To: Chair, Health and Social Care Select Committee
Date: 03 February 2020

Food Standards Agency (FSA)

Supplementary Estimate

2019/20

An overview and analysis of the Food Standards Agency's 2019-20 Supplementary Estimate.

1. Overview

1.1 Objectives

The Food Standards Agency (FSA) is a non-ministerial government department, set up by an Act of Parliament in 2000 to protect the public's health and consumer interests in relation to food. We are concerned with the safety of food right along the food supply chain, from when it is produced, to when it is served on the plate. As the authority responsible for food safety, we set the regulations that food businesses are obliged to follow, and work with local authorities across England, Wales and Northern Ireland to make sure those regulations are enforced. We want the public to have trust in the food they eat, and that is why we work in an open and transparent way, making sure that consumer health and interests are at the heart of everything we do.

The FSA strives to be an excellent, accountable, and modern regulator, making sure that the food we eat is not only safe to eat, but that it is also what it says it is. To achieve this, we are committed to;

- developing scientific capability to ensure that our work is based upon rigorous and up-to-date scientific advice;
- redesigning the delivery landscape through our regulatory modernisation programme, to ensure that food safety regulation in England, Wales and Northern Ireland is risk-based, data-driven, and fit-for-purpose;
- ensuring that we have a cost-effective national and coordinated approach to tackling food crime with the development of the National Food Crime Unit;

- becoming a global leader in food safety regulation, through collaboration and information sharing with likeminded organisations across the globe, and;
- better understanding consumer and business behaviours, so that we can empower consumers, and use a range of legislative and non-legislative tools to influence businesses to do better for consumers.

1.2 Spending Controls

The Food Standards Agency's net spending is broken down into several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit (RDEL) – a net limit comprising day to day running and support costs, less income from meat official controls and related work. Additional income is received for milk and dairies sampling and from assessments and consultations on radioactive discharges.
- Capital Departmental Expenditure Limit (CDEL) – investment in computer hardware, computer software and office-related assets.
- Resource Annually Managed Expenditure (RAME) – non-cash provision for early retirements, pensions, building dilapidation and legal liabilities / obligations.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require the Food Standards Agency to pay out cash in year.

1.3 Comparison of spending totals sought

The table below shows how the net spending totals sought for the Food Standards Agency compare with the original budget for the 19/20 (Main Estimate) and the final outturn for 18/19.

	Amounts sought this year (Supplementary Estimate 2019-20)	Compared to original budget (Main Estimate 2019-20)		Compared to final outturn last year (Outturn 2018-19)	
	£m	£m	%	£m	%
Resource DEL	96.4	98.3	2%	81.8	(18%)
Capital DEL	8.4	5.4	(56%)	6.5	(29%)
Resource AME	9.6	9.6	0%	3.0	(218%)

A breakdown of spending and income within the net total is shown in section 2.1.

1.4 Key drivers of spending changes

Comparisons to the 19/20 Main Estimate are as follows:

RDEL 2% reduction of £1.9m due to Programme Budget Exchange of £1.9m. Other offsetting adjustments are a switch from RDEL to CDEL for increased investment in IT development expenditure of £0.8m and increased Research and Development Capital £2.2m, offset by EU Exit Reserve funding to enable the Food Standards Agency to prepare for exit from the European Union under a no deal scenario of (£3.0m).

Capital DEL increase of (£3.0m) (56%) is due to the RDEL switch mentioned above for: increased investment in IT development (£0.8m) (of which £0.1m relates to EU Exit ring fenced funding) for EU Exit and National Food Crime Unit data gathering and analysis tools, replacement IT equipment and enhancements to the systems and IT equipment monitoring service within the FSA. FSA has increased Research and Development Capital of (£2.2m) as a result of improving the FSA's evidence base (of which £1.0m relates to funding ringfenced for EU Exit) examples include significant expenditure on Food Allergy Research (£1.0m) and Surveillance work (£1.1m) developing a picture of the food system, its risks (safety, authenticity, assurance) and vulnerabilities, so that FSA, and others, can manage consumer food risks

Resource AME has remained constant.

Comparisons to 18/19 Outturn are as follows:

RDEL increase of (£14.6m), (18%) which is mainly due to: additional EU Exit funding of (£5.7m – (£6.9m additional funding less cap ex switch of £1.2m)) for increased EU Exit preparation activity; an overall underspend to the RDEL limit of (£6.7m) in 18/19 due to a significant underspend in Programme spend due to limitation in resources for investment in Science and Evidence research work whilst prioritising FSA preparations for EU Exit; Budget exchange of (£1.2m) which is funding that was carried forward from the previous year; additional pension funding of (£1.3m) for increased CSPS employer pension contributions; increased depreciation funding (£0.3m) requested at Main Estimate 19/20 due to significant increase in FSA capital asset base due to significant capital investment across Estates and IT. These increases to RDEL funding are partially offset by increased CDEL switches in 19/20 £0.8m.

Capital DEL increase of (£1.9m), (29%) which is mainly due to an underspend to the CDEL limit of (£1.9m) in 18/19. Of which (£1.1m) relates to Research and Development capital due to limitation in resources for investment in Science and Evidence research work whilst prioritising FSA preparations for EU Exit.

Resource AME increase of (£6.6m), (218%) due to the Spending Review allocation allowing for the volatile nature of non-cash AME related expenditure. The actuals for 18/19 came in significantly under the allocation in line with previous years.

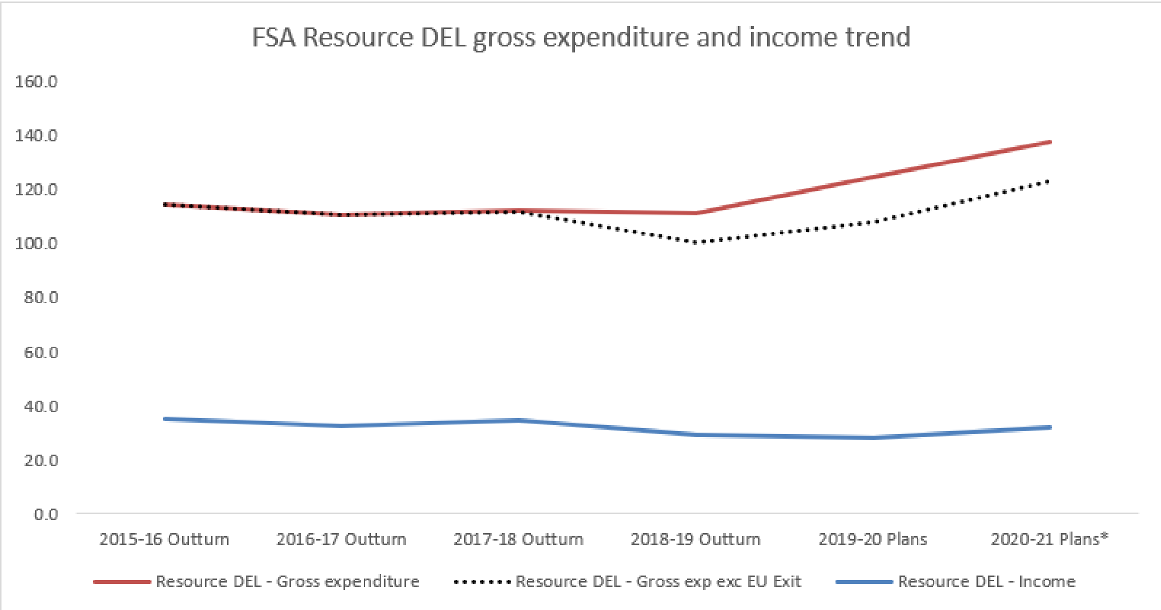
1.5 New policies and programmes; ambit changes

In 19/20, the FSA's priorities are to ensure that food safety and authenticity are not compromised as a result of exiting the EU and delivering a food regulation reform programme 'Regulating our Future' (ROF) see para 3.4 for further details.

There are no changes required to the FSA ambit.

1.6 Spending and income trends

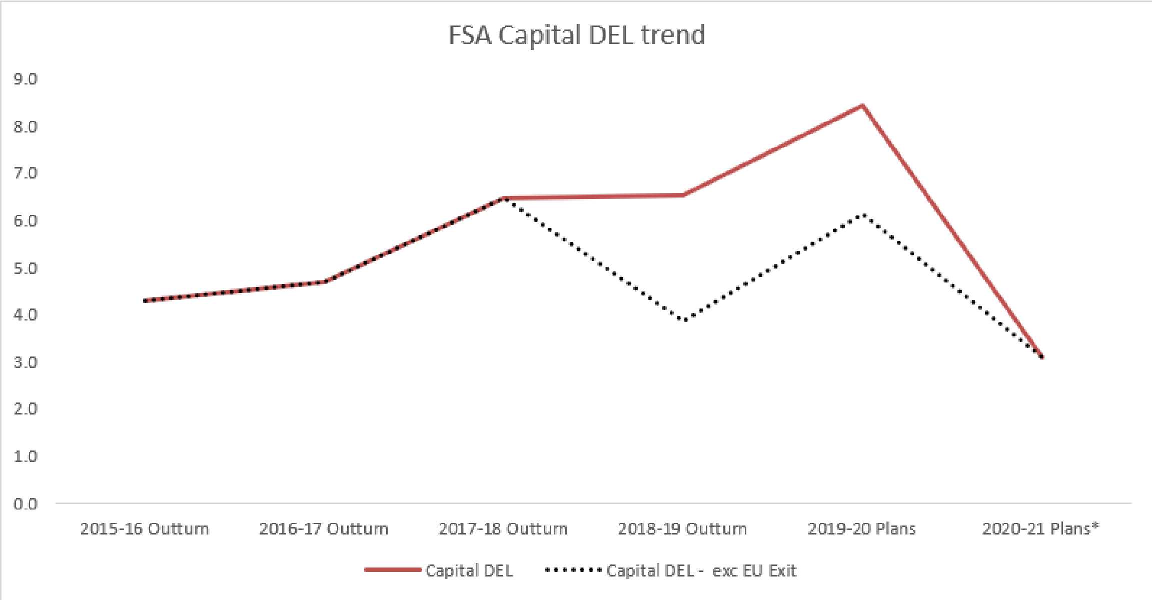
The charts below show Gross Resource DEL spending and income, Capital DEL and Resource AME for the 15/16 – 18/19 outturn, proposed 19/20 Supplementary Estimate and 20/21 plans.



*20/21 plans figures include estimated dep'n (based on 1920) as not yet confirmed.

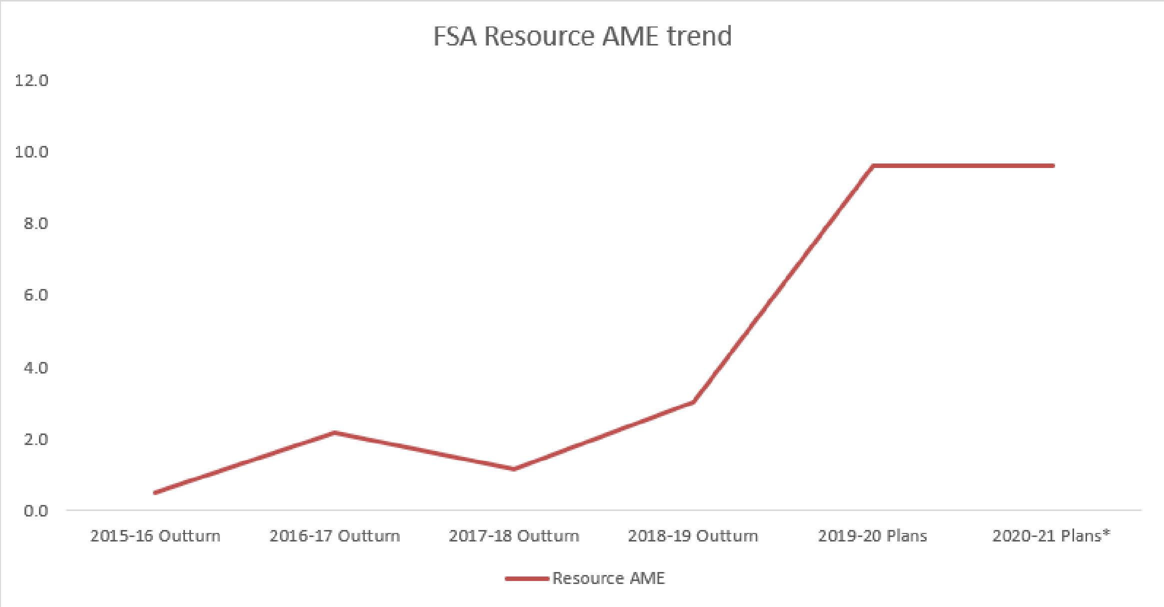
Underlying Resource DEL remains constant with a peak in 19/20 and 20/21 for additional EU Exit funding of £16.7m and £14.6m respectively.

20/21 RDEL Plans increase by (£9.3m) mainly due to the following adjustments made to the original 18/19 plans allocation set out in SR15 which are not repeated in the current 20/21 plans figure; (£3.1m) MOG transfer in 2015 regarding FSA Scotland affecting spending review years 15/16 to 19/20, (£6.8m) capital switch in 19/20 due to increased capital investment funded by programme underspend, (£0.7m) additional depreciation awarded in 19/20, Budget exchange (£0.7m) which is the impact of carrying £0.3m forward from 19/20 to 20/21 which results in a reduction in 19/20 budget offset by an increase of £0.3m in 20/21 causing a (£0.7m) gap between the two periods. All of which are partially offset with a reduction in EU Exit RDEL funding of 2.1m.



*20/21 plans figures exclude R&D allocation as not yet confirmed.

Capital DEL remained fairly constant in 15/16 and 16/17, with an increase in investment in 17/18 of (£1.8m) due to the renewal of obsolete IT hardware and the associated costs of the relocation of the London Office with the introduction of flexible working across the FSA. In 18/19 this remained constant mainly due to additional EU Exit capital investment of (£2.7m) offsetting a reduction in business as usual capital investment. 19/20 Supplementary plans figure increases by (£1.9m) due to increased Research and Development Capital investment of (£3.2m) (of which £1m relates to EU Exit) examples include significant expenditure on Food Allergy Research (£1.0m) and Surveillance work (£1.1m) developing a picture of the food system, its risks (safety, authenticity, assurance) and vulnerabilities, so that FSA, and others, can manage consumer food risks. This additional Research and Development Capital spend is offset by a reduction in general capital expenditure of £1.4m. 20/21 plans then reduce to £3.1m, a reduction of £5.3m. This is due to the Research and Development Capital budget not yet being confirmed by HM Treasury and assumes no switches from RDEL at present for additional capital investment during 20/21.



Resource AME plans figures are non-cash and remain constant at £9.6m, outturn was significantly less in 15/16 – 18/19. The plans limit of £9.6m allows for uncertainty surrounding FSA pension provisions and the volatile nature of AME related expenditure.

1.7 Administration costs and efficiency plans

	Amounts sought this year (Supplementary Estimate 2019-20)	Compared to original budget (Main Estimate 2019-20)		Compared to final outturn last year (Outturn 2018-19)	
	£m	£m	%	£m	%
Admin DEL	51.9	49.3	(5%)	44.2	(17%)

Administration costs are set to increase by (5%) (£2.6m) compared to the Main Estimate allocation, this is due to the reserve claim for EU Exit funding of (£3.0m) to enable the Food Standards Agency to prepare for exit from the European Union under a no deal scenario. This is partially offset by a switch to Research and Development Capital support costs £0.4m – of which £0.2m relates to EU Exit expenditure.

This is a (£7.7m) (17%) increase when compared to the previous year's outturn due to increased EU Exit preparations allocation of (£3.1m); and increased business as usual funding of (£3.0m) when comparing year on year Supplementary Estimate allocations. The additional non-EU Exit funding was mainly due to the Programme to Admin switch of £2.1 agreed in 19/20 Main Estimate to allow the FSA to improve efficiency and service delivery for consumers, and enable the FSA to enhance EU Exit preparations, accelerate regulatory policy work, and ensure that the FSA complies with government controls and security requirements; plus additional pension contributions funding £0.8m. In comparison to 18/19 Supplementary Estimate allocation 18/19 outturn was (£1.5m) underspent.

1.8 Funding: Spending Review and Budgets

The FSA is making a reserve claim in this Supplementary Estimate round for £3m Admin DEL EU Exit funding. This relates to £3m additional Admin funding to enable the Food Standards Agency to prepare for exit from the European Union under a no deal scenario. Utilisation of the funding is currently suspended in line with HM Treasury instructions.

1.9 Other funding announcements

No other funding announcements.

2. Spending detail

2.1 Explanations of changes in spending

Resource DEL

The table below shows how spending plans for Resource DEL compare with the previous budget established at Main Estimate 19/20.

	Amounts sought this year (Supplementary Estimate 2019-20)	Original Budget this year (Main Estimate 2019-20)	Change to original budget (Main Estimate 2019-20)		Note
Subhead	**£m**	**£m**	**£m**	**%**	
A Gross Expenditure	124.5	126.4	1.9	2%	1
A Income	28.1	28.1	0.0	0%	
A Net Expenditure	96.4	98.3	1.9	2%	

Note 1 - The overall 2% reduction in RDEL of £1.9m since the Main Estimate is due to Budget Exchange of (£1.9m), a switch from RDEL to CDEL for increased investment in IT development expenditure of (£3.0m). This increased capital investment consists of £2.2m additional R&D capital expenditure of £2.2m due to increased investment improving the FSA’s evidence base (of which £1.0m relates to EU Exit ring fenced funding) (further details in section 1.4) and additional Capital investment £0.8m (of which £0.1m relates to EU Exit ring fenced funding) funding investment in both EU Exit and National Food Crime Unit data gathering and analysis tools, investment in replacement IT equipment and enhancements to the systems and equipment monitoring service within the FSA. This increase is partially offset by a £3.0m reserve claim for EU Exit funding to enable the Food Standards Agency to prepare for exit from the European Union under a no deal scenario.

Capital DEL

The table below shows how spending plans for Capital DEL compare with the previous budget established at Main Estimate 19/20.

	Amounts sought this year (Supplementary Estimate 2019-20)	Original Budget this year (Main Estimate 2019-20)	Change to original budget (Main Estimate 2019-20)		Note
Subhead	**£m**	**£m**	**£m**	**%**	
A Capital	8.4	5.4	(3.0)	(56%)	1

Note 1 - The Capital DEL increase of (£3.0m), (56%) is due to the RDEL switch mentioned above (£3.0m).

Resource AME

The table below shows how spending plans for Resource AME compare with the previous budget established at Main Estimate 19/20. There is no change.

	Amounts sought this year (Supplementary Estimate 2019-20)	Original Budget this year (Main Estimate 2019-20)	Change to original budget (Main Estimate 2019-20)		Note
Subhead	**£m**	**£m**	**£m**	**%**	
B AME	9.6	9.6	0.0	0%	

2.2 Restructuring

No machinery of government changes have taken place, there have also been no changes to the Estimate subheads or how expenditure is recorded between the years.

2.3 Ring Fenced Budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets

Resource DEL – Depreciation

	Amounts sought this year (Supplementary Estimate 2019-20)	Compared to original budget (Main Estimate 2019-20)		Compared to final outturn last year (Outturn 2018-19)	
	£m	**£m**	**%**	**£m**	**%**
Depreciation	2.6	0.0	0%	(1.3)	(103%)

There has been no increase to depreciation from the limit established at the Main Estimate, depreciation has increased by (£1.3m) since 18/19 outturn due to current and prior year increased capital investment resulting in corresponding increased depreciation charges.

EU Exit

	Amounts sought this year (Supplementary Estimate 2019-20)	Compared to original budget (Main Estimate 2019-20)		Compared to final outturn last year (Outturn 2018-19)	
	£m	£m	%	£m	%
EU Exit Admin	12.2	(2.8)	(23%)	(3.3)	(27%)
EU Exit Programme	3.9	1.0	26%	(2.4)	(60%)
EU Exit Depreciation	0.6	0.0	0%	(0.6)	(100%)
EU Exit Capital	2.3	(1.2)	(51%)	0.4	16%
EU Exit total	**19.0**	**(3.0)**	**(16%)**	**(5.8)**	**(31%)**

There has been an overall (£3m) increase to EU Exit ring fenced funding from the 19/20 Main Estimate funding, this relates to the £3m additional Admin funding to enable the Food Standards Agency to prepare for exit from the European Union under a no deal scenario. Please see section 1.8.

Also, we have made switches within the total EU Exit delegation between RDEL and CDEL of £1.2m, this is as a result of confirming classification of expenditure as either Capital expenditure or Research and Development capital and switching between individual limits accordingly.

2.4 Changes to contingent liabilities

There is no change. The estimate for the existing contingent liability for legal claims remains the same as set in the Main Estimate.

FSA Legal claims: The FSA is subject to various claims and legal actions in the ordinary course of its activities the outcome of which is uncertain.

3. Priorities and Performance

3.1 How spending relates to objectives

Expenditure under subheads A and B supports all the objectives set out in section 1.1 above.

3.2 Measures of performance against each priority

In order to deliver our statutory purpose of protecting public health and the consumers' wider interests in relation to food, we defined and focus on the essential priorities for food safety. In 18/19, they are to ensure that food safety and authenticity are not compromised as a result of exiting the EU, delivering a food regulation reform programme (ROF) and doing the day job exceptionally well.

To measure our performance the FSA uses the following indicators and reports quarterly at Open Board in the Resource and Performance report (link below):

1. Laboratory confirmed human cases in the UK of the four major Food Borne Disease bacterial pathogens (Campylobacter, Salmonella, E. coli O157, Listeria)

2. The % of Food Business Operators (FBO) achieving FHRS ratings of Very Good and those receiving a rating below Satisfactory and the public's awareness of the FHRS Scheme.

3. The % of meat FBOs who are rated as satisfactory or above for compliance.

4. The number of enforcement actions undertaken and the number of referrals and outcome of referral for prosecutions within the Financial Year.

5. The number of incidents received by the FSA and the number of notifications received and alerts raised within the financial year.

6. To deliver and progress against the animal welfare action plan in line with the FSA zero tolerance welfare policy.

7. The % of people who are confident that the food they buy or eat is what it says it is and accurately labelled. The number of people who report following recommended food safety practices in their home.

8. The public's awareness and trust in the FSA including the FSA's public reputation score. The % of people who believe/accept the FSA's messages.

9. Businesses engagement with the Caloriewise scheme inclusive of the number of users on MenuCal and the number of recipes available on MenuCal.

10. FSA as a great place to work inclusive of staff attrition and sickness numbers and Civil Service People survey engagement.

The above constitutes the routine reporting for the FSA. In addition to this the FSA Board receives additional papers and slides providing updates, progress and risks for other areas of the FSA remit. The Performance and Resource Report links and the Annual Report and Accounts for 2018/19 – 2019/20 will provide the most recent indicator data for the above areas and additional papers also outline progress in other areas as presented to the Board for discussion and decision.

* FSA Board Agenda and papers:

**https://www.food.gov.uk/about-us/our-board

* 18/19 Quarter 3 Performance and Resource Report:

* 18/19 Quarter 4 Performance and Resource Report:

* 18/19 Annual Report and Accounts:

* 19/20 Quarter 1 Performance and Resource Report:

* 19/20 Quarter 2 Performance and Resource Report:

3.3 Commentary on steps being taken to address performance issues

As highlighted, the FSA Board receives updates on progress for those areas relating to responsibilities and requirements of the FSA. Specific focus for 19/20 includes:

EU Exit

- FSA 18/06/19 - EU Exit

Regulating Our Future (ROF)

- 06/06/19 - Regulating Our Future (ROF) delivering a modernised model for food standards official controls

Food Hypersensitivity

- 04/09/19 - Update on FSA’s Work on Food Hypersensitivity and the Implementation of the Allergen Labelling Review Outcomes
- 05/06/19 - Update on FSA's work on food hypersensitivity and the Government's allergen labelling review
- Food Hypersensitivity and The Government’s Allergen Labelling Review
- FSA 20-01-08 – Food Hypersensitivity Strategy

National Food Crime Unit (NFCU)

- FSA 20-01-18 – National Food Crime Unit – Update on progress

Meat Cutting Plant and Cold Store cutting review

- FSA 17/06/19 - Cutting plant and cold store review recommendations - progress update

3.4 Major projects

EU Exit

The FSA is focused to deliver exit from the European Union under any scenario, ensuring UK consumers can continue to access food that is as safe to eat as it is now, and that the UK can maintain, and build on, its reputation as a strong trading partner. In particular, delivering an effective imports and exports regime for food, strengthening the UK's resilience to threats such as food incidents and food crime. All FSA's projects to mitigate the impact of a no deal were day 1 ready at the beginning of 19/20 and their readiness was maintained in light of each extension during the course of the financial year. Following the General Election and the new Government's focus on the Withdrawal Agreement, the FSA is now rescoping its EU Exit activity to prepare for the commencement of the implementation period in accordance with the Withdrawal Act provisions. In 19/20 FSA received £16M, with a further £3M in year to specifically address no deal readiness. In 20/21 this allocation will be £14.6m plus depreciation funding which is yet to be confirmed.

Regulating our Future (ROF)

The FSA's objective is 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. The FSA is forecasting to have invested £1.1m into this project during 19/20.

4. Other information

4.1 Additional specific information required by the select committee

Not applicable at present.

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Accounting Officer.

Emily Miles
Accounting Officer
Food Standards Agency
03 Feb 2020

Annex 1: DEL Funding

	Resource DEL	Resource AME	Capital DEL	Detail
Original Spending review allocation (SR15)	**86.8**	**10.0**	**0.5**	
Supplementary Estimate 1516	(3.1)	(0.4)		Scotland MOG transfer
Main Estimate 1617	(7.5)		7.5	Research and Development reclassification
Main Estimate 1718	4.2		(4.2)	Adjustment to R&D reclassification
Main Estimate 1819	0.4			Increased dep'n funding
Supplementary Estimate 1819	1.6			Budget Exchange
Main Estimate 1920	1.3			Additional funding for Employers Pension contributions
Main Estimate 1920	(0.5)		0.5	Switch from RDEL to CDEL
Main Estimate 1920	0.3			Increased dep'n funding
Main Estimate 1920	14.9		1.1	Reserve funding EU Exit
Supplementary Estimate 1920	3.0			Reserve funding EU Exit - no deal scenario
Supplementary Estimate 1920	(1.9)			Budget Exchange
Supplementary Estimate 1920	(3.0)		3.0	Switch from RDEL to CDEL
Total	**96.4**	**9.6**	**8.4**	