

FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE

1 Purpose of the paper

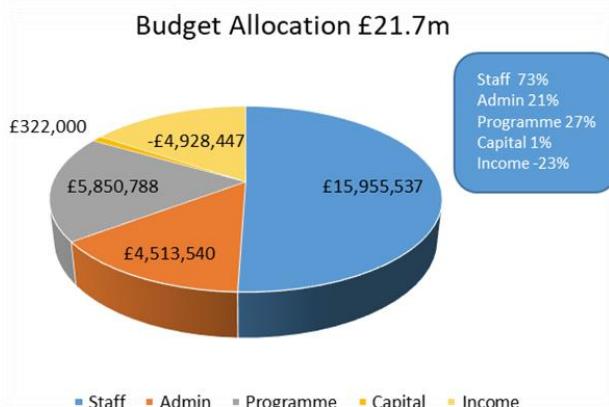
- 1.1 This paper is presented to the Board for information and reports on the financial performance of Food Standards Scotland (FSS) up to 31 December 2021.
- 1.2 At the end of Quarter 3 FSS is reporting an outturn of £21.2m against the resource budget of £21.7m, representing a projected 2.3% underspend against budget.
- 1.3 The Board is asked to:
 - Note the financial information reported as at 31 December 2021.
 - 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 is £21.7m. 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.
- 3.2 The funding for the Scottish pilot contributing to the UK Pathsafe research programme of £100k forms a part of the UK/SG budget transfers and is included in the budget and forecast figures.
- 3.3 The £21.7m budget is allocated internally to deliver FSS strategic objectives with breakdown as below.



- 3.4 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).

- 3.5 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.

4 Discussion

Financial Performance Summary

- 4.1 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 Q3 Actual expenditure

- 4.2 The third quarter budget profile presented in the Year to Date Performance (Figure 1) is based on the assessment provided by branches in October 2021. The actual spend to the end of the third quarter when compared to the budget profile was £650k under budget (14%). The main budget categories contributing to this underspend are Programme (£360k), where project expenditure has been reprofiled to later in the year or removed from this year spend, and Staff £299k with the continuing ongoing delays in recruitment.
- 4.3 For each element, variances are reported comparing quarterly budget versus actual quarter 3 expenditure with explanation provided for any differences. Further detail of the quarter variances are as follows:

Staff -£299k (8%) under budget

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 staff leaving, retiring and going on career breaks which has impacted on the number of the posts that are vacant. The current timing gap between staff leaving and replacements coming in is generating an underspend each time this occurs.

Admin £30k (15%) over budget

The admin overspend is mainly related to inclusion of the Sustainability/Net zero project with the increase offset by less travel and accommodation costs due to COVID restrictions, corporate training fees and training spend moved to Q4.

Programme -£360k (29%) under budget

This underspend for this quarter is a result of reprofiling spend to the next quarter for a number of projects across the organisation, mainly due to delays in Local Authority Sampling Grants, delays in Local Authorities authorisations and lack of sampling resource causing decrease in Primary Production inspections. In addition, a number of Work Programme projects are also not going ahead this financial year: Dietary Guidance development, Regulated Assurance Programme, Safety Campaign, Media Training Campaign, Monitoring Diet Online and scaling down Sustainability of Official Controls project.

Capital -£45k under budget

This underspend is due to the review of the budget spend profile of IT related projects. Some of the original planned expenditure was reprofiled into quarter 4 or moved into the following year to reflect the various projects' timelines.

Income £23k (-2%) under budget

Reduction in income following implementation of new charge out rates for the Export hubs (previously notified of reconciliation of the estimated charge out rate compared to actual costs).

Full Year Outturn

- 4.4 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.
- 4.5 In addition, this table also provides detail behind the five budget categories in Figure 2 with summary details of the overall budget and updated forecast for January onwards. It is clear that the greatest area of underspend is in our Staff budget. 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.
- 4.6 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

- 4.7 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.
- 4.8 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 £355k for each of the three months.

October 21: The underspend of £166k (-9%) against the October forecast was mostly as a result of lower Admin cost due to the provision for prior year tribunal costs less than expected (£75k), reduced staff costs due to delays in recruitment, decrease in agency staff and overtime costs (£53k), decrease in Programme expenditure due to reprofiling to later in the year (£49k), offset by less income.

November 21: The overspend in November forecast of 26k (2%) was due to increased Staff costs for pay supplement payments, agency and overtime costs, offset by delays in recruitment (£24k). This was offset by the underspend in Programme costs mainly due to less Primary Production inspections carried out than forecasted and less income.

December 21: The underspend of £215k (-11%) in December was mainly for Programme (-£129k) where a number of projects spend were reprofiled to quarter 4 for example local authority sampling project work or not going ahead this year – names of projects were previously mentioned at para 4.3. In addition, reduction in Staff spend (-£47k) was due to lower pay supplements payments than estimated, further delays in recruitment across the organisation and reduced agency staff costs. Decrease in Admin spend (-£40k) was mainly driven by reductions of travel costs and various admin expenditures reprofiled into later months.

- 4.9 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. 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 3 of the Financial Year 21-22, the organisation has reported COVID related spend of £100k 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 quarter 3 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. There is potential for some further reductions in this area going forward.
- 5.3 Budget 2022/23: 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.
- 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. Following a review of staffing requirements the Executive has approved an additional 29 posts taking the total agreed posts to 369 at the end of December. The Staff Complement table (Figure 6) provides the posts that were filled at the end of December.
- 5.5 At that time 261 were filled permanently (3 currently on maternity leave), 39 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 63 unfilled vacancies. During Quarter 3, 13 employees left the organisation of which 1 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 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.
- 5.7 At the end of December, the cash drawn down from the Scottish Government relating to the 2021/22 budget was £13.3m. The bank balance as of 31 December was £3.1m.
- 5.8 At the end of the quarter, the outstanding debt was £394k which was a decrease of £121k (23%) from the previous quarter. £105k (24%) was over the accepted 31 day payment term and out of which £29k (6%) 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 £9k.

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 expected end year position reported as at 31st December 2021.
- **Note** the Resource and AME budget amounts for 2021/22.

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Date 4 March 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 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.

	£'000	Budget Profile 21/22					Actual Spend 21/22			Variance Analysis	
		21/22 Budget	Q1	Q2	Q3	YTD	Q1	Q2	Q3	YTD	Q3 Variance
Staff	15,956	3,648	3,737	4,201	11,587	3,645	3,734	3,903	11,281	(299)	-8%
Administration	4,514	1,020	1,013	1,065	3,099	1,021	1,011	1,094	3,126	30	3%
Programme	5,851	1,053	1,241	1,648	3,942	1,053	1,241	1,288	3,582	(360)	-29%
Capital	322	8	49	50	108	8	39	5	53	(45)	-114%
Income	(4,928)	(1,287)	(1,266)	(1,177)	(3,729)	(1,287)	(1,266)	(1,154)	(3,706)	23	-2%
Total	21,713	4,443	4,775	5,787	15,005	4,440	4,760	5,137	14,337	(650)	-14%

Figure 1: Year-to-Date Performance

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

	FSS Budget	January forecast	January forecast vs FSS budget
CEO	620	602	(18)
DPSO	11,964	11,797	(167)
DSCA	9,129	8,823	(306)
Total	21,713	21,222	(491)
Staff	15,956	15,492	(463)
Admin	4,514	4,605	92
Programme	5,851	5,769	(82)
Capital	322	261	(61)
Income	(4,928)	(4,905)	24
Total	21,713	21,222	(491)

Figure 2 – FSS Budget and Forecast

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

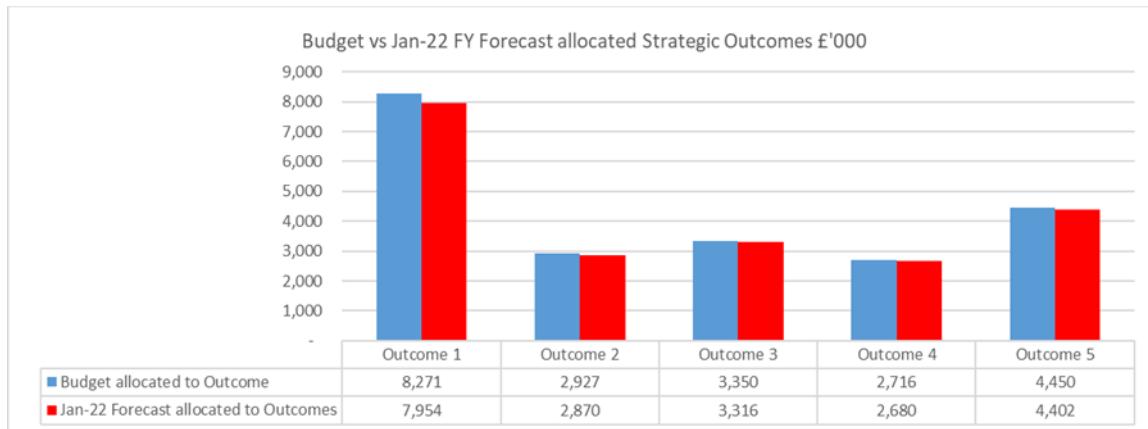


Figure 3a – Allocation of resource expenditure to Strategic Outcomes

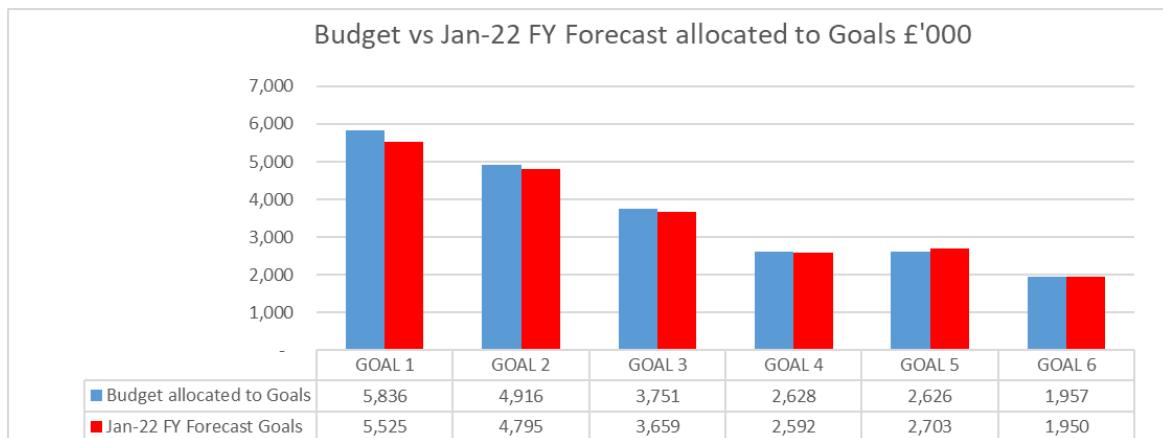


Figure 3b – Allocation of resource expenditure to Strategic Goals

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	FSS Forecast												2021-22 FY
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	
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	2,054	1,974	2,508	21,541
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								1,781	1,948	2,264	2,167	2,360	21,347
January Forecast									1,733	2,076	2,316	2,494	21,222

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

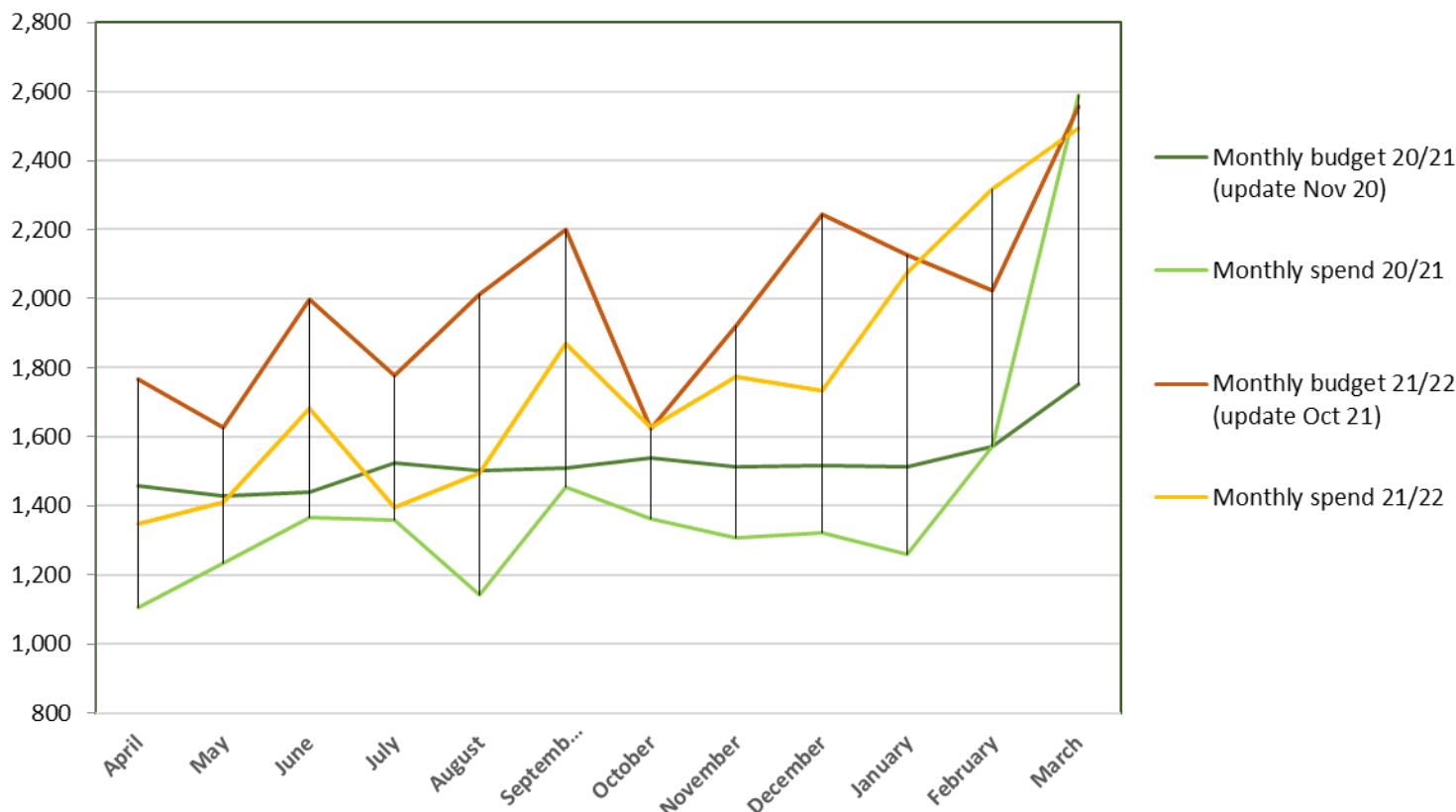


Figure 5 – Year on Year Comparison – monthly budget vs actual

Staff Complement and Supplier Payments

Type of post	Q1 Staff Numbers	Q2 Staff Numbers	Q3 Staff Numbers
Permanent Staff	231	249	261
FTA - not permanent	28	20	26
Agency Staff	21	20	13
Maternity Leave	8	5	3
Seconded Staff	5	4	4
Total FTE	292	298	307
Vacancies	61	59	62
Budgeted Posts (FTE)	353	357	369

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

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%
Total	2671	96%

Figures 7 – Supplier Payments