis.

In addition, to manage the risk of non-compliance, we contacted a number of local authorities about their performance based on 2016/17 LAEMS data. This was along with a number of one-day assurance audits which also included an assessment of performance issues.

### **Preparation for the UK exiting the EU**

To mitigate the risk associated with EU exit as outlined above, the FSA has prioritised some of its own resources to support the EU Exit programme. We also continue to work closely with HM Treasury on the bid for the additional resource needed in 2018/19, in addition to the £14 million already approved by HM Treasury in March 2018, all of which supports the FSA expenditure committed. To ensure preparedness we also continue to develop detailed EU exit plans.

# PERFORMANCE ANALYSIS

## FORMAL ENFORCEMENT ACTION (ENGLAND, WALES)

In accordance with the requirements of the Food Standards Act 1999, we report each year on enforcement action taken. Statutory notices may be served for failures in hygiene, unsatisfactory structural matters, to stop the use of particular types of equipment, to impose conditions on the meat production process, to close down the operation completely, or to stop a particular practice that contravenes the hygiene provisions of the legislation. Statutory notices must accurately reflect the non-compliance, refer correctly to the relevant legislation, and be clearly legible and unambiguous, to be legally valid.

### England and Wales: formal and informal enforcement action taken during 2017/18

| Formal action  | Number of notices<br>1 April 2016 to<br>31 March 2017 | Number of notices<br>1 April 2017 to<br>31 March 2018 |
|--|---|---|
| <b>Hygiene Emergency Prohibition Notice</b> , served under the Food Safety and Hygiene (England) Regulations 2013 and the Food Hygiene (Wales) Regulations 2006, giving a food business operator a day's notice of the intention to apply to a court for the granting of a <b>Hygiene Emergency Prohibition Order</b> which would result in an immediate cessation of business | Nil   | Nil   |
| <b>Hygiene Improvement Notice</b> served under the Food Safety and Hygiene (England) Regulations 2013 and the Food Hygiene (Wales) Regulations 2006  | 198   | 152   |
| <b>Remedial Action Notice</b> served under the Food Safety and Hygiene (England) Regulations 2013 and the Food Hygiene (Wales) Regulations 2006  | 166   | 245   |

| Informal action | Number of warnings<br>1 April 2016 to<br>31 March 2017 | Number of notices<br>1 April 2017 to<br>31 March 2018 |
|-----------------|--|---|
| Written warning | 2,567  | 2,433   |

## FORMAL ENFORCEMENT ACTION (NORTHERN IRELAND)

### Northern Ireland: formal and informal enforcement action taken during 2017/18

| Formal action  | Number of notices<br>1 April 2016 to<br>31 March 2017 | Number of notices<br>1 April 2017 to<br>31 January<br>2018 |
|--|---|--|
| <b>Hygiene Emergency Prohibition Notice</b> , served under the Food Hygiene Regulations (Northern Ireland) 2006, giving a food business operator a day's notice of the intention to apply to a court for the granting of a <b>Hygiene Emergency Prohibition Order</b> which would result in an immediate cessation of business | Nil   | Nil  |
| <b>Hygiene Improvement Notice</b> served under the Food Hygiene Regulations (Northern Ireland) Regulations 2006  | 7   | 8  |
| <b>Remedial Action Notice</b> served under the Food Hygiene Regulations (Northern Ireland) 2006  | 2   | 3  |

| Informal action | Number of warnings<br>1 April 2016 to<br>31 March 2017 | Number of notices<br>1 April 2017 to<br>31 January<br>2018 |
|-----------------|--|--|
| Written warning | 24   | 61   |

The continued downward trend in formal and informal enforcement actions is largely because of improved compliance levels by food business operators.

## PROSECUTIONS

Following an investigation referral and full criminal investigation, prosecutions of offences committed at approved premises can be taken by the relevant enforcement authority. In England and Wales, prosecutions for food hygiene breaches are taken by the FSA. Cases in relation to alleged breaches of animal welfare, animal by-products and some transmissible spongiform encephalopathy (TSE) requirements are prosecuted by the Crown Prosecution Service (acting on behalf of the Department for Environment, Food and Rural Affairs) or the Welsh Government. In 2017/18, the FSA Criminal Investigation Branch accepted 100 referrals from Operations Directorate for investigation with a view to prosecution.

The timescales for prosecutions mean that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the cases referred for investigation in 2017/18 have yet to be concluded.

During 2017/18, eleven cases investigated by the FSA were concluded at court with convictions secured against eleven defendants. A further 7 cases are currently being prosecuted.

There were 97 recorded investigation referrals in England and Wales during 2016/17. The outcomes or status of those referrals are as follows:

| Outcomes/current status       | Number of referrals |
|-------------------------------|---------------------|
| Convictions                   | 10                  |
| Warning letters issued        | 17                  |
| Ongoing prosecutions in Court | 10                  |
| Acquittals                    | 1                   |
| Withdrawn prosecutions        | 2                   |
| No prosecution taken          | 57                  |

## COMPLAINTS INCLUDING THOSE MADE TO THE PARLIAMENTARY AND HEALTH SERVICE OMBUDSMAN

The FSA will always seek to learn from complaints and address any issues identified through the complaints process. We aim to resolve all complaints quickly and as close as possible to the point of service and therefore complaints are handled initially at a local service level. If, however, a complainant is not satisfied by a local response, they can refer their complaint, using our two-stage complaints process, information on which can be found online: [www.food.gov.uk/about-us/fsacomplaintsprocedure](http://www.food.gov.uk/about-us/fsacomplaintsprocedure)

If having exhausted the FSA’s complaints process the complainant remains dissatisfied, they can refer the matter to the Parliamentary and Health Service Ombudsman (PHSO). Complaints to the PHSO must be made via an MP.

During 2017, three complaints progressed beyond the level of a local response. Two of these cases were not upheld and one case was referred outside of the complaints process as it concerned matters more appropriately managed by the FSA Legal Team. No cases were investigated by the PHSO.

## COMPARISON OF OUTTURN AGAINST ESTIMATE

### Resource spend in 2017/18

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

|                              | 2017/18      |                      |
|------------------------------|--------------|----------------------|
|                              | Estimate     | Net resource outturn |
|                              | £m           | £m                   |
| Total Westminster funded FSA | 89.4         | 79.0                 |
| FSA in Wales                 | 3.4          | 3.3                  |
| FSA in Northern Ireland      | 8.3          | 7.9                  |
| Total FSA                    | <b>101.1</b> | <b>90.2</b>          |

The comparative figures for 2016/17 are shown below:

|                              | 2016/17      |                    |
|------------------------------|--------------|--------------------|
|                              | Estimate     | Net operating cost |
|                              | £m           | £m                 |
| Total Westminster Funded FSA | 88.4         | 80.2               |
| FSA in Wales                 | 3.5          | 3.4                |
| FSA in Northern Ireland      | 8.2          | 8.1                |
| Total FSA                    | <b>100.0</b> | <b>91.8</b>        |

The net cost of the FSA was £90.2m against available funding of £101.1m to 31 March 2018.

Total net expenditure was 11% lower than estimate by £10.8m. The Westminster funded saving of £10.4m is largely due to a £8.4m underspend on annually managed expenditure (AME), mainly through built in capacity for pension provision volatility, allowing for wide variations in actuarial assumptions.

## RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS

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

|                         | 2017/18  |                      |
|-------------------------|----------|----------------------|
|                         | Estimate | Net resource outturn |
|                         | £m       | £m                   |
| FSA in Northern Ireland | 8.3      | 7.9                  |

|                         | 2016/17  |                    |
|-------------------------|----------|--------------------|
|                         | Estimate | Net operating cost |
|                         | £m       | £m                 |
| FSA in Northern Ireland | 8.2      | 8.1                |

## RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS (WESTMINSTER ONLY)

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

|  | £000<br>2016/17 | £000<br>2017/18 |
|--|-----------------|-----------------|
| <b>Net resource outturn (estimates)</b>                                  | <b>80,232</b>   | <b>78,975</b>   |
| <i>Adjustments to remove:</i>  |                 |                 |
| <i>Provision voted for earlier years</i>                                 | –               | –               |
| <i>Adjustments to additionally include:</i>                              |                 |                 |
| <i>Non-voted expenditure in the OCS</i>                                  | –               | –               |
| <i>Consolidated fund extra receipts in the OCS</i>                       | –               | –               |
| <i>Reductions in planned spend unable to be included in the Estimate</i> | –               | –               |
| Other adjustments  | –               | –               |
| <b>Net operating cost (accounts)</b>                                     | <b>83,781</b>   | <b>81,951</b>   |
| <i>Adjustments to remove:</i>  |                 |                 |
| Capitalised Research & Development                                       | (3,549)         | (2,976)         |
| Capital grants to local authorities                                      | –               | –               |
| Capital grants financed from the capital modernisation fund              | –               | –               |
| European Union income and related adjustments                            | –               | –               |
| Voted expenditure outside the budget                                     | –               | –               |
| <i>Adjustments to additionally include:</i>                              | –               | –               |
| Other consolidated fund extra receipts                                   | –               | –               |
| Resource consumption of non-departmental public bodies                   | –               | –               |
| Unallocated resource provision   | –               | –               |
| Other adjustments  | –               | –               |
| <b>Resource budget outturn (budget)</b>                                  | <b>80,232</b>   | <b>78,975</b>   |
| <b>of which</b>  |                 |                 |
| Departmental expenditure limits (DEL)                                    | 78,069          | 77,816          |
| Annually managed expenditure (AME)                                       | 2,163           | 1,159           |






## SUSTAINABILITY REPORTS



During 2017/18 we have vacated Aviation House and taken two floors within Clive House, further reducing our floor space. Due to the rationalisation our recycled waste production has increased but that was to be expected and should return to target levels going forward. Our Ways of Working has led to an increase in corporate travel booked through Redfern. This is being monitored and steps taken to try and address it. For example we have invested in new VC facilities in our offices which will enable alternatives to travel to meetings.

The following table reports greenhouse gas emissions and related expenditure in England<sup>1</sup>





### Greenhouse gas emissions

|  | Non-financial indicators – Scope 2 (indirect) |                |                  |                |                      |
|--|---|----------------|------------------|----------------|----------------------|
|  | 2013/14                                       | 2014/15        | 2015/16          | 2016/17        | 2017/18              |
|  Electricity (kwh)              | 1,235,104                                     | 310,599        | 830,427          | 760,110        | 681,526              |
|  Gas (kwh)                      | 652,629                                       | 411,428        | 362,915          | 161,212        | 431,482 <sup>2</sup> |
|  Total energy consumption (kwh) | <u>1,887,733</u>                              | <u>722,027</u> | <u>1,193,342</u> | <u>921,322</u> | <u>1,113,008</u>     |

### Financial indicators (£)

|   | 2013/14        | 2014/15             | 2015/16        | 2016/17       | 2017/18        |
|---|----------------|---------------------|----------------|---------------|----------------|
|  Total energy expenditure                       | <u>174,446</u> | <u>113,184</u>      | <u>127,833</u> | <u>99,605</u> | <u>£91,727</u> |
|  Carbon Reduction Commitment (CRC) expenditure | 30,380         | 27,840 <sup>3</sup> | 33,078         | 32,178        | £22,480        |

### Non-financial indicators

|  | Scope 3 <sup>4</sup> (indirect) |           |           |           |           |
|--|---------------------------------|-----------|-----------|-----------|-----------|
|  | 2013/14                         | 2014/15   | 2015/16   | 2016/17   | 2017/18   |
|  Air (kilometres) | 1,275,143                       | 785,552   | 829,879   | 807,593   | 1,521,003 |
|  Air (miles)      | 791,864                         | 488,119   | 515,662   | 501,815   | 945,108   |
|  Road (miles)     | 2,351,905                       | 2,270,101 | 2,023,777 | 1,919,933 | 1,930,989 |
|  Rail (miles)     | 1,715,748                       | 2,400,061 | 2,269,356 | 2,234,127 | 2,421,061 |





1 Data relates to FSA headquarters in England only. Data for office in York accounted for by Defra.

2 The 2016/17 gas figure included all public areas of Aviation House being split among all tenants. During 2017/18 many of these tenants moved out of the building and so the FSA share of both public areas and vacated areas increased, causing a rise in the figure.






3 The CRC Phase 1 Allowance Payment charge of £27,840 was paid in 2014/15 but was for 2013/14.

4 UK wide data.

## Financial indicators (£)








|  | 2013/14            | 2014/15            | 2015/16            | 2016/17            | 2017/18            |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  Air  | 272,976            | 184,603            | 156,567            | 129,218            | 202,701            |
|  Road   | 922,527            | 873,453            | 773,250            | 731,693            | 725,235            |
|  Rail   | 818,145            | 877,246            | 782,271            | 797,090            | 964,554            |
|  Government Carbon Offsetting Facility (GCOF) expenditure | Data not available | Data not available | Data not available | Data not available | Data not available |


CO<sub>2</sub>e tonnes

|  | 2013/14      | 2014/15      | 2015/16      | 2016/17      | 2017/18      |
|--|--------------|--------------|--------------|--------------|--------------|
|  Total energy  | <u>912</u>   | <u>154</u>   | <u>384</u>   | <u>313</u>   | <u>219</u>   |
|  Air  | 215          | 163          | 140          | 136          | 160          |
|  Road   | 671          | 648          | 609          | 578          | 604          |
|  Rail   | 25           | 183          | 165          | 176          | 182          |
|  Total (CO <sub>2</sub> e tonnes) Scope 2 + Scope 3 | <u>1,823</u> | <u>1,148</u> | <u>1,298</u> | <u>1,203</u> | <u>1,165</u> |

The following table reports waste data and related expenditure  
(we re-baselined in 2012/13 due to a new system for collecting waste)





## Waste

|  | Non-financial indicators (tonnes) |           |           |           |           |
|--|-----------------------------------|-----------|-----------|-----------|-----------|
|  | 2013/14                           | 2014/15   | 2015/16   | 2016/17   | 2017/18   |
|  ICT waste recycled externally              | 3                                 | 0         | 4         | 3         | 3         |
|  ICT waste reused externally                | 0                                 | 0         | 0         | 0         | 0         |
|  Waste recycled externally                  | 20                                | 17        | 12        | 11        | 12        |
|  Waste incinerated with energy recovery     | 14                                | 16        | 12        | 8         | 6         |
|  Waste incinerated without energy recovery | 1                                 | 1         | 1         | 0         | 0         |
|  Waste to landfill                        | 0                                 | 0         | 0         | 0         | 0         |
|  Total waste                              | <u>38</u>                         | <u>34</u> | <u>29</u> | <u>22</u> | <u>21</u> |

|   | Financial indicators (£) |              |              |              |              |
|---|--------------------------|--------------|--------------|--------------|--------------|
|   | 2013/14                  | 2014/15      | 2015/16      | 2016/17      | 2017/18      |
|  Total waste expenditure | <u>8,025</u>             | <u>6,539</u> | <u>6,004</u> | <u>5,822</u> | <u>5,133</u> |

The following table reports water data and related expenditure

## Water

|  | Non-financial indicators (m <sup>3</sup> )     |  |  |  |  |
|--|--|--|--|--|--|
|  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | 2017/18  |
|  Total water consumption                                | <u>3,906</u>                                   | <u>3,628</u>                                   | <u>4,054</u>                                   | <u>3,292</u>                                   | <u>1,872</u>                                   |
|  Total water consumption per full time equivalent (FTE) | <u>12</u>                                      | <u>10</u>                                      | <u>11</u>                                      | <u>11</u>                                      | <u>8</u>                                       |
|  Benchmark  | Poor practice<br>= > 6 m <sup>3</sup> /<br>FTE | Poor practice<br>= > 6 m <sup>3</sup> /<br>FTE | Poor practice<br>= > 6 m <sup>3</sup> /<br>FTE | Poor practice<br>= > 6 m <sup>3</sup> /<br>FTE | Poor practice<br>= > 6 m <sup>3</sup> /<br>FTE |
|  | Financial indicators (£)                       |  |  |  |  |
|  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | 2017/18  |
|  Water expenditure                                    | <u>7,197</u>                                   | <u>8,027</u>                                   | <u>7,743</u>                                   | <u>7,264</u>                                   | <u>4,694</u>                                   |



**Jason Feeney**

Chief Executive and Accounting Officer

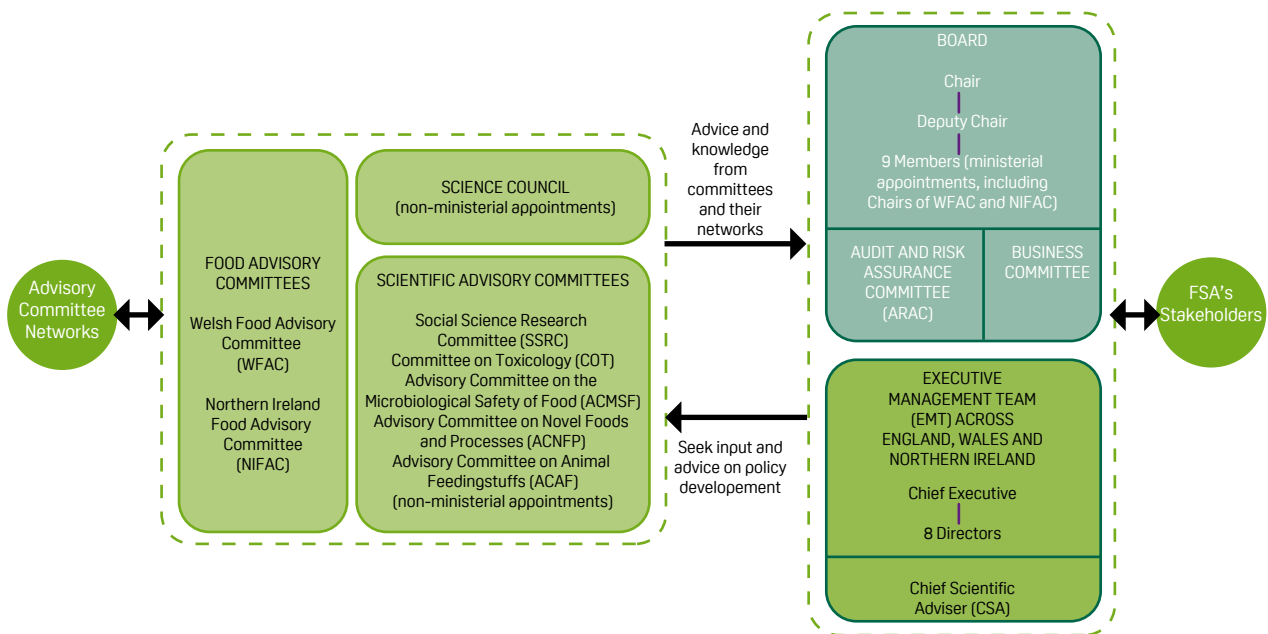
19 June 2018

# DIRECTORS' REPORT

The FSA<sup>5</sup> 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 are appointed by the Secretary of State for Health in agreement with health ministers in Wales and Northern Ireland. The Board is mainly appointed by the Secretary of State for Health, with one member appointed by the Welsh Health Minister and one by the Northern Ireland Health Minister.

The Board is responsible for the overall strategic direction of the FSA, ensuring that it fulfils its legal obligations so that its decisions or actions take proper account of scientific advice, the interests of consumers and other relevant factors. Day-to-day management of the FSA is delegated to officials through the Chief Executive. In addition to the FSA Board, the FSA has advisory committees, chaired by Board members, in Wales and Northern Ireland. The role of the committee in each country is to advise the Board. The Board is required by statute to take account of their advice in its work.

## Current architecture of FSA governance



5 More information about our organisation and structure can be found on our website: [www.food.gov.uk/about-us/about-the-fsa](http://www.food.gov.uk/about-us/about-the-fsa)

## DETAILS OF BOARD MEMBERS AND DIRECTORS

### The FSA Board<sup>6</sup>

| During the year, the membership of the non-executive FSA Board was: |  |
|---|--|
| Heather Hancock   | FSA Chair (from 1 April 2016)                    |
| Laura Sandys  | Deputy Chair (from 1 September 2017)             |
| Dr Ruth Hussey  | Chair of the Welsh Food Advisory Committee       |
| Colm McKenna  | Chair of the Northern Ireland Advisory Committee |
| Paul Williams   | Board member                                     |
| Rosie Glazebrook  | Board member                                     |
| Stewart Houston   | Board member                                     |
| David Brooks  | Board member                                     |
| Mary Quicke MBE   | Board member (from 1 September 2017)             |
| Stuart Reid   | Board member (from 1 September 2017)             |
| Ram Gidoomal  | Board member                                     |
| Heather Peck  | Board member (until 30 April 2017)               |
| Jim Smart   | Board member (until 30 April 2017)               |

<sup>6</sup> More information about our Board members can be found on our website:  
[www.food.gov.uk/about-us/our-board](http://www.food.gov.uk/about-us/our-board)

## Executive Management Team<sup>7</sup>

| During the year, the membership of the Executive Management Team was: |   |
|---|---|
| Jason Feeney CBE  | Chief Executive   |
| Professor Guy Poppy   | Chief Scientific Advisor  |
| Colin Sullivan  | Chief Operating Officer (from 23 September 2017)  |
| Rod Ainsworth   | Director of Regulatory and Legal Strategy   |
| Chris Hitchen   | Director of Finance and Performance   |
| Julie Pierce  | Director of Openness, Data and Digital  |
| Steve Wearne  | Director of Policy  |
| Maria Jennings  | Director, FSA Northern Ireland and Organisational Development   |
| Nina Purcell  | Director, FSA Wales and Local Delivery  |
| Michael Wight   | Interim Director of Policy (from 21 December 2017)  |
| Richard McClean   | Strategy Director (from 21 August 2017 until 28 January 2018)   |
| Martin Evans  | Acting Chief Operating Officer (from 31 March 2017 until 23 April 2017 and from 19 June 2017 until 5 November 2017) |
| Simon Dawson  | Acting Chief Operating Officer (from 24 April 2017 until 18 June 2017)  |

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners. Salary and pension details of the Board and the EMT are disclosed in the Remuneration Report.

<sup>7</sup> More information about members of the EMT can be found on our website: [www.food.gov.uk/about-us/leadership-team](http://www.food.gov.uk/about-us/leadership-team)



## FSA advisory committees<sup>8</sup>

During the year, the membership of the food advisory committees was:

| Northern Ireland     |       |
|----------------------|-------|
| Colm McKenna         | Chair |
| Fiona Hanna          |       |
| Dr Christine Kennedy |       |
| Lorraine Crawford    |       |
| Aodhan O'Donnell     |       |
| Dr Liz Mitchell      |       |
| Sara McCracken       |       |
| Phelim O'Neill       |       |

| Wales            |       |
|------------------|-------|
| Dr Ruth Hussey   | Chair |
| Alan Gardner     |       |
| Dr Hugh Jones    |       |
| James Wilson     |       |
| Dr Norma Barry   |       |
| David Peace      |       |
| Ronnie Alexander |       |

## Audit and Risk Assurance Committee

Membership of the FSA Audit and Risk Assurance Committee:

| Non-executive members |       |
|-----------------------|-------|
| Colm McKenna          | Chair |
| Ram Gidoomal          |       |
| Dr Ruth Hussey        |       |
| Mary Quicke MBE       |       |
| Laura Sandys          |       |

<sup>8</sup> More information about the committees of the FSA Board can be found on our website: [www.food.gov.uk/about-us/committees-of-the-fsa-board](http://www.food.gov.uk/about-us/committees-of-the-fsa-board)

# MANAGEMENT COMMENTARY

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## Directors' report – business review

The following management commentary discloses the matters required to be disclosed in the business review under section 417 of the Companies Act 1968.

## Preparation of accounts

The Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. They are presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000. The costs of FSA offices in Wales and Northern Ireland are funded through the relevant devolved authority.

## Supplier payment policy

It is FSA policy to pay all invoices not in dispute within five days of receipt. During 2017/18, 91% of all invoices were paid within this target. This figure has increased from 2016/17's 83%, which was due to a closed period surrounding a financial system changeover. The policy is to remain the same for 2018/19.

## Financial instruments

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

## Consultancy

Consultancy spend in 2017/18 was £450,981 (2016/17 £781,943) relating to nine suppliers with the greatest spend by one supplier being £223,730.

This work relates to the consultancy and project management support in the exit of Aviation house and relocation to Clive house.

2017/18 spend has reduced from 2016/17 as a result of significant investment in the Regulating our Future programme and work carried out on IT transformation in 16/17 not repeated in 17/18.

## Details of paid sponsorship agreements over £5,000

We have not secured any paid-for sponsorship deals, preferring to work with partners who can offer help for free through their own channels and networks.

## Going concern

The FSA has significant net liabilities relating to the pension liabilities of staff who are members of the Local Government Pension Scheme (LGPS). The accounts, however, are prepared on a going concern basis since, as a government department, all liabilities will be met by future funding from Parliament.

## Pensions

FSA employees are civil servants. Most 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. Board members are not civil servants therefore they are not members of the PCSPS. However, some have similar pension arrangements independent of the PCSPS. Some employees are members of the LGPS. This is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 1995. It is administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared for the whole LGPS.

## Disclosure of Board members' interests

Board members are appointed to act collectively in the public interest, not to represent specific sectors. Provisions for declaration of interests and withdrawal from meetings are intended to prevent the Chair, Deputy Chair, and members being influenced or appearing to be influenced, by their private interests in the exercise of their collective public duties.

All personal or business interests which may, or in the judgement of the member may, be perceived by a reasonable member of the public to influence their judgement, should be declared. Such interests include, but are not limited to, involvement in the agriculture, food, and related industries. The Code of Conduct for Board members includes a guide to the categories of interest that must be declared.

Details of Board members, their register of interests, and the Code of Conduct are on our website: [www.food.gov.uk/about-us/our-board](http://www.food.gov.uk/about-us/our-board)

## Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with Schedule 4 of the Food Standards Act 1999. The audit fee for all the FSA's accounts for the year was £85,000 (2016/17 £85,000). I have taken all necessary steps to make myself aware of relevant audit information and to ensure that information is made available to the auditors.

No payments were made to the auditors for non-audit work in 2017/18 (2016/17 £nil).

## Public sector information

The FSA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

## Reporting of personal/sensitive data losses and/or incidents

This information is provided as part of the FSA Governance Statement 2017/18 on page 67.

## Important events which have occurred since the end of the financial year

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

## Departmental Core Tables – Westminster only

This information can be found on our website:  
[www.food.gov.uk/about-us/reports-and-accounts](http://www.food.gov.uk/about-us/reports-and-accounts)

## PERFORMANCE IN CORRESPONDENCE WITH PUBLIC

The FSA does not centrally record all incoming and outgoing correspondence and contact with members of the public. Contact details for FSA business areas are available on the FSA website for members of the public and food businesses to contact directly. During 2017, the FSA's general enquiries helpline handled 6,389 emails and 9,973 phone calls from members of the public. Additionally, FSA Private Office officials managed 362 items of correspondence sent by members of the public to Ministers, the FSA Chair, FSA Chief Executive or other, replying to 77% within target.

## BETTER REGULATION

Excessive or unclear regulations place an unnecessary burden on business and hinders effective delivery of the intended benefits to consumers. The FSA regulatory approach has always aimed to develop clear, proportionate and risk based requirements, which businesses can follow, without introducing unnecessary burden.

We apply the principles of good regulation to all our regulatory activities – this includes our approach to EU exit preparation and the development and implementation of our Regulating Our Future programme, to improve the way we deliver regulatory controls for food and create a modern, risk-based, proportionate, robust and resilient system. We also promote the UK Government's better regulation agenda in EU negotiations – where the vast majority of food law in the UK originates.

### Business Impact Target (BIT) reporting

In-line with the statutory requirement for Regulators under the Government's Business Impact Target, the FSA published details on seven Qualifying Regulatory Provisions, validated by the Regulatory Policy Committee (RPC). In total, the FSA reported £14m net business savings to business through its Qualifying Regulatory Provisions introduced in the last Parliament. A statement, validated by the RPC, was also published for the FSA's Non-Qualifying Regulatory Provisions. Full details of the FSA BIT reporting are available on our website at:  
[www.food.gov.uk/about-us/regulatory-approach](http://www.food.gov.uk/about-us/regulatory-approach)

## PUBLICITY, ADVERTISING & SPONSORSHIP

### Safe summer food

The FSA's 'Safe summer food' communication activity ran throughout summer 2017 and focused on increasing understanding of two of our '4Cs'<sup>9</sup>: chilling and cooking. Activity commenced with Food Safety Week on 19 June 2017 with the theme of picnics and concluded on August bank

<sup>9</sup> The good food hygiene 4Cs are cross-contamination, cleaning, chilling and cooking

holiday weekend with focus on barbecues. The activity was delivered through PR, partnerships and social media which drew on statistics from the FSA's Food and You Survey and a bespoke PR survey. Our PR activity reached 51% of the population with an advertising value equivalent of £463,123, which was a return on investment of 16:1. We also reached 13.8 million people via partners, establishing partnerships with the likes of Waitrose, Asda, Morrisons and NHS Choices. Spend on this was £28,000.

## Let's talk turkey

Our 'Let's talk turkey' campaign, which ran from 5 December 2017 to 7 January 2018, centred on talking consumers through the steps they need to take to enjoy a safe Christmas turkey dinner, from buying and cooking the turkey, right through to storing leftovers. Our key messages focused on clearing up common misconceptions. Most of this activity was carried out in-house and included PR, digital and partnership activity. We exceeded our KPIs on this, delivering 11 national partners, a reach of 1.6 million and 62,498,425 media opportunities to see. Spend on this was £5,000.

## Know your calories

In late February 2018 we launched a campaign in Northern Ireland called 'Know your calories' which ran during March. It aimed to raise awareness of the recommended calorie intake for men and women and where to find calorie information on labels, both on the front of packaged food and on menus when eating out. It was a fully integrated campaign using PR, partners and social media as well as paid for online and out of home advertising. We also worked with a range of partners and stakeholders. Evaluation (including consumer tracking) is ongoing and will be available later in the year. Spend on this was £92,000.

## Food Hygiene Rating Scheme

With the aim of encouraging consumers in Northern Ireland and Wales to be aware of and use the Food Hygiene Rating Scheme (FHRS) before eating out or ordering a takeaway for Valentine's Day, we ran a campaign around this period. Entitled 'Don't drop your standards, look before you book' this equated eating out with dating and as the target consumers constantly seek and share information online, activity was focused on social media and digital advertising to drive traffic to [www.food.gov.uk/ratings](http://www.food.gov.uk/ratings). The activity was delivered by an animated video and infographics being messaged to followers of the FSA's social media accounts – Facebook, Twitter and Instagram, both paid for and earned, supported by targeted digital display advertising in high-traffic online publications in both countries. Compared with a random, non-campaign period, there was a 10% increase in traffic to the ratings website. Spend on this activity totalled £18,000.



**Jason Feeney**

Chief Executive and Accounting Officer

19 June 2018

# STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 5(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Food Standards Agency (FSA) to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the FSA and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of the FSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the FSA's assets, are set out in *Managing Public Money* published by the HM Treasury.

The Accounting Officer is required to confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.



**Jason Feeney**  
Chief Executive and Accounting Officer

19 June 2018

# FSA GOVERNANCE STATEMENT 2017/18

## Governance structure

1. As a non-Ministerial Government Department, the FSA is led by a non-Executive Board which complies with the relevant requirements of the Corporate Governance Code for central Government Departments. In line with the FSA's culture of openness, the Board holds its decision-making meetings in public, and they are broadcast live via the FSA's website. The agendas, papers and minutes of Board meetings are also published on the FSA website.<sup>10</sup>
2. Heather Hancock continues to serve as Chair of the FSA Board – her term runs from 1 April 2016 until 31 March 2019.
3. Laura Sandys was appointed as Deputy Chair of the FSA Board – her term is from 1 September 2017 until 31 August 2020. New Board members Mary Quicke MBE and Stuart Reid started their first term of office on 1 September 2017; they will serve until 31 August 2020. The term of office for Ram Gidoomal, will come to an end on 30 April 2018.
4. Board members including the Chair and Deputy Chair are appointed by the Secretary of State for Health and Social Care. One Board member is appointed by Welsh Ministers, and one Board member by Northern Ireland Ministers.
5. Scottish Ministers assumed responsibility for functions carried out by the FSA in Scotland from 1 April 2015. The FSA works closely with its equivalent body in Scotland, Food Standards Scotland.
6. Collectively, all Board members share responsibility for the whole FSA and are expected to act in the interests of all consumers.
7. The Board is supported and advised by the Food Advisory Committees (FACs) in each of the devolved countries, by the Business Committee, and by the Audit and Risk Assurance Committee (ARAC).
8. As part of being an accountable regulator, the Board members receive a Performance & Resources Report quarterly, containing key information and progress. This has been redesigned as part of FSA's work on developing outcome measures.
9. In November 2016, the FSA Board considered the role of the Food Advisory Committees and decided that their contribution should be widened to, from time to time, explore specific areas of interest at the request of the FSA Board, with an emphasis on the public's perspective on their interests in food. The Chairs of the Food Advisory Committees report formally to each open Board meeting on issues considered.

<sup>10</sup> [www.food.gov.uk/about-us/our-board/meetings](http://www.food.gov.uk/about-us/our-board/meetings)



10. The Food Advisory Committees were last reviewed in 2010. Given the pace of change in the FSA, in December 2017, the Chairman of the Board wrote to Ministers regarding a plan to review their current contribution and recommend improvements for the future. The Deputy Chair, Laura Sandys, working with the two FAC chairs, is currently undertaking a review of the contribution of the FACs, including value for money considerations.
11. The Chair of ARAC provides the FSA Board with an oral update following each committee meeting, and reports formally in writing annually. The Chair of the Board is also Chair of the Business Committee, and all Board members are members of the Business Committee.
12. As Accounting Officer, I attend all Board and Business Committee meetings, and I am invited to attend all ARAC meetings.

### **FSA Board Performance & Effectiveness Review**

13. The Chair held appraisal meetings with the FSA Board members to review their effectiveness and future development as members of the Board during the 2017/18 financial year.
14. The Chair will share the outcome of the Board Effectiveness Review with the Board.
15. Our Scientific Advisory Committees (SACs) including our new, overarching Science Council continue to provide an independent expert advice, challenge and assurance function. In addition to the Science Council, the FSA is lead sponsor for five such bodies: the Advisory Committee for Social Science; the Committee on Toxicity (COT); the Advisory Committee on the Microbiological Safety of Food (ACMSF); the Advisory Committee on Novel Foods and Processes (ACNFP); and the Advisory Committee on Animal Feeding stuffs (ACAF). The Science Council is a Departmental Expert Committee of the FSA and the other five SACs are Advisory Non-Departmental Public Bodies (ANDPBs).
16. In May 2016, the FSA Board agreed to take forward the recommendations of the report from the Triennial Review of the FSA's SACs, establishing a new Science Council. The Council was established on 1 April 2017 and Professor Sandy Thomas was appointed as the Chair. Professor Thomas gave her first formal report to the FSA Board at the March Board meeting in 2018.
17. The Board agreed the FSA's priorities and high-level budget for the financial year 2018/19 at its March 2018 meeting.



## Attendance at Board and ARAC Meetings 2017/18

18. Records of each Board member's attendance at Board meetings and at ARAC meetings are detailed below.

### Record of attendance FSA Board Meetings 2017/18

| Board Member     | Jun 2017 | Sep 2017 | Dec 2017 | Mar 2018 |
|------------------|----------|----------|----------|----------|
| Heather Hancock  | ✓        | ✓        | ✓        | ✓        |
| Laura Sandys     |          | ✓        | ✓        | ✓        |
| Ruth Hussey      | ✓        | ✓        | ✓        | ✓        |
| Colm McKenna     | ✓        | ✓        | ✓        | ✓        |
| Paul Williams    | ✓        | ✓        | ✓        | absent   |
| Stewart Houston  | ✓        | ✓        | ✓        | ✓        |
| Ram Gidoomal     | ✓        | ✓        | ✓        | ✓        |
| David Brooks     | ✓        | ✓        | ✓        | ✓        |
| Rosie Glazebrook | ✓        | ✓        | ✓        | ✓        |
| Mary Quicke MBE  |          | ✓        | ✓        | ✓        |
| Stuart Reid      |          | absent   | ✓        | ✓        |

### Record of attendance ARAC Meetings 2017/18

| Board Member    | May 2017 | Jun 2017 | Sep 2017 | Dec 2017 | Mar 2018 |
|-----------------|----------|----------|----------|----------|----------|
| Jim Smart       | ✓        |          |          |          |          |
| Ram Gidoomal    | ✓        | ✓        | ✓        | ✓        | ✓        |
| Heather Peck    | ✓        |          |          |          |          |
| Ruth Hussey     | ✓        | ✓        | ✓        | ✓        | ✓        |
| Colm McKenna    | ✓        | ✓        | ✓        | ✓        | ✓        |
| Laura Sandys    |          |          | ✓        | ✓        | ✓        |
| Mary Quicke MBE |          |          | ✓        | ✓        | ✓        |

## Audit & Risk Assurance Committee

19. Two new members (Laura Sandys and Mary Quicke MBE) were appointed to the Committee during the year to bring the membership in line with the Terms of Reference for ARAC.
20. ARAC considered a range of issues in the year including: the FSA's consolidated accounts for 2016/17; the National Audit Office's (NAO) Audit Completion Report; the Head of Internal Audit's 2016/17 opinion; various internal audit reports (details of which are outlined in the Chair's Annual Report); and the Audit Plan for 2018/19. In undertaking its activities, ARAC sought to comply with the requirements of HM Treasury's Audit & Risk Assurance Committee Handbook.
21. The Committee discussed the Corporate Risk register at all full meetings. Members' discussions focused on the Executive's assurance to ARAC that risks were being managed effectively.
22. Committee members had bilateral meetings with representatives of the FSA's external auditors, the NAO, and with the Head of Internal Audit to ensure a clear understanding of expectations and current issues.
23. Committee members completed a self-assessment on the effectiveness of the ARAC in line with HM Treasury guidance which advises that a self-assessment is completed annually. Agreed actions from that assessment were implemented during the year.
24. In the Committee's annual report to the FSA Board, the ARAC Chair noted that sufficient and comprehensive work was undertaken by ARAC and that internal and external assurances were received during the year to adequately inform the Committee's assessment on the effectiveness of FSA risk management control and governance arrangements. Based on this, he concluded that the arrangements in place during the year were satisfactory.
25. Throughout the year ARAC reviewed and considered the management of risks associated with the FSA strategic programmes including Regulating our Future (RoF), EU Exit, IT Evolve and Our Ways of Working.

## The Leadership Team

26. The Executive Management Team (EMT) provides corporate leadership to the FSA and supports me, as the FSA's Accounting Officer, in delivering the FSA strategy, directing the day-to-day business of the FSA and championing the values of the FSA. EMT meets in person approximately once a month and meets via teleconference weekly in between the face to face meetings.
27. On 1 April 2018 membership of the EMT comprised eight Directors, including a suitably qualified Finance Director, the FSA's Chief Scientific Advisor and myself as Accounting Officer. In September 2017 Colin Sullivan was appointed as Chief Operating Officer and joined the FSA's leadership team. Michael Wight, the Head of Food Policy, was agreed by EMT in October 2017 as a suitable deputy to cover Steve Wearne's Director of Policy role, over his period of leave from winter 2017-spring 2018.

28. In January 2018, Steven Pollock joined FSA from the Department of Health, as Communications Director, and Sam Faulkner joined from PWC as Commercial Director.
29. The FSA's performance is discussed in public by Board members and EMT at the Business Committee meetings, which gives assurance over the FSA's delivery of the strategic plan, key objectives and value for money.

## External Assurance Reviews

30. The FSA supported a number of external reviews. These reviews have contributed to assurance on the effectiveness of our governance framework and also identified some opportunities for improvement, which have been implemented.
31. Reports issued during the year have included reviews of official controls by Directorate F (formerly the FVO) of the European Commission, which covered import controls, contaminants in food, composite products and anti-microbial resistance in food producing animals.
32. Other external reviews covered fire wall configuration, penetration testing, vulnerability assessment for new laptops and tablets and security of the cloud based data centre. Reviews were also commissioned and reports issued in relation to the FSA's science capability, taxable travel rules, the activity based costing model for overheads included in charges to the meat industry, and the discount and charging calculations for the meat industry.

## INTERNAL MANAGEMENT

### FSA risk management framework and capacity to handle risk

33. The FSA has a well-established risk management framework that is used to provide assurance to the FSA Board, ARAC and me as Accounting Officer that risks to achieving business objectives are being effectively identified and managed and that those involved understand their roles and responsibilities.
34. The framework is founded on a Risk Management Strategy, which outlines our plans for continuing to embed a risk management culture across the FSA. Good progress was made during the year to raise further the FSA's maturity in risk management as set out in HM Treasury's Risk Management Assurance Framework. For example, senior management are increasingly using risk appetite to support decision making and improve the handling of opportunities and risks.
35. EMT's regular discussions of risk clearly drive mitigating actions that reduce the level of risk. In addition, ARAC reviewed progress at their quarterly meetings, and there was a joint Board and Executive workshop in January 2018 which considered the strategic risks the organisation faces and reviewed the FSA's risk appetite.
36. The high-level focus during the year by EMT and Board members on the corporate-level risk register was complemented by systematic risk management at different levels across the FSA. We have an established network of risk advisors, who engage with cross-Government

risk management networks and who share best practice and help ensure that good risk management practice and processes are consistently embedded across the FSA.

37. Corporate-level risks are defined by the FSA as those which:
- materially alter our ability to achieve our strategic outcomes; and/or
  - fundamentally damage the ability of the FSA to operate (including reputational risks); and/or
  - cannot be managed or mitigated at a lower level within the organisation
38. As Accounting Officer I have overall responsibility for risk management, and each of the risks on the corporate risk register has an executive ‘owner’ and a mitigation plan. At the end of the financial year, the risks on the FSA’s corporate level risk register included the following and we focus on these on page 45:
- the risk of failing to provide an adequate response to a food incident;
  - the risk of failing to deliver a new regulatory model to ensure ‘Food we can trust’ in terms of food safety and authenticity, in a modern, sustainable global food system; and
  - the risk failing to engage fully and adequately in preparation for the UK exiting the EU and developing trade access arrangements with the EU and third countries.

## Director Assurance Statements

39. In March 2018 the FSA Board approved the FSA budget, and as Accounting Officer I notified Directors of their budget delegation to deliver the priorities agreed. Throughout the year I’ve ensured that the FSA has been on track to deliver its priorities within budget through performance management, monthly financial forecasting, and risk management which is underpinned with corporate governance.
40. I have introduced a renewed focus on performance management, and commissioned a new EMT performance report which is reviewed monthly to ensure key performance indicators are met. EMT also hold a quarterly Corporate ‘in-year’ review, ensuring key milestones have been delivered on the Corporate priorities.
41. These in-year reviews provide assurance on the performance and effectiveness of resources utilised, and progress made each quarter in delivering our business plan. The reviews also identify any potential areas in need of extra support to deliver business objectives.
42. The FSA Investment Board has continued to improve the Value for Money the FSA delivers. It considers all discretionary expenditure, in particular the strategic alignment, benefits and cost and prioritises accordingly. Investment Board reports back to EMT after each meeting with recommendations on which programmes of work to start, change in some way or stop, and continuously re-prioritises our work to align to our priorities.
43. Following a discussion at the Audit and Risk Committee (ARAC), and a trial in 2015/16, a bi-annual assurance mapping framework was introduced in 2016/17. I have since agreed with the ARAC Chair that these reviews continue, but on an annual basis, to support the Governance Statement. In an environment of increasing expectations and declining

resources, assurance maps are increasingly seen as a key part of good governance. The assurance map is a structured means of identifying and mapping the main sources of assurance in the organisation, and it provides a holistic view of assurance being given and aids identification of where assurance is duplicated or absent. The use of the assurance maps has strengthened the FSA's existing assurance arrangements by providing a consistent, comprehensive overview of assurance provision across the organisation. It has aided Directors in completing their end of year assurance statement by setting out how an effective system of internal controls has been maintained. I have reviewed all the end of year assurance statements produced by my Directors and can confirm that no serious issues have been reported in relation to the effectiveness of our internal controls.

## Information Security

44. The Director of Openness, Data and Digital is responsible for Information Security. Safeguarding our information assets against an evolving and changing cyber risk landscape continues to be a priority. We take a proportionate view of the threat to our organisation based on the nature of our business, the information we handle, our risk appetite, and our approach to transparency.
45. All staff are required to complete a Responsible for Information e-learning course annually which is provided by Civil Service Learning.
46. This year we have undertaken an extensive IT transformation programme. The risks were managed by using an integrated security assurance and governance approach to ensure compliance against the National Cyber Security Centre guidance. The programme has delivered an enhanced level of security and resilience for our data centre and systems.
47. There were no protected personal data incidents which required reporting to the Information Commissioner's Office (ICO) in 2017/18.

**Table 1: Summary of Personal Data Related Incidents formally reported to the Information Commissioner's Office in 2017/18**

| Date of incident (month)   | Nature of incident  | Nature of data involved | Number of people potentially affected | Notification steps |
|--|---|-------------------------|---------------------------------------|--------------------|
| No personal data losses required reporting to the ICO during 2017/18 |   |                         |                                       |                    |
| Further action on information risk                                   | We continue to raise and promote security awareness. All staff are required to complete the Civil Service Learning 'Responsible for Information' e-learning course. |                         |                                       |                    |

**Table 2: Summary of Other Personal Data Related Incidents in 2017/18**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures

| Category | Nature of incident   | Total |
|----------|--|-------|
| I        | Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises         | 0     |
| II       | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises | 1     |
| III      | Insecure disposal of inadequately protected electronic equipment, devices or paper documents                             | 1     |
| IV       | Unauthorised disclosure  | 4     |
| V        | Other  | 1     |

48. Over the last year the Food Standards Agency has carried out a comprehensive programme of activity, overseen by our Information Governance Board, to ensure we are fully prepared to comply with our obligations under the General Data Protection Regulation. Prior to this we carried out a full audit of the personal data processed by the FSA, most of which is in relation to food businesses, and identified the areas where we needed to enhance the existing data protection compliance in place. We carried out a programme of awareness raising focusing on all aspects of the new legislation including privacy notices and privacy impact assessments, and before the end of May we will conduct a final readiness check with the staff responsible for all of our datasets containing personal data.

### Effectiveness of the FSA whistleblowing and raising a concern policy

49. As Accounting Officer I am keen to;

- ensure that the FSA's Whistleblowing and Raising a Concern Policy provides a framework within which staff are encouraged to raise their concerns about any serious wrongdoing and / or breach of the Civil Service Code;
- affirm the FSA's commitment to investigating and responding to any such issues; and
- offer to those who do raise concerns protection from any detrimental treatment or victimisation on the grounds of them doing so.

50. In 2017 we ran our annual whistleblowing awareness campaign this time utilising material developed by Civil Service Employee Policy. This involved web-based education and internal social media interaction. We believe this contributed to the FSA once again sitting amongst the Civil Service 'high performers' against two of the three 'civil service code questions' within the 2017 Civil Service People Survey. We acknowledge that more work needs to be done by the FSA, and the wider Civil Service, in building confidence amongst staff in how whistleblowing cases are responded to and that work on this will continue into 2018.

51. Through annual whistleblowing reports to the Executive Management Team and FSA Board (the latter via live webcast), we continue to monitor developments and progress in this important area and ensure that senior officials shape our approach.
52. In 2017/18 one referral has been made, which is under investigation and managed within the terms of the FSA Whistleblowing and Raising a Concern Policy.
53. The FSA continues to be a very active member of the across-Government 'Nominated Officer' community and plays its own role in contributing to and influencing debate and decision making at this level.

## Shared Services

54. The FSA has used the Oracle Shared Service provided by Shared Services Connected Ltd (SSCL) Finance and Procurement systems. FSA moved along with the Defra network to SSCL's new Oracle system (known as the Single Operating Platform – SOP) in May 2016. This system is being used by several other government departments including DWP and Ministry of Justice. Although some weaknesses and failings have been identified in SSCL's controls through the year FSA has worked closely with SSCL to monitor and improve the services provided to FSA.
55. A third-party assurance report for SSCL for the year ending 31/03/18 noted that bar the exceptions noted above, the controls in place were suitably designed and operated effectively. The exceptions noted, in large, are not applicable to FSA as these services have not been required. FSA, however, will continue to monitor such reports and work to mitigate any risks.

## Macpherson Review of Quality Assurance of Government models

56. In line with the recommendations of the Macpherson Review of Quality Assurance of Government, we maintain an up-to-date list of business critical models, and have processes in place to quality assure their inputs, methodology and outputs.

## Head of Internal Audit's Opinion

57. Based on the results of the audit work completed during the year and understanding the FSA's control environment, the Head of Internal Audit's opinion is that the FSA has maintained adequate risk management, control and governance arrangements.
58. The majority of internal audits completed were placed in the top two categories of audit assurance opinions and none were in the lowest, fourth category. Where issues have been reported, management have taken appropriate actions to address these and have proactively involved Internal Audit where necessary in identifying root causes for the issues highlighted in Audit Reports.
59. Processes for business planning and prioritisation of resources are now well established, and ensure that limited resources are targeted at key priorities. These are supported by a maturing risk management framework which ensures that risks at corporate, directorate and programme or project level are identified assessed and mitigated at the appropriate level.



## Looking Ahead

60. As part of the FSA's Value for Money Programme, as Accounting Officer and CEO I introduced a new 'Star Chamber' approach to budget setting for the 18/19. This constituted of a review of the FSA priorities and budget, and a cross-challenge by all Directors on the priorities and resources presented. This resulted in a 1st draft budget being presented to Business Committee for early comment and the January Board Retreat. Final revisions were made and presented for approval at the March Board meeting. This approach has allowed planning for the 18/19 year to start much earlier than in prior years.
61. The FSA has worked closely with HMT to agree additional funds of £0.94m 17/18 for EU exit funding which will enable it to put in place the changes needed to successfully manage food safety after we exit the EU.
62. We will continue to improve the integration of the business planning and budgeting process and to continue to build the link to risk management all of which will support the delivery of the strategy within the FSA's Spending Review settlement to March 2020.

## Significant internal control weaknesses

63. I am able to report that there were no significant weaknesses in the FSA's systems of internal controls in 2017/18 which affected the achievement of the FSA's key strategic outcomes, aims, objectives and policies.
64. I can also confirm that there have been no Ministerial Directions given during the course of the year.

## Exiting the European Union

65. The Food Standards Agency's priority as the UK prepares to leave the EU is to ensure that there remains a robust and effective regulatory regime for maintaining the safety of food for the benefit of UK consumers and of the UK food industry. We are working closely with the Department for Exiting the European Union, Department for Health and Social Care, Department for Food and Rural Affairs, other government departments and the devolved administrations of the UK in order to fulfil this objective.
66. The UK will be subject to EU requirements until it leaves the EU and all the rights and obligations of EU membership remain in force. During this period the UK will continue to negotiate, implement and apply EU legislation. The European Union (Withdrawal) Bill will convert EU law into UK law as it applies in the UK at the moment of exit.



## Northern Ireland

67. The Northern Ireland Assembly was dissolved from 26 January 2017 with an election which took place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not been formed following the election. As a consequence, the Northern Ireland Budget Act was progressed through Westminster, receiving Royal Assent on 16 November 2017, followed by the Northern Ireland Budget (Anticipation and Adjustments) Act 2018 which received Royal Assent on 28 March 2018. The authorisations, appropriations and limits in these Acts provide the authority for the 2017/18 financial year and a vote on account for the early months of the 2018/19 financial year as if they were Acts of the Northern Ireland Assembly.



**Jason Feeney**

Chief Executive and Accounting Officer

19 June 2018

# REMUNERATION REPORT

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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](http://www.ome.uk.com)

## Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

This report has been prepared in accordance with guidance EPN 536. The tables in the remuneration report are subject to audit.

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 |
|---|-------------------------|---|-------------------------|----------------------------------|
| Heather Hancock LVO Chair <sup>1</sup>      | 1 April 2016            | 3 years                                 |                         |                                  |
| Laura Sandys Deputy Chair                   | 1 September 2017        | 3 years                                 |                         |                                  |
| Ram Gidoomal CBE                            | 1 May 2014              | 3 years                                 | 1 May 2017              | 1 year                           |
| Colm McKenna                                | 1 September 2016        | 3 years                                 |                         |                                  |
| Mary Quicke MBE                             | 1 September 2017        | 3 years                                 |                         |                                  |
| Stuart Reid                                 | 1 September 2017        | 3 years                                 |                         |                                  |
| Rosie Glazebrook                            | 1 April 2016            | 3 years                                 |                         |                                  |
| David Brooks                                | 1 April 2016            | 3 years                                 |                         |                                  |
| Stewart Houston                             | 1 June 2016             | 3 years                                 |                         |                                  |
| Dr Ruth Hussey                              | 1 July 2016             | 3 years                                 |                         |                                  |
| Paul Williams                               | 1 June 2016             | 3 years                                 |                         |                                  |
| Jim Smart <sup>4</sup>                      | 1 May 2014              | 3 years                                 |                         |                                  |
| Heather Peck <sup>4</sup>                   | 1 May 2014              | 3 years                                 |                         |                                  |
| Dr Henrietta Campbell CB <sup>5</sup>       | 1 September 2010        | 3 years                                 | 1 September 2013        | 3 years                          |
| Jeff Halliwell <sup>5</sup>                 | 1 June 2012             | 3 years                                 | 1 June 2015             | 1 year                           |
| Paul Wiles CB <sup>5</sup>                  | 1 June 2012             | 3 years                                 | 1 June 2015             | 1 year                           |
| Tim Bennett Deputy Chair <sup>2&amp;4</sup> | 1 May 2012 <sup>3</sup> | 3 years (extended to 13 September 2015) | 1 April 2016            | 1 year                           |
| Dr Roland Salmon <sup>5</sup>               | 1 June 2013             | 3 years                                 |                         |                                  |

#### Notes

1. Heather Hancock previously served as Deputy chair 14 September 2015 – 31 March 2016
2. Tim Bennett served as Interim Chair 28 July 2013 – 13 September 2015 and as Chair 14 September 2015 – 31 March 2016. Tim Bennett's contract was extended for 2 weeks into April 2017 to allow him to assist with Board recruitment.
3. Tim Bennett previously served as a Board Member from 1 March 2007 – 30 April 2012.
4. Board members who left during financial year 2017/18
5. Board members who left during financial year 2016/17

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

All members of the Executive Management Team are permanent members of staff.

There is no provision made for compensation relating to the early termination of any board or executive management team members.

## Salary and pension entitlements

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.

Full details of the remuneration and pension interests of Board members and the Executive Management Team are detailed below and are subject to audit.

### a) Remuneration

#### Executive Management Team

| Single total figure of remuneration  |               |         |                       |         |                                    |                   |                                       |         |              |         |
|--|---------------|---------|-----------------------|---------|------------------------------------|-------------------|---------------------------------------|---------|--------------|---------|
|  | Salary (£000) |         | Bonus Payments (£000) |         | Benefits in kind (to nearest £100) |                   | Pensions benefits (£000) <sup>1</sup> |         | Total (£000) |         |
|  | 2017/18       | 2016/17 | 2017/18               | 2016/17 | 2017/18                            | 2016/17           | 2017/18                               | 2016/17 | 2017/18      | 2016/17 |
| Jason Feeney CBE<br>(Chief Executive)  | 135–140       | 110–115 | 5–10                  | 10–15   | 13,400 <sup>3</sup>                | –                 | 272                                   | 24      | 430–435      | 145–150 |
| Maria Jennings<br>(Director FSA,<br>Northern Ireland<br>and Organisational<br>Development) | 90–95         | 90–95   | 5–10                  | –       | 100 <sup>4</sup>                   | –                 | 22                                    | 86      | 120–125      | 175–180 |
| Rod Ainsworth<br>(Director of<br>Regulatory and<br>Legal Strategy)                         | 110–115       | 110–115 | –                     | –       | –                                  | –                 | 44                                    | 44      | 155–160      | 155–160 |
| Julie Kettell<br>(Director of<br>Openness, Data and<br>Digital) (aka Pierce)               | 110–115       | 110–115 | 5–10                  | 10–15   | 8,100 <sup>3</sup>                 | 7800 <sup>3</sup> | 43                                    | 43      | 170–175      | 160–165 |
| Steve Wearne<br>(Director of Policy)   | 105–110       | 105–110 | –                     | –       | –                                  | –                 | 27                                    | 41      | 130–135      | 145–150 |
| Nina Purcell<br>(Director FSA, Wales<br>and Local Delivery)                                | 95–100        | 90–95   | –                     | –       | –                                  | –                 | 77                                    | 92      | 175–180      | 180–185 |
| Chris Hitchen<br>(Director Finance &<br>Performance)                                       | 95–100        | 95–100  | –                     | 10–15   | –                                  | –                 | 39                                    | 38      | 135–140      | 145–150 |
| Colin Sullivan (Chief<br>Operating Officer<br>from 23/09/17) <sup>5</sup>                  | 50–55         | –       | –                     | –       | –                                  | –                 | 21                                    | –       | 75–80        | –       |
| Richard McLean<br>(Strategy Director<br>from 21/08/17 –<br>28/01/018) <sup>5</sup>         | 30–35         | –       | –                     | –       | –                                  | –                 | 22                                    | –       | 55–60        | –       |

| Single total figure of remuneration  |               |         |                       |         |                                    |         |                                       |         |              |         |
|--|---------------|---------|-----------------------|---------|------------------------------------|---------|---------------------------------------|---------|--------------|---------|
|  | Salary (£000) |         | Bonus Payments (£000) |         | Benefits in kind (to nearest £100) |         | Pensions benefits (£000) <sup>1</sup> |         | Total (£000) |         |
|  | 2017/18       | 2016/17 | 2017/18               | 2016/17 | 2017/18                            | 2016/17 | 2017/18                               | 2016/17 | 2017/18      | 2016/17 |
| Alec Martin Evans (Acting Chief Operating Officer from 31/03/17 – 23/04/17 and 19/06/17 – 05/11/17) <sup>5</sup> | 30–35         | –       | –                     | –       | 5,800 <sup>3</sup>                 | –       | 84                                    | –       | 120–125      | –       |
| Simon Dawson (Acting Chief Operating Officer from 24/04/17 – 18/06/17) <sup>5</sup>                              | 10–15         | –       | –                     | –       | 1,300 <sup>3</sup>                 | –       | 5                                     | –       | 15–20        | –       |
| Michael Wight (Interim Director of Policy & Science from 21/12/17) <sup>5</sup>                                  | 20–25         | –       | –                     | –       | –                                  | –       | 23                                    | –       | 40–45        | –       |
| Catherine Brown (Chief Executive) <sup>2</sup>   | 125–130       | 160–165 | 10–15                 | 10–15   | –                                  | –       | –                                     | –       | 135–140      | 170–175 |

#### Notes

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- Catherine Brown chose not to be covered by the Civil Service pension arrangements during the reporting year. Catherine Brown stepped down from her role as Chief Executive on 31 March 2017.
- Benefit in kind relates to taxable travel.
- Benefit in kind relates to furniture for home working.
- Where individuals served for only part of the year only their actual pay and benefits during the period of the role is reported. FTE equivalents are: Alec Martin Evans £85k–£90k, Colin Sullivan £105k–£110k, Richard McLean £75k–£80k, Simon Dawson £85–£90k and Michael Wight £85k–£90k.

In addition to these members of the Executive Management Team, Guy Poppy has been in the position of Chief Scientific Adviser since 1st August 2014, on secondment from Southampton University. The FSA has been recharged salary costs by the university in the band £140k–£145k for the period to 31 March 2018 (£90k–£95k to 31 March 2017). The increase relates to a change in the percentage of Guy's salary paid by FSA to reflect the amount of his time spent on FSA business.

Catherine Brown was FSA Chief Executive from 16/10/12 to 31/3/17. Catherine's last day of employment with FSA was 13/10/17. Between 1/4/17 and 12/10/17 Catherine worked on specific projects, and was not a member of the Executive Management Team and as such is not subject to any disclosure relating to her earnings during the 2017/18 financial year. Her exit costs are reported as salary in the remuneration table above.

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

| <b>Consolidated FSA</b>                            | <b>2017/18</b>     | <b>2016/17</b> |
|--|--------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£160k-£165k</b> | £170k-£175k    |
| Median Total Remuneration                          | <b>£33k</b>        | £33k           |
| Ratio  | <b>4.90</b>        | 5.18           |
| Remuneration Range                                 | <b>£20k-£129k</b>  | £18k-£122k     |

The change in the ratio is due to the reduction of the Highest Paid Directors total remuneration from 2016/17 to 2017/18.

| <b>Westminster</b>                                 | <b>2017/18</b>     | <b>2016/17</b> |
|--|--------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£160k-£165k</b> | £170k-£175k    |
| Median Total Remuneration                          | <b>£33k</b>        | £33k           |
| Ratio  | <b>4.92</b>        | 5.19           |
| Remuneration Range                                 | <b>£21k-£129k</b>  | £18k-£122k     |

The change in the ratio is due to the reduction of the Highest Paid Directors total remuneration from 2016/17 to 2017/18.

| <b>Wales</b>                                       | <b>2017/18</b>    | <b>2016/17</b> |
|--|-------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£95k-£100k</b> | £95k-£100k     |
| Median Total Remuneration                          | <b>£36k</b>       | £35k           |
| Ratio  | <b>2.74</b>       | 2.77           |
| Remuneration Range                                 | <b>£23k-£81k</b>  | £23k-£80k      |

The change in the ratio is due to the increase in median total remuneration.

| <b>Northern Ireland</b>                            | <b>2017/18</b>     | <b>2016/17</b> |
|--|--------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£100k-£105k</b> | £90-£95k       |
| Median Total Remuneration                          | <b>£34k</b>        | £33k           |
| Ratio  | <b>3.00</b>        | 2.80           |
| Remuneration Range                                 | <b>£20k-£67k</b>   | £18k-£66k      |

The change in the ratio is due to the increase in the Highest Paid Directors total remuneration in 2017/18 from 2016/17.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

This is different to the total remuneration reported for Executive Management Team members which includes a pension benefit valuation. This is to allow like for like comparison of average staff and highest paid director remuneration.

## Food Standards Agency Board

| Single total figure of remuneration     |               |         |                                    |         |                                       |         |              |         |
|---|---------------|---------|------------------------------------|---------|---------------------------------------|---------|--------------|---------|
|   | Salary (£000) |         | Benefits in kind (to nearest £100) |         | Pensions benefits (£000) <sup>1</sup> |         | Total (£000) |         |
|   | 2017/18       | 2016/17 | 2017/18                            | 2016/17 | 2017/18                               | 2016/17 | 2017/18      | 2016/17 |
| Heather Hancock LVO, Chair              | 60–65         | 60–65   | –                                  | –       | –                                     | –       | 60–65        | 60–65   |
| Laura Sandys, Deputy Chair <sup>2</sup> | 10–15         | –       | –                                  | –       | –                                     | –       | 10–15        | –       |
| Ram Gidoomal CBE                        | 10–15         | 10–15   | –                                  | –       | –                                     | –       | 10–15        | 10–15   |
| Colm McKenna <sup>2</sup>               | 20–25         | 10–15   | –                                  | –       | –                                     | –       | 20–25        | 10–15   |
| Mary Quicke MBE <sup>2</sup>            | 5–10          | –       | –                                  | –       | –                                     | –       | 5–10         | –       |
| Stuart Reid <sup>2</sup>                | 5–10          | –       | –                                  | –       | –                                     | –       | 5–10         | –       |
| Rosie Glazebrook                        | 10–15         | 10–15   | –                                  | –       | –                                     | –       | 10–15        | 10–15   |
| David Brooks                            | 10–15         | 10–15   | –                                  | –       | –                                     | –       | 10–15        | 10–15   |
| Stewart Houston <sup>2</sup>            | 10–15         | 5–10    | –                                  | –       | –                                     | –       | 10–15        | 5–10    |
| Dr Ruth Hussey <sup>2</sup>             | 20–25         | 15–20   | –                                  | –       | –                                     | –       | 20–25        | 15–20   |
| Paul Williams <sup>2</sup>              | 10–15         | 5–10    | –                                  | –       | –                                     | –       | 10–15        | 5–10    |
| Jim Smart <sup>2</sup>                  | 0–5           | 10–15   | –                                  | –       | –                                     | –       | 0–5          | 10–15   |
| Heather Peck <sup>2</sup>               | 0–5           | 10–15   | –                                  | –       | –                                     | –       | 0–5          | 10–15   |
| Dr Henrietta Campbell CB <sup>2</sup>   | –             | 10–15   | –                                  | –       | –                                     | –       | –            | 10–15   |
| Jeff Halliwell <sup>2</sup>             | –             | 0–5     | –                                  | –       | –                                     | –       | –            | 0–5     |
| Paul Wiles CB <sup>2</sup>              | –             | 0–5     | –                                  | –       | –                                     | –       | –            | 0–5     |
| Tim Bennett Deputy Chair <sup>2</sup>   | 0–5           | 20–25   | –                                  | –       | –                                     | –       | 0–5          | 20–25   |
| Dr Roland Salmon <sup>2</sup>           | –             | 0–5     | –                                  | –       | –                                     | –       | –            | 0–5     |

### Notes

1. No FSA board members are in a pension scheme contributed to by FSA therefore there are no pension costs to report.
2. All starter and leaver salaries are shown for their actual period of employment. The corresponding full year equivalents for 2016/17 were £20–25K for Colm McKenna, £10–15K for Paul Williams, £10–£15K for Stewart Houston, £20–25K for Ruth Hussey, £20–£25K for Henrietta Campbell, £10–£15K for Jeff Halliwell, £10–£15K for Paul Wiles and £25–£30K for Roland Salmon. For 2017/18 were £15–20k for Laura Sandys, £10–15k for Mary Quicke, £10–15k for Stuart Reid, £10–15k for Jim Smart, £10–15k for Heather Peck and £20–25k for Tim Bennett

## **Salary**

Salary includes gross salary; 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. This report is based on payments made by the department and thus recorded in these accounts.

## **Bonuses**

A Pay Committee is set up each year to assess implementation of pay awards including bonus payments in line with guidance provided by the Cabinet Office. Membership of the Pay Committee is made up of directors and one independent member. Pay recommendations are considered on the basis of review of individual performance against objectives as well as overall consistency.

The Committee provides a breakdown of awards to the Cabinet Office, covering performance group distribution, analysis of bonuses awarded and feedback on the operation of the system. The bonuses reported in 2016/17 relate to performance in 2015/16 and bonuses reported in 2017/18 relate to performance in 2016/17.

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.



## (b) Pension benefits

## Executive Management Team

|                                |   | 2017/18   |  |                       |                       |                       |
|--------------------------------|---|---|--|-----------------------|-----------------------|-----------------------|
|                                |   | Accrued pension at pension age as at 31/3/18 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2018 | CETV at 31 March 2017 | Real increase in CETV |
|                                |   | £5,000  | £2,500   |                       |                       |                       |
|                                |   | (£000)  | (£000)   | (£000)                | (£000)                | (£000)                |
| Jason Feeney CBE               | Chief Executive   | 60–65 plus lump sum of 190–195                                    | 10–12.5 plus lump sum of 35–37.5                             | 1,330                 | 1,015                 | 246                   |
| Maria Jennings*                | Director, FSA Northern Ireland and Organisational Development         | 40–45   | 0–2.5  | 620                   | 576                   | 6                     |
| Rod Ainsworth                  | Director, Regulatory and Legal Strategy                               | 20–25   | 2.5–5  | 343                   | 292                   | 33                    |
| Julie Kettle (aka Pierce)      | Director Openness, Data & Digital                                     | 25–30   | 2.5–5  | 417                   | 363                   | 31                    |
| Steve Wearne                   | Director, Policy  | 35–40 plus a lump sum of 95–100                                   | 0–2.5 plus a lump sum of 0                                   | 714                   | 661                   | 9                     |
| Nina Purcell                   | Director, FSA Wales and Local Delivery                                | 50–55 plus a lump sum of 150–155                                  | 2.5–5 plus a lump sum of 10–12.5                             | 1,144                 | 1,002                 | 75                    |
| Chris Hitchen                  | Director, Finance & Performance                                       | 15–20   | 0–2.5  | 198                   | 169                   | 16                    |
| Colin Sullivan                 | Chief Operating Officer (from 23/09/17)                               | 0–5   | 0–2.5  | 16                    | –                     | 12                    |
| Richard Mclean                 | Strategy Director (21/08/17–28/01/18)                                 | 15–20 plus a lump sum of 35–40                                    | 0–2.5 plus a lump sum of 0–2.5                               | 210                   | 196                   | 10                    |
| Alec Martin Evans <sup>1</sup> | Acting Chief Operating Officer (31/03/17–23/04/17, 19/06/17–05/11/17) | 40–45 plus lump sum of 75–80                                      | 7.5–10 plus lump sum of 7.5–10                               | 764                   | 633                   | 102                   |
| Simon Dawson                   | Acting Chief Operating Officer (24/04/17–18/06/17)                    | 25–30 plus a lump sum of 85–90                                    | 0–2.5 plus a lump sum of 0–2.5                               | 575                   | 568                   | 4                     |
| Michael Wight                  | Interim Director of Policy & Science (from 21/12/17)                  | 35–40 plus a lump sum of 110–115                                  | 0–2.5 plus a lump sum of 2.5–5                               | 813                   | 783                   | 21                    |

1. Due to limitations with the actuarial calculations required, Alec Martin Evans' Pension and CETV figures relate to the full 2017/18 year however he only served on EMT during the periods detailed.

|                                |   | 2016/17   |  |                       |                       |                       |
|--------------------------------|---|---|--|-----------------------|-----------------------|-----------------------|
|                                |   | Accrued pension at pension age as at 31/3/17 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2017 | CETV at 31 March 2016 | Real increase in CETV |
|                                |   | £5,000  | £2,500   |                       |                       |                       |
|                                |   | (£000)  | (£000)   | (£000)                | (£000)                | (£000)                |
| Catherine Brown <sup>162</sup> | Chief Executive   | –   | –  | –                     | 347                   | –                     |
| Jason Feeney CBE               | Chief Operating Officer                                       | 50–55 plus lump sum of 150–155                                    | 0–2.5 plus lump sum of 2.5–5                                 | 1,015                 | 951                   | 20                    |
| Maria Jennings*                | Director, FSA Northern Ireland and Organisational Development | 35–40   | 2.5–5  | 576                   | 495                   | 55                    |
| Rod Ainsworth                  | Director, Regulatory and Legal Strategy                       | 15–20   | 2.5–5  | 292                   | 245                   | 32                    |
| Julie Kettle (aka Pierce)      | Director Openness, Data & Digital                             | 20–25   | 2.5–5  | 363                   | 317                   | 30                    |
| Steve Wearne                   | Director, Policy  | 35–40 plus lump sum of 95–100                                     | 0–2.5 plus lump sum of 0                                     | 661                   | 611                   | 20                    |
| Nina Purcell                   | Director, FSA Wales and Local Delivery                        | 45–50 plus lump sum of 135–140                                    | 2.5–5 plus lump sum of 12.5–15                               | 1,002                 | 876                   | 86                    |
| Chris Hitchen                  | Director, Finance & Performance                               | 15–20   | 0–2.5  | 169                   | 143                   | 15                    |

#### Notes

\*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.

1. Catherine Brown opted out of the PCSPS from 1 April 2016 therefore she did not accrue any pension benefits in 2016/17.
2. Catherine Brown stepped down as Chief Executive on 31 March 2017.

## Food Standards Agency Board

A number of former FSA Board members benefit from a by-analogy pension scheme similar to the PCSPS. The scheme is now closed to new members and there are no active scheme members.

## Civil Service Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as ‘Alpha’ – are unfunded multi-employer defined benefit schemes. The FSA is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservicepensionscheme.org.uk/about-us/resource-accounts](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts)

For 2017/18, employers’ contributions of £5.4m were payable to the PCSPS (2016/17 £5.4m) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 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 £30,000 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and ranged from 8% to 14.75%.

Employers also match employee contributions of up to 3% of pensionable earnings. In addition, employer contributions of £1,241, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service or ill health retirement of these employees.

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value 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 buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 taken.

### 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.



**Jason Feeney**

Chief Executive and Accounting Officer

19 June 2018

## STAFF REPORT

The following information has been subject to audit.

### Staff costs comprise:

#### A Administration costs

|   | 2017/18       |           |               | 2016/17       |
|---|---------------|-----------|---------------|---------------|
|   | £000          | £000      | £000          | £000          |
|   | STAFF         | BOARD     | TOTAL         | TOTAL         |
| Wages and salaries                                | 16,675        | 80        | 16,755        | 15,263        |
| Social security costs                             | 1,905         | 7         | 1,912         | 1,628         |
| Other pension costs                               | 3,367         | –         | 3,367         | 3,084         |
| <b>Sub total</b>                                  | <b>21,947</b> | <b>87</b> | <b>22,034</b> | <b>19,975</b> |
| Agency Staff                                      | 1,468         | –         | 1,468         | 943           |
| <b>Total</b>                                      | <b>23,415</b> | <b>87</b> | <b>23,502</b> | <b>20,918</b> |
| Less recoveries in respect of outward secondments | (78)          | –         | (78)          | (199)         |
| <b>Total net costs</b>                            | <b>23,337</b> | <b>87</b> | <b>23,424</b> | <b>20,719</b> |

#### B Programme costs

|   | 2017/18       | 2016/17       |
|---|---------------|---------------|
|   | £000          | £000          |
| Wages and salaries                                | 18,275        | 19,874        |
| Social security costs                             | 1,980         | 2,089         |
| Other pension costs                               | 3,520         | 3,631         |
| Agency Staff                                      | 185           | 133           |
| Contract inspectors and veterinary costs          | 21,576        | 20,586        |
| <b>Total</b>                                      | <b>45,536</b> | <b>46,313</b> |
| Less recoveries in respect of outward secondments | (50)          | (4)           |
| <b>Total net costs</b>                            | <b>45,486</b> | <b>46,309</b> |

Programme wages and salaries includes the cost of employed meat hygiene inspectors, veterinary managers and Operations support staff and National Food Crime Unit and Incidents Unit.

#### C Principal Civil Service Pension Scheme

The Principal Civil Service Pension Schemes (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as “alpha” are unfunded multi-employer defined benefit schemes but the FSA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012 and you can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk/about-us/resource-accounts/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/))

For 2017/18, employers' contributions of £4.9m (2016/17 £4.9m) were payable to the PCSPS and CSOPS at one of four rates in the range of 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 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 £28,445 (2016/17 £28,817) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. The FSA as an employer also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,155 (2016/17 £1,142) at 0.5% 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.

### Reporting of Civil Service compensation scheme

|                                  | 2017/18                           |                                   |  |
|----------------------------------|-----------------------------------|-----------------------------------|--|
|                                  | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
| Exit Package cost band < £10,000 | –                                 | –                                 | –  |
| £10,000 – £25,000                | –                                 | 4                                 | 4  |
| £25,000 – £50,000                | –                                 | 7                                 | 7  |
| £50,000 – £100,000               | –                                 | 7                                 | 7  |
| £100,000 – £150,000              | –                                 | 1                                 | 1  |
| £150,000 – £200,000              | –                                 | –                                 | –  |
| £200,000 and above               | –                                 | –                                 | –  |
| Total number of exit packages    | –                                 | 19                                | 19   |
| Total resource cost £            | –                                 | 856,641                           | 856,641                                    |

|                                  | 2016/17                           |                                   |  |
|----------------------------------|-----------------------------------|-----------------------------------|--|
|                                  | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
| Exit Package cost band < £10,000 | –                                 | 1                                 | 1  |
| £10,000 – £25,000                | –                                 | 6                                 | 6  |
| £25,000 – £50,000                | –                                 | 11                                | 11   |
| £50,000 – £100,000               | –                                 | 7                                 | 7  |
| £100,000 – £150,000              | –                                 | –                                 | –  |
| £150,000 – £200,000              | –                                 | –                                 | –  |
| £200,000 and above               | –                                 | –                                 | –  |
| Total number of exit packages    | –                                 | 25                                | 25   |
| Total resource cost £            | –                                 | 979,726                           | 979,726                                    |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. All costs in relation to exit packages were not over the contractual amounts payable.

There were 2 early retirements on ill health grounds in 2017/18 at a cost of £76,351. In 2016/17 there were 2 early retirements on ill health grounds at a cost of £30,776.

## **D Local Government Pension Scheme**

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 period ended 31 March 2018, contributions of £2.1m (2016/17 £2.0m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2018, this rate was 19.4% (2016/17 16.7%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund deficit was £13.5m as at March 2016 (March 2013 £20.8m). The Agency agreed to increase the funding to the scheme, payable for 12 years from 2014. For 2017/18 an additional deficit reduction amount of £1.4m was paid and for 2018/19 £1.5m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2019. This triennial valuation process will be carried out in the summer of 2019 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2020, including the deficit payment.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £84.3m as at 31 March 2018 compared with a calculated deficit of £89.2m as at 31 March 2017. The projected unit method of valuation has been used to calculate the service cost under IAS19.

## E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2017/18 and 2016/17 was as follows.

|   | Average number of persons employed |              |
|---|------------------------------------|--------------|
|   | 2017/18                            | 2016/17      |
| <b>Permanent staff</b>                                      |                                    |              |
| Regulatory & Legal Strategy Directorate (incl CSU in 16/17) | 76                                 | 90           |
| Policy & Science Directorate                                | 110                                | 120          |
| Operations  | 552                                | 598          |
| Finance & Performance (incl CSU in 17/18)                   | 84                                 | 65           |
| Organisational Development                                  | 21                                 | 9            |
| Openness, Data & Digital                                    | 58                                 | 46           |
| Regulatory Delivery Division                                | 56                                 | 53           |
| <b>Permanent staff total</b>                                | <b>957</b>                         | <b>981</b>   |
| <b>Temporary staff</b>                                      |                                    |              |
| Regulatory & Legal Strategy Directorate (incl CSU in 16/17) | 2                                  | –            |
| Policy & Science Directorate                                | –                                  | –            |
| Operations  | 469                                | 453          |
| Finance & Performance (incl CSU in 17/18)                   | 16                                 | 7            |
| Organisational Development                                  | –                                  | –            |
| Openness, Data & Digital                                    | 8                                  | 3            |
| Regulatory Delivery Division                                | –                                  | –            |
| <b>Temporary staff total</b>                                | <b>495</b>                         | <b>463</b>   |
| <b>Board</b>  | <b>10</b>                          | <b>11</b>    |
| <b>Total</b>  | <b>1,462</b>                       | <b>1,455</b> |

Temporary staff include agency staff, consultants, contractors, casuals and temporary staff on fixed term contracts.

## Number of SCS staff by pay band

| Pay band | Westminster | Wales | Northern Ireland | Total |
|----------|-------------|-------|------------------|-------|
| SCS1     | 11          | 1     | 0                | 12    |
| SCS2     | 8           | 1     | 1                | 10    |
| SCS3     | 1           | 0     | 0                | 1     |



## Staff numbers and costs

Number of persons of each sex (as of 31 March 2018):

|                   | Male | Female |
|-------------------|------|--------|
| Executive members | 5    | 3      |
| Board members     | 6    | 5      |
| Other employees   | 681  | 369    |

### Diversity and employment of disabled persons

The FSA maintains its commitment to providing equality of opportunity to all (including disabled persons) and is working to eliminate all forms of discrimination, harassment and bullying, to create a diverse workforce and an inclusive working environment in which everyone feels involved, respected and valued. The FSA's vision is for a workplace in which everyone feels:

- we can be ourselves
- our unique contribution is recognised and respected
- achieving a healthy balance between work and the rest of our lives is valued
- we can find meaning in our work
- we belong and there is space for us to grow
- we serve each part of the community in a way that reflects its needs

The Diversity Working Group discusses organisational priorities and initiatives that support the FSA's Diversity Vision. We report our diversity workforce information, recruitment statistics, along with a narrative on how we respect diversity and inclusion in ways that are non-HR related, in our Annual Diversity Report, which is available on [food.gov.uk](http://food.gov.uk).<sup>11</sup>

### Employee involvement

The FSA provides employees with relevant information, and we invite responses and feedback through our intranet site (FoodWeb) and through Yammer, an internal social media network.

Our external website ([www.food.gov.uk](http://www.food.gov.uk)) provides information on the Agency, including performance related and financial information. The FSA is committed to maintaining effective employee relations with staff and their trade union representatives. The FSA's Recognition and Facility Agreement looks to maintain effective arrangements for formally and informally communicating, consulting and negotiating with staff and/or their union representatives. The FSA Staff Group is a consultative group that forms a link between staff and directors on a wide range of issues; and the Policy Advisory Group is a consultative group that helps to ensure that human resources policies reflect the structures, processes and culture within the FSA and supports effective people management. The Civil Service People Survey is a key tool for the FSA in understanding and improving employee engagement: all staff are invited to participate in this annual survey and contribute to follow-up action plans at both a local and organisation-wide

<sup>11</sup> [www.food.gov.uk/about-us/data-and-policies/equality/diversity-report](http://www.food.gov.uk/about-us/data-and-policies/equality/diversity-report)

level. In 2017, 87% of staff participated in the survey, providing a valuable insight into employee engagement and experience of working for the FSA, with engagement at 60%.

### Reporting of sickness absence data

The provisional figure for staff absence as a result of physical and mental illness including injuries, disability or other health problems is approximately 6.6 days per employee, compared with 7.1 and 6.2 for the previous 2 years.

**Table 1: Sickness data by country**

|                         | 2017/18 | 2016/17 | 2015/16 |
|-------------------------|---------|---------|---------|
| Westminster             | 6.6     | 7.1     | 7.4     |
| FSA in Wales            | 2.5     | 1.5     | 7.0     |
| FSA in Northern Ireland | 8.7     | 10.7    | 3.2     |
| Consolidated            | 6.6     | 7.1     | 6.2     |

## OFF-PAYROLL ENGAGEMENTS

The FSA is required to publish information on our highly paid and/or senior off-payroll engagements

**Table 1: For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months**

|  | FSA |
|--|-----|
| <b>Existing engagements as of 31 March 2018</b>                            | 4   |
| <b>Of which the number that have existed at the time of reporting for:</b> |     |
| Less than one year   | 2   |
| Between one and two years  | 1   |
| Between two and three years  | 1   |
| Between three and four years   | 0   |
| Four or more years   | 0   |

All existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

**Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months**

|  | FSA |
|--|-----|
| <b>No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018</b>  | 4   |
| No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations | 3   |
| <b>Of which:</b>   |     |
| No. for whom assurance has been requested  | 3   |
| No. for whom assurance has been received   | 3   |
| No. for whom assurance has not been received   |     |
| No. that have been terminated as a result of assurance not being received.   |     |

**Table 3: For any off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2017 and 31 March 2018 departments must also disclose:**

|  | FSA |
|--|-----|
| <b>No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018</b>  | 0   |
| No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations | 0   |
| <b>Of which:</b>   |     |
| No. for whom assurance has been requested  | 0   |
| No. for whom assurance has been received   | 0   |
| No. for whom assurance has not been received   | 0   |
| No. that have been terminated as a result of assurance not being received.   | 0   |

All Board members and senior officials with significant financial responsibility are engaged on-payroll.

## HEALTH & SAFETY REPORTING

### Health and safety reporting

The additional controls required to protect cattle workers from infection with bovine tuberculosis as recommended by the Advisory Committee on Dangerous Pathogens are now embedded in business as usual activity. The wearing of Respiratory Protective Equipment by FSA staff at identified inspection points, when undertaking post-mortem inspection of bovine TB reactor and slaughterhouse cases is routinely undertaken, as identified by risk assessment. Employee health surveillance remains an important measure of protection.

The FSA Field Operations health and safety leads cohort continue to promote a positive health and safety culture amongst our staff while providing assurance to our central health, safety and wellbeing unit (HSWU) on health, safety and wellbeing matters.

We continued to benchmark widely with other Government Departments to support the implementation of the Civil Service-wide Wellbeing Strategy and to share health, safety and wellbeing expertise. We also maintained an active and supportive role within the Health and Safety Executive and Meat Industry Joint Working Party.

Bullying and harassment continues to be an ongoing concern for our staff. We continue to support our employees and contractor staff when instances of bullying and harassment arise; wherever they work and we continue to work collaboratively with our staff, our managers, with food business operators and their representative organisations to uphold the standards of expected behaviour.

Our online health and safety incident reporting system continues to focus upon process simplification and has enabled our central HSWU and managers to better identify trends or issues to enable targeted interventions and the improvement of organisational health and safety.

New three-year strategic health and safety targets came in to effect from April 2017. Progress against the 2017-20 targets is as follows:

**Target 1** – is to reduce lost days due to work related injury; seeking an overall improvement of 15% over the period 2017-20 when compared against the annual average of lost days for 2014-17, which was 4.3%. Average lost days stand at 2.5% for 2017/18.

**Target 2** – is the elimination of accidents at work that cause harm serious enough to be reportable under RIDDOR. The table below denotes the number of RIDDOR reportable incidents over the preceding three years.

**Target 3** – the total accident incidence rate (AIR) was 5,056 in 2017/18. The target is to maintain or improve upon the AIR annually over 2017-20. The total accident incidence rate is a widespread employer measure of workplace injury incidence and that can be easily measured, benchmarked and evaluated.

## Reportable incidents, diseases and dangerous occurrences (RIDDOR) 2015/16 – 2017/18

| RIDDOR category      | 2015/16 | 2016/17 | 2017/18 |
|----------------------|---------|---------|---------|
| Fatal                | 0       | 0       | 0       |
| Major                | 1       | 1       | 0       |
| <7 day               | 4       | 5       | 5       |
| Disease              | 0       | 1       | 1       |
| Dangerous occurrence | 0       | 0       | 0       |
| Total                | 5       | 7       | 6       |

## RECRUITMENT PRACTICE

The FSA recruitment policy follows the Civil Service recruitment principles and is based on appointment of the best candidate on merit, identified through a process of open and fair competition. The recruitment policy is set out on our intranet site and provides a transparent approach that identifies high calibre individuals and promotes equality and diversity. All external recruitment is currently subject to internal approval by either the Director for FSA Northern Ireland, People & Organisational Change or the Head of People & Organisational Change. Occasionally we do appoint individuals by exception, and the use of exceptions along with external recruitment activity is reported to the Civil Service Commission on a quarterly basis.

Temporary agency staff are employed via an agency and are engaged on an ad hoc or temporary basis to fulfil requirements within established posts which involve providing cover (e.g. for a vacancy, holiday or sickness) or additional resource requirements. These engagements can be either administrative or professional roles.

## TRADE UNION (FACILITY TIME PUBLICATION REQUIREMENTS) REGULATIONS 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect from 1 April 2017. These regulations were laid following the enactment of the Trade Union Act 2016. The Trade Union Act was passed in May 2016; one of the elements of this Act is the requirement for employers in the public sector to publish information on facility time.

Facility Time is the provision of time off from an employee's normal role to undertake TU duties and activities when they are elected as a TU representative.

Trade Unions (TUs) play an important role in the modern workplace and there are considerable benefits to both employers and employees when organisations and unions work well together.

**Table 1 Relevant union officials**

What was the total number of your employees who were relevant union officials during the relevant period?

| Number of employees who were relevant union officials during the relevant period | Full-time equivalent employee number |
|--|--------------------------------------|
| 29   | 28.1                                 |

**Table 2 Percentage of time spent on facility time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0%                 | 13                  |
| 1-50%              | 16                  |
| 51%-99%            | 0                   |
| 100%               | 0                   |

**Table 3 Percentage of pay bill spent on facility time**

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

| First Column   | Figures     |
|--|-------------|
| Provide the total cost of facility time  | £31,525     |
| Provide the total pay bill   | £49,067,000 |
| Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100 | 0.06%       |

**Table 4 Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

|   |    |
|---|----|
| Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100 | 0% |
|---|----|

## STATEMENT OF PARLIAMENTARY SUPPLY

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Food Standards Agency to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

### Summary of Resource and Capital Outturn 2017/18

|   |       | 2017/18<br>£000 |               | 2016/17<br>£000 |               |  |               |
|---|-------|-----------------|---------------|-----------------|---------------|--|---------------|
|   |       | Estimate        |               | Outturn         |               | Voted<br>outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) | Outturn       |
| SoPS<br>Note                                  | Voted | Non-<br>Voted   | Total         | Voted           | Non-<br>Voted | Total  | Total         |
| <b>Departmental<br/>Expenditure<br/>Limit</b> |       |                 |               |                 |               |  |               |
| – Resource                                    | 1.1   | 79,824          | 79,824        | 77,816          |               | 77,816   | 78,069        |
| – Capital                                     | 1.2   | 7,668           | 7,668         | 6,450           |               | 6,450  | 4,786         |
| <b>Annually<br/>Managed<br/>Expenditure</b>   |       |                 |               |                 |               |  |               |
| – Resource                                    | 1.1   | 9,603           | 9,603         | 1,159           |               | 1,159  | 2,163         |
| – Capital                                     | 1.2   | –               | –             | –               |               | –  | –             |
| <b>Total Budget<br/>Non-Budget</b>            |       | 97,095          | 97,095        | 85,424          | –             | 85,425   | 85,018        |
| – Resource                                    | 1.1   | –               | –             | –               |               | –  | –             |
| <b>Total</b>                                  |       | <b>97,095</b>   | <b>97,095</b> | <b>85,424</b>   |               | <b>85,425</b>  | <b>85,018</b> |
| Total Resource                                |       | 89,427          | 89,427        | 78,975          |               | 78,975   | 80,232        |
| Total Capital                                 |       | 7,668           | 7,668         | 6,450           |               | 6,450  | 4,786         |
| <b>Total</b>                                  |       | <b>97,095</b>   | <b>97,095</b> | <b>85,424</b>   |               | <b>85,425</b>  | <b>85,018</b> |

## Net Cash Requirement 2017/18

|              | 2016/17<br>£000 |               | 2017/18<br>£000   | 2016/17<br>£000 |
|--------------|-----------------|---------------|---|-----------------|
| SoPS<br>Note | Estimate        | Outturn       | Outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) | Outturn         |
| 2            | <b>87,849</b>   | <b>85,302</b> | 2,547   | 80,759          |

## Administration Costs 2017/18

|  | 2017/18<br>£000 |               | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|---------------|-----------------|-----------------|
|  | Estimate        | Outturn       |                 | Outturn         |
|  | <b>44,681</b>   | <b>43,910</b> |                 | 35,473          |

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimate and Outturn are given in the Management Commentary on page 51.



## NOTES TO THE STATEMENT OF PARLIAMENTARY SUPPLY

### SOPS 1. Net Outturn

#### SOPS1.1 Analysis of net resource outturn by section

For analysis please refer to the Comparison of Outturn against Estimate in the Performance Report, page 51.

|   |                |               |               |                 |               |               | 2017/18<br>£000 | 2016/17<br>£000  |  |               |
|---|----------------|---------------|---------------|-----------------|---------------|---------------|-----------------|--|--|---------------|
| Outturn                                     |                |               |               |                 |               |               | Estimate        |  |  | Outturn       |
| Administration                              |                |               | Programme     |                 |               | Total         | Net<br>Total    | Net total<br>compared<br>to<br>Estimate,<br>adjusted<br>for<br>virements | Net total<br>compared<br>to<br>Estimate,<br>adjusted<br>for<br>virements | Total         |
| Gross                                       | Income         | Net           | Gross         | Income          | Net           |               |                 |  |  |               |
| <b>Spending in Departmental Expenditure</b> |                |               |               |                 |               |               |                 |  |  |               |
| Voted:                                      |                |               |               |                 |               |               |                 |  |  |               |
| A: FSA                                      |                |               |               |                 |               |               |                 |  |  |               |
| Westminster                                 |                |               |               |                 |               |               |                 |  |  |               |
| (DEL)                                       |                |               |               |                 |               |               |                 |  |  |               |
| 50,573                                      | (6,663)        | 43,910        | 61,816        | (27,910)        | 33,906        | 77,816        | 79,824          | 2,008  | 2,008  | 78,069        |
| 50,573                                      | (6,663)        | 43,910        | 61,816        | (27,910)        | 33,906        | 77,816        | 79,824          | 2,008  | 2,008  | 78,069        |
| <b>Annually Managed Expenditure</b>         |                |               |               |                 |               |               |                 |  |  |               |
| Voted:                                      |                |               |               |                 |               |               |                 |  |  |               |
| B: FSA                                      |                |               |               |                 |               |               |                 |  |  |               |
| Westminster                                 |                |               |               |                 |               |               |                 |  |  |               |
| (AME)                                       |                |               |               |                 |               |               |                 |  |  |               |
| –   | –              | –             | 1,159         | –               | 1,159         | 1,159         | 9,603           | 8,444  | 8,444  | 2,163         |
| <b>Total</b>                                |                |               |               |                 |               |               |                 |  |  |               |
| <b>50,573</b>                               | <b>(6,663)</b> | <b>43,910</b> | <b>62,975</b> | <b>(27,910)</b> | <b>35,065</b> | <b>78,975</b> | <b>89,427</b>   | <b>10,452</b>  | <b>10,452</b>  | <b>80,232</b> |

## SOPS1.2 Analysis of net capital outturn by section

|   | 2017/18<br>£000 |             |              |              |                                  |  | 2016/17<br>£000 |
|---|-----------------|-------------|--------------|--------------|----------------------------------|--|-----------------|
|   | Outturn         |             |              | Estimate     |                                  |  | Outturn         |
|   | Gross           | Income      | Net          | Net          | Net total compared with estimate | Net total compared to Estimate, adjusted for virements | Net             |
| <b>Spending in Departmental Expenditure Limit</b> |                 |             |              |              |                                  |  |                 |
| Voted: A FSA Westminster (DEL)                    |                 |             |              |              |                                  |  |                 |
| Non-current assets                                | 3,535           | (61)        | 3,474        | 4,183        | 709                              | 709  | 1,237           |
| Capital Research & Development*                   | 2,976           | –           | 2,976        | 3,485        | 509                              | 509  | 3,549           |
|   | <b>6,511</b>    | <b>(61)</b> | <b>6,450</b> | <b>7,668</b> | <b>1,218</b>                     | <b>1,218</b>   | <b>4,786</b>    |

\* Capitalisation of Research and Development (R&D)

Under the European System of Accounts 2010 (ESA10) expenditure on research and development (R&D) is treated as capital within the National Accounts. From 2016/17 HM Treasury reflected this new treatment in departmental Budgets and Estimates. Capitalised R&D is therefore reported in the FSA's Statement of Parliamentary Supply (SOPS) within these accounts. SOPS note 2 reconciles the resource outturn reported in SOPS to the net operating expenditure in the Statement of Comprehensive Net Expenditure (SoCNE). This reconciliation is required as the SoCNE is prepared using International Financial Reporting Standards which require certain types of R&D to be expensed and not capitalised.

**SOPS2. Reconciliation of outturn to net operating expenditure****SOPS2. Reconciliation of net resource outturn to net operating expenditure**

|  |              | 2017/18<br>£000 | 2016/17<br>£000 |
|--|--------------|-----------------|-----------------|
|  | SoPS<br>Note | Outturn         | Outturn         |
| Total resource outturn in Statement of Parliamentary Supply                          |              |                 |                 |
| Budget   | 1.1          | 78,975          | 80,232          |
| Non-Budget   | 1.1          | –               | –               |
|  |              | 78,975          | 80,232          |
| Add:   |              |                 |                 |
| Capitalised research and development   | 1.2          | 2,976           | 3,549           |
| Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure |              |                 |                 |
|  |              | <b>81,951</b>   | <b>83,781</b>   |

### SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

|   |                  | Estimate      | Outturn       | Net total outturn compared with Estimate: saving/ (excess) |
|---|------------------|---------------|---------------|--|
|   | <b>SOPS Note</b> |               |               |  |
| <b>Resource Outturn</b>                               | 1.1              | 89,427        | 78,975        | 10,452   |
| <b>Capital Outturn</b>                                | 1.2              | 7,668         | 6,450         | 1,218  |
| <b>Accruals to cash adjustments:</b>                  |                  |               |               |  |
| Adjustments to remove non-cash items:                 |                  |               |               |  |
| Depreciation and amortisation                         | 5-6              | (2,581)       | (2,312)       | (269)  |
| New provisions and adjustments to previous provisions | 12               | (13,177)      | (7,062)       | (6,115)  |
| Other non-cash items                                  | 3                | (62)          | (62)          | –  |
| Adjustments to reflect movements in working balances: |                  |               |               |  |
| Increase/(decrease) in receivables                    | 10               | –             | (1,016)       | 1,016  |
| (Increase)/decrease in payables                       | 11               | 3,000         | 4,426         | (1,426)  |
| Use of provisions                                     | 12               | 3,574         | 4,477         | (903)  |
| Cash contribution to pension deficit                  | 12               | –             | 1,426         | (1,426)  |
| <b>Net cash requirement</b>                           |                  | <b>87,849</b> | <b>85,302</b> | <b>2,547</b>   |

## PARLIAMENTARY ACCOUNTABILITY DISCLOSURES

The following information has been subject to audit.

### Losses and Special Payments

There are no reportable losses or special payments in 2017/18; (In 2016/17 there was one special payment made, its details were not disclosed for legal reasons).

### Fees and Charges

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

|   | 2017/18 |        |           | 2016/17 |           |           |
|---|---------|--------|-----------|---------|-----------|-----------|
|   | £000    | £000   | £000      | £000    | £000      | £000      |
| <b>FSA</b>  |         | Full   | Surplus/  |         |           | Surplus/  |
|   | Income  | Cost   | (Deficit) | Income  | Full Cost | (Deficit) |
| Industry  | 23,839  | 44,565 | (20,726)  | 21,745  | 46,936    | (25,191)  |
| Other Government Departments                            | 2,520   | 2,240  | 280       | 2,446   | 2,464     | (18)      |
| Assessments and consultations on radioactive discharges | 1,299   | 1,567  | (268)     | 1,143   | 1,467     | (324)     |
|   | 27,658  | 48,372 | (20,714)  | 25,334  | 50,867    | (25,533)  |

The above information is provided to meet the Fees and Charges disclosure requirements of the FReM and has not been provided for Segmental Analysis purposes under IFRS 8.

The FSA's financial objective is to recover costs fully. There currently remains a shortfall between the costs for the FSA of delivering meat official controls and the income received from Food Business Operators (FBOs) for these controls. This is effectively a subsidy of £20.7m from the FSA to the meat industry. It should be noted that this figure includes some costs which are not included in the hourly charge rates for meat official controls because they are not included in the budget that is used to calculate the charge rates. This is because the FSA does not include certain costs in its budgeting, such as severance costs for operational staff, even though they are costs of meat official controls.

There was a further fall in the full cost of the controls provided to the meat industry of over £2.3m from £46.9m in 2016/17 to £44.6m in 2017/18. In part this reflected the continued impact of the new discount system, developed by the industry Steering Group on Meat Charging, which was introduced from the start of 2016/17. The reformed discount system has had the intended effect of incentivising operational efficiency.

### Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS 37 (Note 13), the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. There were no remote contingent liabilities (2016/17 nil).



**Jason Feeney**

Chief Executive and Accounting Officer

19 June 2018

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

## Opinion on financial statements

I certify that I have audited the financial statements of the Food Standards Agency for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and Parliamentary Accountability disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Food Standards Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Food Standards Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Food Standards Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Food Standards Agency and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff and Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Date:** 26 June 2018

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2018

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values on non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

|   | Note | 2017/18<br>£000 | 2016/17<br>£000 |
|---|------|-----------------|-----------------|
| Income from sale of goods and services              | 4    | (162)           | (92)            |
| Other operating income                              | 4    | (34,411)        | (32,544)        |
| <b>Total operating income</b>                       |      | <b>(34,573)</b> | <b>(32,636)</b> |
| Staff costs   | 3    | 69,038          | 67,231          |
| Purchase of goods and services                      | 3    | 8,230           | 10,354          |
| Depreciation and impairment charges                 | 3    | 2,312           | 2,273           |
| Provision expense                                   | 3    | 4,971           | 5,903           |
| Other operating expenditure                         | 3    | 31,973          | 30,656          |
| <b>Total operating expenditure</b>                  |      | <b>116,524</b>  | <b>116,417</b>  |
| <b>Net operating expenditure</b>                    |      | <b>81,951</b>   | <b>83,781</b>   |
| <b>Other comprehensive net expenditure</b>          |      |                 |                 |
| Actuarial (gain)/loss on pension scheme liabilities | 12   | (8,327)         | 9,738           |
| <b>Comprehensive expenditure for the year</b>       |      | <b>73,624</b>   | <b>93,519</b>   |

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

This statement presents the financial position of the Food Standards Agency. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

|   | Note | 2017/18<br>£000 | 2016/17<br>£000  |
|---|------|-----------------|------------------|
| <b>Non-current assets:</b>                  |      |                 |                  |
| Property, plant and equipment               | 5    | 3,700           | 2,251            |
| Intangible assets                           | 6    | 1,151           | 1,438            |
| <b>Total non-current assets</b>             |      | <b>4,851</b>    | <b>3,689</b>     |
| <b>Current assets</b>                       |      |                 |                  |
| Trade and other receivables                 | 10   | 4,501           | 3,676            |
| Other current assets                        | 10   | 3,138           | 4,979            |
| Cash  | 9    | 1,302           | 3,597            |
| <b>Total current assets</b>                 |      | <b>8,941</b>    | <b>12,252</b>    |
| <b>Total assets</b>                         |      | <b>13,792</b>   | <b>15,941</b>    |
| <b>Current Liabilities</b>                  |      |                 |                  |
| Trade and other payables                    | 11   | (1,650)         | (1,598)          |
| Provisions                                  | 12   | (603)           | (2,556)          |
| Other liabilities                           | 11   | (12,887)        | (16,974)         |
| Other payables                              | 11   | –               | (2,686)          |
| <b>Total current liabilities</b>            |      | <b>(15,140)</b> | <b>(23,814)</b>  |
| <b>Total Assets less total liabilities</b>  |      | <b>(1,348)</b>  | <b>(7,873)</b>   |
| <b>Non-current liabilities</b>              |      |                 |                  |
| Provisions                                  | 12   | (1,835)         | (2,133)          |
| Other payables                              | 11   | –               | –                |
| Net pension liability                       | 12   | (85,231)        | (90,148)         |
| <b>Total non-current liabilities</b>        |      | <b>(87,066)</b> | <b>(92,281)</b>  |
| <b>Total Assets less total liabilities</b>  |      | <b>(88,414)</b> | <b>(100,154)</b> |
| <b>Taxpayers' equity and other reserves</b> |      |                 |                  |
| General fund                                |      | (88,414)        | (100,154)        |
| <b>Total taxpayers' equity</b>              |      | <b>(88,414)</b> | <b>(100,154)</b> |



Jason Feeney  
Chief Executive and Accounting Officer

19 June 2018

## STATEMENT OF CASH FLOWS

For the period ended 31 March 2018

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Food Standards Agency during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Food Standards Agency's future public service delivery.

|   |             | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   | <b>Note</b> |                 |                 |
| Net operating cost  | SOCNE       | (81,951)        | (83,781)        |
| Adjustment for non-cash transactions  | 3 & 12      | 10,007          | 10,504          |
| (Increase)/Decrease in trade and other receivables  | 10          | 1,016           | 1,559           |
| Increase/(Decrease) in trade and other payables   | 11          | (6,721)         | 671             |
| less movements relating to items not passing through the Statement of Comprehensive Net Expenditure   | 11          | 2,295           | (2,468)         |
| Use of provisions   | 12          | (4,477)         | (3,903)         |
| Provisions not required written back  | 12          | (571)           | (312)           |
| Cash contribution to pension deficit  | 12          | (1,426)         | (1,792)         |
| <b>Net cash outflow from operating activities</b>   |             | <b>(81,828)</b> | <b>(79,522)</b> |
| <b>Cash flows from investing activities</b>   |             |                 |                 |
| Purchase of property, plant and equipment   | 5           | (3,220)         | (831)           |
| Purchase of intangible assets   | 6           | (315)           | (406)           |
| Proceeds of disposal of property, plant and equipment   |             | 61              | –               |
| <b>Net cash outflow from investing activities</b>   |             | <b>(3,474)</b>  | <b>(1,237)</b>  |
| <b>Cash flows from financing activities</b>   |             |                 |                 |
| From the Consolidated Fund (Supply)   |             | 83,007          | 83,227          |
| <b>Net Financing</b>  |             | <b>83,007</b>   | <b>83,227</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b> |             | <b>(2,295)</b>  | <b>2,468</b>    |
| <b>Cash at the beginning of the period</b>  | 9           | <b>3,597</b>    | <b>1,129</b>    |
| <b>Cash at the end of the period</b>  | 9           | <b>1,302</b>    | <b>3,597</b>    |

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

### For the period ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the Food Standards Agency, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

|  | Note | General<br>Fund<br>£000 | Total<br>Reserves<br>£000 |
|--|------|-------------------------|---------------------------|
| <b>Balance at 31 March 2016</b>            |      | <b>(87,456)</b>         | <b>(87,456)</b>           |
| Net Parliamentary Funding                  |      | 80,759                  | 80,759                    |
| Comprehensive net expenditure for the year |      | (83,781)                | (83,781)                  |
| Auditors remuneration                      | 3    | 62                      | 62                        |
| Actuarial gain/(loss)                      | 12   | (9,738)                 | (9,738)                   |
| <b>Balance at 31 March 2017</b>            |      | <b>(100,154)</b>        | <b>(100,154)</b>          |
| Net Parliamentary Funding                  |      | 85,302                  | 85,302                    |
| Comprehensive net expenditure for the year |      | (81,951)                | (81,951)                  |
| Auditors remuneration                      | 3    | 62                      | 62                        |
| Actuarial gain/(loss)                      | 12   | 8,327                   | 8,327                     |
| <b>Balance at 31 March 2018</b>            |      | <b>(88,414)</b>         | <b>(88,414)</b>           |

# NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

## 1 Statement of Accounting Policies

### 1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2017/18 Government Financial Reporting Manual (FReM) 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 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 judgments behind the calculations of the defined pension liability. FSA management use professional experts to ensure the the numbers in this report reflect a true and fair view of the liability.
- 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.
- IAS36 Impairments – Management make judgement on whether there are any indications of impairments to the carrying amounts of the FSA's non-current assets and trade receivables through the management of a bad debt provision.

## 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) 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) 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.

|   | 2017/18      | 2016/17      |
|---|--------------|--------------|
| Property, plant and equipment           |              |              |
| Computer equipment                      | 1 – 5 years  | 1 – 5 years  |
| Office equipment                        | 4 – 10 years | 4 – 10 years |
| Furniture, fixtures and fittings        | 2 – 8 years  | 2 – 8 years  |
| Intangible assets:                      |              |              |
| Computer software and software licences | 2 – 7 years  | 2 – 7 years  |

## 1.8 Research & Development Expenditure

Expenditure on research is not capitalised 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 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income for the year is recognised on an accruals basis reflecting the value of the work undertaken and is shown net of Value Added Tax. The FSA has income from meat official controls and related work, milk and dairies sampling and from assessments and consultations on radioactive discharges.

Income from meat official controls and related work is recognised as time recorded by staff multiplied by charging rates and invoiced to both industry and government customers. For the majority of meat industry customers discounts are applied to charges.

Income from milk and dairies sampling work is based on invoiced amounts raised by the FSA for the testing of raw cows' drinking milk. Income from assessments and consultations on radioactive discharges is recognised on the basis of work done against a series of Service Level Agreements (SLAs). In addition, staff time in relation to any work with regards to these SLAs is recorded and charged accordingly.

## 1.10 Pensions

FSA past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. The defined benefit scheme is 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 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 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 and at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

There are currently 345 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 12.4.5.

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 PCSPS 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 determined 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. 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 Her Majesty's Revenue and Customs 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.

### 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

In addition to contingent liabilities disclosed in accordance with IAS37, the FSA discloses, for parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. 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 and cash equivalents

#### 2) Liabilities

- Trade and other payables
- Other Liabilities
- Provisions

Financial Assets and Liabilities are accounted for under IAS32, Financial Instruments: Presentation, IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosure.

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. 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 Impending Application of Newly Issued Accounting Standards Not Yet Effective

There are four new Standards being introduced by the International Accounting Standards Board (IASB).

IFRS 9 Financial Instruments (expected to be adopted by FReM in 2018-19) and IFRS 17 Insurance Contracts (expected to be adopted by FReM in 2021-22) have been reviewed by FSA Management and will have no material impact on the financial statements of the FSA.

IFRS 15 Revenue from Contracts with Customers (expected to be adopted by FReM in 2018-19) specifies how and when revenue should be recognised, as well as requiring FSA to provide users of financial statements with more informative, relevant disclosures. FSA already recognises all revenue from customers when performance obligations are satisfied, using a standard pricing and discount model. As a result there should be no material impact on the financial statements, although the relevant additional disclosures will be added to the 2018-19 Annual Accounts.

IFRS 16 Leases (expected to be adopted by FReM in 2019-20) is expected to have a material future impact on the financial statements of the FSA due to the agreements FSA has in place for rental of office space. This will be reported in accordance with FReM and the relevant additional disclosures will be added to the 2018-19 Annual Accounts.

## 2 Net Costs by Group

| Group   |                |              |               |               | 2017/18            | 2016/17            |
|---|----------------|--------------|---------------|---------------|--------------------|--------------------|
|   | Administration |              | Programme     |               | Net operating cost | Net operating cost |
|   | Costs          | Income       | Costs         | Income        |                    |                    |
|   | £000           | £000         | £000          | £000          | £000               | £000               |
| Regulatory and Legal Strategy (Incl Private Office and Board) (incl CSU in 16/17) | 4,956          | 21           | –             | –             | 4,935              | 4,741              |
| Openness, Data and Digital  | 12,073         | 46           | 1,212         | –             | 13,239             | 10,853             |
| Policy and Science  | 6,373          | 121          | 8,157         | 1,425         | 12,984             | 13,317             |
| Operations  | 691            | –            | 49,241        | 26,485        | 23,447             | 28,077             |
| Finance and Performance (incl CSU in 17/18)                                       | 13,821         | 5,701        | –             | –             | 8,120              | 7,786              |
| Organisational Development  | 5,194          | 752          | –             | –             | 4,442              | 1,105              |
| Regulatory Delivery Division  | 4,990          | 1            | 3,487         | –             | 8,476              | 8,824              |
| Centrally Managed   | 2,936          | 21           | 3,393         | –             | 6,308              | 9,078              |
| <b>Totals</b>   | <b>51,034</b>  | <b>6,663</b> | <b>65,490</b> | <b>27,910</b> | <b>81,951</b>      | <b>83,781</b>      |

The FSA identifies reportable segments, Groups and Devolved Authorities, that reflect the organisational structure. The financial system also reflects the organisational structure and enables income and expenditure to be analysed and reported by segment. Segmental operating results are reviewed by the FSA Executive Management Team to make decisions on segmental resources and assess performance.

Groups derive income from the following activities or services;

Regulatory and Legal Strategy – Sundry services

Openness, Data and Digital – Sundry services and secondments

Policy and Science – Assessments/consultations on radioactive discharges and Integrated Advice for Consumers

Operations and Local Delivery – Meat hygiene inspections, approvals and delivery of official controls, testing and sampling

Finance and Performance – Sub-letting of accommodation, recovered court costs and sundry services

Centrally Managed – Recovered court costs and fees

Inter-segmental transactions are accounted for within the financial system by way of journal between the relevant segments.

### 3 Expenditure

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| <b>Staff Costs</b>  |                 |                 |
| Wages and salaries  | 35,030          | 35,137          |
| Social security costs   | 3,892           | 3,717           |
| Other pension costs   | 6,887           | 6,715           |
| Agency Staff  | 1,653           | 1,076           |
| Contract inspectors and veterinary costs                            | 21,576          | 20,586          |
|   | 69,038          | 67,231          |
| <b>Goods and services</b>   | 8,230           | 10,354          |
|   | 8,230           | 10,354          |
| <b>Depreciation and impairment charges: Non-cash</b>                |                 |                 |
| Depreciation  | 1,710           | 1,748           |
| Amortisation  | 602             | 525             |
|   | 2,312           | 2,273           |
| <b>Provision expense</b>  | 4,971           | 5,903           |
|   | 4,971           | 5,903           |
| <b>Other operating expenditure</b>                                  |                 |                 |
| Rentals under operating leases                                      | 6,293           | 6,697           |
| ICT outsourcing, maintenance and support of networks and systems*   | 9,011           | 6,364           |
| Travel & Subsistence, Hospitality and Conference costs              | 3,005           | 3,186           |
| Accommodation costs including rates, estate management and security | 4,609           | 3,551           |
| Operational costs (laundry, sampling and equipment)                 | 1,234           | 1,501           |
| Grants  | 2,344           | 2,466           |
| Research and Development expenditure                                | 2,515           | 2,519           |
| Training and Development  | 323             | 282             |
| Legal costs   | 354             | 239             |
| HR, Payroll and Pension services                                    | 252             | 371             |
| Stationery, Printing and Postage                                    | 299             | 257             |
| Welfare costs   | 149             | 90              |
| Other   | 1,523           | 3,071           |
| Non-cash items: Auditors' remuneration and expenses                 | 62              | 62              |
|   | 31,973          | 30,656          |
|   | <b>116,524</b>  | <b>116,417</b>  |

\* Relevant Central IT costs are recharged to Devolved Offices from FSA Westminster

## 4 Income

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

|  | <b>2017/18</b> | <b>2016/17</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Income for official controls charged to industry                                     | 23,839         | 21,745         |
| Income for sub-letting of accommodation space, including dilapidations contributions | 6,427          | 6,874          |
| Income for meat hygiene work charges to other government departments                 | 2,520          | 2,446          |
| Assessments and consultations on radioactive discharges                              | 1,299          | 1,143          |
| Secondment income  | 128            | 203            |
| Milk and Dairy Hygiene – sampling  | 42             | 41             |
| Other income   | 156            | 92             |
| Income from sale of goods and services   | 162            | 92             |
| <b>Total income</b>  | <b>34,573</b>  | <b>32,636</b>  |

## 5 Plant and equipment

|   | 2017/18                             |                             |                               |                |
|---|-------------------------------------|-----------------------------|-------------------------------|----------------|
|   | Fixtures<br>and<br>Fittings<br>£000 | Office<br>Equipment<br>£000 | Computer<br>Equipment<br>£000 | Total<br>£000  |
| <b>Cost or valuation</b>                |                                     |                             |                               |                |
| Cost at 1 April 2017                    | 2,307                               | 137                         | 4,784                         | 7,228          |
| Additions                               | 1,717                               | –                           | 1,503                         | 3,220          |
| Disposals                               | (252)                               | (118)                       | (3,368)                       | (3,738)        |
| <b>At 31 March 2018</b>                 | <b>3,772</b>                        | <b>19</b>                   | <b>2,919</b>                  | <b>6,710</b>   |
| <b>Depreciation</b>                     |                                     |                             |                               |                |
| As at 1 April 2017                      | 1,715                               | 106                         | 3,156                         | 4,977          |
| Charged in year                         | 619                                 | 31                          | 1,060                         | 1,710          |
| Disposals                               | (191)                               | (118)                       | (3,368)                       | (3,677)        |
| <b>At 31 March 2018</b>                 | <b>2,143</b>                        | <b>19</b>                   | <b>848</b>                    | <b>3,010</b>   |
| <b>Carrying amount at 31 March 2018</b> | <b>1,629</b>                        | <b>–</b>                    | <b>2,071</b>                  | <b>3,700</b>   |
| <b>Carrying amount at 31 March 2017</b> | <b>592</b>                          | <b>31</b>                   | <b>1,628</b>                  | <b>2,251</b>   |
| <b>Asset financing</b>                  |                                     |                             |                               |                |
| Owned                                   | 1,629                               | –                           | 2,071                         | 3,700          |
| <b>Carrying amount at 31 March 2018</b> | <b>1,629</b>                        | <b>–</b>                    | <b>2,071</b>                  | <b>3,700</b>   |
|   |                                     |                             |                               | <b>2016/17</b> |
|   | Fixtures<br>and<br>Fittings<br>£000 | Office<br>Equipment<br>£000 | Computer<br>Equipment<br>£000 | Total<br>£000  |
| <b>Cost or valuation</b>                |                                     |                             |                               |                |
| Cost at 1 April 2016                    | 2,293                               | 137                         | 4,190                         | 6,620          |
| Additions                               | 14                                  | –                           | 817                           | 831            |
| Disposals                               | –                                   | –                           | (223)                         | (223)          |
| <b>At 31st March 2017</b>               | <b>2,307</b>                        | <b>137</b>                  | <b>4,784</b>                  | <b>7,228</b>   |
| <b>Depreciation</b>                     |                                     |                             |                               |                |
| As at 1 April 2016                      | 1,118                               | 80                          | 2,254                         | 3,452          |
| Charged in the year                     | 597                                 | 26                          | 1,125                         | 1,748          |
| Disposals                               | –                                   | –                           | (223)                         | (223)          |
| <b>At 31 March 2017</b>                 | <b>1,715</b>                        | <b>106</b>                  | <b>3,156</b>                  | <b>4,977</b>   |
| <b>Carrying amount at 31 March 2017</b> | <b>592</b>                          | <b>31</b>                   | <b>1,628</b>                  | <b>2,251</b>   |
| <b>Asset financing</b>                  |                                     |                             |                               |                |
| Owned                                   | 592                                 | 31                          | 1,628                         | 2,251          |
| <b>Carrying amount at 31 March 2017</b> | <b>592</b>                          | <b>31</b>                   | <b>1,628</b>                  | <b>2,251</b>   |

## 6 Intangible assets

Intangible assets comprise computer software and software licences

|   | <b>2017/18</b><br><b>Computer software and software licences</b><br><b>£000</b> |
|---|---|
| <b>Cost or valuation</b>                |   |
| Cost at 1 April 2017                    | 2,704   |
| Additions                               | 315   |
| Disposals                               | (1,026)   |
| <b>At 31 March 2018</b>                 | <b>1,993</b>  |
| <b>Amortisation</b>                     |   |
| As at 1 April 2017                      | 1,266   |
| Charged in year                         | 602   |
| Disposals                               | (1,026)   |
| <b>At 31 March 2018</b>                 | <b>842</b>  |
| <b>Carrying amount at 31 March 2018</b> | <b>1,151</b>  |
| <b>Carrying amount at 31 March 2017</b> | <b>1,438</b>  |
|   | <b>2016/17</b>  |
| <b>Cost or valuation</b>                |   |
| Cost at 1 April 2016                    |   |
| Additions                               | 3,217   |
| Disposals                               | 406   |
| <b>At 31 March 2017</b>                 | <b>(919)</b>  |
|   | 2,704   |
| <b>Amortisation</b>                     |   |
| As at 1 April 2016                      |   |
| Charged in year                         | 1,660   |
| Disposals                               | 525   |
| <b>At 31 March 2017</b>                 | <b>(919)</b>  |
|   | <b>1,266</b>  |
| <b>Carrying amount at 31 March 2017</b> | <b>1,438</b>  |



## 7 Capital and other commitments

### 7.1 Capital commitments

At 31 March 2018 there were no commitments for the purchase of capital items (31 March 2017 £nil).

### 7.2 Commitments under leases

#### 7.2.1 Operating leases

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

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| <b>Obligations under operating leases comprise:</b> |                 |                 |
| <b>Land and buildings:</b>                          |                 |                 |
| Not later than one year                             | 594             | 8,289           |
| Later than one year and not later than five years   | 2,377           | 242             |
| Later than five years                               | 2,971           | –               |
|   | <b>5,942</b>    | <b>8,531</b>    |
| <b>Other:</b>                                       |                 |                 |
| Not later than one year                             | 92              | 120             |
| Later than one year and not later than five years   | 51              | 115             |
|   | <b>143</b>      | <b>235</b>      |

The 2016/17 lease obligation figures included costs for Aviation House in London and Foss House in York. The figures for 2017/18 show no lease obligation for the new Clive House office in London. At 31 March 2018 the lease was unsigned due to ongoing negotiations but FSA staff relocated there in January 2018 with rent being due (Note 3). As the current intention is for the FSA to remain at Clive House a dilapidation provision will be recognised in the accounts as applicable.

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).

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| <b>Total future minimum lease rental income from Ofsted, MRC, GDS, Cabinet Office and Oil and Pipelines Agency</b> |                 |                 |
| Land and buildings:  |                 |                 |
| Not later than one year  | –               | 4,219           |
| Later than one year and not later than five years  | –               | –               |
| Later than five years  | –               | –               |
|  | <b>–</b>        | <b>4,219</b>    |

In 2017/18 FSA vacated a property in which they had sub-leased accommodation to Ofsted, Medical Research Council (MRC), Government Digital Service (GDS), Cabinet Office and Oil and Pipelines Agency. The expected minimum lease income for future years is therefore nil.

### 7.3 Other financial commitments

The FSA did not have any other financial commitments as at 31 March 2018.

## 8 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 majority of financial instruments relate to contracts for non-financial items in line with the FSA's expected purchase and usage requirements and the FSA is therefore exposed to little credit, liquidity or market risk.

## 9 Cash

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| Balance at 1 April                       | 3,597           | 1,129           |
| Net changes in cash and cash equivalents | (2,295)         | 2,468           |
| <b>Balance at 31 March</b>               | <b>1,302</b>    | <b>3,597</b>    |

The following balances at 31 March were held at:

|                            | 2017/18<br>£000 | 2016/17<br>£000 |
|----------------------------|-----------------|-----------------|
| Government Banking Service | 1,302           | 3,597           |
| <b>Balance at 31 March</b> | <b>1,302</b>    | <b>3,597</b>    |

## 10 Trade receivables, financial and other current assets

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| <b>Amounts falling due within one year:</b>                 |                 |                 |
| Trade receivables   | 2,472           | 1,627           |
| VAT recoverable   | 1,995           | 1,996           |
| Other receivables   | 34              | 53              |
|   | 4,501           | 3,676           |
| Other current assets:                                       |                 |                 |
| Prepayments and accrued income                              | 3,138           | 4,979           |
| Amounts due from the Consolidated Fund in respect of supply | –               | –               |
|   | 3,138           | 4,979           |
|   | <b>7,639</b>    | <b>8,655</b>    |

## 11 Trade payables and other current liabilities

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| <b>Amounts falling due within one year</b>                                     |                 |                 |
| Trade payables   | 1,650           | 1,598           |
|  | <u>1,650</u>    | <u>1,598</u>    |
| Other current liabilities:   |                 |                 |
| Accruals and deferred income   | 11,585          | 13,377          |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 1,302           | 3,597           |
|  | <u>12,887</u>   | <u>16,974</u>   |
| Lease adjustment as per IAS 17   | –               | 2,686           |
|  | <u>–</u>        | <u>2,686</u>    |
|  | <b>14,537</b>   | <b>21,258</b>   |

## 12 Provisions for liabilities and charges

### Pension provisions

|  | 2017/18<br>£000  |                 |               | 2016/17<br>£000  |                 |               |
|--|------------------|-----------------|---------------|------------------|-----------------|---------------|
|  | Board<br>Pension | LGPS<br>Pension | Total         | Board<br>Pension | LGPS<br>Pension | Total         |
| Net pension liability at 1 April         | 931              | 89,217          | 90,148        | 815              | 77,386          | 78,201        |
| Total service and interest costs         | 26               | 6,943           | 6,969         | 29               | 5,990           | 6,019         |
| Employer contributions                   | (34)             | (2,099)         | (2,133)       | (31)             | (1,987)         | (2,018)       |
| Deficit payment                          | –                | (1,426)         | (1,426)       | –                | (1,792)         | (1,792)       |
| Actuarial (gain)/loss                    | (7)              | (8,320)         | (8,327)       | 118              | 9,620           | 9,738         |
| <b>Net pension liability at 31 March</b> | <b>916</b>       | <b>84,315</b>   | <b>85,231</b> | <b>931</b>       | <b>89,217</b>   | <b>90,148</b> |

## Early departure and other provisions

|   | 2017/18<br>£000 |              |               | 2016/17<br>£000 |              |               |
|---|-----------------|--------------|---------------|-----------------|--------------|---------------|
|   | Early departure | Legal claims | Dilapidations | Early departure | Legal claims | Dilapidations |
| <b>Balance at 1 April</b>               | 2,786           | 149          | 1,754         | 2,908           | 67           | 1,761         |
| Provided in the year                    | 170             | 280          | 214           | 503             | 1,647        | –             |
| Provisions not required written back    | (3)             | (50)         | (518)         | (43)            | (269)        | –             |
| Provisions utilised in the year         | (662)           | (240)        | (1,450)       | (622)           | (1,296)      | –             |
| Borrowing costs (unwinding of discount) | 8               | –            | –             | 40              | –            | (7)           |
| <b>Balance at 31 March</b>              | <b>2,299</b>    | <b>139</b>   | <b>–</b>      | <b>2,786</b>    | <b>149</b>   | <b>1,754</b>  |

## Analysis of expected timing of discounted flows (excluding LGPS and Board pension provisions)

|   | 2017/18<br>£000 |              |               |              |
|---|-----------------|--------------|---------------|--------------|
|   | Early departure | Legal claims | Dilapidations | Total        |
| within one year                               | 464             | 139          | –             | 603          |
| <b>Total current provisions liability</b>     | <b>464</b>      | <b>139</b>   | <b>–</b>      | <b>603</b>   |
| between one and five years                    | 637             | –            | –             | 637          |
| between five and ten years                    | 560             | –            | –             | 560          |
| thereafter                                    | 638             | –            | –             | 638          |
| <b>Total non-current provisions liability</b> | <b>1,835</b>    | <b>–</b>     | <b>–</b>      | <b>1,835</b> |
| <b>Provisions balance at 31 March 2018</b>    | <b>2,299</b>    | <b>139</b>   | <b>–</b>      | <b>2,438</b> |

The aforementioned respective provisions for early departure, pension, 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.

## 12.1 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 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 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 HM Treasury discount rate of 0.10% (2016/17 0.24%) in real terms.

## 12.2 Other

### Legal Claims

A provision has been created to cover legal issues affecting the FSA. The different elements to this are 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.

### Dilapidations

A provision created in respect of estimated dilapidation costs for Aviation House in London was fully utilised in February 2018. The provision was created based on independent survey carried out by a third party and was discounted by the short-term HM Treasury rate of (2.7)%.

## 12.3 FSA Board Pension Provision

The FSA board pension provision relates to the by-analogy pension scheme with the Principal Civil Service Pension Scheme (PCSPS) 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 2018 is £916,000 (2016/17 £931,000).

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:

|   | 31/03/18 | 31/03/17 |
|---|----------|----------|
| Discount rate                           | 2.55%    | 2.80%    |
| Rate of increase in salaries            | n/a      | n/a      |
| Rate of increase in pensions in payment | 2.45%    | 2.55%    |
| CPI inflation assumption                | 2.45%    | 2.55%    |

### 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.

|                    | 31/03/18   |            | 31/03/17   |            |
|--------------------|------------|------------|------------|------------|
|                    | Males      | Females    | Males      | Females    |
| Current Pensioners | 22.6 years | 24.2 years | 24.0 years | 25.8 years |

### Present value of scheme liabilities

|                         | Value at<br>31/03/18<br>£000 | Value at<br>31/03/17<br>£000 | Value at<br>31/03/16<br>£000 | Value at<br>31/03/15<br>£000 | Value at<br>31/03/14<br>£000 |
|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Liability in respect of |                              |                              |                              |                              |                              |
| Active members          | –                            | –                            | –                            | –                            | –                            |
| Deferred pensioners     | (221)                        | (235)                        | (197)                        | (199)                        | (228)                        |
| Current pensioners      | (695)                        | (696)                        | (618)                        | (796)                        | (693)                        |
|                         | (916)                        | (931)                        | (815)                        | (995)                        | (921)                        |

### Analysis of movement in scheme liability

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| <b>Scheme liability at 1 April</b>                   | (931)           | (815)           |
| <b>Movement in the year:</b>                         |                 |                 |
| Current service cost (net of employee contributions) | –               | –               |
| Interest cost  | (26)            | (29)            |
| Actuarial (Loss)/Gain                                | 7               | (118)           |
| Benefits paid  | 34              | 31              |
| <b>Net pension liability at 31 March</b>             | (916)           | (931)           |

**Analysis of amount charged to operating profit**

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| Current service cost (net of employee contributions) | –               | –               |
| Interest cost  | (26)            | (29)            |
|  | (26)            | (29)            |

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

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| Experience (losses)/gains arising on the scheme liabilities                                 | (40)            | 7               |
| Changes in financial assumptions underlying the present value of scheme liabilities         | 47              | (125)           |
| Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity | 7               | (118)           |

**History of experience gains and losses**

|  | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|--|---------|---------|---------|---------|
| Experience (losses)/gains on scheme liabilities: |         |         |         |         |
| Amount (£000)                                    | (40)    | 7       | (14)    | (50)    |
| Percentage of scheme liabilities                 | (4.4%)  | 0.8%    | (1.7%)  | (5.0%)  |

**12.4 Provision for pension liability**

12.4.1 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 2018, contributions of £2.1m (2016/17 £2.0m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the period ended 31 March 2018, this rate was 16.7% (2016/17 16.7%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund deficit was £13.5m as at March 2016 (March 2013 £20.8m). The Agency agreed to increase the funding to the scheme, payable for 12 years from 2014. For 2017/18 an additional deficit reduction amount of £1.4m was paid and for 2018/19 £1.5m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2019. This triennial valuation process will be carried out in the summer of 2019 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2020, including the deficit payment.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £84.3m as at 31 March 2018 compared with a calculated deficit of £89.2m as at 31 March 2017.

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 2018/19 to be £2m.

## 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:

|                                       | 31/03/18 | 31/03/17 |
|---------------------------------------|----------|----------|
| Inflation/Pension increase rate (RPI) | 3.35%    | 3.5%     |
| Inflation/Pension increase rate (CPI) | 2.35%    | 2.6%     |
| Salary Increases                      | 3.85%    | 4.1%     |
| Pension Increases                     | 2.35%    | 2.6%     |
| Discount Rate                         | 2.55%    | 2.7%     |

## Mortality

The post retirement mortality is based on the Club Vita mortality analysis. Based on these assumptions, the average life expectancies at age 65 are summarised below.

|                      | 31/03/18 |         | 31/03/17 |         |
|----------------------|----------|---------|----------|---------|
|                      | Males    | Females | Males    | Females |
| Retiring today       | 21.7     | 24.3    | 21.6     | 24.2    |
| Retiring in 20 years | 24.1     | 26.6    | 24.0     | 26.4    |

## Movement in liabilities

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| <b>Opening Defined Benefit Obligation</b>            | <b>238,917</b>  | <b>202,262</b>  |
| Current service cost                                 | 3,928           | 3,031           |
| Interest cost  | 6,372           | 7,389           |
| Change in financial assumptions                      | (4,062)         | 39,285          |
| Change in demographic assumptions                    | –               | 2,230           |
| Experience loss/(gain) on defined benefit obligation | –               | (10,115)        |
| Liabilities assumed/(extinguished) on settlements    | –               | –               |
| Estimated benefits paid net of transfers in          | (7,069)         | (5,770)         |
| Past service costs, including curtailments           | 450             | 3               |
| Contributions by Scheme participants                 | 678             | 740             |
| Unfunded pension payments                            | (138)           | (138)           |
| <b>Closing Defined Benefit Obligation</b>            | <b>239,076</b>  | <b>238,917</b>  |



## Movement in assets

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| <b>Opening Fair Value of Employer's Assets</b>            | <b>149,700</b>  | <b>124,876</b>  |
| Interest on assets  | 4,002           | 4,595           |
| Return on assets less interest                            | 4,258           | 20,929          |
| Other actuarial gains/(losses)                            | –               | 851             |
| Administration expenses                                   | (195)           | (162)           |
| Contributions by Employer including unfunded              | 3,525           | 3,779           |
| Contributions by Scheme participants                      | 678             | 740             |
| Estimated benefits paid plus unfunded net of transfers in | (7,207)         | (5,908)         |
| Settlement prices received/(paid)                         | –               | –               |
| <b>Closing Fair Value of Employer Assets</b>              | <b>154,761</b>  | <b>149,700</b>  |

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

|                                     | Value at<br>31/03/18<br>£000 | % at<br>31/03/18 | Value at<br>31/03/17<br>£000 | % at<br>31/03/17 |
|-------------------------------------|------------------------------|------------------|------------------------------|------------------|
| Equities                            | 94,632                       | 62%              | 88,703                       | 60%              |
| LDI/Cashflow matching               | –                            | 0%               | –                            | 0%               |
| Target return portfolio             | 34,684                       | 22%              | 31,632                       | 21%              |
| Infrastructure                      | 6,769                        | 4%               | 7,882                        | 5%               |
| Commodities                         | –                            | 0%               | –                            | 0%               |
| Property                            | 11,137                       | 7%               | 7,632                        | 5%               |
| Cash                                | 7,539                        | 5%               | 13,851                       | 9%               |
| Market value of assets              | 154,761                      | 100%             | 149,700                      | 100%             |
| Present value of scheme liabilities | (239,076)                    |                  | (238,917)                    |                  |
| Net pension liability               | <b>(84,315)</b>              |                  | <b>(89,217)</b>              |                  |

### 12.4.2 Movement in deficit during the year

|  | 2017/18<br>£000 | 2016/17<br>£000 |
|--|-----------------|-----------------|
| Scheme liability at 1 April                      | (89,217)        | (77,386)        |
| Service cost                                     | (3,928)         | (3,031)         |
| Administration expenses                          | (195)           | (162)           |
| Employer contributions                           | 2,099           | 1,987           |
| Payment of deficit                               | 1,426           | 1,792           |
| Past service cost                                | (450)           | (3)             |
| Other finance net interest charged (note 12.4.3) | (2,370)         | (2,794)         |
| Actuarial (loss)/ gain (note 12.4.4)             | 8,320           | (9,620)         |
| Net settlement in relation to FSS                | –               | –               |
| Net pension liability                            | <b>(84,315)</b> | <b>(89,217)</b> |

**12.4.3 Analysis of the amount charged to operating deficit**

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| Service cost                                | 3,928           | 3,031           |
| Administration expenses                     | 195             | 162             |
| Past service cost                           | 450             | 3               |
|   | 4,573           | 3,196           |
| Employer contributions to be set off        | (2,099)         | (1,987)         |
| Amount (credited)/charged to operating cost | <b>2,474</b>    | <b>1,209</b>    |

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| <b>Analysis of the net amount charged to operating cost</b> |                 |                 |
| Net interest on the defined liability/(asset)               | <b>2,370</b>    | <b>2,794</b>    |

**12.4.4 Analysis of amount recognised in Statement of Changes in Taxpayers' Equity**

|   | 2017/18<br>£000 | 2016/17<br>£000 |
|---|-----------------|-----------------|
| Return on Fund assets in excess of interest                                       | 4,258           | 20,929          |
| Other actuarial gains/(losses) on assets  | –               | 851             |
| Changes in financial assumptions  | 4,062           | (39,285)        |
| Change in demographic assumptions   | –               | (2,230)         |
| Experience gain/(loss) on defined benefit obligation                              | –               | 10,115          |
| Actuarial gain/(loss) recognised in the Statement of Changes in Taxpayers' Equity | <b>8,320</b>    | <b>(9,620)</b>  |

**12.4.5 Sensitivity Analysis**

|  | £000    | £000    | £000    |
|--|---------|---------|---------|
| Adjustment to discount rate                            | +0.1%   | 0.0%    | -0.1%   |
| Present value of Total Obligation                      | 235,058 | 239,076 | 243,167 |
| Projected Service Cost                                 | 3,748   | 3,828   | 3,910   |
| Adjustment to long term salary increase                | +0.1%   | 0.0%    | -0.1%   |
| Present value of Total Obligation                      | 239,479 | 239,076 | 238,675 |
| Projected Service Cost                                 | 3,828   | 3,828   | 3,828   |
| Adjustment to pension increases and deferred valuation | +0.1%   | 0.0%    | -0.1%   |
| Present value of Total Obligation                      | 242,768 | 239,076 | 235,447 |
| Projected Service Cost                                 | 3,910   | 3,828   | 3,748   |
| Adjustment to mortality age rating assumption          | +1 Year | None    | -1 Year |
| Present value of Total Obligation                      | 248,261 | 239,076 | 230,241 |
| Projected Service Cost                                 | 3,950   | 3,828   | 3,710   |

### 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 £120k. No provision has been made for these cases, however, a provision of £9k has been made for personal injury claims where liability has been admitted.

The FSA has contingent liabilities of £280k relating to various potential legal claims including FBO charges.

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 £0.4m (2016/17 £0.1m).

### 14 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, other than remuneration as set out at Page 78.

The FSA had a number of significant transactions with other Government Departments and other central Government bodies including Public Health England, Defra, CEFAS, Cabinet Office and its public bodies and agencies, Department of Health, APHA, LPFA, MRC and Ofsted.

### 15 Entities within the Departmental Boundary

The FSA has no other entities within the Departmental Boundary.

### 16 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.

### 17 Early adoption of IFRSs, amendments and interpretations

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

## 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 2018 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 2017-18.
3. If the Treasury has made an order for the year under section 4A(3) and (4) of the Government Resources and Accounts Act 2000, a department must detail the same information for each body designated in the Order under its name. This means that the department must also detail in its accounts the resources acquired, held or disposed of during the year by each of its designated bodies, and each such body’s use of resources during the year.
4. The Treasury made the following designation order for financial year 2017-18: the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2017 (S.I. 2017/310). The list of bodies designated in the Schedules to that Order are amended by the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2017 (S.I. 2017/1256). The amendments designate additional bodies, change the names of some designated bodies and remove some bodies from being designated.
5. The accounts of Government departments, with the details outlined above (for itself and its designated bodies) shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2018 and of the net resource outturn, the application of resources, changes in taxpayers’ equity 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.
6. 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 2018 and of the net resource outturn, changes in taxpayers’ equity 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) demonstrate 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.

7. 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 HM Treasury.

**Ian Bulmer**  
**Deputy Director, Government Financial Reporting**  
**Her Majesty's Treasury**  
**19 December 2017**





