

FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE – September 2021

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 30th June 2021.

1.2 At the end of Quarter 1 FSS is reporting an outturn of £21.6m against the resource budget of £22.5m, representing a projected 3.8% underspend against budget.

1.3 The Board is asked to:

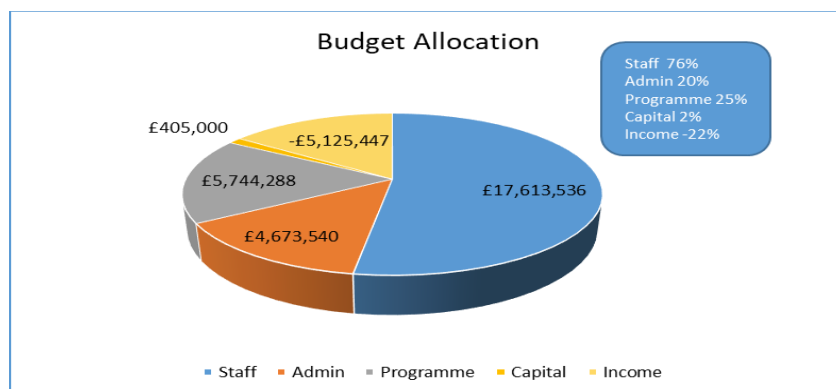
- **Note** the financial information and a provisional year-end position reported as at 30th June 2021.
- **Note** the indicative Resource and AME budget amounts for 2021/22.

2. Background

2.1 This work supports FSS all Strategic Outcomes and Goals equally.

2.2 The total indicative FSS budget for 2021/22 is £22.5m. This resource budget is made up of £19m formally allocated in the budget bill for 2021-22 with a further £3.5m to be allocated during the year at the Spring Budget Review. The Annually Managed Expenditure (AME) budget of £0.4m provides for the FSS pension liability provision. The expectation is that the full amount of the AME budget will be utilised.

2.3 During the business planning and budget exercise for this financial year £23.3m of funds were allocated internally to deliver FSS strategic objectives with breakdown as below.



The over allocation of budget was due to managing the budget with a vacancy assumption this year of approx. 10% of the Staff budget, which is by far the greatest budget category both in value and percentage terms. The budget allocation assumed 340 staff were in post for the full year, when there are currently 289 posts filled.

2.4 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).

2.5 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.

3. Financial Performance Summary

3.1 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.

YTD Budget v Actual expenditure

3.2 The first quarter budget profile presented in the Year to Date Performance (Figure 1) is based on the assessment provided by Branches in March 2021. The actual spend to the end of Q1 when compared to the budget profile was £938k under budget (17%). The main budget categories contributing to this underspend are Staff £777k, where a number of vacancies were carried forward from the previous year as well as the continuing ongoing delays in recruitment (83% of total underspend) and Programme £91k (10% of total underspend) due to over forecast for the official controls for shellfish in the period.

3.3 For each element, variances are reported comparing quarterly budget versus actual expenditure with explanation provided for any differences. Further detail of the quarter variances are as follows -

Staff -£777k (18%) under budget

The underspend is mainly as a result of the organisation carrying a number of vacancies, the significant delays within the recruitment and on-boarding processes which have led to postponed starting dates across FSS as well staff leaving which has impacted on the number of the posts that are vacant. The current gap between staff leaving and replacements coming in is generating an underspend on each and every post where this occurs.

Admin -£19k (2%) under budget

The admin underspend is mainly against the budget lines for travel and accommodation, corporate training fees, maintenance contracts, telecommunications and computer software renewals which have been offset by allocating some licence prepayments to this year that had not been in the forecast.

Programme -£91k (8%) under budget

This underspend is a result of delays in Local Authorities authorisations in the Feed Delivery project now reprofiled to Q2, Local Authority Sampling Grants being reprofiled to March-22 (£47k), removal of over forecasted fee (£30k) and the Operational Workflow System (OWS) training not going ahead this financial year.

Capital -£34k (80%) under budget

This underspend is due to the review of the budget spend profile. The expenditure has now been reprofiled to later in the year to reflect the various projects' timelines.

Income -£17k (1%) more than budget

Additional income due to general increase in the hours worked above forecast in a number of plants and the three Fish Hubs.

Full Year Outturn

3.4 The FSS Budget and Forecast summary table (Figure 2) shows this budget allocation for each Directorate and compares this with the forecast outturn to show the variances against the budget.

3.5 In addition, this table also provides detail behind the five budget categories in Figure 1 with summary details of the overall budget and updated forecast for July onwards. It is clear that the greatest area of underspend is in our Staff budget. This was expected due to the number of vacancies that were live at the end of the last financial year and this was factored into our vacancy assumption at the business planning stage. We continue to move forward with the staff complement planned for this year however progress has been very slow due to delays in the Scottish Government's (SG) recruitment and onboarding processes.

3.6 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 due to reduction in Staff expenditure to date.

Forecast Accuracy and Actual expenditure

3.7 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.

3.8 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 £39k for each of the first three months.

April 21: The monthly underspend of £19k (-1%) against the April forecast was mainly due to reduced staff costs as less staff in post as recruitment behind schedule (£80k) which was offset by higher Admin spend (£61k) mainly due to the inclusion of Feed Delivery licences not previously forecasted.

May 21: The underspend of £38k (-2%) against the May forecast was due to reduced staff costs as a result to delays in recruitment across the organisation (£28k) and lower Admin and Capital spend. This is slightly offset by higher Income and additional Programme spend in Work Programmes.

June 21: The overall overspend in June forecast of £96k (6%) due to Admin costs increase as a result of allocating £113k for some licence prepayments into this year offset by reduction in Programme expenditure and slight increase in Income in the month.

3.9 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. Explanations for variances have been provided in the previous paragraphs. The budget and actual performance for 2020/21 is provided to enable comparison between financial years.

4. Risks, Issues and Highlights

4.1 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 Quarter 1 the organisation has reported COVID related spend of £25k to the Scottish Government, and has forecasted additional costs of around £150k for “return to the office” related activities.

4.2 During the quarter there were reductions in our Admin expenditure for example for travel and accommodation, training, conferences etc. as office staff were based at home and not allowed to travel. As we continue to work for home there likely these reductions will continue throughout the year.

Budget 2022/23

4.3 It is expected that SG will soon announce the details of the spending review with the potential for a five year period outlook but more likely for three years. We are reviewing figures for a forward look on budgets and considering likely impacts of changes to pay policy which is currently under review.

Reporting

4.4 Details are provided below on the financial performance over the quarter as outlined in the Financial Performance targets section of the Financial Management Plan.

4.5 At the start of the year 340 posts were agreed and budgeted for as part of the business planning exercise for 2021/22. Following a review of staffing requirements the Executive has approved an additional 13 posts taking the total agreed posts to 353 at the end of June. The Staff Complement table (Figure 6) provides the posts that were filled at the end of June. There were 61 unfilled vacancies and 33 vacancies are currently covered by permanent staff on temporary promotion or by staff on fixed term appointments or interim workers. 21 interim workers were employed on a temporary basis at the end of June. There are also 8 members of staff currently on maternity leave. During Quarter 1, 13 employees left the organisation.

4.6 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 97% of the invoices have been paid within the ten day payment target to date. 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.

4.7 At the end of June, the cash drawn down from the Scottish Government relating to the 2021/22 budget was £5.7m. The bank balance as of 30 June was £3.3m.

Outstanding payments (debt recovery)

4.8 At the end of June, the outstanding debt was £565k, which was an increase of £118k (26%) from the previous quarter's total. £132k (24%) was over the accepted 31 day payment term and out of which £43k (8%) was over 61 days from date of invoice.

4.9 FSS actively monitors outstanding payments and takes action with either reminder letters being issued to Food Business Operators (FBOs), 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.

Best Value Assessment

4.10 Work is ongoing to develop a strategic Best Value framework for FSS. Discussion has taken place with Internal Audit on the way forward with the intention that a programme of Best Value audits will take place from this year onwards.

4.11 FSS will also continue to report updates in the finance performance report and to the Audit and Risk Committee (in relation to debt and significant losses).

5. Conclusions/Recommendations

5.1 The Board is asked to:

- **Note** the financial information and expected end year position reported as at 30th June 2021.
- **Note** the indicative Resource and AME budget amounts for 2021/22.

Anna Skowron
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1 September 2021

Annex a Tables and Charts

YTD Budget v Actual expenditure

Figure 1 provides an overview of the financial performance of FSS up to the 30 June 2021. The performance is based on comparing the actual spend for the year with the budget profile as updated during the financial year.

£'000	Budget Profile 21/22					Actual Spend 21/22					Variance	Var %
	20/21 Budget	April	May	June	YTD	April	May	June	YTD			
Staff	17,614	1,471	1,479	1,473	4,422	1,156	1,254	1,235	3,645	(777)	-18%	
Administration	4,674	395	281	363	1,039	321	304	396	1,021	(19)	-2%	
Programme	5,744	278	340	538	1,157	279	355	432	1,066	(91)	-8%	
Capital	405	13	13	18	43	(2)		10	8	(34)	-80%	
Income	(5,125)	(389)	(486)	(395)	(1,270)	(407)	(490)	(390)	(1,287)	(17)	1%	
Total	23,311	1,767	1,627	1,997	5,391	1,347	1,423	1,683	4,453	(938)	-17%	

Figure 1: Year-to-Date Performance

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

£'000	Indicative funding £22.5m	Internal approved budget	July forecast	Under/over forecast	Under/over forecast %	Potential available funds - indicative budget v updated forecast
CEO		709	623	(86)	-12%	
DPSO		13,360	11,999	(1,362)	-10%	
DSCA		9,241	9,018	(223)	-2%	
Total	22,500	23,311	21,640	(1,671)	-7%	860
Staff		17,614	16,163	(1,451)	-8%	
Admin		4,674	4,565	(109)	-2%	
Programme		5,744	5,725	(19)	0%	
Capital		405	405	0	0%	
Income		(5,125)	(5,217)	(92)	2%	
Total	22,500	23,311	21,640	(1,671)	-7%	860

Figure 2 – FSS Budget and Forecast

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

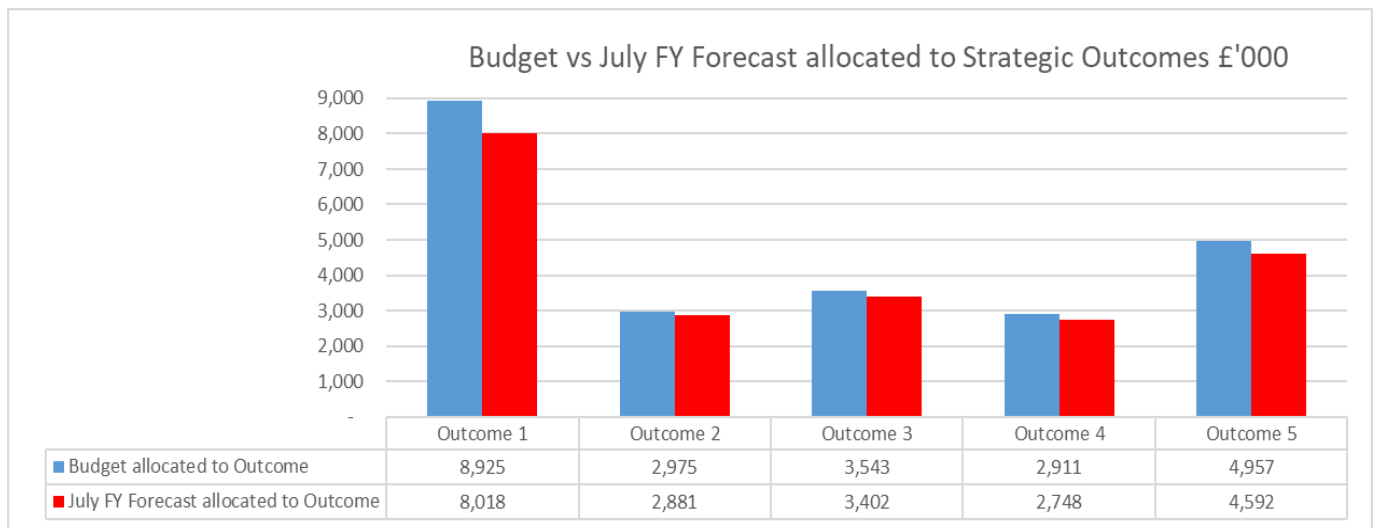


Figure 3a – Allocation of resource expenditure to Strategic Outcomes

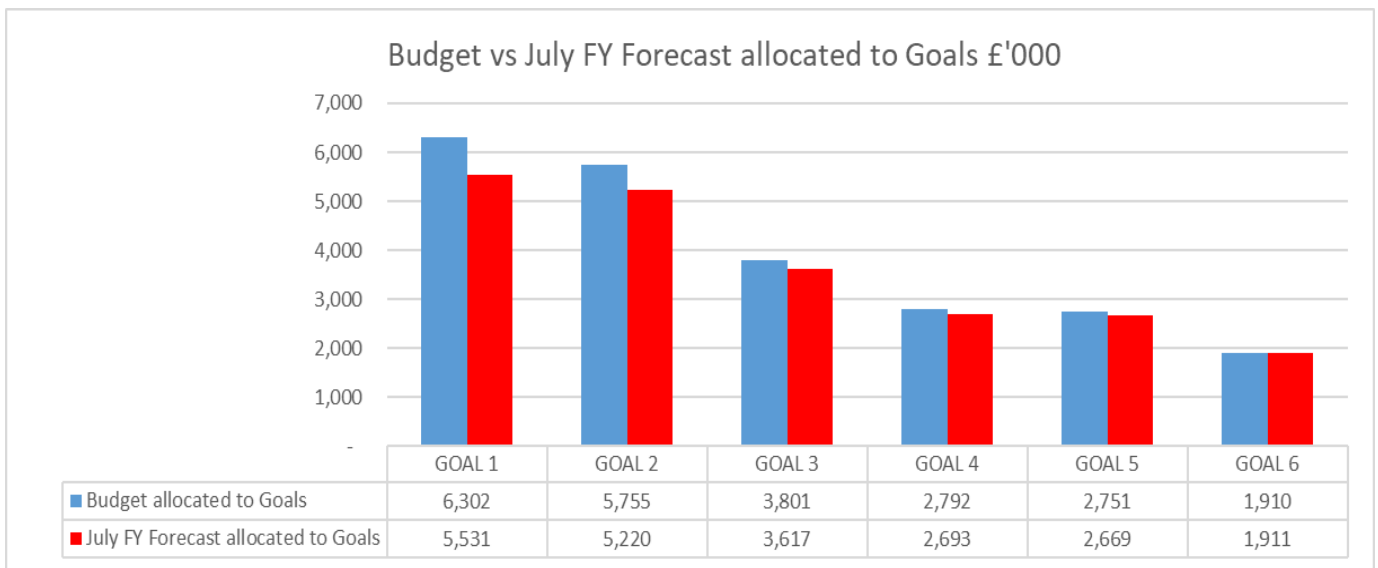


Figure 3b – Allocation of resource expenditure to Strategic Goals

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.

£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	1,997	1,779	2,012	2,198	1,729	1,789	1,871	1,777	1,897	2,867	23,311
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		1,423	1,587	1,648	1,883	2,253	1,692	1,777	1,891	1,801	1,877	2,563	21,743
July Forecast			1,683	1,605	1,624	2,151	1,677	1,792	1,911	1,823	1,872	2,731	21,640

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 2019/20 and 2020/21 financial years. It is important to point out that the monthly budget information provided uses the initial budget profiles in each year.

Monthly Budget v Actual by Financial Year £'000

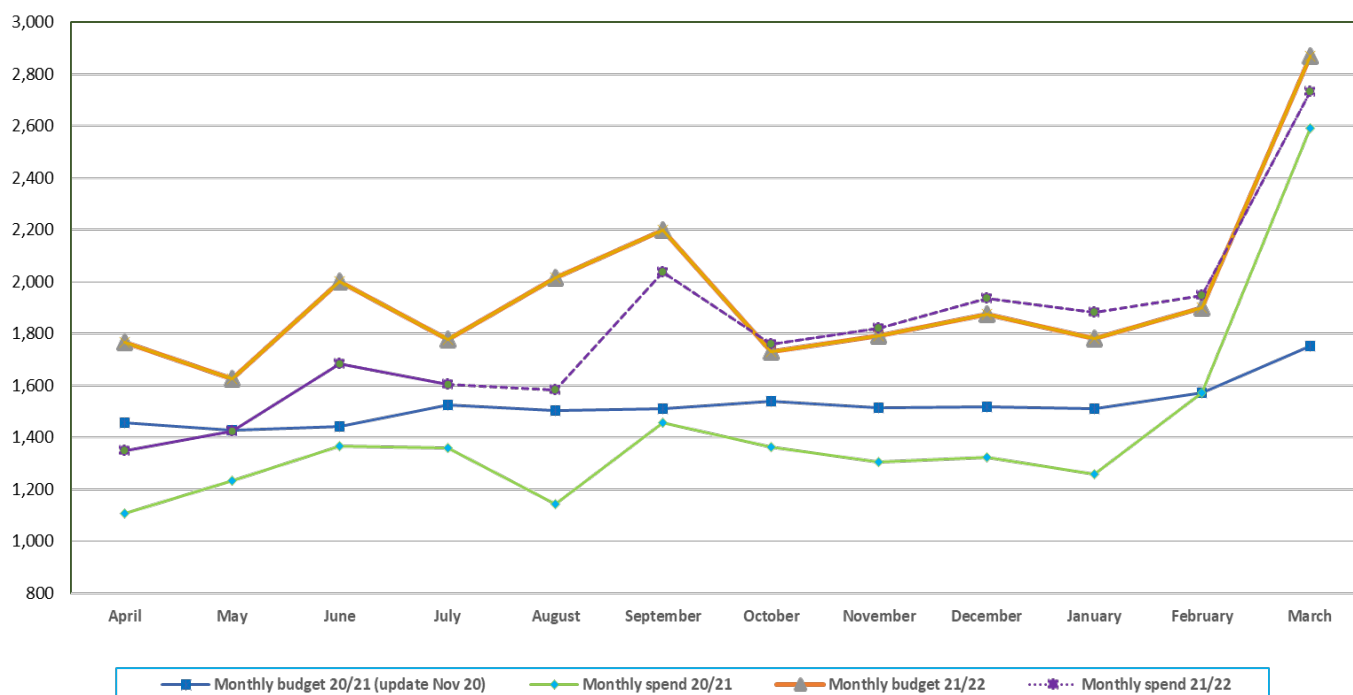


Figure 5 – Year on Year Comparison – monthly budget vs actual

Staff Complement and Supplier Payments

Type of post	June Staff Numbers
Permanent Staff	231
FTA - not permanent	28
Agency Staff	21
Maternity Leave	8
Seconded Staff	5
Total FTE	292
Vacancies	61
Budgeted Posts (FTE)	353

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%
Total	844	97%

Figures 7 – Supplier Payments