

FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE – May 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 March 2021.

1.2 At the end of Quarter 4 FSS is reporting a provisional outturn of £16.7m against the resource budget of £18.4m, representing a projected 9% underspend against budget.

1.3 The Board is asked to:

- **Note** the financial information and a provisional year-end position reported as at 31 March 2021.
- **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 total FSS budget for 2020/21 was £18.9m. This comprised resource budget of £18.4m and Annually Managed Expenditure (AME) of £0.5m. The AME budget provides for the FSS pension liability provision. The expectation is that the full amount of the AME budget will be utilised.

2.3 This paper provides details of the allocation of the FSS resource budget between each of the three work programmes and the essential core activities. Included in the budget above was an additional £2.8m to delivery our Future Structure programme of work to manage the impact that leaving the EU would have on the organisation.

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 four work programmes are included as part of the review of the total FSS budget.

2.5 In February 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 fourth quarter resource was 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 fourth quarter 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 quarter four when compared to the budget profile was £1.7m under budget.

The main budget categories contributing to this underspend are Staff £761k (46% of total underspend) and Programme £402k (24% of total underspend).

3.3 There has been an overall £730k (from £17.4m to £16.7m) reduction in expenditure from that forecast at the end of Q3 and the provisional outturn. Staff and Programme spend are the main factors here with ongoing delays in recruitment as well as the current Covid-19 pandemic impacting during the quarter where work had to be cancelled or delayed for both programme and capital projects. Some detail of the work is provided in the review of the outturn against budget and monthly actuals to forecast below.

Full Year Outturn

3.4 The FSS Budget and Forecast summary table (Figure 2a) shows this budget allocation to Core Activities and Work Programmes and compares this with the full year provisional outturn to show the variances against the budget.

3.5 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 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.

3.6 Further detail of this year's variances are as follows -

Staff -£761k (6%) under budget (Quarter 3 -£345k)

Further under spend is mainly caused by the delays in recruitment across a number of cost centres both for business as usual and future structure as well as staff leaving which therefore increases the posts that are vacant. At the end of the year there were a number of vacancies throughout the organisation.

Admin -£55k (1%) under budget (Quarter 3 -£241k)

This underspend decreased mainly due to further contribution to reduce the LGPS pension liability S and additional purchases of PPE/air purifiers for field operations as well as costs transferred over from Capital expenditure.

Programme -£402k (9%) under budget (Quarter 3 -£598k)

This underspend is a result of reduction in Official Controls work including reduced sampling for the Primary Production project and a number of projects in the Shellfish monitoring programme including Sanitary Surveys and Sampling Officers. A number of planned projects did not go ahead and have now moved to the current financial year.

Capital -£351k (60%) under budget (Quarter 3 -£186k)

This underspend is due to actual costs being lower than budgeted for in a number of IT projects, activities delayed to the following year and some Capital costs reclassified to Admin expense.

Income -£100k (3%) more than budget (Quarter 3 -£146k)

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

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 3 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 £730k for each of the last three months.

January 21: the underspend of £252k was mainly in Staff due to ongoing vacancies and delays in recruitment and in Programme due to projects being postponed to next financial year and project work being cancelled due to Covid-19. In addition, work for the Operation Workflow System (OWS) replacement was postponed to the next year.

February 21: the underspend of £63k with revised charges for depreciation and with movement of some admin cost to following month. In Programme a number of cancelled or delayed projects for Food Fraud Prevention and Official Controls work. Slight income increase in the month as a result of Fish Hubs forecast revision. This was offset by underspend in Staff mainly as a result of delayed recruitment exercises in Future Structures

March 21: the underspend of £306k was mainly as a result of underspends in Programme spend for official controls in the shellfish monitoring programme and primary production sampling project due to Covid restrictions and delays for two projects in Diet & Nutrition programme of work. There was also decrease for Capital spend as the costs were lower than expected for IT equipment and work not started on the Scottish National Database (SND) Development due to other priorities.

3.9 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 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.

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 has reported costs of around £0.6m for Covid related activities to the Scottish Government (SG).

4.2 There has been underspend against budget for business as usual due to the reprioritisation of staff resources to Covid related activities both for SG and FSS priorities during the year. A number of projects have also been impacted by Covid for instance sampling not taking place due the restrictions in place across Scotland. There has also been a reduction in our Admin expenditure over the year for example for travel and accommodation, training, conferences etc as office staff were based at home and not allowed to travel..

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. In addition, SG has confirmed we will receive up to a further £3.5m of funding during the year to deliver new activities in line with our EU Exit consequential business case. SG Health Finance officials have indicated that the budget for FSS will be finalised at the Spring Budget Review together with any further AME requirements.

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 339.5. The Staff Complement table (Figure 5) provides the posts that were filled at the end of March. There were 47 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. Nineteen interim workers were employed on a temporary basis at the end of March. There are also nine members of staff currently on maternity leave.

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 93% 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 March, the cash drawn down from the Scottish Government relating to the 2020/21 budget was £17.5m. The bank balance as of 31st March was £1.6m.

Outstanding payments (debt recovery)

4.8 At the end of March the level of outstanding debt owed to FSS was £447k, where £150k of this debt (34%) was over the accepted 31 day payment term and £77k of this amount over 61 days from date of invoice (17%). The total debt over 31 days decreased by £34k 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 An advisory review of the draft FSS Best Value framework was 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 has been considered and further work is to take place to develop a strategic Best Value framework. This will form part of a programme of Best Value audits from 2021-22 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 March 2021.
- **Note** the final Resource and AME budget amounts for 2020/21.

Anna Skowron
Interim Finance Manager
Anna.Skowron@fss.scot
12 May 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 31 March 2021. 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	Budget Profile 20/21						Actual Spend 20/21						Variance	Var %
	20/21 Budget	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	YTD			
Staff	13,297,683	3,118,687	3,291,260	3,143,608	3,744,128	13,297,683	3,084,827	3,012,509	3,111,376	3,328,389	12,537,101	(760,582)	-6%	
Administration	3,720,208	858,150	1,095,713	545,773	1,220,572	3,720,208	657,645	738,607	855,910	1,413,495	3,665,657	(54,551)	-1%	
Programme	4,645,431	1,183,737	1,174,807	1,107,306	1,179,580	4,645,431	813,568	1,068,953	985,666	1,375,603	4,243,791	(401,640)	-9%	
Capital	586,385	86,850	99,400	127,499	272,636	586,385	10,953	72,857	44,388	107,412	235,609	(350,776)	-60%	
Income	(3,899,079)	(827,607)	(879,752)	(960,393)	(1,231,326)	(3,899,079)	(866,096)	(939,409)	(1,008,083)	(1,185,480)	(3,999,067)	(99,989)	3%	
Total	18,350,629	4,419,817	4,781,428	3,963,794	5,185,590	18,350,629	3,700,898	3,953,516	3,989,257	5,039,420	16,683,091	(1,667,538)	-9%	

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.

	Budget Allocated UPDATE Nov-20	Provisional Outturn	£'000 Variance	% Variance	Actual spend March 21 YTD	% of Budget Spent
FOOD STANDARDS SCOTLAND	18,350,629	16,683,091	(1,667,538)	-9%	16,683,091	91%
FSS CORE ACTIVITIES	15,026,322	14,082,176	(944,146)	-6%	14,082,176	94%
WORK PROGRAMMES	3,324,306	2,600,914	(723,392)	-22%	2,600,914	78%
EU Exit	977,005	1,075,247	98,243	10%	1,075,247	110%
Diet and Nutrition	829,894	729,003	(100,891)	-12%	729,003	88%
Reg Strategy	934,997	796,664	(138,333)	-15%	796,664	85%
Future Structures	582,410	0	(582,410)	-100%	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 Provisional Outturn for Q4 and comparison between the Forecast at the end of Q3 and Q4.

Category	Allocation of Budget	YTD Budget Q4	Provisional Outturn Q4	Variance Outturn to Budget	%	Explanation for variance	Forecast end Q3	Provisional Outturn Q4	Variance Forecast v Outturn	%	Explanation for variance
Staff	Core Activities	11,575,192	10,841,783	(733,410)	-6%	Underspend driven by delayed recruitment exercises across the organisation.	11,140,041	10,841,783	(298,258)	-3%	
	EU Exit Work Programme	705,505	797,845	92,340	13%	Extra staff time allocated to EUExit than what was forecasted due to increased work, additional agency costs.	805,885	797,845	(8,040)	-1%	
	Nutrition and Dietary Health Work Programme	378,407	273,848	(104,559)	-28%	Underspend due to staff working in Covid related activities and not in the work programme, delays in recruitment.	305,500	273,848	(31,652)	-10%	Underspend due to delays in recruitment processes, staff worked less in the WP than forecast.
	Regulatory Strategy Work Programme	638,579	623,625	(14,954)	-2%		628,391	623,625	(4,765)	-1%	
	Total	13,297,683	12,537,101	(760,582)	-6%	Underspend driven by delayed recruitment exercises across the organisation. Slightly offset by overspend in EUExit WP due to increased work, more SMT time allocated and additional agency costs.	12,879,817	12,537,101	(342,716)	-3%	Underspend due to ongoing vacancies and delays in recruitment .
Admin	Core Activities	3,671,804	3,592,773	(79,031)	-2%		3,473,488	3,592,773	119,284	3%	
	EU Exit Work Programme	4,500	21,296	16,797	373%	Overspend due to Licenses for Regulated Products Application Service costs not budgeted.	26,605	21,296	(5,308)	-20%	Underspend due to Licenses for Regulated Products Application Service costs lower than forecasted.
	Nutrition and Dietary Health Work Programme	33,487	18,133	(15,354)	-46%	Underspend due to travel and publication budget not spend, much lower costs than forecasted, work was delayed and only 30% completed.	31,137	18,133	(13,004)	-42%	Underspend due to much lower costs than forecasted, work was delayed and only 30% completed.
	Regulatory Strategy Work Programme	10,418	33,455	23,037	221%	Cost reclassification from Capital to Admin	10,418	33,455	23,038	221%	Cost reclassification from Capital to Admin
	Total	3,720,208	3,665,657	(54,551)	-1%	Overall underspend driven by reduction in travel and training costs across branches due to Covid. Partially offset by overspend in CS due to additional pension costs.	3,541,647	3,665,657	124,010	4%	Overall underspend driven by reduction in travel and training costs across branches due to Covid. Partially offset by overspend in CS due to additional pension costs.
Programme	Core Activities	3,914,430	3,530,362	(384,068)	-10%	Underspend mainly due to COVID: reductions in Primary Production, reduced sampling and sanitary surveys costs, Feed cost for LA Engagement/Capability Development project not going ahead this FY.	3,694,980	3,530,362	(164,618)	-4%	
	EU Exit Work Programme	267,000	256,106	(10,895)	-4%		266,997	256,106	(10,891)	-4%	
	Nutrition and Dietary Health Work Programme	418,000	437,022	19,022	5%		416,475	437,022	20,547	5%	
	Regulatory Strategy Work Programme	46,000	20,301	(25,699)	-56%	Underspend as a result of work not progressing this FY due to COVID.	51,844	20,301	(31,543)	-61%	Underspend as a result of work not progressing this FY due to COVID.
	Total	4,645,431	4,243,791	(401,640)	-9%	Underspend driven by Core Activities mainly due to COVID: reductions in Primary Production, reduced sampling and sanitary surveys costs, Feed cost for LA Engagement/Capability Development project not going ahead this FY.	4,430,296	4,243,791	(186,505)	-4%	Underspend driven by Core Activities mainly due to COVID: reductions in Primary Production, reduced sampling and sanitary surveys costs, Feed cost for LA Engagement/Capability Development project not going ahead this FY.
Capital	Core Activities	346,385	116,327	(230,059)	-66%	Underspend caused by costs lower than estimated, delays in work, reclassification of OWS licence cost to Admin expense.	283,751	116,327	(167,424)	-59%	Underspend caused by costs lower than estimated, delays in work, reclassification of OWS licence cost to Admin expense.
	EU Exit Work Programme	-	-	-	0%		-	-	-	0%	
	Nutrition and Dietary Health Work Programme	-	-	-	0%		-	-	-	0%	
	Regulatory Strategy Work Programme	240,000	119,283	(120,717)	-50%	Underspend due to actual costs lower than budgeted, work delayed, Feed Audit IT system costs reduced.	224,000	119,283	(104,718)	-47%	Underspend due to actual costs lower than budgeted, work delayed, Feed Audit IT system costs reduced.
	Total	586,385	235,609	(350,776)	-60%	Underspend due to actual costs lower than budgeted, work delayed and reclassification of costs to Admin expense.	507,751	235,609	(272,142)	-54%	Underspend due to actual costs lower than budgeted, work delayed and reclassification of costs to Admin expense.
Income	Core Activities	(3,899,079)	(3,999,068)	(99,989)	3%	General increase in the hours worked above forecast in a number of plants and three Fish Hubs.	(3,946,314)	(3,999,068)	(52,754)	1%	
	EU Exit Work Programme	-	-	-	0%		-	-	-	0%	
	Nutrition and Dietary Health Work Programme	-	-	-	0%		-	-	-	0%	
	Regulatory Strategy Work Programme	-	-	-	0%		-	-	-	0%	
	Total	(3,899,079)	(3,999,068)	(99,989)	3%		(3,946,314)	(3,999,068)	(52,754)	1%	
FSS TOTAL	18,350,629	16,683,091	(1,667,538)	-9%	Underspend mainly due to delays in the recruitment processes, delays in project work due to COVID, and overestimated project costs.	17,413,198	16,683,091	(730,107)	-4%	Underspend mainly due to delays in the recruitment processes, delays in project work due to COVID, and overestimated project costs.	

Figure 2b – Allocation of resource expenditure

Forecast Accuracy v Actual Expenditure

In Figure 3 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										1,259,374	1,633,084	2,288,693	16,824,821
March Forecast											1,570,566	2,504,936	16,978,546
YTD Actual												2,209,480	16,683,091

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.

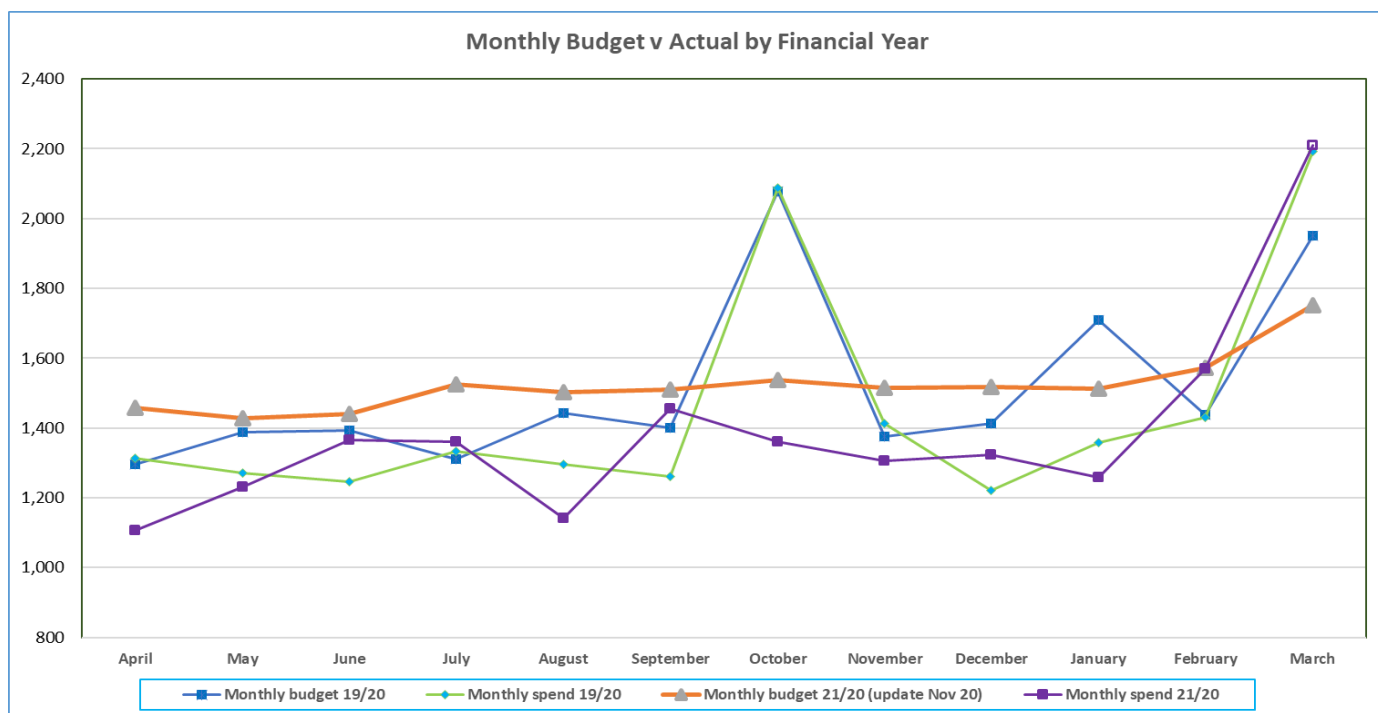


Figure 4 – Year on Year Comparison – monthly budget v actual

Description	Staff Complement
Budgeted Posts (FTE)	339.5
Vacancies (Mar)	47.3
Seconded Staff (Mar)	6.6
Agency Staff (Mar)	18.3
Permanent (Mar)	216.9
FTA - not permanent (Mar)	23.9
Maternity Leave	8.8
Leavers	-2.5
Total FTE (Mar)	269.3

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%
Jan-21	262	95%
Feb-21	281	99%
Mar-21	382	99%
Total	3078	93%

Figures 6 – Supplier Payments