

## Financial approach for 2021/22

### 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 Executive with regards to our budget allocation for 2021/22.
- 1.2 FSS has been allocated £19.5m for the next financial year which includes £0.4m for Annually Managed Expenditure (AME) as detailed in the [Scottish Budget 2021-22](#) published on 28 January. The resource and depreciation budget of £19.1m will be allocated through our annual business planning round for 2021/22. This budget will be used to deliver our statutory functions, continued delivery across our Regulatory Strategy and Nutrition programmes as well as Essential Core Activity including new activities that are now part of our business as usual work following the UK's exit from the EU.
- 1.3 The Board is asked to:
  - **Note** the indicative budget allocation of the resource budget made by the Executive for 2021/22.
  - **Note** the assurance that further funding of upto £3.5m, as detailed in our EU Exit business case, will be transferred in year as part of the Spring Budget Review (SBR) budget.
  - **Note** the risk and issues being considered as part of the final budget allocation for 2021/22.

### 2 Strategic Aims

- 2.1 The new FSS strategy for 2021-26 is currently being finalised that will map how the organisation plans to deliver its vision and objectives over the next five years.
- 2.2 This work supports delivery of all the strategic outcomes and goals in the new strategy including our key programmes of work (Regulatory Strategy and Nutrition).

### 3 Background

- 3.1 The Board will be aware of the annual approach the Executive 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 impact that the ongoing Covid-19 pandemic is having on the organisation and the resultant delay in recruiting for our Future 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 21/22 is £19,1m which is a progressive budget increase from our allocation of £15.6m prior to the EU Exit consequentials being agreed. The budget for FSS will be finalised when the Budget Bill is approved by Parliament.

- 3.3 The increase in funding for the next financial year was agreed by Ministers in 2019 to deal with the consequences of exiting the EU from 2020-21 and beyond. As mentioned in para 1.3, further additional budget of £3.5m will not form part of the formal FSS budget allocation until SBR in January 2022. We have internally allocated this additional budget for planning, monitoring and reporting purposes. SG have confirmed the arrangements to the Accountable Officer that monies will be available as required up to the £3.5m limit.
- 3.4 A future structure has been developed to ensure we have the capacity and capability to deal with new and increased requirements that leaving the EU placed on FSS. The priority posts and first phase of the revised recruitment plan for the new structure have been completed with 38 out of the 61 posts recruited for Pilgrim House across a number of areas including Strategic Engagement, Policy and Science, International Assurance and Risk Assessment. The posts recruited so far has enabled us to support the UK's future relationship with the EU, finalise UK Frameworks and put in place arrangements for risk assessment and risk management decision making. In addition, the recruitment for the new leadership team is well underway with the Heads of Communications and LA Delivery being the final two senior positions.
- 3.5 Phases 2 and 3 of the plan are in progress with recruitment for a further 14 posts started with the final phase to follow in the first quarter of next year. In addition, 17 posts earmarked for Operations are currently in review to determine priority and phasing to meet the requirements for the operational delivery team.

#### **4 Allocation of Budget**

##### Essential Core Activity

- 4.1 At the start of 2020-21 the work that was completed to move to the new structure was put on hold due to Covid-19. The work to create the new financial reporting structure and recruitment phasing was revisited during the year and continues to move forward to enable the full transition into the future structure to take place from 1 April 2021. Therefore we are still in the process of completing the budgeting exercise for 2021-22 to align with the new structure as well as our new strategy.
- 4.2 The current budget bids submitted by each branch as well as our two programmes gives an indicative allocation of resource across our new five strategic outcomes and six goals, and the high level allocation for both 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 strategy and corporate plan. The bids are currently going through a degree of prioritisation that will require further discussion by the Executive. The intention is that this will support both the Executive and Board to make decisions on what may or may not be funded depending on the final financial position we find ourselves in.
- 4.3 Further consideration will need to be given to the additional requirement for support to the Fish Export Hubs in Scotland that FSS is managing on behalf of SG and also when we become the central competent authority in April for the delivery of official controls for Feed. Delivery models and partnership working

are still being developed as well as budget requirements for these new areas of work including implementing full cost recover for the hubs.

- 4.4 The budget for delivering essential core activity and our two programmes of work have been allocated across the budget category areas shown in Figures 1 & 2 as well as an indication on how the budget is directed across each of the five strategic outcomes and goals i.e. 40% of the budget is planned to delivery against Strategic Outcome 1 – Food is Safe and Authentic.
- 4.5 The indicative Staff budget allocation is on the basis of all posts (333) being filled and funded for the full financial year. However, we know at the start of the year that staff in post will be less than this due to current vacancies and therefore budget for Staff cost will be less than indicated. We are looking to have a vacancy assumption in place, possibly around 5%, so can have flexibility in allocation of available budget to deliver priorities. The Administration (running costs) budget has ensured ongoing costs across the business can be met. The costs are in line with usual corporate spend with some provision made for returning to ‘normal’ levels of activity with bids or travel, accommodation, training and conferences. The programme budget allocation across core activity is largely based on continued obligations around the delivery of official controls including new feed law functions (£3.6m); Local Authority enforcement delivery support & Food Crime/Incidents management (£0.3m); food safety research and risk assessment (£0.8m) and; Communications and Marketing (£0.2m).
- 4.6 Once the budget has been confirmed and our in-year budget round has been completed then an update of the budget allocation will be available that will reflect the accurate allocation of the budget for next year. We are also in the process of developing our longer term financial management plan and are collating indicative budgets for each year of our new strategy. When available both of these updates will be shared with the Board.

#### Programmes of work

- 4.7 The intention is to continue with our two current programmes of work Diet & Nutrition and Regulatory Strategy into the next financial year. The total indicative budget for the programmes is £2.1m. The Executive is considering whether to set up a separate Digital Programme.
- 4.8 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. With regards to the Nutrition programme further consideration is being given to FSS’s role in terms of diet and nutrition including collaborations with other organisations. Work is continuing with key projects with a review taking place of programme resource requirement for the coming year.

#### Recruitment for Future Structure and ECA

- 4.9 We expected a high level of internal interest in promoted posts as part of the future structure and this has been the case during the year when a number of staff have been successful in gaining promotion. This has led to vacancies in the posts that have been vacated within core activity work areas.

4.10 The objective of having all staff in place by the end of 2020/21 and within the indicative timescales set out in at the start of the year was going to be extremely challenging, even without the Covid pandemic interrupting our plans. Therefore not all staff are in place as projected although around 50% of posts have been recruited. This work will continue into next year as part of our core activities with the aim to drive forward recruitment in the current phases, and the recruitment plan will be regularly monitored and reviewed.

## **5 Identification of risks and issues**

5.1 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 pandemic. We have agreement for the full costs of our EU exit business case. The actual expenditure incurred will be reviewed during the year as we may not be able to spend the full allocation granted in the business case for instance if Covid continues to have an impact eg recruitment delays and therefore budget requirement may be less than expected.

5.2 The work being done for the financial management plan and workforce planning may highlight risks around increasing headcount costs removing any prior budget flex we had in terms of programme for example and longer term risks around increasing staff costs more generally.

5.3 The staff costs in the budget allocation in Figures 1 & 2 reflects a provisional 2% pay settlement and any pay progression as staff move up their pay grades. The recently announced public sector pay policy for 2021/22 indicates a 1% increase on basic pay. The staff costs will need to be revised when the pay policy is confirmed and any reduction will be taken into account as part of the budgeting exercise for the forthcoming year.

## **6 Post EU exit considerations**

6.1 This will be another challenging year that will be complex amid the developing nature of the UK's relationship with the EU and also extremely difficult as the Covid pandemic and current restrictions continue. We have lost access to some of the European-wide resources and functions and there are some ongoing issues particularly in relation to fish export hubs and certification. There is a longer term impact of work on FSS for example in relation to Official Control laboratories, food crime and incidents as well as imports/exports, all of which require resource from a variety of areas across FSS.

6.2 We will be bringing to a close our EU Exit programme of work at the end of March however some of the work will transition into business as usual and be taken forward by our Strategic Engagement team. Therefore FSS will still need to commit resources to keeping up with developments on EU food and feed law and we will still need to invest effort into EU and indeed international matters such as Codex, the international body for food safety standards.

## **7 Conclusion/Recommendations**

7.1 The focus for FSS for the year ahead will be to ensure the delivery of essential business activities including carrying out our new and existing statutory functions and our two programmes of work to meet the aims of our new strategic plan. This will be at the same time as continuing with the development of our future structure, finalising our new strategy and corporate plan and taking over new areas of responsibility.

7.2 The Board is asked to:

- **Note** the indicative budget allocation of the resource budget made by the Executive for 2020/21.
- **Note** the assurance that further funding of upto £3.5m, as detailed in our EU Exit Business case, will be transferred in year as part of the budget review.
- **Note** the risk and issues being considered as part of the final budget allocation for 2020/21

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## Annex A – 2021/22 Indicative High Level Budget Allocation

Budget allocation by Strategic Outcomes 2021-22	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	9,483,355	1,757,066	1,732,087	1,801,136	2,656,717	17,430,362
Administration	1,453,412	660,816	728,401	658,121	812,090	4,312,840
Programme	2,160,322	786,850	1,001,072	548,150	1,332,039	5,828,432
Capital	324,000	4,000	44,000	154,000	209,000	735,000
Income	(3,923,898)	0	(109,566)	0	(531,252)	(4,564,716)
<b>Total Core Activities</b>	<b>9,497,191</b>	<b>3,208,732</b>	<b>3,395,994</b>	<b>3,161,407</b>	<b>4,478,594</b>	<b>23,741,918</b>
% of budget allocated to strategic outcome	40%	14%	14%	13%	19%	

Figure 1 Indicative FSS budget allocation by Outcomes 2021/22

<b>Budget all by Strategic Goals 2021-22</b>	<b>GOAL 1</b>	<b>GOAL 2</b>	<b>GOAL 3</b>	<b>GOAL 4</b>	<b>GOAL 5</b>	<b>GOAL 6</b>	<b>Total Budget</b>
Staff	6,213,845	5,420,014	2,055,339	1,352,002	1,219,667	1,169,495	17,430,362
Administration	1,069,869	1,011,379	558,020	560,855	579,963	532,753	4,312,840
Programme	1,330,803	1,348,302	1,263,216	723,590	785,690	376,830	5,828,432
Capital	278,320	203,320	18,340	78,340	78,340	78,340	735,000
Income	(2,204,462)	(2,204,462)	0	(77,896)	(77,896)	0	(4,564,716)
<b>Total Core Activities</b>	<b>6,688,375</b>	<b>5,778,553</b>	<b>3,894,915</b>	<b>2,636,891</b>	<b>2,585,765</b>	<b>2,157,418</b>	<b>23,741,918</b>
% of budget allocated to Goals	28%	24%	16%	11%	11%	9%	

Figure 2 Indicative FSS budget allocation by Goals 2021/22

GOAL 1 - A food safety and standards assurance system that commands international respect and consumer confidence, supporting the Scottish economy

GOAL 2 - A regulatory system that rewards compliance, promotes learning 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 – Improve the transparency of food information, empowering consumers to make safe, healthy and authentic choices.

GOAL 5 – Earn respect 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 – Apply effective strategies for engaging with all parts of Scottish society; informing consumers and understanding the food issues that matter most to them.