

2022/23 Budget Update

1 Purpose of the paper

- 1.1 The purpose of this paper is for discussion and to provide the Board with an update on our budget allocation as a result of developments since the Board discussed the 2022/23 budget at their March meeting.
- 1.2 The Board is asked to:
 - **Note** that the Executive has progressed with the 2022/23 budget allocation as outlined to the Board at its March meeting to fund essential core activity, previously understood EU Exit requirements, the Regulatory Strategy and Nutrition work programmes.
 - **Note** the risks and issues associated with the budget for 2022/23.
 - **Note** ongoing discussions with Scottish Government (SG) relating to an additional funding bid.

2 Strategic aims

- 2.1 This work supports delivery of all the strategic outcomes and goals in our strategy to 2026 with the focus on the first three years detailed in the published corporate plan. This includes our key programmes of work (Regulatory Strategy and Nutrition).

3 Background

- 3.1 The resource allocation for 2022/23 is £22.6m. In the Budget Bill we were also provided with an Annual Managed Expenditure (AME) budget of £0.4m which will likely not be sufficient to meet the FSS pension liabilities. Further AME budget will be allocated at the Spring Budget Review (SBR) following discussions with SG Health finance.
- 3.2 In addition, FSS will receive £0.3m funding for the Scottish pilot contributing to the UK Pathsafe research programme. This budget will be part of the UK/SG budget transfers at SBR.
- 3.3 The current planning assumption for resource allocation is that the resource budget will be used to deliver our statutory functions, essential core activity (ECA), as well as continued delivery across our work programmes for Regulatory Strategy and Nutrition. The budget takes account of the organisational structure implemented in April 2021 for FSS to have the capacity and capability to deliver additional requirements as a result of the UK's exit from the EU. We have internally allocated the resource budget for planning, monitoring and reporting purposes

EU Exit

- 3.4 As the Board are aware it had become clear that further funding would be required in order for FSS to deliver in terms of both our Strategy and Corporate Plan and additional requests as a result of EU Exit. A new business case was submitted to SG to outline the rationale for additional funding for a number of areas of work as detailed in the FSS 2022-25 Workforce Plan. These discussions are ongoing but with the recent announcement of the SG Resource Spending Review, ELT and the Board have agreed to look again at year 2 Corporate Plan deliverables with a view of work reprioritisation (see agenda item 7).
- 3.5 Any further funding that is approved by SG will be allocated later in year at SBR.

4 Discussion – Allocation of Budget

Essential Core Activity

- 4.1 As part of the budget planning round there has been a greater value of bids than budget available to support the delivery of our strategy and corporate plan. £24.8m resource budget has been internally allocated between Essential Core Activity and Work Programmes and is the basis for forecasting across FSS. The over allocation of the budget will be subject to ongoing review and form part of our usual monthly budget and forecasting updates. After the end of the first quarter the forecast outturn for the year will be formally reviewed and an assessment made as to whether some projects or activities need to be paused or stopped to enable the expenditure to be brought within budget.
- 4.2 The final budget update in April provided a further review of the allocation of the budget as well as take account of any new additional requirements. The budget has been allocated across five budget category areas as well as across our five new strategic outcomes and six goals. The tables in Annex A provide the high level summary of this allocation including the percentage spend against each of the outcomes and goals where for example 42% of the budget is for delivery against Strategic Outcome 1 – Food is Safe and Authentic.
- 4.3 The Staff budget is based on 330 posts being filled and fully funded during the whole of the financial year. We were carrying a number of vacancies at the end of 2021/22 and it is expected that updates to forecast will show an underspend against the staff budget that will continue for at least the first two quarters of the current year until posts are filled.
- 4.4 A number of recruitments are in progress for business as usual work, some as a result of backfilling vacancies when posts have become vacant when staff left FSS. This work is now continuing as part of our core activities with the aim to drive forward recruitment for the organisation.
- 4.5 Administration (running costs) budget has ensured ongoing costs across the business can be met for areas such as accommodation costs, training, shared

services etc. The programme budget allocation across core activity is largely based on continued obligations around the delivery of official controls (£3.5M) including feed delivery; Local Authority enforcement delivery support & Food Crime/Incidents management (£0.6m); food safety research, analysis and risk assessment (£1.4m) and; Communications and Marketing (£0.3m). We continue to provide support to the Fish Export Hubs in Scotland that we are managing on behalf of SG. Expenditure in delivering this service is fully recovered by charging the three hubs for the issue of export health certificates.

- 4.6 The budget bids exercise led to increased requirements in some areas for instance events and training, travel and accommodation as we transitioned to normal business activities following the Covid 19 pandemic. Promotion for some events e.g. Royal Highland Show has moved back to in person events so additional expenditure has been required here.
- 4.7 A number of new programme and capital bids will be required to be taken forward via a procurement exercise carried out by SG procurement shared services who take forward the procurement tenders for FSS. Work is ongoing to prioritise activities, together with existing contract renewals or extensions, to ensure that key projects are delivered within the timeframes required.
- 4.8 Any further funding proposals that come forward will go through a process of prioritisation that will require further discussion by the Executive. The intention is that this will support the Executive to deliver the strategic outcomes and to make decisions on what may or may not be funded depending on the final financial position we find ourselves in.

Programmes of work

- 4.9 The two programmes of work for Diet & Nutrition and Regulatory Strategy (RS) are continuing into the current financial year. The total budget for the programmes is £1.8m, with £1.1m for Nutrition and £0.7m for RS.
- 4.10 The Regulatory Strategy programme has been reviewed in terms of delivery, priority of work and resource requirements which are in the process of being implemented.
- 4.11 With regards to the Nutrition programme work is continuing with key projects that are already underway and ones that FSS will contribute to delivering in the short-term including bringing forward legislation to restrict the use of promotions on food and drink high in fat, sugar and salt over the next parliament.

5 Options appraisal [if required]

- 5.1 N/A

6 Identification of risks and issues

- 6.1 As part of our approach to managing risk, we continue to identify one of the main risks we face as an organisation is our budget being reduced or being impacted by wider financial pressures across the Scottish administration. SG recently completed the Resource Spending Review (SBR) for the next five years to 2027. FSS submitted an additional funding requirement in our bid at SBR in line with our business case. However, this request was not approved and our resource budget has been flat lined at £22.7m for the four years from 2023/24.
- 6.2 SG Health Finance officials have continued to engage with FSS to ensure that its business and associated EU exit pressures are appropriately understood. Regular dialogue will continue with SG colleagues to ensure they are kept informed of issues faced by the organisation
- 6.3 There is a risk that some of the project activity within our Programme budget might not be spent due to procurement issues and delays. This is something that we will monitor closely during the year so we can identify any underspends early, including within the Research Programme, that could then be repurposed elsewhere.
- 6.4 The staff costs in the budget allocation in Figure 1 reflects a provisional 2% pay settlement and any pay progression as staff move up their pay grades. The public sector pay policy for 2022/23 is currently under review which will apply to all staff on SG Main terms and conditions. The staff costs will need to be reviewed when the pay policy is confirmed.
- 6.5 Delays in recruitment continues to be an issue although some improvement has been made with the introduction of a new recruitment portal for managers and candidates. The main area of risk remains with Official Veterinarians (OV) recruitment and we continue to use locum staff to provide cover for vacancies in the short term.

7 Equality Impact Assessment and Fairer Scotland Duty

- 7.1 The budget is used to deliver the outcomes and goals in the FSS strategy and corporate plan. Both of these documents were finalised in 2021 and are published on our website. An Equality Impact Assessment (EQIA) and the review of the Fairer Scotland Duty was included in the Board paper at the time.
- 7.2 The current budget allocation is aligned to both the strategy and corporate plan and there is no new areas of business that FSS is responsible for delivering in the current year. Therefore the assessment is that no further review or update is required of the current Equality Impact Assessment (EQIA) and Fairer Scotland Duty requirements from that completed in 2021.

8 Conclusion/Recommendations

8.1 The focus for this year will be to ensure the delivery of essential business activities including carrying out our statutory functions and our two programmes of work to meet the aims of our strategic outcomes and goals.

8.2 The Board is asked to:

- **Note** that the Executive has progressed with the 2022/23 budget allocation as outlined to the Board at its March meeting to fund essential core activity, previously understood EU Exit requirement, the Regulatory Strategy and Nutrition work programmes.
- **Note** the risks and issues associated with the budget for 2022/23.
- **Note** ongoing discussions with SG relating to an additional funding bid.

Please direct queries to:

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Annex A

Budget allocation by Strategic Outcome 2022-23	Food is safe and Authentic	Consumers Have Healthier Diets	Responsible Food Businesses are enabled to thrive	Consumers are empowered to make positive choices about food	FSS is a trusted organisation	Total Budget Allocation
Staff	10,488,340	1,461,503	1,717,049	1,554,386	2,902,779	18,124,058
Administration	1,591,300	772,371	878,911	777,191	947,114	4,966,887
Programme	2,243,686	602,100	1,386,375	595,100	1,812,651	6,639,913
Capital	61,700	61,700	351,900	61,700	76,700	613,700
Income	(4,020,805)	0	(559,736)	0	(954,863)	(5,535,404)
Total Core Activities	10,364,221	2,897,674	3,774,500	2,988,377	4,784,382	24,809,154
% of budget allocated to strategic outcome	42%	12%	15%	12%	19%	

Figure 1 - Allocation of budget to Strategic Outcomes

Budget allocation by Goal	GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5	GOAL 6	Total Budget Allocation
2022-23							
Staff	7,728,031	5,133,909	2,053,436	1,141,049	1,080,717	986,917	18,124,058
Administration	1,177,495	1,087,612	676,051	679,801	712,954	632,974	4,966,887
Programme	1,468,818	1,406,818	1,600,847	803,513	772,318	587,600	6,639,913
Capital	56,083	346,283	71,083	56,083	28,083	56,083	613,700
Income	(2,349,264)	(2,349,916)	0	(418,112)	(418,112)	0	(5,535,404)
Total Core Activities	8,081,163	5,624,706	4,401,417	2,262,334	2,175,960	2,263,574	24,809,154
% of budget allocated to Goals	33%	23%	18%	9%	9%	9%	

Figure 2 - Allocation of budget by Goals

By Goal
 GOAL 1 - A food safety and standards assurance system that commands international respect and consumer confidence, supporting the Scottish economy beyond EU Exit
 GOAL 2 - A regulatory system that engages with businesses to educate and enable compliance, rewards best practice and applies appropriate sanctions when laws are broken.
 GOAL 3 – A research and data science capability which enables us to detect risks, monitor public health trends and consumer behaviours and translate evidence into action.
 GOAL 4 – A food environment which empowers consumers to make safe, healthy and sustainable choices.
 GOAL 5 – Be respected as an authority on food protection and public health nutrition, promoting change through impactful relationships within and beyond Scotland that enable us to influence, learn and collaborate.
 GOAL 6 – Engage with all parts of society in Scotland; understanding the issues that matter to consumers and providing information that is tailored to their needs.