

Financial Approach for 2024/25

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 2024/25.
- 1.2 FSS has been allocated £22.9m for the next financial year which includes £0.35m for Annually Managed Expenditure (AME) as detailed in the [Scottish Budget: 2024 to 2025](#). The resource and depreciation budget of £22.6m will be allocated through our annual business planning round for 2024/25. This budget will be used to deliver the priorities for the organisation including our statutory functions for food and feed and Diet and Nutrition work as well as core business 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 2024/25.
 - **Note** the risks and issues being considered as part of the final budget allocation for 2024/25.

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 two years detailed in the new corporate plan for 2024-2026.

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. 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 2024/25 is £22.6m. This is the same resource budget that was allocated for 2023/24 and is a real terms cut in our budget by approx. £0.2m due to current inflation rates. Alongside the real terms cut is the pressure of increasing staff and non-staff costs which adds significantly to the funding pressures. Any adjustments to the budget and reallocation between resource split and ring-fenced depreciation will take place at either the Autumn or Spring Budget Reviews.
- 3.3 In addition, FSS will receive £71k 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 work to review the structure of the organisation is nearing completion with the changes required to the governance arrangements currently being drafted. Once this is all finalised it will be shared at a future Board seminar. Completion of this work will also enable the budget allocation to align with the structure as well as our strategy for the start of the new financial year.
- 4.2 As budget work has not yet been finalised 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, just over £3m of additional requests. The bids are currently going through a degree of review and revision by the Executive Management Team, that will then require approval by SLT. Consideration is being given to a staff/non staff cost split as a means of managing resources and then posts to be managed within those parameters.
- 4.3 The Staff budget allocation is on the basis of an indicative 289 posts being filled during the year, and aligns with expected staff in post at the start of the year. A 5% vacancy assumption has been built in based on the current level of vacancies and experience from previous years. We anticipate that the actual staff in post will likely be less than this during the forthcoming year if staff turnover reflects that of the last year. An added complication for this year is the Scottish Government (SG) Shared Services Programme which may extend recruitment timelines in the short term from summer 2024 onwards (recently added strategic risk).
- 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; Scottish Authorities enforcement delivery support & Food Crime/Incidents management and; Communications and Marketing. Annex B shows the expenditure split by the strategic outcomes for 2023/24 and we expect in broad terms it will be very similar for 2024/25.
- 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.
- 4.7 There is work underway to implement a programme of work for our Digital & Data strategy. In addition, a review is ongoing for the delivery of the SAFER

programme. This will be influenced by discussions with SG following the submission of the business case to deliver Public Sector Reform across Scotland.

- 4.8 Once our in-year budget round has been completed then an update of the budget allocation will be available for the June Board and reflect the accurate allocation of the budget for 24/25. We will also be able to provide a more precise analysis on how the budget is directed across each of the five strategic outcomes and any differences from 23/24 given the budget is the same for both years.

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 financial challenges in the public sector.
- 5.2 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.
- 5.3 FSS is part of the SG Main (SGM) bargaining unit for pay settlements and is responsible for implementing the agreed settlement. During 2023 a two-year pay award was agreed covering two years from 1 April 2023 to 31 March 2024 and 1 April 2024 to 31 March 2025. The pay awards relating to 2023/24 have all been paid and form the baseline of salaries for the next year.
- 5.4 The staff costs in the budget allocation in Figure 1 reflects the agreed pay amounts for 2024/25 and any pay progression as staff move up their pay grades. Factoring in this cost gives an overall increase of approx. 5.7% in the pay costs for the year leading to a 4.4% cut in available budget.
- 5.5 The indication from the figures in Annex A is that the budget will be allocated against our agreed budget. We are still finessing the allocation between the budget categories, including revising our income for the year factoring in the new charging rates and the expected demand for delivering meat official controls.

6 Equality Impact Assessment and Fairer Scotland Duty

- 6.1 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.
- 6.2 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.

7 Conclusion/Recommendations

- 7.1 The focus for FSS for the year ahead will be to deliver our core business as usual activities and the priorities identified in the new corporate plan including key programmes of work to meet the aims of our strategic plan.
- 7.2 The Board is asked to:
- **Discuss and provide a view on** the indicative budget allocation of the resource budget made by SLT for 2024/25.
 - **Note** the risks and issues being considered as part of the final budget allocation for 2024/25.

Please direct queries to:

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

11 March 2024

Annex A

FSS Indicative Budget Allocation 2024/25

Budget Category	Budget £'000
Staff	18,432
Admin	4,407
Programme	5,016
Capital	134
Gross Budget Bids	27,989
Income	(5,389)
Net Budget Bids	22,600

Annex B

Budget 2023/24 – Expenditure Outturn by Outcome

