

Food Standards Scotland Financial Performance Update – November 2021

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 September 2021.

1.2 At the end of Quarter 2 FSS is reporting an outturn of £21.4m against the resource budget of £22.5m, representing a projected 3.8% underspend against budget.

1.3 The Board is asked to:

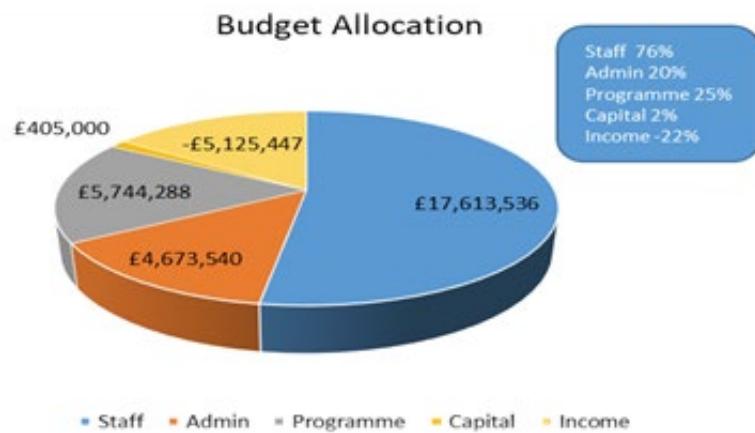
- **Note** the financial information reported as at 30th September 2021.
- **Note** the indicative Resource and AME budget amounts for 2021/22.

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 up to a further £3.5m to be allocated at the Spring Budget Review (SBR). 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 (March-21) for this financial year £23.3m of funds were allocated internally to deliver FSS strategic objectives with breakdown as below.

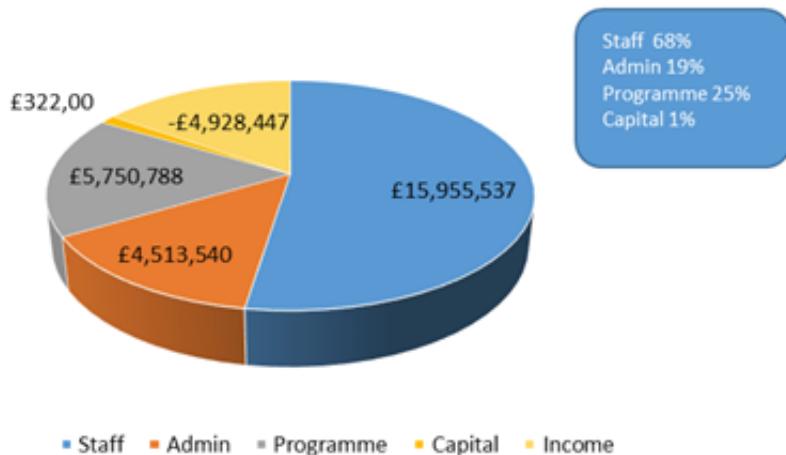


The over allocation of budget was due to managing the budget with a vacancy assumption this year of approx. 10% of the Staff budget, which is by far the greatest budget category both in value and percentage terms. The budget allocation assumed 340 staff were in post for the full year, when there are currently 298 posts filled.

Mid-year budget exercise

2.4 After completing the spend review exercise (October-21), based on six months of actual expenditure, 6 months of forecasted spend and with the updates from the Branch Heads, a revised budget at the **Mid-Year point** has been allocated of £21.6m with breakdown as below. This is the total resource budget that FSS will request at SBR.

Mid-Year Budget Review Allocation



2.5 The overall decrease in budget allocation of £1.8m is driven by Staff underspend due to delays in recruitment processes and reprofiling starting dates (£1.6m). The decrease in Admin budget is mainly related to reduced requirement for travel and training expenditure across the organisation due to COVID restrictions (£330k). The Capital budget has been reduced (the ODITS project) as the implementation is planned for next financial year, offset by additional funds requested for laptops purchase for new starts.

2.6 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).

2.7 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.

2.8 In addition, FSS will receive further funding of £100k in each of the next three years to support the development and management of a Scottish pilot contributing to the UK research programme to develop whole genome sequencing capability to support the surveillance of foodborne pathogens and antimicrobial resistant (AMR) microbes across the UK. This funding will form part of the UK/SG budget transfers and is not included in the budget figures yet. It will be confirmed in the final budget bill.

Financial Performance Summary

3.1 Annex A provides the tables and charts that show the Mid-Year revised 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 second 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 Q2 when compared to the budget profile was £1.2m under budget (26%). The main budget categories contributing to this underspend are Staff £659k, where a number of vacancies were carried forward from the previous year as well as the continuing ongoing delays in recruitment (54% of total underspend), Capital £223k where £200k of spend for the Operational Delivery IT System (ODITS) project did not go ahead as planned, and Programme £284k (23% of total underspend) where a number of projects across the organisation have been reprofiled to later in the year or removed from this year spend.

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 -£659k (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 -£149k (15%) under budget

The admin underspend is mainly related to less travel and accommodation costs due to COVID restrictions, corporate training fees and training spend forecasted to Q3, offset by additional legal costs.

Programme -£284k (23%) under budget

This underspend is a result of reprofiling spend to Q3 for a number of projects across the organisation mainly due to delays in Local Authority Sampling Grants and delays in Local Authorities authorisations.

Capital -£223k under budget

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

Income £84k (-7%) under budget

Reduction in income due to refunds to the three Fish Hubs following reconciliation of the estimated charge out rate compared to actual costs

Full Year Outturn

3.5 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. The amendments and additional funds requested at Mid-Year budget review are not included in October forecast due to timing.

3.6 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.

3.7 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 due to reduction in Staff expenditure to date.

Forecast Accuracy and Actual expenditure

4.1 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.

4.2 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 £385k for each of the three months.

July 21: The monthly underspend of £210k (-13%) against the July forecast where the programme spend being reprofiled further in the year (£90k) mainly because of delays in Local Authorities authorisations, further delays in recruitment pushing the start dates later in the year (£40k), additional income (£30k) and reduced travel cost in Admin (£35k), capital spend reprofiled to Q3 (£15k).

August 21: The underspend of £88k (-5%) against the August forecast was mostly caused by reprofiling of Programme expenditure to later in the year (£60k), reduced staff costs as a result to delays in recruitment (£22k), lower Admin spend (£14k), offset by less income generated (£8k).

September 21: The underspend in September forecast of £87k (-4%) was due to overall reductions in: programme spend reprofiled to later in the year and projects no longer going ahead this financial year (£84k) and further reductions in the staff expenditure due to start dates being postponed to the next month (£27k) partially offset by increased admin expenditure as the Global Food Conference cost being brought forward (£30k).

4.3 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.

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 first half of the Financial Year 21-22, the organisation has reported COVID related spend of £41k 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 (FY) was £580k. During the first half of the FY 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. There is potential for some further reductions in spend during the latter quarters of the year.

Budget 2022/23

6.1 We are reviewing figures for a forward look on budgets and considering likely impacts of changes to pay policy which is currently under review. Work is underway to finalise budget requirements for the next financial year. It is expected that SG will announce soon the details of a multi-year spending review possibly from financial year 2023/24 onwards.

Reporting

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

7.2 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 17 posts taking the total agreed posts to 357 at the end of September. The Staff Complement table (Figure 6) provides the posts that were filled at the end of September. At that time 254 were filled permanently (5 currently on maternity leave), 40 temporary staff covering a number of vacancies either on fixed term or interim basis and 4 were seconded staff into the organisation. In addition there were 59 unfilled vacancies. During Quarter 2, 16 employees left the organisation of which 3 retired.

7.3 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 94% 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.

7.4 At the end of September, the cash drawn down from the Scottish Government relating to the 2021/22 budget was £10.1m. The bank balance as of 30th September was £4.2m.

Outstanding payments (debt recovery)

8.1 At the end of September, the outstanding debt was £515k, which was a decrease of £50k (8%) from the previous quarter's total. £110k (21%) was over the accepted 31 day payment term and out of which £52k (10%) was over 61 days from date of invoice.

8.2 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. As a result of this continued work FSS debt over 31 days has reduced by 54% on the same time last year

Best Value Assessment

9.1 Work is ongoing to develop a strategic Best Value framework for FSS. Discussion has recently taken place with Audit Scotland on best value and how FSS can demonstrate that the attributes are embedded in the work that takes place in the organisation. Further review and work will take place to address this action.

9.2 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).

Conclusions/Recommendations

10.1 The Board is asked to:

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

Anna Skowron
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2nd November 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 September 2021. The performance is based on comparing the actual spend for the year with the budget profile as updated during the financial year.

	Budget Profile 21/22				Actual Spend 21/22				Variance Analysis			
	£'000	21/22 Budget	Q1	Q2	YTD	Q1	Q2	YTD	Q1 Variance	Q1 Var %	Q2 Variance	Q2 Var %
Staff	17,614	4,422	4,392	8,814	3,645	3,734	7,378	(777)	-18%	(659)	-18%	
Administration	4,674	1,039	1,160	2,199	1,021	1,011	2,032	(19)	-2%	(149)	-15%	
Programme	5,744	1,157	1,525	2,681	1,066	1,241	2,307	(91)	-8%	(284)	-23%	
Capital	405	43	263	305	8	39	48	(34)	-80%	(223)	-567%	
Income	(5,125)	(1,270)	(1,350)	(2,620)	(1,287)	(1,266)	(2,553)	(17)	1%	84	-7%	
Total	23,311	5,391	5,990	11,380	4,453	4,760	9,213	(938)	-8%	(1,230)	-26%	

Figure 1: Year-to-Date Performance

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

£'000	Indicative funding £22.5m	Mid-Year budget review (Oct-21)	October forecast	October forecast vs Mid-Year budget review	Potential available funds - indicative budget v updated forecast
CEO		620	614	(6)	
DPSO		11,864	12,178	313	
DSCA		9,127	8,636	(491)	
Total	22,500	21,611	21,428	(184)	1,072
Staff		15,956	15,683	(273)	
Admin		4,514	4,554	40	
Programme		5,751	5,759	8	
Capital		320	370	50	
Income		(4,928)	(4,938)	(10)	
Total	22,500	21,611	21,428	(184)	1,072

Figure 2 – FSS Budget and Forecast

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

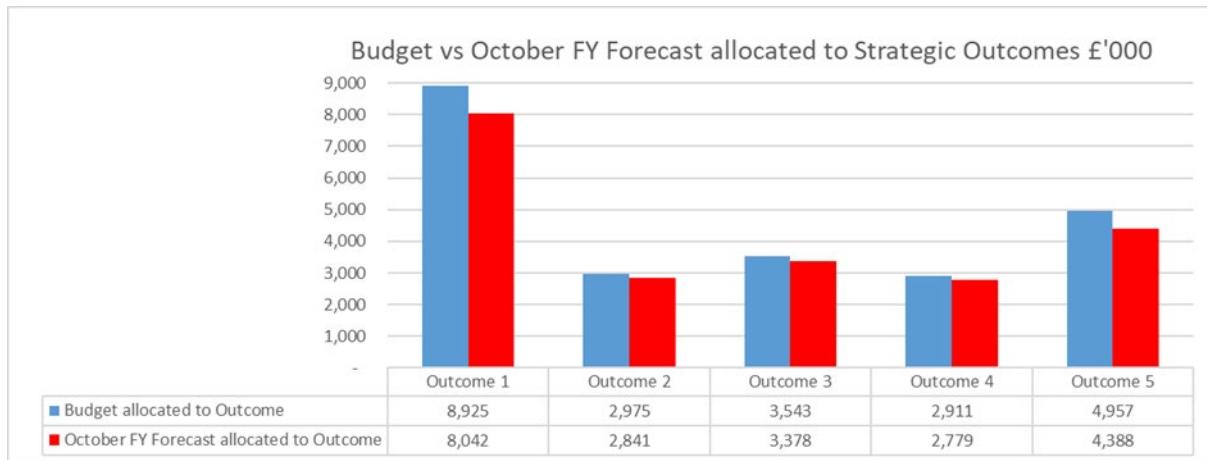


Figure 3a – Allocation of resource expenditure to Strategic Outcomes

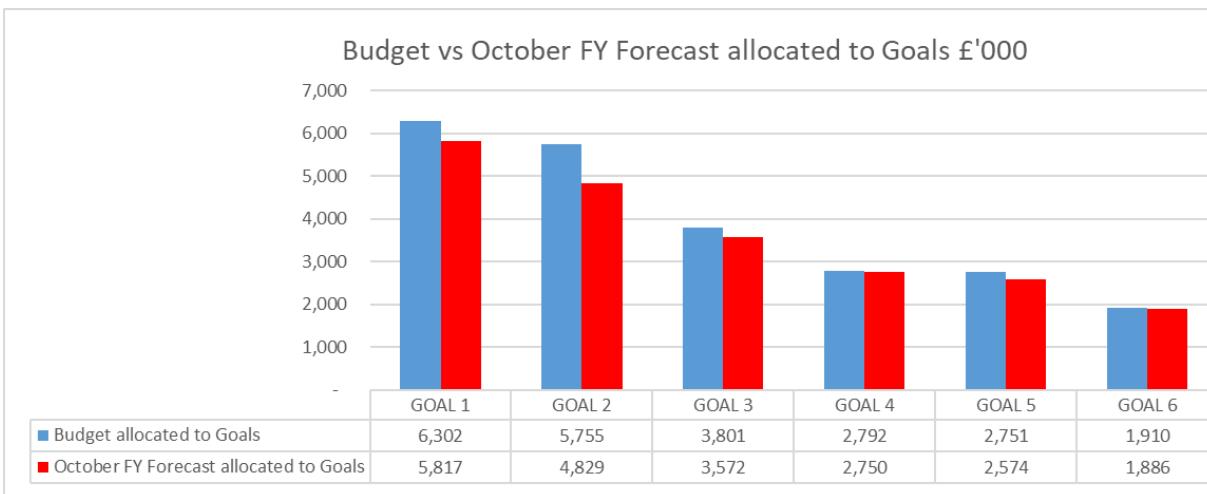


Figure 3b – Allocation of resource expenditure to Strategic Goals

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	1,999	1,781	2,013	2,200	1,731	1,792	1,874	1,780	1,899	2,868	23,333
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

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 Monthly Mid-Year revised budget 21-22 is based on April-September actuals and updates from the branch heads.

Monthly Budget v Actual by Financial Year £'000

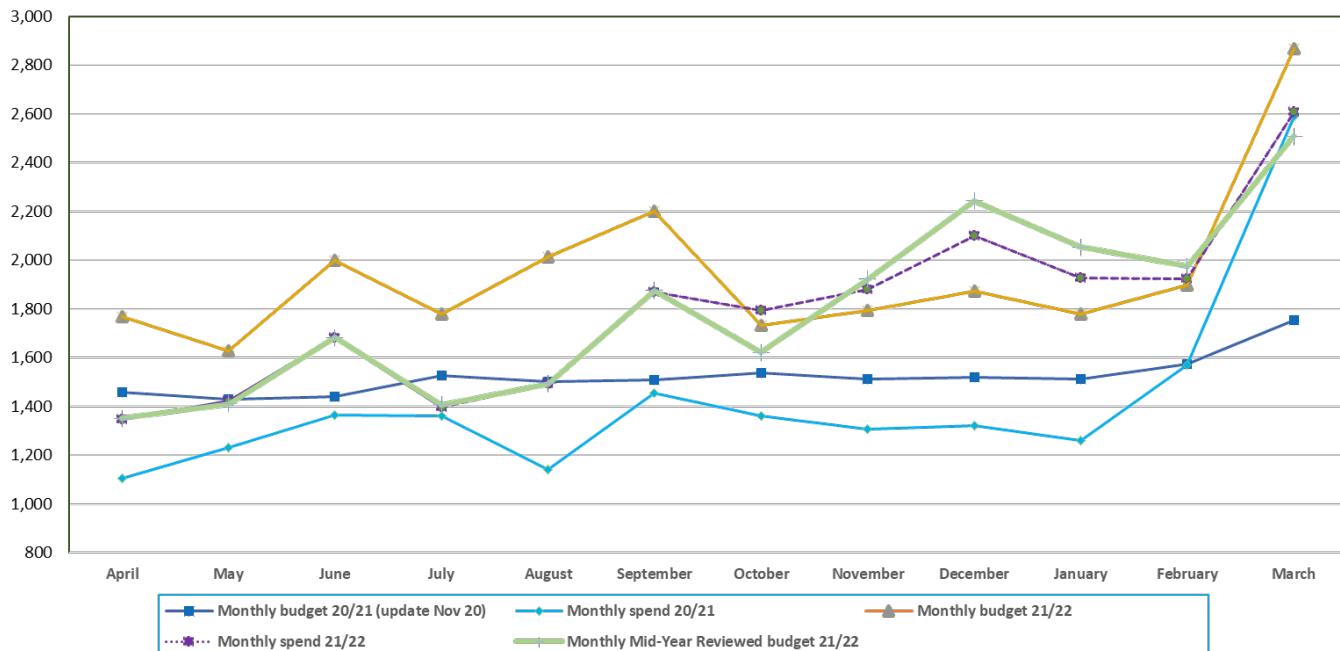


Figure 5 – Year on Year Comparison – monthly budget vs actual

Staff Complement and Supplier Payments

Type of post	Q1 Staff Numbers	Q2 Staff Numbers
Permanent Staff	231	249
FTA - not permanent	28	20
Agency Staff	21	20
Maternity Leave	8	5
Seconded Staff	5	4
Total FTE	292	298
Vacancies	61	59
Budgeted Posts (FTE)	353	357

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

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%
Total	1732	94%

Figures 7 – Supplier Payments