

## FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE – February 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 31 December 2020.

1.2 For quarter three FSS is reporting a provisional outturn of £17.4m against the internally allocated resource budget of £18.4m, representing a projected 5% underspend against budget.

1.3 An additional budget of up to £5m was available this year to manage the impact exiting the EU would have across the breadth of our work. As reported in the previous quarterly report a review was underway to determine the total budget required for the year. The exercise was completed and the overall budget requested at the Spring Budget Review (SBR) was £18.4m of resource budget and £0.5m for Annual Managed Expenditure (AME).

1.4 The Board is asked to:

- **Note** the financial information and expected end year position reported as at 31 December 2020.
- **Note** the final Resource and AME budget amounts for 2020/21.

### 2. Background

2.1 This work supports FSS Strategic Outcome 6: FSS is efficient and effective.

2.2 The current approved budget for 2020/21 is £16m allocated in the Budget Bill 2020. This comprises resource budget of £15.6m and AME of £350k to meet the FSS pension liabilities.

2.3 Following completion of our mid-review of budget requirements, including the funding required for our Future Structure programme, additional resource funding of £2.8m has been requested in the SBR return as well as a further £150k AME budget to meet the requirements for the current year. This paper provides details of the allocation of the FSS resource budget between each of the three work programmes and the essential core activities.

2.4 The Executive reports its financial performance for the core activities against the six strategic objectives to provide an indication on the effective use of resources to deliver against the Strategy and the Corporate Plan. The report on the budget and expenditure for the three work programmes are included as part of the review of the total FSS budget.

2.5 In November an update was provided on the impact that Covid-19 was having on the budget planning for this year and the areas where reduced spending was taking place, cancelled activity and also requirement to report any Covid expenditure related to SG. For the third quarter there is still resource being given to the organisation's response to Covid and this paper provides some further details of the impact on the FSS budget.

### 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 2020-21. The financial performance is based on both the revised budget figure and the updated forecast that is reviewed on a monthly basis.

### YTD Budget v Actual expenditure

3.2 The monthly budget profile presented in the Year to Date Performance (Figure 1) is based on the updated assessment provided by Branches in November 2020. The actual spend to the end of the third quarter when compared to the budget profile was £1.5m under budget. The main budget categories contributing to this underspend are Staff £345k and Programme £598k.

3.3 The Allocation of Resource Expenditure (Figure 2b) gives additional detail behind the five budget lines in Figure 1 and also includes the quarterly summary details of the budget and expenditure against the three work programmes. For each element, variances are reported comparing quarterly budget versus actual expenditure and full year budget versus forecast outturn, as well as explanation for any differences.

3.4 Further detail of this quarters variances are as follows -

#### Staff -£345k (4%) under budget (Quarter 2 -£137k)

Further under spend is mainly caused by the delays in recruitment across a number of cost centres, staff leaving and the posts not filled yet.

#### Admin -£241k (10%) under budget (Quarter 2 -£390k)

This underspend is mainly due to reduction in the travel, subsistence and accommodation costs as staff had to work from home as a result of Covid. There were also impacts on other areas of admin planning e.g. less training and conferences during the quarter. There was a reduction in the forecast for depreciation costs as budget greater than required due to some assets fully depreciated in March 2020 and also reduced capital expenditure in the year.

#### Programme -£598k (17%) under budget (Quarter 2 -£476k)

This underspend is a result of reduction in spend for number of projects, including Sanitary Surveys, Management Fees and SG Aquaculture Website with some expenditure being re-profiled for later in the financial year. There are also reductions across Cefas sampling costs. Planned work is not going ahead and re-profiled until later in the year due to COVID.

#### Capital -£186k (59%) under budget (Quarter 2 -£102k)

There has been re-profiling of work on development of IT systems to later in the financial year for example the Shellfish Monitoring & Control System, Scottish National Database and Scottish Food Sampling Database.

#### Income -£146k (5%) more than budget (Quarter 2 £98k)

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

### Forecast Accuracy v Actual expenditure

3.5 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.

3.6 The information presented in Figure 3 allows us to quickly identify material variances and drill down into further detail to understand the reasons behind them. The work carried out in para 3.6 actively updates the monthly forecast and the actual expenditure is compared against these

revised figures which takes place one month in arrears. 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 £603k for each of the last three months.

**October 20:** the underspend of £172k was mainly in Staff due to ongoing vacancies and delays in recruitment and in Programme due to work in a number of Comms & Marketing projects moved to later in year as well as reprofiling of the official control monitoring for sanitary surveys and related costs to later in the year.

**November 20:** the underspend of £170k was mainly in Admin due to reduction in provision for employment tribunals, reduced depreciation charges and IT system support costs. Also contributing to the underspend was Programme where a number of projects' expenditure was reprofiled to later in the year e.g. official control monitoring programme for shellfish sampling for E.coli and sanitary surveys, food crime analysis and primary production as well as a number of Comms & Marketing projects that were delayed. In addition, Income increased in the month by £30k as a result of increase hours for meat hygiene inspections and an under forecast of charging hours carried forward from the previous month.

**December 20:** the underspend of £261k was mainly as a result of underspends in Programme for the shellfish official control programme for sanitary surveys, primary production and feed delivery projects due to Covid restrictions and contract delays in the Dietary Guidelines and Monitoring Diet project. There was also decrease for Staff costs due to removal of duplication of some posts sitting in the future structure project and also in the branch forecasts.

3.7 The Year on Year Comparison graph (Figure 4) shows the monthly budget allocation compared with the updated monthly forecast expenditure. The graph is updated with the actual monthly expenditure as it occurs and with revised forecasts (dotted line) 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 2019/20 is provided to enable comparison between financial years.

#### Full Year Forecast

3.8 As per the updated forecast from January expenditure of £17.4m shows a forecast underspend of £1m (5%) for the year against the budget of £18.4m allocated in November. The FSS budget and forecast summary (Figure 2a) shows the budget allocation to Core Activities and Work Programmes with the latest forecast expenditure and variances against the budget.

3.9 In Figure 2b the Full Year revised budget profile and forecast columns gives additional detail behind the budget lines including variances. There are under/over forecasts against each category area and in Core Activities there is overall reduced expenditure of £962k with a decrease in the forecast Staff costs £435k, Admin by £198k, Programme by £219k and Capital costs by £63k and increased income of £47k. In addition, there is a forecast underspend for the Work Programmes against the revised budget allocation by £25k with variances against each individual work programme.

## **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 when able to do so. The organisation is estimating costs of around £0.6m for Covid related activities.

4.2 There has been underspend against budget for business as usual due to the reprioritisation of staff resources to Covid related activities in the first quarter and ongoing requirements to date. In some instances planned expenditure will not now take place e.g. travel and accommodation, training, conferences etc. and in others expenditure has been reduced or re-profiled over the remaining months of this year.

#### Budget 2021/22

4.3 FSS has been allocated £19.5m for the next financial year which includes £0.4m for Annually Managed Expenditure (AME) as detailed in the Scottish Budget 2021-22 published on 28 January. The resource and depreciation budget of £19.1m will be allocated through our annual business planning round for 2021/22. The budget for FSS will be finalised when the Budget Bill is approved by Parliament. In addition, the Scottish Government (SG) has confirmed we will receive up to a further £3.5m of funding during the year in line with our EU Exit business case.

#### 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 248 posts were agreed and budgeted for as part of the business planning exercise for 2020/21. Following a review of the posts it was decided to include posts that had been recruited so far for the future structure taking the total budgeted posts to 313.3. The Staff Complement table (Figure 5) provides the posts that were filled at the end of December. There were 56 unfilled vacancies and a number of other vacancies are currently covered by permanent staff on temporary promotion or by staff on fixed term appointments or interim workers. Twenty interim workers were employed on a temporary basis at the end of December. There are also seven members of staff currently on maternity leave. FSS is working on moving forward recruitment as quickly as possible.

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 6) gives details of the performance in this area over the year. An average of 91% 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 December the cash drawn down from the Scottish Government relating to the 2020/21 budget was £12.5m. The bank balance as of 31 December was £2m.

#### Outstanding payments (debt recovery)

4.8 At the end of December the level of outstanding debt owed to FSS was £483k, where £133k of this debt (28%) was over the accepted 31 day payment term and £37k of this amount over 61 days from date of invoice (8%). The total debt over 31 days decreased by £104k compared to the end of the previous quarter mainly as a result of greater value of invoices being paid within expected timescales and continued engagement by operations and finance teams with debtors.

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, Harper MacLeod where required. The contractor is now working at their normal level of service again and are taking forward debt as instructed by FSS to assist with reducing the amount of outstanding debt.

Best Value Assessment

4.10 Work has taken place to develop a best value framework for FSS which includes a proposal for reporting of efficiencies and any related savings. The best value paper and draft framework was reviewed and discussed by SMT in January. It was agreed that an advisory review of the FSS framework would be carried out by SG Internal Audit as part of their 2020-21 Internal Audit Plan in the last quarter of the year. The output of that review is expected at the end of March and will include a programme of Best Value audits from 2022-21 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 31 December 2020.
- **Note** the final Resource and AME budget amounts for 2020/21.

Elaine McLaughlin  
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## 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 December 2020. The performance is based on comparing the actual spend for the year with the budget profile (revised in November 2020) as updated during the financial year.

£'000	20/21 Budget	Budget Profile 20/21				Actual Spend 20/21				Variance	Var %
		Q1	Q2	Q3	YTD	Q1	Q2	Q3	YTD		
Staff	13298	3119	3291	3144	9554	3085	3013	3111	9209	(345)	-4%
Administration	3720	858	1096	546	2500	658	739	856	2252	(247)	-10%
Programme	4645	1184	1175	1107	3466	814	1069	986	2868	(598)	-17%
Capital	586	87	99	127	314	11	73	44	128	(186)	-59%
Income	(3899)	(828)	(880)	(960)	(2668)	(866)	(939)	(1008)	(2814)	(146)	5%
Total	18351	4420	4781	3964	13165	3701	3954	3989	11644	(1521)	-12%

Figure 1: Year-to-Date Performance

Figure 2a provides a summary of the FSS budget and forecast including details for Core Activities and the Work Programmes.

Directorate / Branch	Budget Allocated	Forecast	£'000	%	Actual	% of Budget
	UPDATE		Variance	Variance	Spend to Date	Spent
	Nov-20	Jan-21				
<b>FOOD STANDARDS SCOTLAND</b>	18,350,629	17,413,198	(937,430)	-5%	11,643,671	63%
<b>FSS CORE ACTIVITIES</b>	15,026,322	14,271,024	(755,298)	-5%	10,112,926	67%
<b>WORK PROGRAMMES</b>	3,324,306	3,142,174	(182,132)	-5%	1,530,744	46%
EU Exit	977,005	1,099,487	122,482	13%	766,629	78%
Diet and Nutrition	829,894	753,112	(76,782)	-9%	225,556	27%
Reg Strategy	934,997	914,652	(20,345)	-2%	538,560	58%
Future Structures	582,410	374,922	(207,488)	-36%	0	0%

Figure 2a – FSS Budget and Forecast

Figure 2b expands the budget lines in Figure 1 to provide detail of expenditure contributing to the totals. The table provides the comparison of Budget v Actual for Quarter 3 and updated forecast for Q3 onwards.

Category	Allocation of Budget	YTD Budget Q3	YTD Actual Q3	Forecast Variance Budget to Actual	%	Explanation for variance	Revised Budget profile at November 2020	Full year Forecast	Variance Forecast v Budget	%	Explanation for variance
Staff	Core Activities	8,293,639	7,975,746	(317,894)	-4%	This is mainly due to recalculation of forecasted overtime in operations.	11,575,192	11,140,041	(435,151)	-4%	Underspend is due to the recalculation of forecasted overtime offset by recruitment of new staff.
	EU Exit Work Programme	468,240	591,687	123,448	26%	Extra staff time allocated to EUExit than what was forecasted.	705,505	805,885	100,381	14%	Increase in the amount of staff time allocated to EUExit than what was in the forecast.
	Nutrition and Dietary Health Work Programme	328,491	198,717	(129,774)	-40%	Underspend due to staff working in Covid related activities and not in the work programme, delays in recruitment.	378,407	305,500	(72,907)	-19%	Underspend due to staff working in Covid related activities and not in the work programme, delays in recruitment and regrading of forecasted vacancies.
	Regulatory Strategy Work Programme	463,186	442,561	(20,625)	-4%	Underspend mainly due to staff transferred to BAU to cover Covid.	638,579	628,391	(10,189)	-2%	The forecasted overspend is due to additional staff being forecasted to the end of the financial year.
	<b>Total</b>	<b>9,553,556</b>	<b>9,208,712</b>	<b>(344,844)</b>	<b>-4%</b>	<b>Underspend due to ongoing vacancies and delays in recruitment.</b>	<b>13,297,683</b>	<b>12,879,817</b>	<b>(417,866)</b>	<b>-3%</b>	<b>Underspend due to ongoing vacancies and delays in recruitment.</b>
Admin	Core Activities	2,471,813	2,217,991	(253,823)	-10%		3,671,804	3,473,488	(198,316)	-5%	
	EU Exit Work Programme	1,690	13,795	12,105	716%		4,500	26,605	22,105	491%	
	Nutrition and Dietary Health Work Programme	21,215	12,283	(8,932)	-42%		33,487	31,137	(2,350)	-7%	
	Regulatory Strategy Work Programme	4,918	8,094	3,176	65%		10,418	10,418	(0)	0%	
	<b>Total</b>	<b>2,499,636</b>	<b>2,252,162</b>	<b>(247,474)</b>	<b>-10%</b>	<b>Underspend is mainly due to reduction in the travel, subsistence and accommodation costs as staff are from home as a result of Covid. Also reduction forecast for depreciation charges, significant reduction in Syst. Support cost to reflect recent updates from SG.</b>	<b>3,720,208</b>	<b>3,541,647</b>	<b>(178,561)</b>	<b>-5%</b>	<b>Underspend is mainly due to reduction in the travel, subsistence and accommodation costs as staff are from home as a result of Covid. Also reduction forecast for depreciation charges, significant reduction in Syst. Support cost to reflect recent updates from SG.</b>
Programme	Core Activities	2,998,601	2,682,662	(315,939)	-11%	Work not going ahead and re-profiled until later in the year due to COVID. Less Celas Sampling undertaken then forecasted.	3,914,430	3,694,980	(219,450)	-6%	The increase in the underspend due to reduction in the cost of sampling.
	EU Exit Work Programme	168,049	161,147	(6,902)	-4%	Amended cost from SG Legal team.	267,000	266,997	(3)	0%	
	Nutrition and Dietary Health Work Programme	293,200	14,555	(278,645)	-95%	Work not going ahead and re-profiled until later in the year due to COVID.	418,000	416,475	(1,525)	0%	
	Regulatory Strategy Work Programme	6,000	9,823	3,823	64%	Underforecast of legal cost related to Feed project.	46,000	51,844	5,844	13%	Underforecast of legal cost related to Feed project.
	<b>Total</b>	<b>3,465,850</b>	<b>2,868,188</b>	<b>(597,663)</b>	<b>-17%</b>	<b>Underspend due to a number of projects either not proceeding and delayed until following months.</b>	<b>4,645,431</b>	<b>4,430,296</b>	<b>(215,135)</b>	<b>-5%</b>	<b>Underspend due to a number of projects either not proceeding and delayed until following months.</b>
Capital	Core Activities	116,249	50,116	(66,133)	-57%	Development of IT systems in Incidents/Food Crime removed from the budget as absorbed already in their underspent budget.	346,385	283,751	(62,634)	-18%	Underspend due to SND/SFSD Development cost reduced and partially reprofiled to Jan. Also Feed Development work delayed, pad distribution to the LAs expected to start later in the year..
	EU Exit Work Programme	-	-	-	0%		-	-	-	0%	
	Nutrition and Dietary Health Work Programme	-	-	-	0%		-	-	-	0%	
	Regulatory Strategy Work Programme	197,500	78,081	(119,419)	-60%	Development of software has been moved to later in the financial year.	240,000	224,000	(16,000)	-7%	
	<b>Total</b>	<b>313,749</b>	<b>128,197</b>	<b>(185,552)</b>	<b>-59%</b>	<b>Underspend as one project not going ahead and delays in others.</b>	<b>586,385</b>	<b>507,751</b>	<b>(78,634)</b>	<b>-13%</b>	<b>Underspend as one project not going ahead and delays in others.</b>
Income	Core Activities	(2,667,753)	(2,813,588)	(145,835)	5%		(3,899,079)	(3,946,314)	(47,235)	1%	
	EU Exit Work Programme	-	-	-	0%		-	-	-	0%	
	Nutrition and Dietary Health Work Programme	-	-	-	0%		-	-	-	0%	
	Regulatory Strategy Work Programme	-	-	-	0%		-	-	-	0%	
	<b>Total</b>	<b>(2,667,753)</b>	<b>(2,813,588)</b>	<b>(145,835)</b>	<b>5%</b>	<b>Additional income due to more days worked delivering official meat controls and increased overtime required in plants.</b>	<b>(3,899,079)</b>	<b>(3,946,314)</b>	<b>(47,235)</b>	<b>1%</b>	<b>Increased income mainly due small increases of hours across several plant offset by reduction in Fish Hubs due to BA being changed.</b>
<b>FSS TOTAL</b>	<b>13,165,039</b>	<b>11,643,671</b>	<b>(1,521,368)</b>	<b>-12%</b>	<b>Underspend across all budget areas with increase in Income has contributed to less spend against profiled budget.</b>	<b>18,350,629</b>	<b>17,413,198</b>	<b>(937,430)</b>	<b>-5%</b>	<b>Underspend across all budget areas with increase in Income has contributed to less spend against profiled budget.</b>	

Figure 2b – Allocation of resource expenditure

### 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 Forecast

£000s	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	2020-21 FYF
Budget updated Nov 20	1,457,080	1,428,913	1,441,237	1,524,945	1,502,401	1,509,690	1,538,254	1,368,974	1,332,033	1,481,065	1,491,480	1,692,145	17,768,218
April Forecast	1,457,080	1,428,913	1,426,156	1,509,865	1,490,740	1,491,330	1,517,893	1,493,302	1,498,140	1,492,203	1,552,916	1,732,574	18,091,113
May Forecast	1,084,486	1,293,073	1,466,713	1,581,479	1,544,233	1,613,106	1,605,524	1,549,349	1,515,139	1,460,423	1,538,966	1,813,467	18,065,959
May Forecast Upadte	1,106,236	1,293,073	1,466,713	1,581,479	1,544,233	1,613,106	1,605,524	1,549,349	1,515,139	1,460,423	1,538,966	1,813,467	18,087,709
June Forecast		1,231,915	1,416,708	1,576,018	1,554,561	1,651,567	1,626,678	1,573,022	1,531,003	1,494,142	1,553,716	1,829,215	18,144,783
July Forecast			1,365,846	1,531,120	1,447,347	1,641,873	1,632,837	1,589,840	1,560,292	1,527,583	1,589,292	1,885,079	18,109,262
August Forecast				1,360,302	1,386,968	1,592,813	1,606,555	1,569,881	1,609,287	1,578,201	1,591,343	1,902,720	17,902,069
September Forecast					1,141,608	1,494,664	1,565,890	1,496,269	1,535,145	1,635,901	1,635,906	2,100,163	17,669,846
October Forecast						1,454,840	1,533,412	1,541,512	1,654,217	1,729,665	1,705,628	1,958,691	17,783,871
November Forecast							1,361,491	1,481,630	1,587,042	1,714,040	1,834,247	2,016,370	17,655,568
December Forecast								1,305,620	1,583,279	1,702,150	1,733,046	2,481,249	17,827,583
January Forecast									1,322,146	1,511,072	1,779,098	2,479,357	17,413,198
February Forecast													0
March Forecast													0
YTD Actual													0

Figure 3 – 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

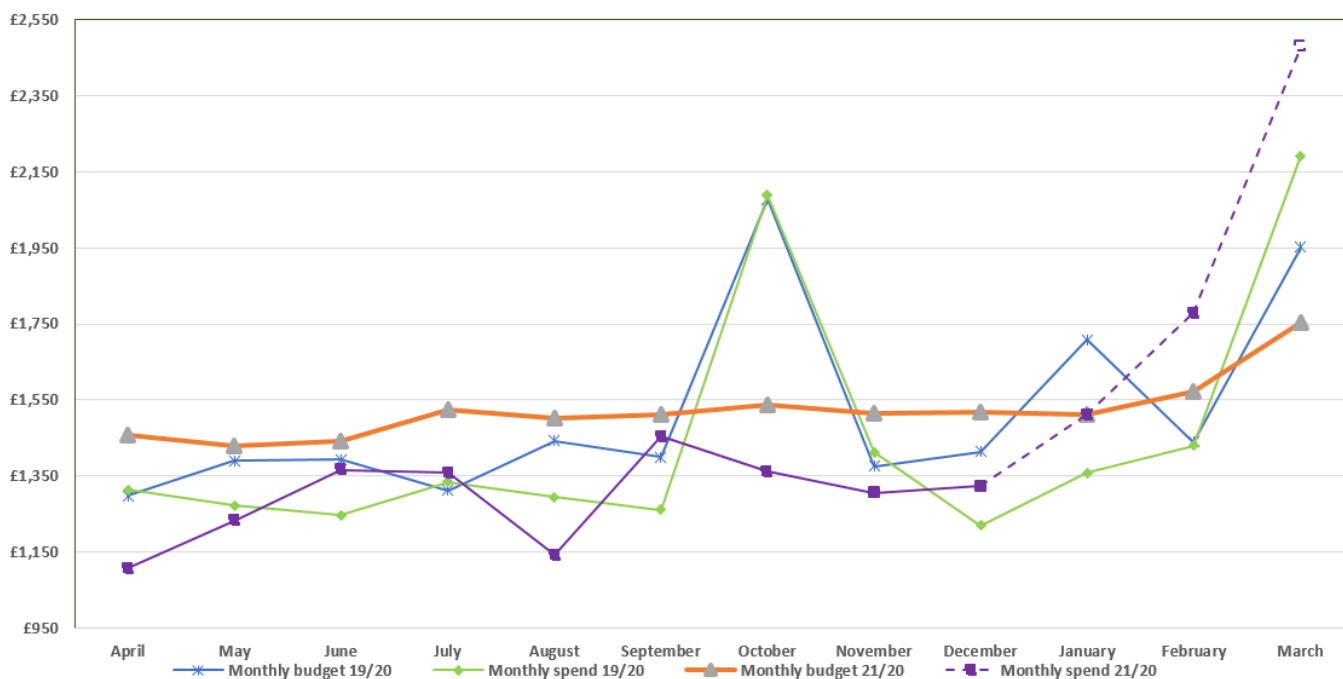


Figure 4 – Year on Year Comparison – monthly budget v actual



Description	Staff Complement
Budgeted Posts (FTE)	313.3
Vacancies (Dec)	56.3
Seconded Staff (Dec)	3.2
Agency Staff (Dec)	19.8
FTA - not permanent (Dec)	21.9
Permanent (Dec)	212.1
Total FTE (Dec)	257

Figure 5 – Staff Complement

Month	Number of Invoices	Percentage of invoices paid in 10 days
Apr-20	309	92%
May-20	205	85%
Jun-20	203	75%
Jul-20	218	87%
Aug-20	206	92%
Sep-20	236	98%
Oct-20	240	95%
Nov-20	263	93%
Dec-20	273	100%
Total	2153	91%

Figures 6 – Supplier Payments