

2023/24 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 2023/24 budget at their March meeting.
- 1.2 The Board is asked to:
 - **Note** that the Strategic Leadership Team (SLT) has progressed with the 2023/24 budget allocation to deliver the FSS priorities including our statutory functions for food and feed, the Regulatory Strategy & Scottish Authorities Food Enforcement Rebuild (SAFER) and the Food and Health Research Programmes as well as essential underpinning core activities.
 - **Note** additional staff budget allocated across FSS including funding specifically for resources for digital transformation.
 - **Note** the risks and issues associated with the budget 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 resource allocation for 2023/24 is £22.6 million (m). In the Budget Bill we were also provided with an Annual Managed Expenditure (AME) budget of £0.4m to meet the FSS pension liabilities. Any further AME budget that is required will be allocated at the Spring Budget Review (SBR) following discussions with SG Health finance.
- 3.2 In addition, FSS will receive £0.2m 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 budget will be used to deliver our statutory functions, essential underpinning core activity and key programmes of work. The budget takes account of the temporary organisational structure implemented in February 2023 for FSS to have the capacity and capability for additional requirements such as Retained European Union Law decisions (REUL) and Scottish Veterinary Services (SVS) proposals. We have internally allocated the resource budget for planning, monitoring and reporting purposes.
- 3.4 An additional staff budget of £1m has been allocated between each of the four directorates to fund primarily temporary posts in these areas at the director's discretion. In addition, funding of £300k has been allocated to finance new digital posts.

4 Discussion – Allocation of Budget

- 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. £25m resource budget has been internally allocated to deliver the FSS priorities 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 took account the additional staff allocation. 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 39% of the budget is for delivery against Strategic Outcome 1 – Food is Safe and Authentic.
- 4.3 The Staff budget is based on an indicative 320 posts being filled and funded during the financial year with an expected 7.5% vacancy assumption. We were carrying a number of vacancies at the end of 2022/23 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. In addition, work is progressing to fill the new posts including those for digital that were approved as part of the budget exercise.
- 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 budget bids exercise led to increased requirements in some areas for instance IT system support and software renewal costs, travel and accommodation, subscriptions and membership fees; all as a result of increased costs. The additional cost for shared services resources was requested to address an increase in procurement activity
- 4.6 The programme budget allocation across core activity is largely based on continued obligations around the delivery of official controls (£3.7m) including feed delivery; Local Authority enforcement delivery support & Food Crime/Incidents management (£0.4m), and Communications and Marketing (£150k). The Food and Health Research Programme includes food safety research, analysis and risk assessment (£1.1m) as well as public health nutrition (£0.4m).
- 4.7 A number of new programme 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 SLT. The intention is that this will support the SLT 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.
- 4.9 The income budget has been adjusted to reflect that the support to the Fish Export Hubs in Scotland will finish in July 2023. Until then the expenditure in delivering this service is fully recovered by charging the two hubs for the issue of export health certificates. We are looking to redeploy the staff in the hubs to other roles in the organisation.

Programme of work

- 4.10 The Regulatory Strategy programme is in the progress of being transitioned over to the new structure for the SAFER programme. In addition, a new programme approach is being considered to support the delivery of the Digital and Data strategy.

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 issues faced by the organisation.
- 6.3 From the figures in Annex A the budget is currently over allocated by £2.2m at the start of the financial year. The over allocation of budget will be a risk for the organisation and will be monitored closely during the year through our monthly financial reports.
- 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 2023/24 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 and updates then made to the forecast as necessary.

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 the year ahead will be the priorities identified in the reprioritisation exercise including delivering our statutory functions and new programmes of work underpinned by essential business activities to meet the aims of the strategic plan.
- 8.2 The Board is asked to:
- **Note** that the SLT has progressed with the 2023/24 budget allocation to deliver the FSS priorities including our statutory functions for food and feed, SAFER and the Food and Health Research Programme as well as essential underpinning core activities.
 - **Note** additional staff budget allocated across FSS including funding specifically for resources for digital transformation.
 - **Note** the risks and issues associated with the budget for 2023/24.

Please direct queries to:

Elaine McLaughlin
Head of Finance & Procurement
Elaine.McLaughlin@fss.scot
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Annex A

2023/24 Budget allocation by Strategic Outcome	Food is safe and Authentic	Consumers Have Healthier Diets	Responsible Food Businesses are enabled to	Consumers are empowered to make positive	FSS is a trusted organisation	Total Budget Allocation
Staff	9,825,982	1,849,953	2,094,933	1,980,981	2,859,183	18,611,032
Administration	1,471,546	743,989	843,451	743,176	887,545	4,689,708
Programme	2,252,521	433,500	1,517,094	160,500	1,667,101	6,030,716
Capital	33,652	33,652	58,852	33,652	33,652	193,460
Income	(3,779,305)	0	(157,534)	0	(558,121)	(4,494,960)
Total Core Activities	9,804,397	3,061,094	4,356,796	2,918,309	4,889,360	25,029,956
% of budget allocated to strategic outcome	39%	12%	17%	12%	20%	

Figure 1 - Allocation of budget to Strategic Outcomes

2023/24 Budget allocation by Goal	GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5	GOAL 6	Total Budget Allocation
Staff	6,524,604	5,583,968	2,428,748	1,505,670	1,343,305	1,224,737	18,611,032
Administration	1,059,740	1,026,688	655,960	654,750	676,997	615,573	4,689,708
Programme	1,457,022	1,424,022	1,345,765	766,263	859,143	178,500	6,030,716
Capital	31,435	56,635	31,435	31,435	11,083	31,435	193,460
Income	(2,134,329)	(2,134,329)	0	(113,151)	(113,151)	0	(4,494,960)
Total Core Activities	6,938,473	5,956,985	4,461,908	2,844,967	2,777,377	2,050,245	25,029,956
% of budget allocated to Goals	28%	24%	18%	11%	11%	8%	

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.