

## Financial Approach for 2023/24

### 1 Purpose of the paper

- 1.1 The purpose of this paper is for discussion and to provide the Board with an overview of the process undertaken by the Senior Leadership Team (SLT) with regards to our budget allocation for 2023/24.
- 1.2 FSS has been allocated £23m for the next financial year which includes £0.4m for Annually Managed Expenditure (AME) as detailed in the [Scottish Budget: 2023-24](#). The resource and depreciation budget of £22.6m will be allocated through our annual business planning round for 2023/24. This budget will be used to deliver the priorities identified in the [FSS Reprioritisation Exercise Paper](#) presented to the Board at their meeting on 7 December 2022 including our statutory functions for food and feed, the Regulatory Strategy & Scottish Authorities Food Enforcement Rebuild (SAFER) and Diet and Nutrition programmes as well as essential underpinning core activities.
- 1.3 The Board is asked to:
  - **Discuss and provide a view** on the indicative budget allocation of the resource budget made by SLT for 2023/24.
  - **Note** the risks and issues being considered as part of the final budget allocation for 2023/24.

### 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.

### 3 Background

- 3.1 The Board will be aware of the annual approach SLT complete each year to determine the best use and allocation of our resource budget. A similar approach is being undertaken this year. Due to the work on the reprioritisation exercise and the implementation of the interim structure, we have not yet finalised budget planning for the year however can provide the initial overview of budget bids.
- 3.2 Our baseline resource allocation for 2023/24 is £22.6m. This is the same resource budget that was allocated for 2022/23. This is a real terms cut in our budget by approx. £2m due to current high inflation rates.
- 3.3 In addition, FSS will receive £0.2m funding from the Food Standards Agency (FSA) to deliver the Pathsafe project being delivered by the Food Protection Science and Surveillance Branch.

## 4 Discussion – Allocation of Budget

- 4.1 The new interim structure of the organisation was implemented in February 2023 and our budget allocation aligns with this structure as well as our strategy.
- 4.2 An overview of the indicative resource budget allocation across our key categories areas of expenditure is shown in Annex A. As part of the budget planning round there has been a greater value of bids than budget available to support the delivery of our strategic priorities. The bids are currently going through a degree of review and revision that will require further discussion and approval by SLT. We are looking at a staff/non staff split as a means of managing resources and then staff in post will need to be managed within those parameters.
- 4.3 The Staff budget allocation is on the basis of an indicative 320 posts being filled during the year with a built in 5% vacancy assumption, a conservative percentage based on the current level of vacancies in the organisation. We anticipate that the actual staff in post will likely be less than this during the forthcoming year if staff turnover in the last year and continuing challenges with recruitment timelines are taken into account.
- 4.4 The Administration budget is looking to ensure that ongoing costs across the business can be met. These are the running costs for the business including those for Pilgrim House (e.g. rent, rates and utilities), shared service delivery (e.g. IT, HR, procurement and legal), health & safety, training as well as travel, subsistence and conference events. This also covers non cash elements for depreciation and external audit charges.
- 4.5 The proposed Programme budget allocation across core activity is largely based on continued obligations around the delivery of official controls for food and feed (£3.6m); Scottish Authorities enforcement delivery support & Food Crime/Incidents management (£0.4m) and; Communications and Marketing (£0.2m).
- 4.6 In addition, our science and evidence work is delivered through the Food and Health Research Programme which includes projects already contracted with committed spend as well as new project ideas, all being assigned to one of seven research themes. This Programme also includes the majority of projects for Diet & Nutrition activity. An indicative £1.6m is being allocated to the programme.
- 4.7 There is work underway to implement a new programme of work for SAFER which will replace the Regulatory Strategy programme into the next financial year. In addition, a further programme is being considered to support the delivery of our Digital & Data strategy.
- 4.8 Once our in-year budget round has been completed then an update of the budget allocation will be available and reflect the accurate allocation of the budget for next year. At that time this information will be shared with the Board. We will also be able to provide an indication on how the budget is directed across each of the five strategic outcomes.

## 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 due to the ongoing financial challenges in the public sector.
- 6.2 SG Health Finance officials have continued to engage with FSS to ensure that its business and associated pressures are appropriately understood. Regular dialogue will continue with SG colleagues to ensure they are kept informed of pressures and issues faced by the organisation
- 6.3 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. Factoring in this assumption gives an overall increase of approx. 5.5% in the salary costs for the year leading to a 3.8% cut in available budget.
- 6.4 The public sector pay policy for 2023/24 is currently under review. The staff costs will need to be revised when the pay policy is confirmed and any change to the initial assumption will be taken into account as part of the in-year review budgeting exercise during the year.
- 6.5 The indication from the figures in Annex A is that the budget will be over allocated by at least £0.5m. We are still finessing the allocation between the budget categories, including what our income is likely to be for the year factoring in the new charging rates. Any over allocation of budget will be a risk for the organisation and will be monitored through our monthly financial reports.

## 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 When the budget allocation is finalised the Equality Impact Assessment (EQIA) and Fairer Scotland Duty will be reviewed to determine where any further updates are required to either of these requirements.

## 8 Conclusion/Recommendations

- 8.1 The focus for FSS for the year ahead will be to focus on the priorities identified in the reprioritisation exercise including delivering our statutory functions and

programmes of work underpinned by essential business activities to meet the aims of our strategic plan.

8.2 The Board is asked to:

- **Discuss and provide a view on** the indicative budget allocation of the resource budget made by SLT for 2023/24.
- **Note** the risks and issues being considered as part of the final budget allocation for 2023/24.

Please direct queries to:

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## Annex A

## FSS Indicative Budget Allocation 2023/24

Budget Category	Budget Allocation 2023/24
Staff	17,790,825
Admin	4,310,523
Programme	5,665,891
Capital	198,460
Gross Budget	27,965,698
Income	(4,614,161)
Net Budget	23,351,537