

FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE

1 Purpose of the paper

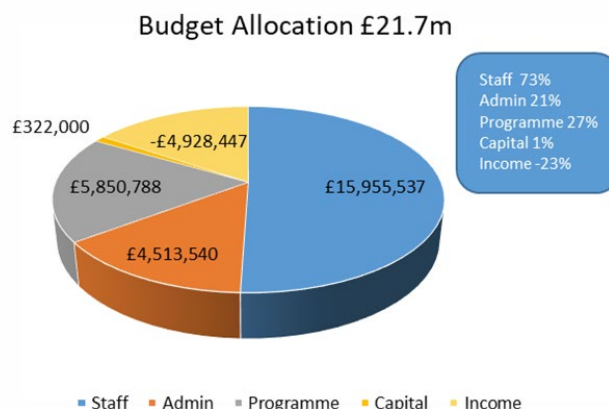
- 1.1 This paper is presented to the Board for information and reports on the financial performance of Food Standards Scotland (FSS) up to 31 March 2022.
- 1.2 FSS is reporting a provisional outturn of £20.9m for the year against the resource budget of £21.7m, representing a projected 3.7% underspend against budget.
- 1.3 The Board is asked to:
 - **Note** the financial information and provisional outturn position reported as at 31 March 2022.
 - **Note** the Resource and AME budget amounts for 2021/22.

2 Strategic aims

- 2.1 This work supports all the FSS Strategic Outcomes and Goals.

3 Background

- 3.1 The total FSS resource budget for 2021/22 was £21.7m which included £0.1m for the UK Pathsafe research programme. The Annually Managed Expenditure (AME) budget of £0.4m provided for the FSS pension liability provision. The expectation is that the full amount of the AME budget will be utilised.
- 3.2 The £21.7m budget was allocated internally to deliver FSS strategic objectives with breakdown as below.



- 3.3 This paper provides details of the allocation of the FSS resource budget between each of the directorates: Chief Executive - (Board, CEO & PO), Director Policy, Science and Operations (DPSO), Director of Strategy and Corporate Affairs (DSCA).

- 3.4 The Executive reports its financial performance for the activities against the five strategic objectives and six strategic goals to provide an indication on the effective use of resources to deliver against the Strategy and the Corporate Plan.

4 Discussion

Financial Performance Summary

- 4.1 Annex A provides the tables and charts that show the budget, forecast and actual amounts for the financial year 2021-22. The financial performance is based on both the internally allocated budget figure and the updated forecast that is reviewed on a monthly basis.

Quarter 4 Budget v Actual expenditure

- 4.2 The fourth quarter budget profile presented in the Full Year Performance table (Figure 1) is based on the assessment provided by branches in October 2021. The actual spend to the end of the fourth quarter when compared to the budget profile was £139k under quarterly budget (2%). The main budget category contributing to this underspend is Staff (£193k) due to continuing ongoing delays in recruitment activities. It is offset with an additional spend for the quarter, in Programme (£84k) and Admin (£63k).

- 4.3 For each element, variances are reported comparing allocated budget versus full year provisional outturn with explanation provided for any differences. Further detail of the quarter variances are as follows:

Staff -£193k (5%) under budget (Q3-£299k (8%))

The underspend is mainly as a result of the significant delays within the recruitment and on-boarding processes which have led to postponed starting dates across FSS as well as staff leaving, retiring and going on career breaks which has impacted on the number of the posts that are vacant. This underspend is partially offset by backdated payments for pay increase award paid out in February.

Admin £64k (4%) over budget (Q3 £30k)

The admin overspend is mainly related to additional payment to the LGPS pension, addition of development work for IT system, offset by removal of conference costs, reduced legal costs and travel during the quarter.

Programme £84k (4%) over budget (Q3 -£360k)

This overspend for the quarter is a result of spend being reprofiled from the previous quarters for a number of projects across the organisation.

Capital -£52k (32%) under budget (Q3 -£45k)

This underspend is due to delay in laptops order delivery and cheaper cars being purchased because the previous order was not going to be delivered on time

Income £40k (3%) over budget (Q3 £23k)

More income generated across all Operational Delivery areas and Fish Hubs.

Provisional Full Year Outturn

- 4.4 The actual spend for the year when compared to the budget profile was £808k under budget. The main budget categories contributing to this underspend are Staff £498k (61% of total underspend) and Programme £276k (34% of total underspend).
- 4.5 The FSS Budget and Outturn summary table (Figure 2) shows the budget allocation for each Directorate and compares this with the provisional outturn to show the variances against the budget.
- 4.6 In addition, this table also provides detail behind the five budget categories in Figure 2 with summary details of the overall budget and provisional outturn for 2021-22. It is clear that the greatest area of underspend is against our Staff budget.
- 4.7 The full year forecast spend against the budget allocation against each of the Strategic Outcomes and Goals are detailed in the charts (Figures 3a&b). There is a decrease in spend under Outcome 1 and under Goals 1 & 2 mainly due to reduction in staff expenditure in the year.

Forecast Accuracy and Actual expenditure

- 4.8 Through the monthly budget monitoring work, a revised forecast is discussed and agreed with each Branch for all months for the remainder of the year. This is then reflected through an updated full-year-forecast, which is presented on a monthly basis in the form of a waterfall chart (Figure 4). From the chart you can identify how close a given month's forecast value was to the actual outturn.
- 4.9 The information presented in Figure 4 allows us to quickly identify material variances and drill down into further detail to understand the reasons behind them. Below is a high level overview which seeks to provide context to the Board and explain the drivers behind the quarterly variance of the actual expenditure against forecast of £785k for each of the three months.

January 22: The underspend of £236k (-11%) against the forecast was mostly a result of lower Admin cost (£95k) due to expenses being reprofiled to the February/March and travel spend removed across FSS. The reduction in Capital spend (£66k) was due to moving the laptops purchase to March. The lower Staff costs (£64k) were due to less agency staff costs for Operations and further delays in recruitment across the branches. The Income increased for £9k as a result of the plants working during bank holidays and a rebate was applied for some export costs.

February 22: The reduction in February spend of 293k (-13%) was mainly due to reduced Programme expenditure (£218k) due to delays in the Local Authorities engagement work, reduction in the number of inspections in Primary Production, less Sanitary Surveys and Official Control Sampling in the month. In addition, costs for Micro Verification Sampling, professional development training and the Pathsafe project all moved to March. Feed Sampling has not started therefore the sampling

and courier costs were also moved into the March forecast. There was a further decline in Admin costs (£88k) due to delay in the Sustainability Plan project, and moving the provision for costs in Fish Hubs and recruitment costs to March. More Income (£16k) was generated across the Operational Delivery areas and Fish Hubs.

The above underspend of £386k was partially offset by increased Staff costs (£109k) mostly due to increase pay award.

March 22: The underspend of £257k (-11%) is driven by lower Admin costs (£140k) due to over-estimated legal costs, advertising, travel, recruitment across FSS, recalculation of telecoms charges and reduction of payroll costs. The reduction in Programme spend of £125k was caused by lower sampling analyst costs, no courier costs claimed, reduction in Sanitary Surveys, sampling Officers cost, reduced costs for Micro Verification and contract delays in the Pathsafe project as less work was completed by end of March. More Income was generated (£17k) mainly due to a returned to pre-change of ownership business levels in one meat plant. These were offset by additional Capital spend (£33k) to purchase docking stations, mobile phones, conference phones and a printer.

- 4.10 The Year on Year Comparison graph (Figure 5) shows the monthly budget allocation compared with the updated monthly forecast expenditure. The graph is updated with the actual monthly expenditure as it occurs to show the performance against the initial budget spend. The budget and actual performance for 2020/21 is provided to enable comparison between financial years.

5 Identification of risks, issues and highlights

- 5.1 FSS continues to manage the impact that the Covid pandemic has had and continues to have on the organisation. Planning is ongoing for the recovery to return to normal business. During the quarter 4 of the Financial Year 21-22, the organisation has reported COVID related spend of £105k to the Scottish Government.
- 5.2 The total of bids for travel and subsistence funding included in the budget at the beginning of the financial year was £580k. During the quarter there were further reductions in our Admin expenditure for travel and accommodation, training, conferences etc. as office staff were still based at home and did not travel as planned.
- 5.3 Budget 2022/23: FSS has been allocated £23m for the next financial year which includes an AME budget of £0.4m as detailed in the Scottish Budget 2022 to 2023. A separate paper on the update to the budget allocation for 2022-23 is being presented at the Board meeting today.
- 5.4 At the start of the year 340 posts were agreed and budgeted for as part of the business planning exercise for 2021/22. The Staff Complement table (Figure 6) provides the number of posts that were filled at the end of March.
- 5.5 In March 274 posts were filled permanently with three of the staff on maternity leave, thirty-nine temporary staff covered a number of vacancies either on a fixed term or

interim basis and two staff were seconded into the organisation. During the quarter nine employees left FSS of which two retired.

- 5.6 FSS, along with the whole of SG, has a target to pay all its supplier invoices within ten days of receipt. The Supplier Payments table (Figure 7) gives details of the performance in this area over the year. An average of 95% of the invoices have been paid within the ten-day payment target in the year. Payment performance can be affected by a number of factors including staff available to process payments and also to approve the invoices for payment. All invoices have been paid within the standard 30-day contract terms.
- 5.7 At the end of March, the cash drawn down from the Scottish Government relating to the 2021/22 budget was £21.2m. The bank balance as of 31st March was £3.8m.
- 5.8 At the end of the quarter, the outstanding debt was £536k which was an increase of £142k (36%) from the previous quarter. £237k (44%) was over the accepted 31 day payment term and out of which £4k was over 61 days from date of invoice.
- 5.9 FSS actively monitors outstanding payments and takes action with either reminder letters being issued to Food Business Operators, senior management contacting them to discuss reasons for non-payment and then passing to our debt management contractor, where required. The contractor is taking forward debt as instructed by FSS to assist with reducing the amount of outstanding debt. There are a number of invoices with Harper Macleod at various stages of trying to recover – liquidation £3k; Court Action in progress £8k.

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.

7 Conclusion/Recommendations

- 7.1 The Board is asked to:
 - **Note** the financial information and provisional outturn position reported as at 31 March 2022.
 - **Note** the Resource and AME budget amounts for 2021/22.

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Date 7 June 2022

Annex A Tables and Charts

YTD Budget v Actual expenditure

Figure 1 provides an overview of the financial performance of FSS up to the 31 March 2022. The performance is based on comparing the actual spend for the year with the budget profile (revised in October 2021) as updated during the financial year.

£'000	Budget Profile 21/22						Actual Spend 21/22					Variance Analysis			
	21/22 Budget	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q4 Var	Q4 Var %	FY Var	FY Var %
Staff	15,956	3,648	3,737	4,201	4,369	15,956	3,645	3,734	3,903	4,176	15,457	(193)	-5%	(498)	-3%
Administration	4,514	1,020	1,013	1,065	1,415	4,514	1,021	1,011	1,094	1,478	4,604	63	4%	91	2%
Programme	5,851	1,053	1,241	1,648	1,909	5,851	1,053	1,241	1,288	1,993	5,575	84	4%	(276)	-5%
Capital	322	8	49	50	214	322	8	39	5	162	215	(52)	-32%	(107)	-33%
Income	(4,928)	(1,287)	(1,266)	(1,177)	(1,199)	(4,928)	(1,287)	(1,266)	(1,154)	(1,239)	(4,945)	(40)	3%	(17)	0%
Total	21,713	4,443	4,775	5,787	6,708	21,713	4,440	4,760	5,137	6,569	20,906	(139)	-2%	(808)	-4%

Figure 1: Full Year Performance

Figure 2 provides a summary of the FSS budget and forecast by Directorate and Budget Categories.

	FSS Budget	Provisional Outturn	Provisional Outturn vs FSS budget
CEO	620,139	599,919	(20,220)
DPSO	11,964,485	11,432,546	(531,939)
DSCA	9,128,794	8,873,070	(255,724)
Total	21,713,418	20,905,535	(807,883)
Staff	15,955,537	15,457,093	(498,444)
Admin	4,513,540	4,604,228	90,688
Programme	5,850,788	5,574,636	(276,152)
Capital	322,000	214,843	(107,157)
Income	(4,928,447)	(4,945,265)	(16,818)
Total	21,713,418	20,905,535	(807,883)

Figure 2 – FSS Budget and Outturn

Figures 3 a&b provide detail of budget allocation and forecasted expenditure against the Strategic Outcomes and Goals.

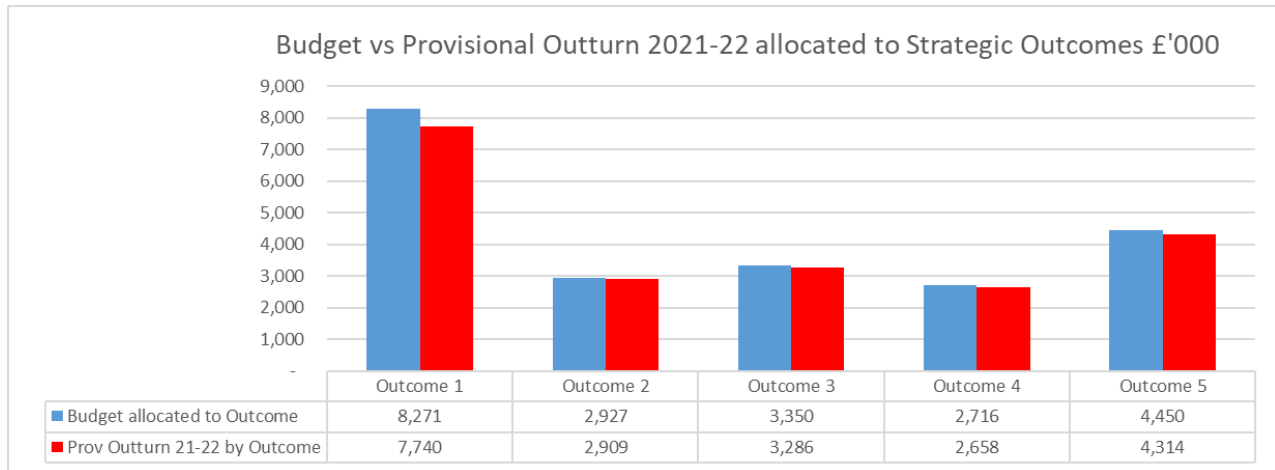


Figure 3a – Allocation of resource expenditure to Strategic Outcomes

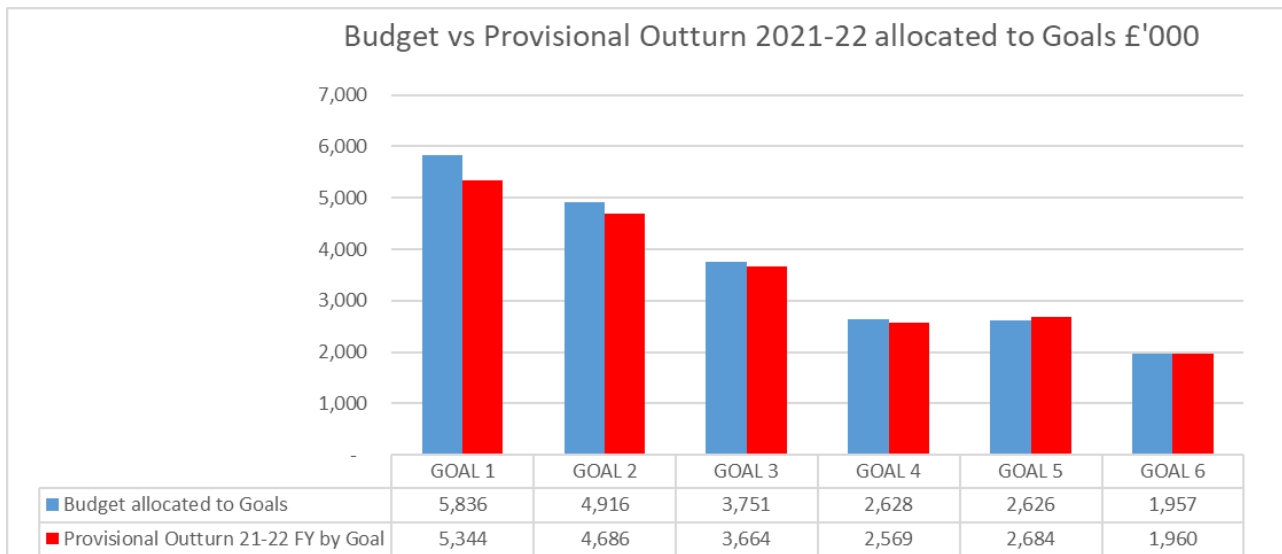


Figure 3b – Allocation of resource expenditure to Strategic Goals

Forecast Accuracy v Actual Expenditure

In Figure 4 the financial performance based on both the original budget figure and the updated forecast is reviewed on a monthly basis. Each row shows the total of the monthly forecast values submitted by Branch Heads. Once the actual outturn for the month is available this is shown in the cell highlighted in red, amber or green depending on level of forecast accuracy. This in part explains the variance from the original budget set at the start of the financial year with the remainder being attributed to active re-profiling of spend across the budget lines.

FSS Provisional Outturn 2021-22													
£000s	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	2021-22 FY
Budget April 21	1,767	1,627	1,999	1,781	2,013	2,200	1,731	1,792	1,874	1,780	1,899	2,868	23,333
Revised Budget 21-22	1,350	1,411	1,682	1,407	1,493	1,876	1,622	1,922	2,244	2,126	2,024	2,558	21,713
April Forecast	1,366	1,450	1,812	1,838	1,894	2,304	1,725	1,778	1,889	1,763	1,830	2,587	22,234
May Forecast	1,347	1,448	1,812	1,838	1,894	2,304	1,725	1,778	1,889	1,763	1,830	2,587	22,213
June Forecast		1,410	1,587	1,648	1,883	2,253	1,692	1,777	1,891	1,801	1,877	2,563	21,730
July Forecast			1,683	1,605	1,624	2,151	1,677	1,792	1,911	1,823	1,872	2,731	21,627
August Forecast				1,396	1,583	2,037	1,759	1,819	1,935	1,883	1,948	2,733	21,531
September Forecast					1,496	1,955	1,847	1,840	2,105	1,944	1,952	2,626	21,600
October Forecast						1,868	1,795	1,878	2,098	1,927	1,923	2,607	21,428
November Forecast							1,629	1,755	2,197	2,221	2,065	2,288	21,354
December Forecast								1,775	1,948	2,264	2,167	2,360	21,342
January Forecast									1,733	2,076	2,252	1,111	19,776
February Forecast										1,840	2,276	2,696	21,149
March Forecast											1,984	3,002	21,162
YTD Actual												2,745	20,906
Difference Monthly Forecast v Actual	(19)	(38)	96	(210)	(87)	(87)	(166)	20	(215)	(236)	(293)	(257)	(808)
% Difference	-1%	-3%	6%	-13%	-6%	-4%	-9%	1%	-11%	-11%	-13%	-9%	-4%

Figure 4 – Full Year Forecast Waterfall

A comparison of the monthly budget v actual performance is provided at Figure 5 to give an overview of relative performance between 2020/21 and 2021/22 financial years. It is important to point out that the monthly budget 21-22 information provided uses the initial budget profiles in each year, and a budget 21-22 (update Oct 21) is based on April-December actuals and updates from the branch heads.

Monthly Budget v Actual by Financial Year £'000

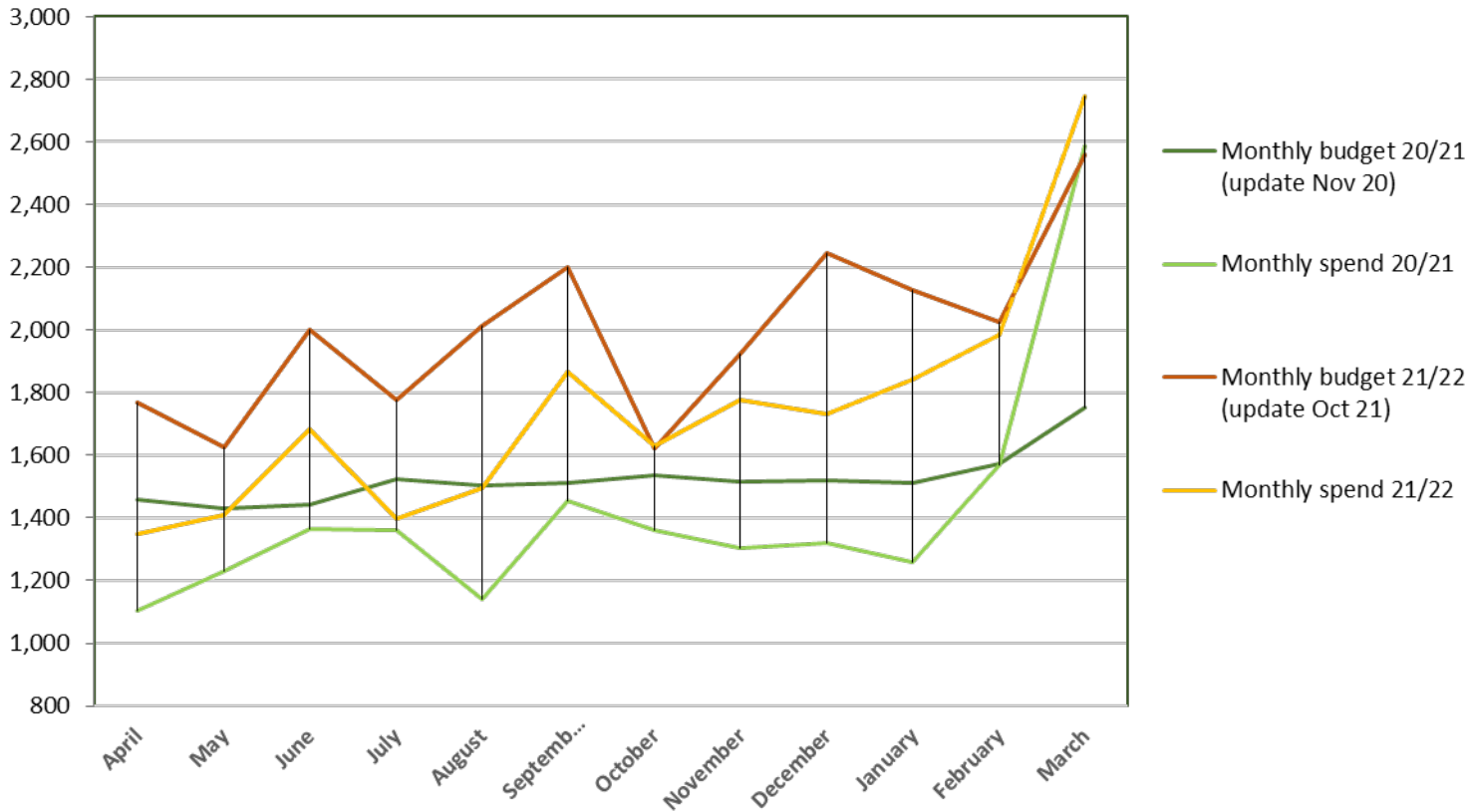


Figure 5 – Year on Year Comparison – monthly budget vs actual

Staff Complement and Supplier Payments

Type of post	Q1 Numbers	Q2 Numbers	Q3 Numbers	Q4 Numbers
Permanent Staff	231	249	261	271
FTA - not permanent	28	20	26	24
Agency Staff	21	20	13	15
Maternity Leave	8	5	3	3
Seconded Staff	5	4	4	2
Total FTE	292	298	307	314

Leavers Type of post	Q1 Numbers	Q2 Numbers	Q3 Numbers	Q4 Numbers
Permanent Staff	4	9	6	6
FTA (NFO)	1	3	1	1
Agency	6	3	5	1
Loan to SG	2	1	1	1
Total Leavers	13	16	13	9

Figure 6 – Staff Complement and Leavers

Month	Number of Invoices	Percentage of invoices paid in 10 days
Apr-21	313	98%
May-21	252	94%
Jun-21	279	98%
Jul-21	320	83%
Aug-21	303	93%
Sep-21	265	99%
Oct-21	300	99%
Nov-21	306	99%
Dec-21	333	97%
Jan-22	262	91%
Feb-22	270	96%
Mar-22	369	97%
Total	3572	95%

Figures 7 – Supplier Payments