

## 2021/22 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 2021/22 budget at their February meeting.
- 1.2 The Board is asked to:
  - **Note** that the Executive has progressed with the 2021/22 budget allocation as outlined to the Board at its February meeting to fund essential core activity, new activities post EU Exit, the Regulatory Strategy and Nutrition work programmes.
  - **Note** the assurance that further funding of £3.5m will be transferred in year as part of the budget review.
  - **Note** the risks and issues associated with the budget for 2021/22.

### 2 Strategic Aims

- 2.1 This work supports delivery of all Strategic Outcomes and Goals including two programmes of work Regulatory Strategy and Nutrition.

### 3 Background

- 3.1 The indicative resource allocation for 2021/22 is £22.5m. This consists of £19m resource budget allocated in the Budget Bill 2021-22. In addition, we will receive up to £3.5m in the current financial year to deliver new activities that are now part of our business as usual work following the UK's exit from the EU. However, this budget will not be formally allocated by Scottish Government (SG) until the Spring Budget Review (SBR) that is likely to take place in January 2022. 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 SBR following discussions with SG Health finance. The Accountable Officer has had written confirmation from SG Health finance regarding the £3.5m additional allocation as a firm commitment.
- 3.2 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 implementation of the new organisational structure to ensure we have the capacity and capability to deliver the new and 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.
- 3.3 At the start of the last financial year the Executive took the decision to postpone the implementation of the new structure and instead remain with the existing cost centre structure due to the impact that Covid 19 was having on the organisation. The previous work that was completed was revisited to ensure the original structure and the associated cost centres reflected any changes and revisions to

the new structure in the intervening period. The budget exercise took account of a number of changes either consolidating costs centres under divisions or adding in new ones to enable the allocation of the required resource to the new areas of responsibility. The organisation transitioned to the new structure on 1 April.

## 4 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. £23.3m resource budget has been internally allocated between Essential Core Activity, Work Programmes, new activities and is the basis for forecasting across FSS. This will be subject to ongoing review and will form part of our usual monthly budget and forecasting updates.
- 4.2 The final budget update in March 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 38% of the budget is for delivery against Strategic Outcome 1 – Food is Safe and Authentic.
- 4.3 The Staff budget is based on 340 posts being filled and fully funded during the whole of the financial year. As we were carrying a number of vacancies at the end of 2020/21 the Executive took the decision to manage the budget with a vacancy assumption of approx. 10% of staff costs. This is the reason for the over allocation of our budget by £0.8m. It is expected that updates to forecast will show an underspend against the staff budget and will continue for at least the first two quarters of the current year until posts are filled.
- 4.4 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 (£3M); Local Authority enforcement delivery support & Food Crime/Incidents management (£0.3m); food safety research, analysis and risk assessment (£0.8m) and; Communications and Marketing (£0.3m). Now that FSS is the central competent authority for Feed, the funding for official controls includes the delivery for the new Feed model. 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.
- 4.5 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 manage the procurement tenders for FSS. Work in ongoing to prioritise activities, together with existing contract renewals or extensions, to ensure that key projects are delivered within the timeframes required.

- 4.6 Any further project 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

- 4.7 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 £2m, with £1.1m for Nutrition and £0.9m for RS.
- 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. Early focal areas include the appointment of an Agricultural Analyst for FSS, a pilot with Local Authorities of a third part assurance scheme and transition of our work on feed into business as usual. The introduction of Fixed Penalty Notices is also planned for this year.
- 4.9 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 with a focus on Public Health Scotland. Work is continuing with key projects that are already underway and the SNP manifesto contained a number of commitments that FSS will likely 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. We expect to deliver on a programme of targeted communications on healthy eating and to encourage consumers in Scotland to make good food choices including a further push to increase uptake of vitamin D. Further funding will be considered by the Executive to support delivery of this programme (eg how we utilise any underspend) as well as whether we need to invest more to deliver our agenda in this area.

#### Recruitment for New Structure and Essential Core Activity

- 4.10 The future structure was developed to ensure the organisation was able to deal with the new and additional requirements that leaving the EU placed on FSS. We are entering the final stages of the Phase 3 of the recruitment timetable with a view to starting Phase 4 in early June. A number of recruitments are underway for roles which have been declined/unsuccessful internally and are now being advertised externally. The recruitment for the new leadership team is complete, with the new Head of Communications and Marketing appointed and joining the team in July.
- 4.11 A number of other recruitments are in progress for business as usual work, some as a result of backfilling vacancies when posts were filled internally in the new structure. These two areas of work are now continuing as part of our core activities with the aim to drive forward recruitment for the organisation.

#### Impact of Covid-19

- 4.12 The ongoing Covid pandemic is still having an impact on the budget but to a lesser degree than the previous year. During the review of the budget bids this led to reduced requirements in some areas for instance events and training, travel and accommodation due to the current situation. Promotion for some events e.g. Royal Highland Show has moved to an online environment so there is less expenditure required here. With travel still restricted and likely to be so for a number of months this has reduced the travel and subsistence expenditure expected for the year.
- 4.13 We capture any expenditure that is incurred throughout the organisation relating to Covid-19 as well as savings from reduction or cancellation of postponed activities. This information is reported to SG on a monthly basis.

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

- 5.1 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. Although we have agreement to further funding being transferred in year, the final amount will be subject to review and determined by the forecasted outturn for the year.
- 5.2 SG Health Finance officials have continued to engage with FSS to ensure that its business and pressures are appropriately understood which has ensured confirmation of required resource budget. Regular dialogue will continue with SG colleagues to ensure they are kept informed of pressures and issues faced by the organisation.
- 5.3 There are a significant number of vacancies currently being recruited across the whole of SG which is putting the HR resourcing function under huge strain. There is a delay of a least two months to on-board staff onto the payroll system after confirmation of successful candidate appointment. These delays are impacting on the ability for FSS to fill vacancies in a timely manner. We will continue to engage with SG colleagues for updates to the timelines for the on boarding process.
- 5.4 The public sector pay policy for 2021/22 included a 2% increase on basic pay for salaries up to £40k and 1% increase for salaries over this and will be implemented in May salaries. The increase in basic pay and any pay progression as staff move up their pay grades had been taken into account in the budget allocation for this financial 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 we emerge from the Covid pandemic and current restrictions continue to ease. We have lost access to some of the European-wide resources and functions which have to be replicated in the UK, and there are some ongoing issues particularly in relation to fish export hubs and certification. .

6.2 Our EU Exit programme of work was brought to a close at the end of March and most of the work was transitioned into business as usual as we will still need to commit resources to keeping up with developments on EU food and feed law. The longer term impact on FSS that exiting the EU has on our business will now be managed through business planning and budgeting processes so that we can effectively manage the priorities and associated budgetary pressures across the organisation.

## 7 Conclusion/Recommendations

7.1 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 new strategic outcomes and goals. This will be at the same time as implementing our new strategy and corporate plan and taking over new areas of responsibility.

7.2 The Board is asked to:

- **Note** that the Executive has progressed with the 21/22 budget allocation as outlined to the Board at its February meeting to fund essential core activity, the Regulatory Strategy and Nutrition work programmes.
- **Note** the assurance that further funding of £3.5m will be transferred in year as part of the budget review.
- **Note** the risks and issues associated with the budget for 2021/22.

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## Annex A – 2021/22 Budget Allocation

Budget allocation by Strategic Outcome 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 Trusted And Influential	Total Budget Allocation £
Staff	9,452,219	1,537,365	1,869,155	1,582,399	3,172,398	17,613,536
Administration	1,654,267	637,316	792,811	709,971	839,175	4,633,540
Programme	2,172,211	791,231	987,611	534,620	1,298,615	5,784,288
Capital	75,000	9,000	70,000	84,000	167,000	405,000
Income	(4,428,556)	0	(176,513)	0	(520,378)	(5,125,447)
<b>Total Core Activities</b>	<b>8,925,141</b>	<b>2,974,913</b>	<b>3,543,065</b>	<b>2,910,989</b>	<b>4,956,809</b>	<b>23,310,917</b>
% of budget allocated to strategic outcome	38%	13%	15%	12%	21%	

Figure 1 - Allocation of budget to Strategic Outcomes

Budget by Strategic Goals 2021-22	GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5	GOAL 6	Total Budget Allocation £
Staff	6,783,809	5,122,593	1,956,932	1,415,554	1,370,391	964,257	17,613,536
Administration	1,254,539	1,063,489	555,708	647,957	595,216	516,631	4,633,540
Programme	1,320,761	1,324,560	1,262,724	715,058	772,465	388,720	5,784,288
Capital	97,420	59,920	25,140	90,840	90,840	40,840	405,000
Income	(3,154,296)	(1,815,359)	0	(77,896)	(77,896)	0	(5,125,447)
<b>Total Core Activities</b>	<b>6,302,233</b>	<b>5,755,203</b>	<b>3,800,504</b>	<b>2,791,513</b>	<b>2,751,016</b>	<b>1,910,448</b>	<b>23,310,917</b>
% of budget allocated to Goals	27%	25%	16%	12%	12%	8%	

## 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.

Figure 2 - Allocation of budget to Strategic Goals