



To: Chair, Health Select Committee

Date: 31 March 2017

FSA SUPPLEMENTARY ESTIMATE 2016-17 - QUESTIONS AND RESPONSES

Introduction

The purpose of this memorandum is to provide the Health Select Committee with FSA's responses to the questions raised following scrutiny of the 2016-17 Supplementary Estimate. For reference and context Annex A contains a note of FSA's current spending plans.

HSC Questions and FSA Responses:

1. Why was there such a large reduction in the estimate for R and D capital expenditure in the supplementary estimate?

- i. Effective from April 2016 HM Treasury (HMT) introduced policy that specific R&D expenditure should be reclassified as Capital in Budgets and Estimates reporting, this is not applicable to the Resource Accounts.
- ii. FSA calculated an initial estimate of £7m R&D capital and £0.5m R&D support costs to be reclassified at the 2016-17 Main Estimate, this was an approximate figure given the short reporting timescale.
- iii. It was discussed with our HMT Health Spending Team contact that this was very much approximate and would need confirming once more time was available – they agreed that there would be flexibility around making adjustments to this figure at the Supplementary Estimate.
- iv. Since this date extensive work has been invested in R&D reporting, devising a method / process to capture all relevant R&D capital and support costs. This approach has been discussed with and approved by NAO. The method also involves individual project manager input and senior scientific review.
- v. This has resulted in a more accurate estimate of R&D reclassification figures for 2016-17 and future years.
- vi. The FSA requested an adjustment to the 16-17 Supplementary Estimate (and 17-18 Main Estimate for future periods) to reflect the up to date accurate Research and Development Capital and support cost figures. This adjustment is DEL neutral.

1a. Is the Department re-evaluating how it estimates this in the future?

The evaluation has been completed and R&D Estimates adjusted for 2017-18, 2018-19 and 2019-20 based on current knowledge. It is likely that further adjustments will be required in subsequent Main and Supplementary rounds to ensure that FSA delivers its strategic objectives. However, these are likely to be of a much lower value.

1b. Is there any work which has been postponed or will not be taken forward as a consequence of this change?

No, this is purely an expenditure classification change and all programmes have and will continue to proceed as planned to deliver FSA's Strategic Plan, which can be viewed at the following link:

<https://www.food.gov.uk/about-us/about-the-fsa>

2. Were there any spending pressures that necessitated the transfer from capital to resource this year?

No there weren't any spending pressures necessitating the switch. The switch is to correct the classification change. The total amount of planned R&D expenditure is not changing, just the split in classification between Resource and Capital. This adjustment is DEL neutral.

Chris Hitchen

Director of Finance and Performance

Annex A - Spending Review (SR15) Plans

FSA Westminster	£m	2016-17	2016-17	2017-18	2018-19	2019-20
		Plans	Forecast Outturn	Plans	Plans	Plans
Administration Expenditure		34.7	34.1	41.5	35.2	35.2
Depreciation (ring-fenced)		2.1	2.0	1.7	0.9	0.9
Total Admin		36.8	36.0	43.2	36.1	36.1
Programme Expenditure		41.7	41.2	37.1	43.8	43.9
Depreciation (ring-fenced)		0.4	0.2	0.3	0.4	0.4
Total Programme Expenditure		42.0	41.4	37.4	44.2	44.3
Total RDEL		78.8	77.4	80.6	80.3	80.3
Capital (CDEL)		2.0	1.3	2.6	0.6	0.5
Capital (R&D)		3.7	3.8	3.3	3.3	3.3
Total Capital		5.7	5.1	5.9	3.9	3.8
Total RDEL and CDEL		84.5	82.5	86.6	84.2	84.1
Annually Managed Expenditure (AME)		9.6	2.3	9.6	9.6	9.6
Total Delegation From Treasury (RDEL+CDEL+RAME)		94.1	84.8	96.2	93.8	93.7
Total Resource Budget (RDEL + RAME)		88.4	79.7	90.2	89.9	89.9
Capital (CDEL)		5.7	5.1	5.9	3.9	3.8
Total Departmental Spending (exc dep'n)		91.6	82.6	94.1	92.5	92.4