

FSA Activity, budget and additional key priorities for 2020/21**Report by Chris Hitchen, Director of Finance & Performance**

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1. Summary

1.1 The Business Committee is asked to:

- **Agree:** the FSA's high-level activity, budget and additional key priorities for 2020/21.

2. Executive Summary

2.1 This paper summarises the FSA's business plan and budget for the 2020/21 year. The FSA has been through a robust prioritisation process in order to maximise the impact it delivers from its limited resources. As the budget was agreed in the 1-year Government wide spending round SR19 the approach has been more one of evolution rather than revolution and can be summarised into:

- A. Priorities:** Ongoing focus on delivering the FSA's 5 priorities of: EU exit; Regulatory reform; Operations Transformation; Hyper-sensitivities; and Surveillance. The FSA has reprioritised its resources to make progress in these areas. Annex A shows the investment the FSA has been able to make available for these 5;
- B. De-prioritisation:** Ensuring that plans are within the budget limits available means that not all activity can be funded, and some activity has been deprioritised. The full list of significant work which has been scaled back in 20/21 is shown in Annex B;
- C. Ensuring we continue to resource our ongoing key day to day regulatory activity:** The FSA must continue to fulfil its regulatory role in 'doing the day job exceptionally well' and the majority of available funding is allocated to ensuring ongoing delivery of operating the FSA's core regulatory functions. The activities which the FSA needs to complete to fulfil these are shown in Annex C 1.

3. Background

3.1 The Board reviewed a first draft of the priorities and budget in a workshop in January 2020. Building on those discussions, this paper provides a revised final summary of the 5 key priorities for 2020/21 together with the ongoing activity the FSA needs to carry out to fulfil its functions as a regulator and the budget required to deliver those activities.

3.2 As we go through 2020/21 the Executive will periodically review how the external environment is influencing delivery and spending and may be able to

reassess allocation of resources. An example of this may be mandating FHRs display in England given the necessary Ministerial support and legislative capacity. There is also a risk that the FSA may need to undertake additional work supporting trade negotiation scenarios. Currently there may be a need to dedicate more resource to regulated products such as CBD as well as the emergence of online marketplace retailers.

- 3.3 FSA has been given additional funding for EU Exit activity from HM Treasury (HMT). The amount was based on the 'minimum viable product' that the FSA bid for in the previous year (19/20), so doesn't fully reflect the current EU Exit position. The FSA has again best prioritised its resources to ensure it continues to best protect consumers. In 20/21 the FSA has re-allocated its own resources to continue to fund the strategic surveillance programme which in 19/20 received the benefit of £0.6m of EU exit funding. Similarly, £0.2m of the FSA's regulatory reform programme management costs have ceased to be EU exit funded.
- 3.4 The FSA has progressed all the key initiatives that the Board identified in the strategic plan to March 2020 and the continuing 3 priorities identified by the Board of: Exiting the EU preparations and implementation; Regulatory reform; and Doing the Day Job Exceptionally Well - as shown in the Forward Look to 2021 in Annex A 2.
- 3.5 The budgets for Northern Ireland and Wales have not yet been agreed for 2020/21, but our current planning assumption is that the budget limits for the FSA in Northern Ireland will be £10.9m and for the FSA in Wales £3.7m.
- 3.6 Funding for the three-year period April 2021 to March 2024 is expected to be determined as part of the cross-Government Spending Review (SR20). FSA is developing its proposals and will put these forwards to the timetable to be set by HMT. This is expected to be set in the summer.
- 3.7 In January the Board confirmed that the department's vision remains as was set out in the 2015 – 2020 strategy¹. The organisation's vision continues to be 'food we can trust' which comprises:
- Food is safe;
 - Food is what it says it is;
 - Consumers can make informed choices about what to eat; and
 - Consumers have access to an affordable diet, now and in the future (FSA holds nutrition policy only in Northern Ireland)

¹ FSA Strategic Objectives FSA 20-01-04 https://www.food.gov.uk/sites/default/files/media/document/fsa-20-01-04-strategic-objectives-final_1.pdf

4. FSA Budget 2020/21

4.1 The FSA continues to drive improvements in value for money, improving performance within the HMT budget settlement. As outlined in paragraph 3.3 the FSA has absorbed some EU exit costs and has needed to de-prioritise some areas of work to achieve a balanced budget as shown in Annex B.



20/21 BUDGET LIMITS – balanced budget



	2019/20 Full Year Forecast £m	2019/20 Limits £m	20/21 Budget £m	20/21 Limits £m	RAG status
FSA Total (RDEL & CDEL exc AME)	110.6	116.4	120.7	120.7	●
Westminster					
Net Admin Expenditure (exc depreciation)	46.7	50.0	49.1	49.1	●
Net Programme Expenditure (exec depreciation)	42.3	43.7	51.1	51.1	●
Capital (CDEL)	8.0	8.4	5.9	5.9	●
Wales					
RDEL	3.7	3.9	3.7	3.7	●
CDEL Capital - IT/Accommodation	0.0	0.0	0.0	0.0	●
Northern Ireland					
RDEL	9.9	10.2	10.8	10.8	●
CDEL Capital - IT/Accommodation	0.1	0.1	0.1	0.1	●
Resource Annually Managed Expenditure (AME) (Ring-fenced)	2.3	9.6	9.6	9.6	●

RAG status: Green indicates proposed 20/21 budget is within limits

4.2 It is also worth noting that our spend in 2019/20 is expected to be well within our limits. This is due to the unused £3m for 2019 preparations for EU exit, both for the FSA and money that had been earmarked for use by local authorities.

Annex A - spend by 5 key priorities



CORPORATE PRIORITIES 20/21 BUDGET



	2019/20 Full Year Forecast £m	20/21 Budget £m	Movement Fav / (Adv) £m	Movement Fav / (Adv) %	RAG Status
EU Exit (excl. amounts spent on the Priorities below)	14.7	14.3	(0.4)	(3%)	●
Achieving Business Compliance*	1.4	2.4	1.0	68%	●
Operations Transformation	0.7	1.1	0.4	59%	●
Food Hypersensitivities	1.7	2.9	1.2	71%	●
Surveillance**	1.2	2.2	1.0	83%	●
Cost of being a regulator	77.3	83.3	6.0	8%	●
FSA Wales	3.7	3.7	0.0	1%	●
FSA Northern Ireland	9.9	10.8	0.9	9%	●
FSA Total (RDEL & CDEL) (of which):	110.6	120.7	10.1	9%	●

* Includes £0.9m funded by Eu Exit in 19-20

** Includes £0.6m funded by Eu Exit in 19-20 and £0.3m in 20-21.

RAG: Green indicates 20/21 Budget it is at least 95% of prior year forecast.

- 1.1 Achieving Business Compliance has increased by £1.0m to improve on the MVP (minimum viable product) for the unified view to allow a more risk based approach as we enter the next phase of the regulatory reform programme.
- 1.2 Operations Transformation has increased due to the additional investment to support the establishment of the new target operating model.
- 1.3 Food Hypersensitivities has increased to deliver the new labelling PPDS (pre-packed for direct sale) programme, the food allergy reaction reporting tool and public awareness campaigns.
- 1.4 Surveillance has increased due to the additional investment needed in Artificial Intelligence and setting up a data trust to facilitate the use of 3rd party data.

Annex A 1 – 5 key priorities for 2020/21 – deliverables

**EU Exit
(Spec. Risk analysis &
Northern Ireland
protocol)
£14.4m**

Key Deliverables

1. To deliver rescoped EU Exit Programme to ensure FSA readiness for end of transition period (Dec 20) – existing activities/resource that remain essential
2. Contribute to trade negotiations where FSA has an interest to ensure we operate within the objectives set by the Board and ensure the FSA and delivery partners are operationally prepared for the range of outcomes of those negotiations
3. Risk analysis process for food and feed product authorisations and other food and feed. The risks to be fully embedded and ready to run live from the end of the Transition Period for what's anticipated to be up to 300 authorisations per annum.
4. Northern Ireland protocol: required activities completed

**Achieving Business
Compliance (ABC)
£2.5m**

Key Deliverables – successor to the Regulating our Future programme

1. Piloting new Food Standards Delivery Model
2. Continued onboarding of Register A Food Business (RAFB) system and Enhanced Registration to more LAs, target 300 in total by end March '21
3. RAFB essential maintenance work to address technical backlog and continue to deliver a robust stable service
4. Proceed to live trials for Primary Authority National Inspections Strategies and evaluate how these can contribute to the regulation of compliant multi-site businesses, or co-ordinated groups of businesses.
5. Defining roles of the central competent authority, FSA, and competent authorities in relation to the Target Operating Model (TOM) for regulating relevant food businesses
6. Risk assessment on a more real-time basis by collecting and disseminating surveillance data on food sectors (e.g. imports) and food businesses to competent authorities
7. Sophisticated segmentation by risk: enabling all sources of information to be included so competent authorities can target their resources effectively. Supported by refreshed guidance to local authorities and a digitally-enabled, sophisticated risk engine
8. Altering expectations around professional skill levels so that competent authorities can deploy skills and resources effectively in food business and offer appropriate assurance

Annex A 1 – 5 key priorities for 2020/21 – deliverables

<p>Operational Transformation £1.9m</p>	<p>Key Deliverables</p> <ol style="list-style-type: none"> 1 By August 2021 we will have a clearly defined revised target operating model for the delivery of Official Controls for meat, wine and dairy. In response, by end of March 2021 the FSA will have developed a new draft operating model, to be consulted upon and refined by August 2021. 2 As part of the new approach to operational delivery, during 20/21 the Agency will have developed an IT solution for approvals leading to a more automated, cost effective and speedier engagement with FBOs
<p>Food Hypersensitivity £2.9m</p>	<p>Key Deliverables</p> <ol style="list-style-type: none"> 1 Support FBOs and LAs to effectively implement the new labelling rules for food Pre-Packed for Direct Sale 2 Working with the FSA’s Science Council, review the science and evidence base and put in place a new research strategy to inform our longer term strategic policy approach 3 Understand and quantify the impact of Food Hypersensitivity by developing the FSA’s Cost of Illness model 4 Develop and deliver the new Food Allergy Reaction Reporting Tool 5 Deliver three waves of the new public awareness campaign for businesses and consumers
<p>Surveillance (inc. Sampling) £1.9m</p>	<p>Key Deliverables</p> <ol style="list-style-type: none"> 1 Delivering on up to 5 sprint requests from the business during the year including delivering risk analysis and business segmentation for our Achieving Business Compliance regulatory reform programme. 2 Unified View system (accessible information on food businesses): technical stabilisation and transition from Beta to live running 3 Sampling: (Phase I) understanding the landscape of what is being spent on sampling FSA/LA/FBs across the UK (Phase II) Sampling framework 4 Technical operationalisation of strategic surveillance services

Annex A 2 forward look to 2021



Annex B – deprioritised activity

Activity	Detail
Unified View	The RAFB current system will be maintained but we will not deliver the functional enhancements. We will focus on technical stabilisation and getting it from beta into live running.
Data Trust & AI	Postponing the expansion of work on data trust and AI and any additional functionality on the unified view of food businesses
IT discoveries for Operations Transformation	Postponing any non-critical IT discoveries for Operations Transformation over those that are essential
Sustainable funding	Not budgeting additional resources for any work which may be needed on sustainable funding.
Room hire and travel changes	Removing all non-essential external room hire and travel costs which will also help reduce our carbon footprint.
HR & payroll system upgrade	Postponing any work to upgrade our HR and Payroll systems.
EU Exit	Postponing additional work over the essential planned communications and LA liaison on EU Exit.
National Inspection Strategies	Pausing additional work on National Inspection Strategies beyond the pilots.

Annex C 1 – cost of being a regulator: doing the day job well

The FSA carries out a wide range of essential regulatory activity. It commissions Science and Evidence to inform its Policy making to protect consumers from food risks including foodborne disease, food hypersensitivities, chemical contamination of food. It also delivers official controls as a competent authority on meat, dairy and wine as well as running a food incidents team and running a national food crime unit. It also covers all the essential corporate services needed including IT, HR and Finance.



NB: relative sizes of activities are net of the estimated costs relating to the 5 key priorities. They differ therefore from the numbers by directorate shown in Annex C 2 which include these priorities.

Annex C 2 - spend by directorate



SPEND BY DIRECTORATE



	2019/20 Full Year Forecast £m	20/21 Budget £m	Movement Fav / (Adv) £m	Movement Fav / (Adv) %
FSA Total (of which):	110.6	120.7	10.1	9%
SLGD (exc EU Exit)	5.0	5.4	0.4	8%
Openness Data and Digital	11.9	14.3	2.4	20%
Food Policy	3.9	5.2	1.4	36%
Science Evidence & Research	10.5	11.4	0.9	9%
Operations (exc NFCU)	25.1	26.5	1.4	5%
Finance Group	8.8	8.9	0.1	1%
Organisational Development	2.6	2.7	0.1	5%
Centrally Managed	5.7	8.3	2.7	47%
RCD	7.1	7.4	0.2	3%
National Food Crime Unit	5.2	5.7	0.5	10%
EU Exit (exc NFCU)	11.2	10.4	(0.8)	(7%)
FSA Wales	3.8	3.7	(0.1)	(2%)
FSA Northern Ireland	9.9	10.8	0.8	8%

The uplift in Directorate spending in the main reflects recruiting to fill essential vacant positions as agreed in the CEO challenge review meetings.

- The increase in Openness Data and Digital is mainly due to increased investment in Surveillance. It also reflects an increase in core IT costs in line with the FSA's headcount increase.
- The FSA has invested in Science and research for example in Risk Assessment.
- Operations has seen additional cost pressures in the supply of Official Veterinarians as a result of EU exit.
- The increase in centrally managed reflects additional pension pressures, and the anticipated pay settlement.

Annex C 3 - Westminster admin payroll costs by directorate

BEING THE BEST
ORGANISATION
WE CAN BE

WESTMINSTER ADMIN STAFF COSTS BY DIRECTORATE 20/21



	2019/20 Full Year Forecast £m	20/21 Budget £m	Movement Fav / (Adv) £m
Westminster Admin Staff costs exc EU Exit (of which):	25.3	30.6	5.3
SLGD (exc EU Exit)	4.4	5.3	0.9
Openness Data and Digital	4.3	5.0	0.7
Food Policy	3.2	3.8	0.6
Science Evidence & Research	3.2	3.8	0.6
Operations	0.5	0.6	0.1
Finance Group	4.5	4.8	0.3
Organisational Development	1.5	1.7	0.2
Centrally Managed	0.6	1.4	0.8
RCD	3.1	4.2	1.1

Staff costs are budgeted to increase in Admin compared to 2019/20 to align to the key priorities and filling vacant positions including the creation of the FSA's new Strategy unit.